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H.B. No. 3757

A BILL TO BE ENTITLED

AN ACT

relating to the authority of a taxing unit other than a school district, county, municipality, or junior college district to establish a limitation on the amount of ad valorem taxes that the taxing unit may impose on the residence homesteads of individuals who are disabled or elderly and their surviving spouses and to the information required to be included in a tax bill.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.262 to read as follows:

Sec. 11.262. LIMITATION OF TAX IMPOSED BY CERTAIN TAXING UNITS ON HOMESTEADS OF INDIVIDUALS WHO ARE DISABLED OR ELDERLY. (a) In this section:

(1) "Eligible individual" means an individual who meets any income eligibility requirements for a limitation on tax increases provided by this section prescribed by the qualifying taxing unit that established the limitation. If the qualifying taxing unit does not prescribe income eligibility requirements for the limitation on tax increases provided by this section, an eligible individual is any individual who is otherwise eligible for the limitation provided by this section.

(2) "Qualifying taxing unit" means a taxing unit other than a school district, county, municipality, or junior college district.

(3) "Residence homestead" has the meaning assigned by Section 11.13.

(b) This section applies only to a qualifying taxing unit that establishes a limitation under Section 1-b(h-1), Article VIII, Texas Constitution, on the total amount of taxes that may be imposed by the taxing unit on the residence homestead of an eligible individual who is disabled or is 65 years of age or older.

(c) The governing body of a qualifying taxing unit that establishes a limitation on tax increases provided by this section may elect to provide the limitation to all individuals who are disabled or are 65 years of age or older or to provide the limitation only to those individuals who are disabled or are 65 years of age or older and who meet certain income eligibility requirements established by the governing body. If the governing body establishes income eligibility requirements for the limitation on tax increases provided by this section, those requirements must be based on an individual having a household income that does not exceed 200 percent of the federal poverty level. For purposes of income eligibility requirements established under this subsection, if an individual's household income was initially determined using only the income of the individual and the individual's spouse, on the death of the individual or the individual's spouse, the surviving spouse's household income must be calculated as though two persons still reside in the household.

(d) The tax officials shall appraise the residence homestead of an eligible individual who is disabled or is 65 years of age or older and calculate taxes on that residence homestead in the same manner as other residence homesteads, but if the tax so calculated exceeds the limitation provided by this section, the tax imposed is the amount of the tax as limited by this section, except as otherwise provided by this section.

(e) A qualifying taxing unit may not increase the total annual amount of ad valorem taxes the taxing unit imposes on the residence homestead of an eligible individual who is disabled or is 65 years of age or older above the amount of the taxes the taxing unit imposed on the residence homestead in the first tax year in which the eligible individual qualified that residence homestead for the exemption provided by Section 11.13(c) for an individual who is disabled or is 65 years of age or older and was an eligible individual. If the eligible individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the exemption for the next year, and if the taxes imposed by the taxing unit on the residence homestead in the next year are less than the amount of those taxes imposed in that first year, the taxing unit may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed on the residence homestead in the year immediately following the first year for which the individual qualified that residence homestead for the exemption and was an eligible individual.

(f) If an eligible individual who is disabled or is 65 years of age or older makes improvements to the individual's residence homestead, other than repairs and other than improvements required to comply with governmental requirements, the qualifying taxing unit may increase the amount of taxes on the homestead in the first year the value of the homestead is increased on the appraisal roll because of the enhancement of value by the improvements. The amount of the tax increase is determined by applying the current tax rate of the qualifying taxing unit to the difference between the appraised value of the homestead with the improvements and the appraised value the homestead would have had without the improvements. The limitation provided by this section then applies to the increased amount of taxes on the residence homestead until more improvements, if any, are made.

(g) A limitation on tax increases provided by this section expires if on January 1:

(1) none of the owners of the structure who qualify for the exemption provided by Section 11.13(c) for an individual who is disabled or is 65 years of age or older and who owned the structure when the limitation first took effect are using the structure as a residence homestead;

(2) none of the owners of the structure qualify for the exemption provided by Section 11.13(c) for an individual who is disabled or is 65 years of age or older; or

(3) none of the owners of the structure are eligible individuals.

(h) If the appraisal roll provides for taxation of appraised value for a prior year because a residence homestead exemption for an eligible individual who is disabled or is 65 years of age or older was erroneously allowed or because an individual was erroneously considered to be an eligible individual, the tax assessor for the applicable county shall add, as back taxes due as provided by Section 26.09(d), the positive difference, if any, between the tax that should have been imposed for that year and the tax that was imposed under the requirements of this section.

(i) A limitation on tax increases provided by this section does not expire because the owner of an interest in the structure conveys the interest to a qualifying trust as defined by Section 11.13(j) if the owner or the owner's spouse is a trustor of the trust and is entitled to occupy the structure.

(j) Except as provided by Subsection (f), if an eligible individual who receives a limitation on tax increases provided by this section, including a surviving spouse who receives a limitation under Subsection (l), subsequently qualifies a different residence homestead in the same qualifying taxing unit for an exemption under Section 11.13, the taxing unit may not impose ad valorem taxes on the subsequently qualified homestead in a year in an amount that exceeds the amount of taxes the taxing unit would have imposed on the subsequently qualified homestead in the first year in which the individual receives that exemption for the subsequently qualified homestead had the limitation on tax increases required by this section not been in effect, multiplied by a fraction the numerator of which is the total amount of taxes imposed on the former homestead by the taxing unit in the last year in which the individual received that exemption for the former homestead and the denominator of which is the total amount of taxes that would have been imposed on the former homestead by the taxing unit in the last year in which the individual received that exemption for the former homestead had the limitation on tax increases provided by this section not been in effect.

(k) An eligible individual who receives a limitation on tax increases under this section, including a surviving spouse who receives a limitation under Subsection (l), and who subsequently qualifies a different residence homestead for an exemption under Section 11.13, or an agent of the individual, is entitled to receive from the chief appraiser of the appraisal district in which the former homestead was located a written certificate providing the information necessary to determine whether the individual may qualify for a limitation on the subsequently qualified homestead under Subsection (j) and to calculate the amount of taxes the qualifying taxing unit may impose on the subsequently qualified homestead.

(l) If an eligible individual who qualifies for a limitation on tax increases under this section dies, the surviving spouse of the individual is entitled to the limitation on taxes imposed by the qualifying taxing unit on the residence homestead of the individual if:

(1) the surviving spouse:

(A) is disabled or is 55 years of age or older when the individual dies; and

(B) is an eligible individual; and

(2) the residence homestead of the individual:

(A) is the residence homestead of the surviving spouse on the date that the individual dies; and

(B) remains the residence homestead of the surviving spouse.

(m) If an eligible individual who is 65 years of age or older and qualifies for a limitation on tax increases for the elderly under this section dies in the first year in which the individual qualified for the limitation and the individual first qualified for the limitation after the beginning of that year, except as provided by Subsection (n), the amount to which the surviving spouse's taxes are limited under Subsection (l) is the amount of taxes imposed by the qualifying taxing unit on the residence homestead in that year determined as if the individual qualifying for the exemption had lived for the entire year.

(n) If in the first tax year after the year in which an eligible individual who is 65 years of age or older dies under the circumstances described by Subsection (m), the amount of taxes imposed by the qualifying taxing unit on the residence homestead of the surviving spouse is less than the amount of taxes imposed by the taxing unit in the preceding year as limited by Subsection (m), in a subsequent tax year the surviving spouse's taxes imposed by the taxing unit on that residence homestead are limited to the amount of taxes imposed by the taxing unit in that first tax year after the year in which the individual dies.

(o) Notwithstanding Subsection (g), a limitation on tax increases provided by this section does not expire if the owner of the structure qualifies for an exemption under Section 11.13 under the circumstances described by Section 11.135(a).

(p) Notwithstanding Subsections (d) and (f), an improvement to property that would otherwise constitute an improvement under

Subsection (f) is not treated as an improvement under that subsection if the improvement is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage. For purposes of appraising the property in the tax year in which the structure would have constituted an improvement under Subsection (f), the replacement structure is considered to be an improvement under that subsection only if:

(1) the square footage of the replacement structure exceeds that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2) the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

(q) An heir property owner who qualifies heir property as the owner's residence homestead under this chapter is considered the sole owner of the property for the purposes of this section.

(r) The chief appraiser for an appraisal district in which a qualifying taxing unit participates may require an individual to provide any information that is reasonably necessary for the chief appraiser to determine whether the individual is an eligible individual for purposes of this section.

SECTION 2. Sections 23.19(b) and (g), Tax Code, are amended to read as follows:

(b) If an appraisal district receives a written request for the appraisal of real property and improvements of a cooperative housing corporation according to the separate interests of the corporation's stockholders, the chief appraiser shall separately appraise the interests described by Subsection (d) if the conditions required by Subsections (e) and (f) have been met. Separate appraisal under this section is for the purposes of administration of tax exemptions, determination of applicable limitations of taxes under Section 11.26, [~~or~~] 11.261, or 11.262, and apportionment by a cooperative housing corporation of property taxes among its stockholders but is not the basis for determining value on which a tax is imposed under this title. A stockholder whose interest is separately appraised under this section may protest and appeal the appraised value in the manner provided by this title for protest and appeal of the appraised value of other property.

(g) A tax bill or a separate statement accompanying the tax bill to a cooperative housing corporation for which interests of stockholders are separately appraised under this section must state, in addition to the information required by Section 31.01, the appraised value and taxable value of each interest separately appraised. Each exemption claimed as provided by this title by a person entitled to the exemption shall also be deducted from the total appraised value of the property of the corporation. The total tax imposed by a taxing unit [~~school district, county, municipality, or junior college district~~] shall be reduced by any amount that represents an increase in taxes attributable to separately appraised interests of the real property and improvements that are subject to the limitation of taxes prescribed by Section 11.26, [~~or~~] 11.261, or 11.262. The corporation shall apportion among its stockholders liability for reimbursing the corporation for property taxes according to the relative taxable values of their interests.

SECTION 3. Sections 26.012(6), (13), and (14), Tax Code, are amended to read as follows:

(6) "Current total value" means the total taxable value of property listed on the appraisal roll for the current year, including all appraisal roll supplements and corrections as of the date of the calculation, less the taxable value of property exempted for the current tax year for the first time under Section 11.31 or 11.315, except that:

(A) the current total value for a school district excludes:

(i) the total value of homesteads that qualify for a tax limitation as provided by Section 11.26; and

(ii) new property value of property that is subject to an agreement entered into under Chapter 313; [~~and~~]

(B) the current total value for a county, municipality, or junior college district excludes the total value of homesteads that qualify for a tax limitation as provided by Section 11.261; and

(C) the current total value for a taxing unit other than a school district, county, municipality, or junior college district excludes the total value of homesteads that qualify for a tax limitation as provided by Section 11.262.

(13) "Last year's levy" means the total of:

(A) the amount of taxes that would be generated by multiplying the total tax rate adopted by the governing body in the preceding year by the total taxable value of property on the appraisal roll for the preceding year, including:

(i) taxable value that was reduced in an appeal under Chapter 42;

(ii) all appraisal roll supplements and corrections other than corrections made pursuant to Section 25.25(d), as of the date of the calculation, except that:

(a) last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26;

(b) [~~and~~] last year's taxable value for a county, municipality, or junior college district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.261; and

(c) last year's taxable value for a taxing unit other than a school district, county, municipality, or junior college district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.262; and

(iii) the portion of taxable value of property that is the subject of an appeal under Chapter 42 on July 25 that is not in dispute; and

(B) the amount of taxes refunded by the taxing unit in the preceding year for tax years before that year.

(14) "Last year's total value" means the total taxable value of property listed on the appraisal roll for the preceding year, including all appraisal roll supplements and corrections,

other than corrections made pursuant to Section 25.25(d), as of the date of the calculation, except that:

(A) last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26; [~~and~~]

(B) last year's taxable value for a county, municipality, or junior college district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.261; and

(C) last year's taxable value for a taxing unit other than a school district, county, municipality, or junior college district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.262.

SECTION 4. Section 31.01, Tax Code, is amended by adding Subsection (m) to read as follows:

(m) The tax bill must include the appraisal district's account number for the property.

SECTION 5. This Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 6. This Act takes effect January 1, 2024, but only if the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, to authorize a limitation on the total amount of ad valorem taxes that a political subdivision other than a school district, county, municipality, or junior college district may impose on the residence homesteads of persons who are disabled or elderly and their surviving spouses is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.