

By: Cook

H.B. No. 4261

A BILL TO BE ENTITLED

AN ACT

1
2 relating to a limitation on increases in the appraised value for ad
3 valorem tax purposes of the residence homesteads of military
4 veterans, individuals who are disabled or 65 years of age or older,
5 and their surviving spouses.

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

7 SECTION 1. Section 1.12(d), Tax Code, is amended to read as
8 follows:

9 (d) For purposes of this section, the appraisal ratio of a
10 homestead to which Section 23.23 or 23.231 applies is the ratio of
11 the property's market value as determined by the appraisal district
12 or appraisal review board, as applicable, to the market value of the
13 property according to law. The appraisal ratio is not calculated
14 according to the appraised value of the property as limited by
15 Section 23.23 or 23.231.

16 SECTION 2. Subchapter B, Chapter 23, Tax Code, is amended by
17 adding Section 23.231 to read as follows:

18 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF RESIDENCE
19 HOMESTEADS OF CERTAIN INDIVIDUALS. (a) In this section:

20 (1) "Disaster recovery program" means the disaster
21 recovery program administered by the General Land Office or by a
22 political subdivision of this state that is funded with community
23 development block grant disaster recovery money authorized by
24 federal law.

1 (2) "New improvement" means an improvement to a
2 residence homestead made after the most recent appraisal of the
3 property that increases the market value of the property and the
4 value of which is not included in the appraised value of the
5 property for the preceding tax year. The term does not include
6 repairs to or ordinary maintenance of an existing structure or the
7 grounds or another feature of the property.

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

10 (4) "Veteran" means an individual who:

11 (A) has served in:

12 (i) an active or reserve component of the
13 army, navy, air force, coast guard, or marine corps of the United
14 States; or

15 (ii) the Texas National Guard, as defined
16 by Section 431.001, Government Code; and

17 (B) has been discharged or released from the
18 branch of the service in which the individual served under
19 conditions other than dishonorable.

20 (b) This section applies only to a residence homestead owned
21 by:

22 (1) a veteran;

23 (2) an individual who receives an exemption under
24 Section 11.13(c); or

25 (3) the surviving spouse of a person described by
26 Subdivision (1) or (2).

27 (c) Notwithstanding the requirements of Sections 23.23 and

1 25.18, and regardless of whether the appraisal office has appraised
2 the property and determined the market value of the property for the
3 tax year, an appraisal office may increase the appraised value of a
4 residence homestead to which this section applies for a tax year to
5 an amount not to exceed the lowest of:

6 (1) the market value of the property for the most
7 recent tax year that the market value was determined by the
8 appraisal office;

9 (2) the sum of:

10 (A) the appraised value of the property for the
11 tax year in which the owner first qualified the property for the
12 limitation provided by this section; and

13 (B) the market value of all new improvements to
14 the property; or

15 (3) the sum of:

16 (A) the appraised value of the property for the
17 preceding tax year; and

18 (B) the market value of all new improvements to
19 the property.

20 (d) When appraising a residence homestead to which this
21 section applies, the chief appraiser shall:

22 (1) appraise the property at its market value; and

23 (2) include in the appraisal records both the market
24 value of the property and the amounts computed under Subsections
25 (c)(2) and (3).

26 (e) The limitation provided by Subsection (c) takes effect
27 as to a residence homestead on January 1 of the tax year following

1 the first tax year in which the owner owns the property on January 1
2 and in which the owner qualifies the property for the
3 limitation. The limitation expires on January 1 of the first tax
4 year that neither the owner of the property when the limitation took
5 effect nor the owner's spouse or surviving spouse qualifies for the
6 limitation.

7 (f) For purposes of Subsection (e), a person who acquired a
8 residence homestead to which this section applies before the 2023
9 tax year is considered to have acquired the property on January 1,
10 2023.

11 (g) This section does not apply to property appraised under
12 Subchapter C, D, E, F, or G.

13 (h) Notwithstanding Subsection (c), and except as provided
14 by Subdivision (2), an improvement to property that would otherwise
15 constitute a new improvement is not treated as a new improvement if
16 the improvement is a replacement structure for a structure that was
17 rendered uninhabitable or unusable by a casualty or by wind, fire,
18 or water damage. For purposes of appraising the property under
19 Subsection (c) in the tax year in which the structure would have
20 constituted a new improvement:

21 (1) the appraised value the property would have had in
22 the preceding tax year if the casualty or damage had not occurred is
23 considered to be the appraised value of the property for that year,
24 regardless of whether that appraised value exceeds the actual
25 appraised value of the property for that year as limited by
26 Subsection (c); and

27 (2) the replacement structure is considered to be a

1 new improvement only if:

2 (A) the square footage of the replacement
3 structure exceeds that of the replaced structure as that structure
4 existed before the casualty or damage occurred; or

5 (B) the exterior of the replacement structure is
6 of higher quality construction and composition than that of the
7 replaced structure.

8 (i) Notwithstanding Subsection (h)(2), and only to the
9 extent necessary to satisfy the requirements of a disaster recovery
10 program, a replacement structure described by that subdivision is
11 not considered to be a new improvement if to satisfy the
12 requirements of the disaster recovery program it was necessary
13 that:

14 (1) the square footage of the replacement structure
15 exceed that of the replaced structure as that structure existed
16 before the casualty or damage occurred; or

17 (2) the exterior of the replacement structure be of
18 higher quality construction and composition than that of the
19 replaced structure.

20 (j) To receive a limitation under Subsection (c), a person
21 claiming the limitation must apply for the limitation by filing an
22 application with the chief appraiser of the appraisal
23 district. The application must be filed not later than May 1 of the
24 year for which the person claims the limitation. The chief
25 appraiser shall accept and approve or deny an application. For
26 property appraised by more than one appraisal district, a separate
27 application must be filed in each appraisal district to receive the

1 limitation in that district.

2 (k) A limitation provided by Subsection (c), once allowed,
3 need not be claimed in subsequent years and applies to the property
4 until the limitation expires as provided by this section or until
5 the person's qualification for the limitation ends. However, the
6 chief appraiser may require a person allowed a limitation in a prior
7 year to file a new application to confirm the person's current
8 qualification for the limitation by delivering not later than April
9 1 a written notice that a new application is required, accompanied
10 by an appropriate application form, to the person previously
11 allowed the limitation.

12 (l) The comptroller, in prescribing the contents of the
13 application form for a limitation under Subsection (c), shall
14 ensure that the form requires an applicant to provide the
15 information necessary to determine the validity of the limitation
16 claim.

17 SECTION 3. Section 41.41(a), Tax Code, is amended to read as
18 follows:

19 (a) A property owner is entitled to protest before the
20 appraisal review board the following actions:

21 (1) determination of the appraised value of the
22 owner's property or, in the case of land appraised as provided by
23 Subchapter C, D, E, or H, Chapter 23, determination of its appraised
24 or market value;

25 (2) unequal appraisal of the owner's property;

26 (3) inclusion of the owner's property on the appraisal
27 records;

1 (4) denial to the property owner in whole or in part of
2 a partial exemption;

3 (4-a) determination that the owner's property does not
4 qualify for the limitation on appraised value provided by Section
5 23.231;

6 (5) determination that the owner's land does not
7 qualify for appraisal as provided by Subchapter C, D, E, or H,
8 Chapter 23;

9 (6) identification of the taxing units in which the
10 owner's property is taxable in the case of the appraisal district's
11 appraisal roll;

12 (7) determination that the property owner is the owner
13 of property;

14 (8) a determination that a change in use of land
15 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;
16 or

17 (9) any other action of the chief appraiser, appraisal
18 district, or appraisal review board that applies to and adversely
19 affects the property owner.

20 SECTION 4. Section 42.26(d), Tax Code, is amended to read as
21 follows:

22 (d) For purposes of this section, the value of the property
23 subject to the suit and the value of a comparable property or sample
24 property that is used for comparison must be the market value
25 determined by the appraisal district when the property is a
26 residence homestead subject to the limitation on appraised value
27 imposed by Section 23.23 or 23.231.

1 SECTION 5. Sections 403.302(d) and (i), Government Code,
2 are amended to read as follows:

3 (d) For the purposes of this section, "taxable value" means
4 the market value of all taxable property less:

5 (1) the total dollar amount of any residence homestead
6 exemptions lawfully granted under Section 11.13(b) or (c), Tax
7 Code, in the year that is the subject of the study for each school
8 district;

9 (2) one-half of the total dollar amount of any
10 residence homestead exemptions granted under Section 11.13(n), Tax
11 Code, in the year that is the subject of the study for each school
12 district;

13 (3) the total dollar amount of any exemptions granted
14 before May 31, 1993, within a reinvestment zone under agreements
15 authorized by Chapter 312, Tax Code;

16 (4) subject to Subsection (e), the total dollar amount
17 of any captured appraised value of property that:

18 (A) is within a reinvestment zone created on or
19 before May 31, 1999, or is proposed to be included within the
20 boundaries of a reinvestment zone as the boundaries of the zone and
21 the proposed portion of tax increment paid into the tax increment
22 fund by a school district are described in a written notification
23 provided by the municipality or the board of directors of the zone
24 to the governing bodies of the other taxing units in the manner
25 provided by former Section 311.003(e), Tax Code, before May 31,
26 1999, and within the boundaries of the zone as those boundaries
27 existed on September 1, 1999, including subsequent improvements to

1 the property regardless of when made;

2 (B) generates taxes paid into a tax increment
3 fund created under Chapter 311, Tax Code, under a reinvestment zone
4 financing plan approved under Section 311.011(d), Tax Code, on or
5 before September 1, 1999; and

6 (C) is eligible for tax increment financing under
7 Chapter 311, Tax Code;

8 (5) the total dollar amount of any captured appraised
9 value of property that:

10 (A) is within a reinvestment zone:

11 (i) created on or before December 31, 2008,
12 by a municipality with a population of less than 18,000; and

13 (ii) the project plan for which includes
14 the alteration, remodeling, repair, or reconstruction of a
15 structure that is included on the National Register of Historic
16 Places and requires that a portion of the tax increment of the zone
17 be used for the improvement or construction of related facilities
18 or for affordable housing;

19 (B) generates school district taxes that are paid
20 into a tax increment fund created under Chapter 311, Tax Code; and

21 (C) is eligible for tax increment financing under
22 Chapter 311, Tax Code;

23 (6) the total dollar amount of any exemptions granted
24 under Section 11.251 or 11.253, Tax Code;

25 (7) the difference between the comptroller's estimate
26 of the market value and the productivity value of land that
27 qualifies for appraisal on the basis of its productive capacity,

1 except that the productivity value estimated by the comptroller may
2 not exceed the fair market value of the land;

3 (8) the portion of the appraised value of residence
4 homesteads of individuals who receive a tax limitation under
5 Section 11.26, Tax Code, on which school district taxes are not
6 imposed in the year that is the subject of the study, calculated as
7 if the residence homesteads were appraised at the full value
8 required by law;

9 (9) a portion of the market value of property not
10 otherwise fully taxable by the district at market value because of
11 action required by statute or the constitution of this state, other
12 than Section 11.311, Tax Code, that, if the tax rate adopted by the
13 district is applied to it, produces an amount equal to the
14 difference between the tax that the district would have imposed on
15 the property if the property were fully taxable at market value and
16 the tax that the district is actually authorized to impose on the
17 property, if this subsection does not otherwise require that
18 portion to be deducted;

19 (10) the market value of all tangible personal
20 property, other than manufactured homes, owned by a family or
21 individual and not held or used for the production of income;

22 (11) the appraised value of property the collection of
23 delinquent taxes on which is deferred under Section 33.06, Tax
24 Code;

25 (12) the portion of the appraised value of property
26 the collection of delinquent taxes on which is deferred under
27 Section 33.065, Tax Code;

1 (13) the amount by which the market value of a
2 residence homestead to which Section 23.23 or 23.231, Tax Code,
3 applies exceeds the appraised value of that property as calculated
4 under Section 23.23 or 23.231, Tax Code, as applicable [~~that~~
5 ~~section~~]; and

6 (14) the total dollar amount of any exemptions granted
7 under Section 11.35, Tax Code.

8 (i) If the comptroller determines in the study that the
9 market value of property in a school district as determined by the
10 appraisal district that appraises property for the school district,
11 less the total of the amounts and values listed in Subsection (d) as
12 determined by that appraisal district, is valid, the comptroller,
13 in determining the taxable value of property in the school district
14 under Subsection (d), shall for purposes of Subsection (d)(13)
15 subtract from the market value as determined by the appraisal
16 district of residence homesteads to which Section 23.23 or 23.231,
17 Tax Code, applies the amount by which that amount exceeds the
18 appraised value of those properties as calculated by the appraisal
19 district under Section 23.23 or 23.231, Tax Code, as
20 applicable. If the comptroller determines in the study that the
21 market value of property in a school district as determined by the
22 appraisal district that appraises property for the school district,
23 less the total of the amounts and values listed in Subsection (d) as
24 determined by that appraisal district, is not valid, the
25 comptroller, in determining the taxable value of property in the
26 school district under Subsection (d), shall for purposes of
27 Subsection (d)(13) subtract from the market value as estimated by

1 the comptroller of residence homesteads to which Section 23.23 or
2 23.231, Tax Code, applies the amount by which that amount exceeds
3 the appraised value of those properties as calculated by the
4 appraisal district under Section 23.23 or 23.231, Tax Code, as
5 applicable.

6 SECTION 6. This Act applies only to the appraisal of
7 residence homesteads for ad valorem tax purposes for a tax year that
8 begins on or after the effective date of this Act.

9 SECTION 7. This Act takes effect January 1, 2024, but only
10 if a constitutional amendment proposed by the 88th Legislature,
11 Regular Session, 2023, authorizing the legislature to limit the
12 appraised value for ad valorem tax purposes of residence homesteads
13 of military veterans, individuals who are disabled or 65 years of
14 age or older, and their surviving spouses is approved by the
15 voters. If such an amendment is not approved by the voters, this
16 Act has no effect.