

By: Bell of Montgomery

H.B. No. 184

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of real property for ad valorem tax purposes.

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

SECTION 1. Section 1.12(d), Tax Code, as effective January 1, 2027, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of real property ~~[a homestead]~~ to which Section 23.23 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23.

SECTION 2. The heading to Section 23.23, Tax Code, is amended to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY ~~[RESIDENCE HOMESTEAD]~~.

SECTION 3. Section 23.23, Tax Code, is amended by amending Subsections (a), (b), (c), and (e) and adding Subsections (c-2), (c-3), (c-4), and (h) to read as follows:

(a) Notwithstanding the requirements of Section 25.18 and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of real

1 property [~~a residence homestead~~] for a tax year to an amount not to
2 exceed the lesser of:

3 (1) the market value of the property for the most
4 recent tax year that the market value was determined by the
5 appraisal office; or

6 (2) the sum of:

7 (A) five [~~10~~] percent of the appraised value of
8 the property for the preceding tax year;

9 (B) the appraised value of the property for the
10 preceding tax year; and

11 (C) the market value of all new improvements to
12 the property.

13 (b) When appraising real property [~~a residence homestead~~],
14 the chief appraiser shall:

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

16 (2) include in the appraisal records both the market
17 value of the property and the amount computed under Subsection
18 (a)(2).

19 (c) The limitation provided by Subsection (a) takes effect
20 on January 1 of the tax year following the first tax year in which
21 the owner owns the property on January 1 [~~as to a residence~~
22 ~~homestead on January 1 of the tax year following the first tax year~~
23 ~~the owner qualifies the property for an exemption under Section~~
24 ~~11.13~~]. Except as provided by Subsection (c-2) or (c-3), the [~~The~~]
25 limitation expires on January 1 of the first tax year following the
26 year in which [~~that neither~~] the owner of the property ceases to own
27 the property.

(c-2) If property subject to a limitation under this section qualifies for an exemption under Section 11.13 when the ownership of the property is transferred to the owner's spouse or surviving spouse, the limitation expires on January 1 of the first tax year following the year in which [when the limitation took effect nor] the owner's spouse or surviving spouse ceases to own the property, unless the limitation is further continued under this subsection on the subsequent transfer to a spouse or surviving spouse [qualifies for an exemption under Section 11.13].

(c-3) If property subject to a limitation under Subsection (a), other than a residence homestead, is owned by two or more persons, the limitation expires on January 1 of the first tax year following the year in which the ownership of at least a 50 percent interest in the property is sold or otherwise transferred.

(c-4) For purposes of applying the limitation provided by this section, a person who acquired real property in a tax year before the 2026 tax year, other than property that qualified as the residence homestead of the person under Section 11.13 in the 2026 tax year, is considered to have acquired the property on January 1, 2026.

(e) In this section, "new improvement" means an improvement to real property [a residence homestead] made after the most recent appraisal of the property that increases the market value of the property and the value of which is not included in the appraised value of the property for the preceding tax year. The term does not include repairs to or ordinary maintenance of an existing structure or the grounds or another feature of the property.

1 (h) In this section, "real property" includes a
2 manufactured home as that term is defined by Section 1201.003,
3 Occupations Code, that qualifies as a residence homestead under
4 Section 11.13 of this code, regardless of whether the owner of the
5 manufactured home elects to treat the manufactured home as real
6 property under Section 1201.2055, Occupations Code.

7 SECTION 4. Section 42.26(d), Tax Code, as effective January
8 1, 2027, is amended to read as follows:

9 (d) For purposes of this section, the value of the property
10 subject to the suit and the value of a comparable property or sample
11 property that is used for comparison must be the market value
12 determined by the appraisal district when the property is [~~a~~
13 ~~residence homestead~~] subject to the limitation on appraised value
14 imposed by Section 23.23.

15 SECTION 5. Sections 403.302(d) and (i), Government Code, as
16 effective January 1, 2027, are amended to read as follows:

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

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

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

27 (3) the total dollar amount of any exemptions granted

1 before May 31, 1993, within a reinvestment zone under agreements
2 authorized by Chapter 312, Tax Code;

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

5 (A) is within a reinvestment zone created on or
6 before May 31, 1999, or is proposed to be included within the
7 boundaries of a reinvestment zone as the boundaries of the zone and
8 the proposed portion of tax increment paid into the tax increment
9 fund by a school district are described in a written notification
10 provided by the municipality or the board of directors of the zone
11 to the governing bodies of the other taxing units in the manner
12 provided by former Section 311.003(e), Tax Code, before May 31,
13 1999, and within the boundaries of the zone as those boundaries
14 existed on September 1, 1999, including subsequent improvements to
15 the property regardless of when made;

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

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

22 (5) the total dollar amount of any captured appraised
23 value of property that:

24 (A) is within a reinvestment zone:

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

27 (ii) the project plan for which includes

1 the alteration, remodeling, repair, or reconstruction of a
2 structure that is included on the National Register of Historic
3 Places and requires that a portion of the tax increment of the zone
4 be used for the improvement or construction of related facilities
5 or for affordable housing;

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

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

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

12 (7) the difference between the comptroller's estimate
13 of the market value and the productivity value of land that
14 qualifies for appraisal on the basis of its productive capacity,
15 except that the productivity value estimated by the comptroller may
16 not exceed the fair market value of the land;

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

23 (9) a portion of the market value of property not
24 otherwise fully taxable by the district at market value because of
25 action required by statute or the constitution of this state, other
26 than Section 11.311, Tax Code, that, if the tax rate adopted by the
27 district is applied to it, produces an amount equal to the

1 difference between the tax that the district would have imposed on
2 the property if the property were fully taxable at market value and
3 the tax that the district is actually authorized to impose on the
4 property, if this subsection does not otherwise require that
5 portion to be deducted;

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

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

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

15 (13) the amount by which the market value of real
16 property [~~a residence homestead~~] to which Section 23.23, Tax Code,
17 applies exceeds the appraised value of that property as calculated
18 under that section; and

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

21 (i) If the comptroller determines in the study that the
22 market value of property in a school district as determined by the
23 appraisal district that appraises property for the school district,
24 less the total of the amounts and values listed in Subsection (d) as
25 determined by that appraisal district, is valid, the comptroller,
26 in determining the taxable value of property in the school district
27 under Subsection (d), shall for purposes of Subsection (d)(13)

1 subtract from the market value as determined by the appraisal
 2 district of properties [~~residence homesteads~~] to which Section
 3 23.23, Tax Code, applies the amount by which that amount exceeds the
 4 appraised value of those properties as calculated by the appraisal
 5 district under Section 23.23, Tax Code. If the comptroller
 6 determines in the study that the market value of property in a
 7 school district as determined by the appraisal district that
 8 appraises property for the school district, less the total of the
 9 amounts and values listed in Subsection (d) as determined by that
 10 appraisal district, is not valid, the comptroller, in determining
 11 the taxable value of property in the school district under
 12 Subsection (d), shall for purposes of Subsection (d)(13) subtract
 13 from the market value as estimated by the comptroller of properties
 14 [~~residence homesteads~~] to which Section 23.23, Tax Code, applies
 15 the amount by which that amount exceeds the appraised value of those
 16 properties as calculated by the appraisal district under Section
 17 23.23, Tax Code.

18 SECTION 6. Sections 23.23(c-1) and 25.19(o), Tax Code, are
 19 repealed.

20 SECTION 7. This Act applies only to the appraisal for ad
 21 valorem tax purposes of real property for a tax year that begins on
 22 or after the effective date of this Act.

23 SECTION 8. This Act takes effect January 1, 2027, but only
 24 if the constitutional amendment proposed by the 89th Legislature,
 25 2nd Called Session, 2025, to authorize the legislature to limit the
 26 maximum appraised value of real property for ad valorem tax
 27 purposes to 105 percent or more of the appraised value of the

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1 property for the preceding tax year is approved by the voters. If
2 that amendment is not approved by the voters, this Act has no
3 effect.