

By: Muñoz

H.B. No. 246

A BILL TO BE ENTITLED

AN ACT

relating to the abolition of ad valorem taxes and the creation of a joint interim committee on the abolition of those taxes.

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

SECTION 1. (a) In this section, "committee" means the joint interim committee on the abolition of ad valorem taxes.

(b) The joint interim committee on the abolition of ad valorem taxes is composed of:

(1) five members of the house of representatives appointed by the speaker of the house of representatives; and

(2) five senators appointed by the lieutenant governor.

(c) The speaker of the house of representatives and the lieutenant governor shall make the appointments under Subsection (b) of this section not later than February 1, 2026.

(d) The speaker of the house of representatives and the lieutenant governor shall each designate a co-chair from among the committee members.

(e) The committee shall convene at the joint call of the co-chairs.

(f) The committee has all other powers and duties provided to a special or select committee by the rules of the senate and house of representatives, by Subchapter B, Chapter 301, Government Code, and by policies of the senate and house committees on

1 administration.

2 (g) The committee shall conduct a comprehensive study to  
3 determine how to replace local tax revenue that will be lost when ad  
4 valorem taxes are abolished with local sales and use tax revenue.

5 (h) The committee shall:

6 (1) consider whether political subdivisions that  
7 currently impose ad valorem taxes would have the authority to  
8 impose sales and use taxes;

9 (2) determine the average sales and use tax rate for  
10 each type of political subdivision that would be necessary to  
11 generate the same amount of tax revenue as the amount of tax revenue  
12 lost as a result of the abolition of ad valorem taxes;

13 (3) determine, if appropriate, the effect that  
14 broadening the application of sales and use taxes at the local level  
15 would have on the tax rates identified under Subdivision (2) of this  
16 subsection;

17 (4) identify whether tax revenue generated by sales  
18 and use taxes would require redistribution to offset disparities in  
19 available local tax revenue as a result of the abolition of ad  
20 valorem taxes and, if so, evaluate the different mechanisms of  
21 redistribution available; and

22 (5) identify and examine any other issue that would  
23 need to be addressed to implement the abolition of ad valorem taxes.

24 (i) On request of the committee, a state agency or political  
25 subdivision shall provide information for and assistance in  
26 conducting the study under this section.

27 (j) Not later than December 1, 2026, the committee shall

1 prepare and submit to the legislature a written report containing  
2 the results of the study and any recommendations for legislative or  
3 other action.

4 (k) The committee is abolished and this section expires  
5 January 1, 2027.

6 SECTION 2. (a) Title 1, Tax Code, is repealed.

7 (b) Notwithstanding any other law, this state or a political  
8 subdivision of this state may not impose an ad valorem tax. To the  
9 extent of a conflict, this section controls over a conflicting  
10 provision in a general or special law.

11 (c) The change in law made by this section does not affect  
12 tax liability accruing before January 1, 2031. That liability  
13 continues in effect as if this section had not been enacted, and the  
14 former law is continued in effect for the collection of taxes due  
15 and for civil and criminal enforcement of the liability for those  
16 taxes.

17 SECTION 3. (a) This Act takes effect as provided by  
18 Subsections (b) and (c) of this section, but only if the  
19 constitutional amendment proposed by the 89th Legislature, Regular  
20 Session, 2025, to abolish ad valorem taxes is approved by the  
21 voters. If that amendment is not approved by the voters, this Act  
22 has no effect.

23 (b) This section and Section 1 of this Act take effect  
24 January 1, 2026.

25 (c) Section 2 of this Act takes effect January 1, 2031.