

BILL ANALYSIS

Senate Research Center
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S.B. 4
By: Bettencourt et al.
Local Government
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 84th Legislature passed and voters approved increasing the residence homestead exemption from \$15,000 to \$25,000 in 2015. Similarly, the 87th Legislature passed S.J.R. 2 and was approved by voters in May 2022 increasing the exemption again up to \$40,000 per homestead. In the 88th Legislature, Second Called Session, the legislature again raised, and the voters approved by 83%, the homestead exemption to \$100,000.

S.B. 4 will ask the voters to increase the residence homestead exemption up to \$140,000.

S.B. 1, the General Appropriations Act, contains a provision to provide 6.8 pennies of school district tax rate compression through the state compression percentage (SCP), which will reduce statewide average ISD tax rates from \$.9766[1] to \$.9086. The additional 6.8 pennies of compression will provide \$133.13 in estimated savings to the average homestead property.[2][3]

This increase in homestead exemption amount will provide an estimated savings of \$363.44 to a homeowner's school tax at the statewide ISD average tax rate of \$.9086. Included in SB 4 is a hold harmless to school districts—the state will make up any formula funding deficit a school district might incur as a result of this exemption increase, including I&S.

Combining the \$133.13 in average savings attributable to ISD rate compression in S.B. 1 with the \$363.44 in savings attributable to the increased homestead exemption in SB 4, the combined estimated savings for the average homestead property owner totals \$496.57.[4]

S.B. 2, 88(2), contained a provision that will continue to automatically provide savings attributable to an increased homestead exemption to over-65 and disable homestead exemption owners. As local values rise, and tax rates compress in a school district, over-65 and disabled homestead freeze values automatically adjust to provide savings attributable to compression.

S.B. 4 seeks to increase the residence homestead exemption amount to \$140,000.

S.B. 4 is the enabling legislation for S.J.R 2 .

Footnotes:

[1] <https://comptroller.texas.gov/taxes/property-tax/rates/index.php> 2024 School District Rates and Levies Report. Statewide ISD average tax rate calculated by Local Government Committee staff.

[2] 2025 average home market value - \$335,773, Roberson, J., Kallur, R., & Wu, J. (2025, January 13). Texas Housing Insight. Retrieved January 15, 2025, from <https://trerc.tamu.edu/wp-content/uploads/2024/11/2120-202410.pdf>.

[3] 2025 average home taxable value, including \$140,000 homestead exemption - \$195,773.

[4] Savings estimates calculated by Senator Bettencourt's Office.

As proposed, S.B. 4 amends current law relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and the protection of school districts against certain losses in local revenue.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

ARTICLE 1. PROVISIONS CONTINGENT ON CONSTITUTIONAL AMENDMENT

SECTION 1.01. Amends Section 11.13(b), Tax Code, as follows:

(b) Provides that an adult is entitled to exemption from taxation by a school district of \$140,000, rather than \$100,000, of the appraised value of the adult's residence homestead, except that only \$5,000 of the exemption applies to an entity operating under certain chapters, as those chapters existed on May 1, 1995, as permitted by Section 11.301 (Application of Former Law), Education Code.

SECTION 1.02. Amends Section 46.071, Education Code, by amending Subsections (a-2) and (b-2) and adding Subsections (a-3), (b-3), and (c-3), as follows:

(a-2) Provides that, for the 2023–2024 and 2024–2025 school years, rather than beginning with the 2023–2024 school year, a school district is entitled to certain additional state aid under Subchapter D (State Aid for Homestead Exemption and Limitation on Tax Increases).

(a-3) Provides that, beginning with the 2025–2026 school year, a school district is entitled to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on January 1, 2025, if any increase in the residence homestead exemption under Section 1-b(c) (relating to the amount of \$100,000 of the market value of the residence homestead of a married or unmarried adult, including one living alone, being exempt from ad valorem taxation for general elementary and secondary public school purposes with certain specifications), Article VIII (Taxation and Revenue), Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, had not occurred.

(b-2) Makes a conforming change and nonsubstantive changes.

(b-3) Provides that, subject to Subsections (c-3), (d) (relating to prohibiting the district, if the amount required to pay debt service eligible under Section 46.071 (Additional State Aid for Homestead Exemption and Limitation on Tax Increases) is less than the sum of certain state and local assistance, from receiving aid under this section in excess of a certain amount), and (e) (relating to requiring the commissioner of education (commissioner), to compute the amount of additional state aid to which a district is entitled under this section), additional state aid under this section beginning with the 2025–2026 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to any increase in a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, is not offset by a gain in state aid under this chapter.

(c-3) Provides that local interest and sinking revenue for debt service, for the purpose of determining state aid under Subsections (a-3) and (b-3), is limited to revenue required to service debt eligible under this chapter as of January 1, 2025, including refunding of that debt, subject to Section 46.061 (State Assistance for Refinancing). Provides that the limitation imposed by Section 46.034(a) (relating to prohibiting the existing debt tax rate under Section 46.032 (Allotment) from exceeding certain values) does not apply for the purpose of determining state aid under this section.

SECTION 1.03. Amends Section 48.2543, Education Code, as follows:

Sec. 48.2543. New heading: **ADDITIONAL STATE AID FOR CERTAIN DISTRICTS.** Provides that, beginning with the 2025–2026, rather than 2023–2024, school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter, other than former Section 48.2543(a) and Chapter 49 (Options for

Local Revenue Levels in Excess of Entitlement) is less than the state and local revenue that would have been available to the district under Chapter 48 (Foundation School Program) and Chapter 49 as those chapters existed on September 1, 2022, if any of the following actions had not occurred:

- (1) creates this subdivision from existing text and makes nonsubstantive changes;
- (2) an increase in a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, 2nd Called Session, 2023;
- (3) a reduction of the amount of the limitation on tax increases provided by Section 11.26(a-10) (relating to the amount of the limitation provided by Section 11.26 (Limitation of School Tax on Homesteads of Elderly or Disabled) on the homestead being equal to the amount computed by certain methods), Tax Code; and
- (4) a reduction in the district's maximum compressed tax rate under Section 48.2555 (Maximum Compressed Tax Rate for 2023-2024 School Year), as added by Chapter 1 (S.B. 2), Acts of the 88th Legislature, 2nd Called Session, 2023.

Deletes text of existing Subsection (a) providing that, for the 2022–2023 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter and Chapter 49 is less than the state and local revenue that would have been available to the district under this chapter and Chapter 49 as those chapters existed on September 1, 2021, if any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd Called Session, 2021, had not occurred.

Deletes text of existing Subsection (b) providing that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2021 and 2022 tax years are used for certain purposes.

Makes nonsubstantive changes.

SECTION 1.04. Repealers: Sections 48.2542 (Additional State Aid for Adjustment of Limitation on Tax Increases on Homestead of Elderly or Disabled) and 48.283 (Additional State Aid for Certain Districts Impacted by Compression), Education Code.

SECTION 1.05. Makes application of Section 11.13 (Residence Homestead), Tax Code, as amended by this article, prospective to January 1, 2025.

ARTICLE 2. PROVISIONS NOT CONTINGENT ON CONSTITUTIONAL AMENDMENT

SECTION 2.01. Amends Section 46.071, Education Code, by adding Subsections (d-1) and (d-2), as follows:

(d-1) Requires the commissioner, if the amount required to pay debt service on bonds issued under Subchapter A (Tax Bonds and Maintenance Taxes), Chapter 45 (School District Funds), is less than the sum of state assistance provided under Chapter 46 (Assistance with Instructional Facilities and Payment of Existing Debt), including the amount of additional state aid provided under Section 46.071, and the revenue from the district's interest and sinking tax for a school year, except as provided by Subsection (d-2), to reduce the amount of additional state aid provided under this section by the difference between the sum of state assistance provided under this chapter, including the amount of additional state aid provided under this section, and the revenue from the district's interest and sinking tax for the school year and the amount required to pay debt service on bonds described by this subsection for the school year.

(d-2) Prohibits the amount of additional state aid provided under this section from being reduced under Subsection (d-1) to an amount below zero.

SECTION 2.02. Amends Section 48.2551, Education Code, by adding Subsection (d-3), as follows:

(d-3) Requires the Texas Education Agency (TEA), in calculating and making available school districts' maximum compressed rates under this Section 48.2551 (Maximum Compressed Tax Rate) for the 2025–2026 school year, to calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect and also as if that increase did not take effect. Provides that this subsection expires September 1, 2026.

SECTION 2.03. Amends Section 48.283, Education Code, as follows:

Sec. 48.283. **ADDITIONAL STATE AID FOR CERTAIN DISTRICTS IMPACTED BY COMPRESSION.** Provides that, for the 2024–2025 school year, a school district that received an adjustment under Section 48.257(b) (relating to requiring TEA to adjust the amount of the reduction required in the district's tier one revenue level up to a certain amount in certain circumstances) for the 2022–2023 school year is entitled to additional state aid in an amount equal to the difference, if the difference is greater than zero, between the amount of state and local revenue that would have been available to the district under this chapter and Chapter 49 for the 2024–2025 school year if the district's maximum compressed tax rate had not been reduced under Section 48.2555, as added by S.B. 2, Acts of the 88th Legislature, 2nd Called Session, 2023, and the amount of state and local revenue available to the district under this chapter and Chapter 49 for the 2024–2025 school year.

Deletes existing text entitling a school district that received an adjustment under Section 48.257(b) for the 2022–2023 school year to additional state aid for each school year in an amount equal to the amount of that adjustment for the 2022–2023 school year less the difference, if the difference is greater than zero, between the amount to which the district is entitled under this chapter for the current school year, and the amount to which the district would be entitled under this chapter for the current school year if the district's maximum compressed tax rate had not been reduced under Section 48.2555, as added by S.B. 2, Acts of the 88th Legislature, 2nd Called Session, 2023.

Makes nonsubstantive changes.

SECTION 2.04. Amends Section 49.004, Education Code, by adding Subsections (a-1), (b-1), and (c-1), as follows:

(a-1) Provides that this subsection applies only if the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025, is approved by the voters in an election held for that purpose. Requires the commissioner, as soon as practicable after receiving revised property values that reflect adoption of the constitutional amendment, to review the local revenue level of districts in the state and revise as necessary the notifications provided under Subsection (a) (relating to requiring the commissioner to review the local revenue level of school districts in the state and to notify certain districts) for the 2025–2026 school year. Provides that this subsection expires September 1, 2026.

(b-1) Provides that this subsection applies only to a district that has not previously held an election under Chapter 49. Authorizes a district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under certain subdivisions for the 2025–2026 school year, notwithstanding Subsection (b) (relating to requiring the commissioner, if before certain dates a district has not successfully exercised one or more options that reduce the district's local revenue level to a certain level, to order the detachment of property from that district with certain

conditions), to request and, as provided by Section 49.0043(a), receive approval from the commissioner to delay the date of the election otherwise required to be ordered before September 1. Provides that this subsection expires September 1, 2026.

(c-1) Authorizes a district that receives approval from the commissioner, notwithstanding Subsection (c) (relating to prohibiting a district from adopting a tax rate for certain tax years until the commissioner certifies that the district has reduced the district's local revenue level in excess of entitlement to a certain level), to delay an election as provided by Subsection (b-1) to adopt a tax rate for the 2025 tax year before the commissioner certifies that the district has reduced its local revenue level to the level established by Section 48.257 (Local Revenue Level in Excess of Entitlement). Provides that this subsection expires September 1, 2026.

SECTION 2.05. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0043, as follows:

Sec. 49.0043. TRANSITIONAL PROVISIONS: INCREASED HOMESTEAD EXEMPTIONS. (a) Requires the commissioner to approve a district's request under Section 49.004(b-1) to delay the date of an election required under Chapter 49 if the commissioner determines that the district would not have a local revenue level in excess of entitlement if the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025, were approved by the voters.

(b) Requires the commissioner to set a date by which each district that receives approval under this section must order the election.

(c) Requires the commissioner, not later than the 2026–2027 school year, to order detachment and annexation of property under Subchapter G (Detachment and Annexation by Commissioner) or consolidation under Subchapter H (Consolidation by Commissioner) as necessary to reduce the district's local revenue level to the level established by Section 48.257 for a district that receives approval under this section and subsequently fails to hold the election or does not receive voter approval at the election.

(d) Provides that this section expires September 1, 2027.

SECTION 2.06. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0121, as follows:

Sec. 49.0121. TRANSITIONAL ELECTION DATES. (a) Provides that this section applies only to an election under Chapter 49 that occurs during the 2025–2026 school year.

(b) Provides that Section 49.012 (Date of Elections) does not apply to a district that receives approval of a request under Section 49.0043. Requires the district to hold the election on a Tuesday or Saturday on or before a date specified by the commissioner. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election.

(c) Provides that this section expires September 1, 2026.

SECTION 2.07. Amends Section 49.154, Education Code, by adding Subsections (a-2) and (a-3), as follows:

(a-2) Requires a district that receives approval of a request under Section 49.0043, notwithstanding Subsections (a) and (a-1), to pay for credit purchased in equal monthly payments as determined by the commissioner beginning March 15, 2026, and ending August 15, 2026, or in the manner provided by Subsection (a)(2) (relating to requiring a school district being required to pay for credit purchased in one payment for the total amount required to be paid by the district not later than a certain date), provided that the

district notifies the commissioner of the district's election to pay in that manner not later than March 15, 2026.

(a-3) Provides that Subsection (a-2) and this subsection expire September 1, 2026.

SECTION 2.08. Amends Section 49.308, Education Code, by adding Subsection (a-1), as follows:

(a-1) Requires the commissioner, notwithstanding Subsection (a) (relating to requiring the commissioner to order any detachments and annexations of property under Subchapter G not later than November 8 of each year.), for the 2025–2026 school year, to order any detachments and annexations of property under this subchapter as soon as practicable after the canvass of the votes on the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025. Provides that this subsection expires September 1, 2026.

SECTION 2.09. Amends Section 25.23, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that this subsection applies only to the appraisal records for the 2025 tax year. Requires the chief appraiser to prepare supplemental appraisal records to account for the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025. Provides that this subsection expires December 31, 2026.

SECTION 2.10. Amends Section 26.04, Tax Code, by adding Subsections (a-1) and (c-1), as follows:

(a-1) Requires the assessor for a school district, on receipt of the appraisal roll for the 2025 tax year, to determine the total taxable value of property taxable by the district and the taxable value of new property as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Provides that this subsection expires December 31, 2026.

(c-1) Requires an officer or employee designated by the governing body of a school district to calculate the no-new-revenue tax rate and the voter-approval tax rate of the district for the 2025 tax year as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Provides that this subsection expires December 31, 2026.

SECTION 2.11. Amends Section 26.08, Tax Code, by adding Subsection (q), as follows:

(q) Requires that the voter-approval tax rate of a school district for the 2025 tax year, for the purposes of Section 26.08 (Automatic Election to Approve Tax Rate of School District), be calculated as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Provides that this subsection expires December 31, 2026.

SECTION 2.12. Amends Section 26.09, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Requires the assessor for a school district to calculate the amount of tax imposed by the school district on a residence homestead for the 2025 tax year as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year and also as if the changes in law made by that Act were not in effect for that tax year. Provides that this subsection expires December 31, 2026.

SECTION 2.13. Amends Section 26.15, Tax Code, by adding Subsection (h), as follows:

(h) Requires the assessor for a school district to correct the tax roll for the district for the 2025 tax year to reflect the results of the election to approve the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025. Provides that this subsection expires December 31, 2026.

SECTION 2.14. Amends Section 31.01, Tax Code, by adding Subsections (d-2), (d-3), (d-4), and (d-5), as follows:

(d-2) Provides that this subsection and Subsections (d-3) and (d-4) apply only to taxes imposed by a school district on a residence homestead for the 2025 tax year and only if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, would lower the taxes imposed by the district on the property for that tax year. Requires the assessor for the district to compute the amount of taxes imposed and the other information required by Section 31.01 (Tax Bills) as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Requires that the tax bill or the separate statement indicate that the bill is a provisional tax bill and include a statement in substantially a certain form. Sets forth the language required for a certain form.

(d-3) Provides that a tax bill prepared by the assessor for a school district as provided by Subsection (d-2) and mailed as provided by Subsection (a) (relating to requiring the assessor for each taxing unit to prepare and mail a tax bill to each person in whose name the property is listed on the tax roll and to the person's authorized agent with certain requirements) is considered to be a provisional tax bill until the canvass of the votes on the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025. Provides that the tax bill, if the constitutional amendment is approved by the voters, is considered to be a final tax bill for the taxes imposed on the property for the 2025 tax year, and no additional tax bill is required to be mailed unless another provision of Title 1 (Property Tax Code) requires the mailing of a corrected tax bill. Provides that, if the constitutional amendment is not approved by the voters:

(1) a tax bill prepared by the assessor as provided by Subsection (d-2) is considered to be a final tax bill but only as to the portion of the taxes imposed on the property for the 2025 tax year that are included in the bill;

(2) the amount of taxes imposed by each school district on a residence homestead for the 2025 tax year is calculated as if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were not in effect for that tax year; and

(3) except as provided by Subsections (f) (relating to authorizing collector to provide that a tax bill not be sent until the total amount of unpaid taxes the collector collects on the property for all taxing units the collector serves is a certain amount and meets certain requirements), (i-1) (relating to providing that if an assessor mails a tax bill under Subsection (a) or delivers a tax bill by electronic means under Subsection (k) to a mortgagee of a property, the assessor is not required to mail or deliver by electronic means a copy of the bill to any mortgagor under the mortgage or to the mortgagor's authorized agent), and (k) (relating to requiring the assessor for a taxing unit to deliver a tax bill as required by this section by electronic means if on or before September 15 the individual or entity entitled to receive a tax bill under this section and the assessor enter into an agreement for delivery of a tax bill by electronic means and with certain requirements), the assessor for each school district is required to prepare and mail a supplemental tax bill, by December 1 or as soon thereafter as practicable, in an amount equal to the difference between the amount of the tax bill if the changes in law made by S.B. 4, Acts of the 89th Legislature, Regular Session, 2025, were not in effect for that tax year and the amount of the tax bill if that Act were in effect for that tax year.

(d-4) Provides that, except as otherwise provided by Subsection (d-3), the provisions of this section other than Subsection (d-2) apply to a supplemental tax bill mailed under Subsection (d-3).

(d-5) Provides that this subsection and Subsections (d-2), (d-3), and (d-4) expire December 31, 2026.

SECTION 2.15. Amends Section 31.02, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that, except as provided by Subsection (b) (relating to authorizing an eligible person serving on active duty in any branch of the United States armed forces to pay delinquent property taxes on property in which the person owns any interest without penalty or interest under certain conditions) of Section 31.02 (Delinquency Date) and Sections 31.03 (Split Payment of Taxes) and 31.04 (Postponement of Delinquency Date), taxes for which a supplemental tax bill is mailed under Section 31.01(d-3) are due on receipt of the tax bill and are delinquent if not paid before March 1 of the year following the year in which imposed. Provides that this subsection expires December 31, 2026.

ARTICLE 3. EFFECTIVE DATES

SECTION 3.01. Provides that, except as otherwise provided by this article, this Act takes effect immediately if this Act receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution, and if this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2025.

SECTION 3.02. Provides that Article 1 of this Act is contingent upon passage of the constitutional amendment proposed by S.J.R. 2, 89th Legislature, Regular Session, 2025.