

BILL ANALYSIS

Senate Research Center

S.B. 23
By: Bettencourt
Local Government
6/9/2025
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 84th Legislature passed, and voters approved of, increasing the residence homestead exemption from \$15,000 to \$25,000 in 2015. Similarly, S.J.R. 2 was passed by the 87th Legislature passed and 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 percent, the homestead exemption to \$100,000.

S.B. 23 will increase the additional homestead exemption for elderly and disabled homeowners from \$10,000 to \$60,000.

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 \$.9766¹ to \$.9086.

By increasing the additional homestead exemption amount for senior and disabled homestead property owners, S.B. 23 will provide elderly and disabled homestead property owners with an additional \$454.30 in homestead savings. Combined with the \$496.57 in average homestead property tax savings from S.B. 4 and the budget, S.B. 23 will reduce the average over-65 and disabled homestead property tax bill \$950.87.

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

S.B. 23 amends current law relating to an increase in the amount of the exemption from ad valorem taxation by a school district of the appraised value of the residence homestead of a person who is elderly or disabled 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(c), Tax Code, as follows:

- (c) Entitles an adult who is disabled or is 65 or older, in addition to the exemption provided by Subsection (b) (relating to entitling an adult to exemption from taxation by a school district based on the appraised value of the adult's homestead), to an exemption from taxation by a school district of \$60,000, rather than \$10,000, of the appraised value of the person's residence homestead. Makes nonsubstantive changes.

SECTION 1.02. Amends Section 46.071, Education Code, by amending Subsections (a-2) and (b-2) and adding Subsections (a-4), (b-4), (c-4), (d-1), and (d-2), as follows:

(a-2) Entitles a school district, for the 2023–2024 and 2024–2025 school years, rather than beginning with the 2023–2024 school year, to additional state aid under Subchapter D (State Aid for Homestead Exemption and Limitation on Tax Increases), Chapter 46 (Assistance with Instructional Facilities and Payment of Existing Debt), 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 September 1, 2022, if any increase in a residence homestead exemption under Section 1-b(c) (relating to providing that \$100,000 of the market revenue of a residence homestead is exempt from ad valorem tax), Article VIII (Taxation and Revenue), Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) (relating to prohibiting the amount of ad valorem taxes imposed on a homestead for certain purposes from being increased in certain circumstances) of that article as proposed by the 88th Legislature, 2nd Called Session, 2023, had not occurred.

(a-4) Entitles a school district, beginning with the 2025–2026 school year, 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 for a person who is elderly or disabled under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, had not occurred.

(b-2) Makes conforming changes to this subsection.

(b-4) Provides that, subject to certain subsections, additional state aid under Section 46.071 (Additional State Aid for Homestead Exemption and Limitation on Tax Increases) 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 for a person who is elderly or disabled 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-4) Provides that, for the purpose of determining state aid under Subsections (a-4) and (b-4), local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 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 from exceeding a certain amount) does not apply for the purpose of determining state aid under this section.

(d-1) Requires the commissioner of education (commissioner), if the amount required to pay debt service on bonds issued under Subchapter A (Tax Bonds and Maintenance Tax), Chapter 45 (School District Funds), is less than 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 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 the additional state aid provided under Subsection (a-4).

SECTION 1.03. Amends Section 48.2543, Education Code, by amending Subsections (a-1) and (b) and adding Subsection (a-3), as follows:

(a-1) Makes conforming changes to this subsection.

(a-3) Entitles a school district, beginning with the 2025–2026 school year, to additional state aid to the extent that state and local revenue under this chapter 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 this chapter and Chapter 49 as those chapters existed on September 1, 2024, if any increase in a residence homestead exemption for a person who is elderly or disabled under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for:

(1)-(2) makes nonsubstantive change to these subdivisions; and

(3) the 2024 tax year is used for the purpose of determining additional state aid under Subsection (a-3).

SECTION 1.04. Makes application of Section 11.13, 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 48.2551, Education Code, by adding Subsections (d-5) and (d-6), as follows:

(d-5) Requires the Texas Education Agency, in calculating and making available school districts' maximum compressed rates under this section for the 2025–2026 school year, to calculate and make available the rates as if the increase in the residence homestead exemption for a person who is elderly or disabled under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Provides that this subsection expires September 1, 2026.

(d-6) Authorizes the commissioner, if the increase in the residence homestead exemption for a person who is elderly or disabled under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, does not take effect, to adjust school districts' maximum compressed rates under Section 48.2551 (Maximum Compressed Tax Rate) for the 2025–2026 school year accordingly. Requires the commissioner, before making an adjustment under this subsection, to notify and receive approval from the Legislative Budget Board and the office of the governor. Provides that this subsection expires September 1, 2029.

SECTION 2.02. Amends Section 49.004, Education Code, by adding Subsections (a-2), (b-1), and (c-1), as follows:

(a-2) Makes application of this subsection contingent upon approval by the voters of S.J.R. 85, 89th Legislature, Regular Session, 2025. 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 of school districts using certain data) 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 this chapter. 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 provisions for the 2025–2026 school year, notwithstanding Subsection (b) (relating to requiring the commissioner to order the detachment of property from a district that has failed to meet certain requirements), to request and, as provided by Section 49.0044(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 to delay an election as provided by Subsection (b-1), notwithstanding Subsection (c) (relating to prohibiting a district from adopting a tax rate until the commissioner certifies that the district has reduced its local revenue level to meet certain requirements), 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 in Excess of Entitlement). Provides that this subsection expires September 1, 2026.

SECTION 2.03. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0044, as follows:

Sec. 49.0044. TRANSITIONAL PROVISIONS: INCREASED HOMESTEAD EXEMPTIONS FOR ELDERLY OR DISABLED PERSONS. (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 this chapter 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. 85, 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 is required to 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 2.04. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0122, as follows:

Sec. 49.0122. TRANSITIONAL ELECTION DATES: INCREASED HOMESTEAD EXEMPTIONS FOR ELDERLY OR DISABLED PERSONS. (a) Provides that this section applies only to an election under this chapter 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 49.0044. 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 2.05. Amends Section 49.154, Education Code, by adding Subsections (a-4) and (a-5), as follows:

(a-4) Requires a district that receives approval of a request under Section 49.0044, notwithstanding Subsections (a) (relating to requiring a school district to pay for credit

purchased in certain manners) and (a-1) (relating to requiring a school district to notify the commissioner if it elects to pay for credit purchased in a certain manner), 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 a school district paying for credit purchased in one payment for the total amount require to be paid), provided that the district notifies the commissioner of the district's election to pay in that manner not later than March 15, 2026.

(a-5) Provides that Subsection (a-4) and this subsection expire September 1, 2026.

SECTION 2.06. Amends Section 49.308, Education Code, by adding Subsection (a-2), as follows:

(a-2) Requires the commissioner, notwithstanding Subsection (a) (relating to requiring the commissioner to order any detachments and annexations of property by a certain time), 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. 85, 89th Legislature, Regular Session, 2025. Provides that this subsection expires September 1, 2026.

SECTION 2.07. Amends Section 26.01, Tax Code, by adding Subsections (a-2) and (a-3), as follows:

(a-2) Provides that this subsection applies only to the appraisal roll for a school district for the 2025 tax year. Requires the chief appraiser, when the chief appraiser delivers the appraisal roll to the assessor for the school district, to include a provisional appraisal roll to account for the changes in law made by S.B. 23, Acts of the 89th Legislature, Regular Session, 2025. Requires the chief appraiser, if the chief appraiser delivers a supplemental appraisal roll or correction to the appraisal roll to the assessor for the school district before the effective date of Article 1 of that Act, to include provisional appraisal roll entries to account for the changes in law made by that article. Provides that, if Article 1 of that Act takes effect:

(1) on the effective date of that article, the provisional appraisal roll, as supplemented and corrected, becomes the appraisal roll for the school district; and

(2) as soon as practicable after the effective date of that article, the chief appraiser is required to correct the school district's appraisal roll as necessary to finally account for the changes in law made by that article.

(a-3) Provides that this subsection and Subsection (a-2) expire December 31, 2026.

SECTION 2.08. 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. 23, 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. 23, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Provides that this subsection expires December 31, 2026.

SECTION 2.09. 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 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. 23, Acts of the 89th Legislature, Regular Session, 2025, were in effect for that tax year. Provides that this subsection expires December 31, 2026.

SECTION 2.10. 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. 23, 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 2.11. 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. 85, 89th Legislature, Regular Session, 2025. Provides that this subsection expires December 31, 2026.

SECTION 2.12. 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. 23, 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 this section as if the changes in law made by S.B. 23, 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 required language of the 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) is considered to be a provisional tax bill until the canvass of the votes on the constitutional amendment proposed by S.J.R. 85, 89th Legislature, Regular Session, 2025. Provides that, if the constitutional amendment is approved by the voters, the tax bill 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 this title 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. 23, Acts of the 89th Legislature, Regular Session, 2025, were not in effect for that tax year; and

(3) except as provided by certain subsections, 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. 23, 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 Section 31.01 (Tax Bills) 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 2.13. Amends Section 31.02, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that, except as provided by certain statutory provisions, 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. Effective date, except as provided by this article: upon passage or September 1, 2025.

SECTION 3.02. Makes application of Article 1 of this Act contingent upon approval by the voters of S.J.R. 85, 89th Legislature, Regular Session, 2025.