

BILL ANALYSIS

Senate Research Center

S.B. 2553

By: West; Middleton
Local Government

5/2/2025
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, Section 11.24 of the Tax Code permits a taxing unit to exempt from taxation part or all of the assessed value of property designated as a historic site. However, appraisals of such property for ad valorem tax purposes do not reflect the significant restrictions placed on these properties due to their historic designation. These restrictions—such as limitations on altering, repairing, or expanding a property—substantially reduce the property's development potential and, therefore, its market value. Nonetheless, current appraisal practices often assign land values to historic properties comparable to those of unrestricted neighboring parcels, potentially resulting in disproportionate tax burdens.

For example, in urban areas like downtown Austin, non-historic sites capable of substantial redevelopment often receive the same per-square-foot land valuation as nearby historic properties that are legally constrained from similar development. This "uniform" appraisal approach fails to account for the economic limitations imposed by historic preservation laws and guidelines, which can render such properties far less flexible and profitable for their owners.

The purpose of S.B. 2553 is to ensure that appraisals of historic sites for ad valorem tax purposes reflect the real-world impact of historic preservation restrictions on market value. Specifically, the bill amends Section 23.013 of the Tax Code to require a chief appraiser to consider the effect of any restrictions—arising from a property's historic designation—on the owner's ability to alter, improve, or repair the property. By directing appraisers to recognize the diminished utility of historically designated properties, this measure seeks to produce more equitable tax valuations and relieve property owners of the inequitable tax implications of preservation mandates and restrictions.

As proposed, S.B. 2553 amends current law relating to the appraisal for ad valorem tax purposes of property that qualifies for an exemption as a historic or archaeological site.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.013, Tax Code, by adding Subsection (f), as follows:

(f) Defines "historic site." Requires the chief appraiser, in determining the market value of a historic site, to consider the effect on the property's value of any restriction placed on the property owner's ability to alter, improve, or repair the property based on the property's designation as a historic site.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2026.