

By: Vasut

H.B. No. 165

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the elimination of ad valorem taxes and the creation of  
3 a joint interim committee on the elimination of those taxes.

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

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

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

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

11 (2) five senators appointed by the lieutenant  
12 governor.

13 (c) The speaker of the house of representatives and the  
14 lieutenant governor shall make the appointments under Subsection  
15 (b) of this section not later than November 1, 2025.

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

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

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

1 administration.

2 (g) The committee shall conduct a comprehensive study of  
3 alternative methods of taxation to replace local tax revenue that  
4 will be lost when ad valorem taxes are eliminated.

5 (h) For each alternative method of taxation considered by  
6 the committee, the committee shall:

7 (1) consider whether political subdivisions that  
8 currently impose ad valorem taxes would have the authority to  
9 impose the proposed alternative tax;

10 (2) determine the average tax rate for the proposed  
11 alternative tax imposed by each type of political subdivision that  
12 would be necessary to generate the same amount of tax revenue as the  
13 amount of tax revenue lost as a result of the elimination of ad  
14 valorem taxes;

15 (3) determine, if appropriate, the effect that  
16 broadening the application of the proposed alternative tax at the  
17 local level would have on the tax rates identified under  
18 Subdivision (2) of this subsection;

19 (4) identify whether tax revenue generated by the  
20 proposed alternative tax would require redistribution to offset  
21 disparities in available local tax revenue as a result of the  
22 elimination of ad valorem taxes and, if so, evaluate the different  
23 mechanisms of redistribution available; and

24 (5) identify and examine any other issue that would  
25 need to be addressed to implement the elimination of ad valorem  
26 taxes.

27 (i) On request of the committee, a state agency or political

1 subdivision shall provide information for and assistance in  
2 conducting the study under this section.

3 (j) Not later than November 1, 2026, the committee shall  
4 prepare and submit to the legislature a written report containing  
5 the results of the study and any recommendations for legislative or  
6 other action.

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

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

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

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

20 (d) This section takes effect January 1, 2035.

21 SECTION 3. Except as otherwise provided by this Act, this  
22 Act takes effect September 1, 2025.