

By: Vasut

H.B. No. 375

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of real property for ad valorem tax purposes.

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

SECTION 1. (a) Section 1.12(d), Tax Code, as amended by Section 4.01, Chapter 1 (S.B. 2), Acts of the 88th Legislature, 2nd Called Session, 2023, and effective until January 1, 2027, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of property to which Section 23.23 [~~or 23.231~~] applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23 [~~or 23.231~~].

(b) Section 4.02, Chapter 1 (S.B. 2), Acts of the 88th Legislature, 2nd Called Session, 2023, which amended Section 1.12(d), Tax Code, effective January 1, 2027, is repealed.

SECTION 2. The heading to Section 23.23, Tax Code, is amended to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY [~~RESIDENCE HOMESTEAD~~].

SECTION 3. Section 23.23, Tax Code, is amended by amending Subsections (a), (b), (c), and (e) and adding Subsections (c-2),

1 (c-3), (c-4), and (h) to read as follows:

2 (a) Notwithstanding the requirements of Section 25.18 and  
3 regardless of whether the appraisal office has appraised the  
4 property and determined the market value of the property for the tax  
5 year, an appraisal office may increase the appraised value of real  
6 property [~~a residence homestead~~] for a tax year to an amount not to  
7 exceed the lesser of:

8 (1) the market value of the property for the most  
9 recent tax year that the market value was determined by the  
10 appraisal office; or

11 (2) the sum of:

12 (A) 3.5 [~~10~~] percent of the appraised value of  
13 the property for the preceding tax year;

14 (B) the appraised value of the property for the  
15 preceding tax year; and

16 (C) the market value of all new improvements to  
17 the property.

18 (b) When appraising real property [~~a residence homestead~~],  
19 the chief appraiser shall:

20 (1) appraise the property at its market value; and

21 (2) include in the appraisal records both the market  
22 value of the property and the amount computed under Subsection  
23 (a)(2).

24 (c) The limitation provided by Subsection (a) takes effect  
25 on January 1 of the tax year following the first tax year in which  
26 the owner owns the property on January 1 [~~as to a residence~~  
27 ~~homestead on January 1 of the tax year following the first tax year~~

1 ~~the owner qualifies the property for an exemption under Section~~  
2 ~~11.13].~~ Except as provided by Subsection (c-2) or (c-3), the [The]  
3 limitation expires on January 1 of the first tax year following the  
4 year in which ~~[that neither]~~ the owner of the property ceases to own  
5 the property.

6 (c-2) If property subject to a limitation under this section  
7 qualifies for an exemption under Section 11.13 when the ownership  
8 of the property is transferred to the owner's spouse or surviving  
9 spouse, the limitation expires on January 1 of the first tax year  
10 following the year in which ~~[when the limitation took effect nor]~~  
11 the owner's spouse or surviving spouse ceases to own the property,  
12 unless the limitation is further continued under this subsection on  
13 the subsequent transfer to a spouse or surviving spouse ~~[qualifies~~  
14 ~~for an exemption under Section 11.13].~~

15 (c-3) If property subject to a limitation under Subsection  
16 (a), other than a residence homestead, is owned by two or more  
17 persons, the limitation expires on January 1 of the first tax year  
18 following the year in which the ownership of at least a 50 percent  
19 interest in the property is sold or otherwise transferred.

20 (c-4) For purposes of applying the limitation provided by  
21 this section, a person who acquired real property in a tax year  
22 before the 2025 tax year, other than property that qualified as the  
23 residence homestead of the person under Section 11.13 in the 2025  
24 tax year, is considered to have acquired the property on January 1,  
25 2025.

26 (e) In this section, "new improvement" means an improvement  
27 to real property ~~[a residence homestead]~~ made after the most recent

1 appraisal of the property that increases the market value of the  
2 property and the value of which is not included in the appraised  
3 value of the property for the preceding tax year. The term does not  
4 include repairs to or ordinary maintenance of an existing structure  
5 or the grounds or another feature of the property.

6 (h) In this section, "real property" includes a  
7 manufactured home as that term is defined by Section 1201.003,  
8 Occupations Code, that qualifies as a residence homestead under  
9 Section 11.13 of this code, regardless of whether the owner of the  
10 manufactured home elects to treat the manufactured home as real  
11 property under Section 1201.2055, Occupations Code.

12 SECTION 4. (a) Sections 25.19(b) and (g), Tax Code, as  
13 amended by Section 4.04, Chapter 1 (S.B. 2), Acts of the 88th  
14 Legislature, 2nd Called Session, 2023, and effective until January  
15 1, 2027, are amended to read as follows:

16 (b) The chief appraiser shall separate real from personal  
17 property and include in the notice for each:

18 (1) a list of the taxing units in which the property is  
19 taxable;

20 (2) the appraised value of the property in the  
21 preceding year;

22 (3) the taxable value of the property in the preceding  
23 year for each taxing unit taxing the property;

24 (4) the appraised value of the property for the  
25 current year, the kind and amount of each exemption and partial  
26 exemption, if any, approved for the property for the current year  
27 and for the preceding year, and, if an exemption or partial

1 exemption that was approved for the preceding year was canceled or  
2 reduced for the current year, the amount of the exemption or partial  
3 exemption canceled or reduced;

4 ~~[(4-a) a statement of whether the property qualifies~~  
5 ~~for the circuit breaker limitation on appraised value provided by~~  
6 ~~Section 23.231,]~~

7 (5) in italic typeface, the following  
8 statement: "The Texas Legislature does not set the amount of your  
9 local taxes. Your property tax burden is decided by your locally  
10 elected officials, and all inquiries concerning your taxes should  
11 be directed to those officials";

12 (6) a detailed explanation of the time and procedure  
13 for protesting the value;

14 (7) the date and place the appraisal review board will  
15 begin hearing protests;

16 (8) an explanation of the availability and purpose of  
17 an informal conference with the appraisal office before a hearing  
18 on a protest; and

19 (9) a brief explanation that the governing body of  
20 each taxing unit decides whether or not taxes on the property will  
21 increase and the appraisal district only determines the value of  
22 the property.

23 (g) By April 1 or as soon thereafter as practicable if the  
24 property is a single-family residence that qualifies for an  
25 exemption under Section 11.13, or by May 1 or as soon thereafter as  
26 practicable in connection with any other property, the chief  
27 appraiser shall deliver a written notice to the owner of each

1 property not included in a notice required to be delivered under  
2 Subsection (a), if the property was reappraised in the current tax  
3 year, if the ownership of the property changed during the preceding  
4 year, or if the property owner or the agent of a property owner  
5 authorized under Section 1.111 makes a written request for the  
6 notice. The chief appraiser shall separate real from personal  
7 property and include in the notice for each property:

8 (1) the appraised value of the property in the  
9 preceding year;

10 (2) the appraised value of the property for the  
11 current year and the kind of each partial exemption, if any,  
12 approved for the current year;

13 ~~[(2-a) a statement of whether the property qualifies  
14 for the circuit breaker limitation on appraised value provided by  
15 Section 23.231,]~~

16 (3) a detailed explanation of the time and procedure  
17 for protesting the value; and

18 (4) the date and place the appraisal review board will  
19 begin hearing protests.

20 (b) Section 4.05, Chapter 1 (S.B. 2), Acts of the 88th  
21 Legislature, 2nd Called Session, 2023, which amended Sections  
22 25.19(b) and (g), Tax Code, effective January 1, 2027, is repealed.

23 SECTION 5. (a) Section 41.41(a), Tax Code, as amended by  
24 Section 4.07, Chapter 1 (S.B. 2), Acts of the 88th Legislature, 2nd  
25 Called Session, 2023, and effective until January 1, 2027, is  
26 amended to read as follows:

27 (a) A property owner is entitled to protest before the

1 appraisal review board the following actions:

2 (1) determination of the appraised value of the  
3 owner's property or, in the case of land appraised as provided by  
4 Subchapter C, D, E, or H, Chapter 23, determination of its appraised  
5 or market value;

6 (2) unequal appraisal of the owner's property;

7 (3) inclusion of the owner's property on the appraisal  
8 records;

9 (4) denial to the property owner in whole or in part of  
10 a partial exemption;

11 ~~[(4-a) determination that the owner's property does~~  
12 ~~not qualify for the circuit breaker limitation on appraised value~~  
13 ~~provided by Section 23.231,]~~

14 (5) determination that the owner's land does not  
15 qualify for appraisal as provided by Subchapter C, D, E, or H,  
16 Chapter 23;

17 (6) identification of the taxing units in which the  
18 owner's property is taxable in the case of the appraisal district's  
19 appraisal roll;

20 (7) determination that the property owner is the owner  
21 of property;

22 (8) a determination that a change in use of land  
23 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;  
24 or

25 (9) any other action of the chief appraiser, appraisal  
26 district, or appraisal review board that applies to and adversely  
27 affects the property owner.

1 (b) Section 4.08, Chapter 1 (S.B. 2), Acts of the 88th  
2 Legislature, 2nd Called Session, 2023, which amended Section  
3 41.41(a), Tax Code, effective January 1, 2027, is repealed.

4 SECTION 6. (a) Section 42.26(d), Tax Code, as amended by  
5 Section 4.09, Chapter 1 (S.B. 2), Acts of the 88th Legislature, 2nd  
6 Called Session, 2023, and effective until January 1, 2027, is  
7 amended to read as follows:

8 (d) For purposes of this section, the value of the property  
9 subject to the suit and the value of a comparable property or sample  
10 property that is used for comparison must be the market value  
11 determined by the appraisal district when the property is subject  
12 to the limitation on appraised value imposed by Section 23.23 [~~ex~~  
13 ~~23.231~~].

14 (b) Section 4.10, Chapter 1 (S.B. 2), Acts of the 88th  
15 Legislature, 2nd Called Session, 2023, which amended Section  
16 42.26(d), Tax Code, effective January 1, 2027, is repealed.

17 SECTION 7. (a) Sections 403.302(d) and (i), Government  
18 Code, as amended by Section 4.11, Chapter 1 (S.B. 2), Acts of the  
19 88th Legislature, 2nd Called Session, 2023, and effective until  
20 January 1, 2027, are amended to read as follows:

21 (d) For the purposes of this section, "taxable value" means  
22 the market value of all taxable property less:

23 (1) the total dollar amount of any residence homestead  
24 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
25 Code, in the year that is the subject of the study for each school  
26 district;

27 (2) one-half of the total dollar amount of any

1 residence homestead exemptions granted under Section 11.13(n), Tax  
2 Code, in the year that is the subject of the study for each school  
3 district;

4 (3) the total dollar amount of any exemptions granted  
5 before May 31, 1993, within a reinvestment zone under agreements  
6 authorized by Chapter 312, Tax Code;

7 (4) subject to Subsection (e), the total dollar amount  
8 of any captured appraised value of property that:

9 (A) is within a reinvestment zone created on or  
10 before May 31, 1999, or is proposed to be included within the  
11 boundaries of a reinvestment zone as the boundaries of the zone and  
12 the proposed portion of tax increment paid into the tax increment  
13 fund by a school district are described in a written notification  
14 provided by the municipality or the board of directors of the zone  
15 to the governing bodies of the other taxing units in the manner  
16 provided by former Section 311.003(e), Tax Code, before May 31,  
17 1999, and within the boundaries of the zone as those boundaries  
18 existed on September 1, 1999, including subsequent improvements to  
19 the property regardless of when made;

20 (B) generates taxes paid into a tax increment  
21 fund created under Chapter 311, Tax Code, under a reinvestment zone  
22 financing plan approved under Section 311.011(d), Tax Code, on or  
23 before September 1, 1999; and

24 (C) is eligible for tax increment financing under  
25 Chapter 311, Tax Code;

26 (5) the total dollar amount of any captured appraised  
27 value of property that:

1 (A) is within a reinvestment zone:

2 (i) created on or before December 31, 2008,  
3 by a municipality with a population of less than 18,000; and

4 (ii) the project plan for which includes  
5 the alteration, remodeling, repair, or reconstruction of a  
6 structure that is included on the National Register of Historic  
7 Places and requires that a portion of the tax increment of the zone  
8 be used for the improvement or construction of related facilities  
9 or for affordable housing;

10 (B) generates school district taxes that are paid  
11 into a tax increment fund created under Chapter 311, Tax Code; and

12 (C) is eligible for tax increment financing under  
13 Chapter 311, Tax Code;

14 (6) the total dollar amount of any exemptions granted  
15 under Section 11.251 or 11.253, Tax Code;

16 (7) the difference between the comptroller's estimate  
17 of the market value and the productivity value of land that  
18 qualifies for appraisal on the basis of its productive capacity,  
19 except that the productivity value estimated by the comptroller may  
20 not exceed the fair market value of the land;

21 (8) the portion of the appraised value of residence  
22 homesteads of individuals who receive a tax limitation under  
23 Section 11.26, Tax Code, on which school district taxes are not  
24 imposed in the year that is the subject of the study, calculated as  
25 if the residence homesteads were appraised at the full value  
26 required by law;

27 (9) a portion of the market value of property not

1 otherwise fully taxable by the district at market value because of  
2 action required by statute or the constitution of this state, other  
3 than Section 11.311, Tax Code, that, if the tax rate adopted by the  
4 district is applied to it, produces an amount equal to the  
5 difference between the tax that the district would have imposed on  
6 the property if the property were fully taxable at market value and  
7 the tax that the district is actually authorized to impose on the  
8 property, if this subsection does not otherwise require that  
9 portion to be deducted;

10 (10) the market value of all tangible personal  
11 property, other than manufactured homes, owned by a family or  
12 individual and not held or used for the production of income;

13 (11) the appraised value of property the collection of  
14 delinquent taxes on which is deferred under Section 33.06, Tax  
15 Code;

16 (12) the portion of the appraised value of property  
17 the collection of delinquent taxes on which is deferred under  
18 Section 33.065, Tax Code;

19 (13) the amount by which the market value of property  
20 to which Section 23.23 [~~or 23.231~~], Tax Code, applies exceeds the  
21 appraised value of that property as calculated under that section  
22 [~~Section 23.23 or 23.231, Tax Code, as applicable~~]; and

23 (14) the total dollar amount of any exemptions granted  
24 under Section 11.35, Tax Code.

25 (i) If the comptroller determines in the study that the  
26 market value of property in a school district as determined by the  
27 appraisal district that appraises property for the school district,

1 less the total of the amounts and values listed in Subsection (d) as  
2 determined by that appraisal district, is valid, the comptroller,  
3 in determining the taxable value of property in the school district  
4 under Subsection (d), shall for purposes of Subsection (d)(13)  
5 subtract from the market value as determined by the appraisal  
6 district of properties to which Section 23.23 [~~or 23.231~~], Tax  
7 Code, applies the amount by which that amount exceeds the appraised  
8 value of those properties as calculated by the appraisal district  
9 under Section 23.23 [~~or 23.231~~], Tax Code[~~, as applicable~~]. If the  
10 comptroller determines in the study that the market value of  
11 property in a school district as determined by the appraisal  
12 district that appraises property for the school district, less the  
13 total of the amounts and values listed in Subsection (d) as  
14 determined by that appraisal district, is not valid, the  
15 comptroller, in determining the taxable value of property in the  
16 school district under Subsection (d), shall for purposes of  
17 Subsection (d)(13) subtract from the market value as estimated by  
18 the comptroller of properties to which Section 23.23 [~~or 23.231~~],  
19 Tax Code, applies the amount by which that amount exceeds the  
20 appraised value of those properties as calculated by the appraisal  
21 district under Section 23.23 [~~or 23.231~~], Tax Code[~~, as~~  
22 ~~applicable~~].

23 (b) Section 4.12, Chapter 1 (S.B. 2), Acts of the 88th  
24 Legislature, 2nd Called Session, 2023, which amended Sections  
25 403.302(d) and (i), Government Code, effective January 1, 2027, is  
26 repealed.

27 SECTION 8. Sections 23.23(c-1), 23.231, and 25.19(o), Tax

1 Code, are repealed.

2 SECTION 9. This Act applies only to the appraisal for ad  
3 valorem tax purposes of real property for a tax year that begins on  
4 or after the effective date of this Act.

5 SECTION 10. This Act takes effect January 1, 2026, but only  
6 if the constitutional amendment proposed by the 89th Legislature,  
7 Regular Session, 2025, to authorize the legislature to limit the  
8 maximum appraised value of real property for ad valorem tax  
9 purposes to 103.5 percent or more of the appraised value of the  
10 property for the preceding tax year is approved by the voters. If  
11 that amendment is not approved by the voters, this Act has no  
12 effect.