

By: Phelan

H.B. No. 5210

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation of the total appraised value of real property for which the owner of the property has prepaid those taxes.

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

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.121 to read as follows:

Sec. 11.121. REAL PROPERTY ON WHICH TAXES ARE PREPAID. (a) Except as otherwise provided by this section, real property for which the taxes have been prepaid in the manner provided by this section is exempt from taxation.

(b) A property owner may prepay the taxes on real property by submitting to the comptroller an enrollment form and subsequent payment in an amount equal to the amount computed under Subsection (d) and presented to the property owner. On receipt of an enrollment form that is administratively complete and payment in full of the designated amount, the comptroller shall issue to the property owner a certificate of prepayment of taxes for the property. The comptroller by rule shall establish an annual deadline for enrollment for prepayment of taxes and the date by which the designated prepayment must be made to qualify the property for an exemption under this section in subsequent tax years.

(c) A property owner shall include a copy of the certificate

of prepayment of taxes received under Subsection (b) when filing an application for the exemption provided by this section with the chief appraiser of the appraisal district in which the property is located. The chief appraiser shall approve an application that is administratively complete and includes a copy of the certificate of prepayment of taxes. If the chief appraiser approves the application, the chief appraiser shall notify each taxing unit that taxes the real property of the approval and enter the exemption in the appraisal records.

(d) The amount a property owner is required to prepay pursuant to an approved application submitted under Subsection (b) is equal to the product of the appraised value of the property for the tax year in which the property owner submits the enrollment form and the ad valorem tax prepayment rate determined by the comptroller for that tax year under Section 403.030, Government Code.

(e) The exemption provided by this section does not expire as to real property for which a certificate of prepayment is issued, regardless of whether the property is sold or ownership of the property otherwise changes.

(f) The exemption provided by this section does not apply to a new improvement to the real property made during the tax year in which the property owner submits an enrollment form under Subsection (b) or a subsequent tax year unless the property owner pays a supplemental prepayment amount to the comptroller in the manner provided by comptroller rule in the amount determined as provided by Subsection (d) for the increase in the appraised value

1 of the property attributable to the improvement. For purposes of  
2 this subsection, "new improvement" has the meaning assigned by  
3 Section 23.23, except that the term is not limited to an improvement  
4 to a residence homestead.

5 (g) If after real property receives an exemption under this  
6 section a taxing unit is established that imposes taxes on the real  
7 property or the territory of a taxing unit is changed to include the  
8 property, the exemption provided by this subsection does not apply  
9 to the taxes imposed by that taxing unit unless the property owner  
10 pays a supplemental prepayment amount to the comptroller in the  
11 manner prescribed by comptroller rule in the amount determined as  
12 provided by Subsection (d) in prepayment of the taxes due to the  
13 taxing unit.

14 (h) The comptroller shall deposit each prepayment and  
15 supplemental prepayment received under this section to the credit  
16 of the prepaid property tax trust fund established under Section  
17 49-s, Article III, Texas Constitution.

18 SECTION 2. Subchapter B, Chapter 403, Government Code, is  
19 amended by adding Section 403.030 to read as follows:

20 Sec. 403.030. ADOPTION OF AD VALOREM TAX PREPAYMENT RATE;  
21 REIMBURSEMENT RATE FOR POLITICAL SUBDIVISION. (a) In this  
22 section:

23 (1) "Eligible taxing unit" means a taxing unit that is  
24 eligible for a distribution from the fund.

25 (2) "Fund" means the fund established under Section  
26 49-s, Article III, Texas Constitution.

27 (3) "No-new-revenue tax rate" means the

no-new-revenue tax rate calculated under Chapter 26, Tax Code.

(4) "Taxing unit" has the meaning assigned by Section 1.04, Tax Code.

(b) The comptroller shall determine and adopt an ad valorem tax prepayment rate each year to compute tax prepayments under Section 11.121, Tax Code, to be made to exempt property beginning in the next tax year and shall publish the rate in the Texas Register. The comptroller may consult with actuaries or any other persons as necessary to determine a prepayment rate that will generate revenue sufficient to adequately fund annual disbursements in the current and future years to eligible taxing units from the fund.

(c) The comptroller shall adopt a procedure by which an eligible taxing unit may request a distribution from the fund. Subject to Subsection (d), an eligible taxing unit is entitled to an annual disbursement from the fund in an amount equal to the product of:

(1) the total appraised value of all real property in the taxing unit that is exempt under Section 11.121, Tax Code, in that year; and

(2) the taxing unit's no-new-revenue tax rate as calculated for that year.

(d) If in any year the balance of the fund is not sufficient to make a disbursement from the fund in the amount computed under Subsection (c) to each eligible taxing unit, the comptroller may proportionally reduce the amount of each disbursement from the fund in that year to ensure that the fund remains solvent.

SECTION 3. Section 403.302(d), Government Code, as

effective until January 1, 2027, is amended to read as follows:

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

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

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

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

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

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

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

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

7 (5) the total dollar amount of any captured appraised  
8 value of property that:

9 (A) is within a reinvestment zone:

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

12 (ii) the project plan for which includes  
13 the alteration, remodeling, repair, or reconstruction of a  
14 structure that is included on the National Register of Historic  
15 Places and requires that a portion of the tax increment of the zone  
16 be used for the improvement or construction of related facilities  
17 or for affordable housing;

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

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

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

24 (7) the difference between the comptroller's estimate  
25 of the market value and the productivity value of land that  
26 qualifies for appraisal on the basis of its productive capacity,  
27 except that the productivity value estimated by the comptroller may

not exceed the fair market value of the land;

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

(9) a portion of the market value of property not otherwise fully taxable by the district at market value because of action required by statute or the constitution of this state, other than Section 11.311, Tax Code, that, if the tax rate adopted by the district is applied to it, produces an amount equal to the difference between the tax that the district would have imposed on the property if the property were fully taxable at market value and the tax that the district is actually authorized to impose on the property, less the amount of any disbursement received by the district in the applicable tax year from the prepaid property tax trust fund under Section 49-s, Article III, Texas Constitution, and Section 403.030 of this code if this subsection does not otherwise require that portion to be deducted;

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

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

(12) the portion of the appraised value of property

1 the collection of delinquent taxes on which is deferred under  
2 Section 33.065, Tax Code;

3 (13) the amount by which the market value of property  
4 to which Section 23.23 or 23.231, Tax Code, applies exceeds the  
5 appraised value of that property as calculated under Section 23.23  
6 or 23.231, Tax Code, as applicable; and

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

9 SECTION 4. Section 403.302(d), Government Code, as  
10 effective January 1, 2027, is amended to read as follows:

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

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

17 (2) one-half of the total dollar amount of any  
18 residence homestead exemptions granted under Section 11.13(n), Tax  
19 Code, in the year that is the subject of the study for each school  
20 district;

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

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

26 (A) is within a reinvestment zone created on or  
27 before May 31, 1999, or is proposed to be included within the



1 boundaries of a reinvestment zone as the boundaries of the zone and  
2 the proposed portion of tax increment paid into the tax increment  
3 fund by a school district are described in a written notification  
4 provided by the municipality or the board of directors of the zone  
5 to the governing bodies of the other taxing units in the manner  
6 provided by former Section 311.003(e), Tax Code, before May 31,  
7 1999, and within the boundaries of the zone as those boundaries  
8 existed on September 1, 1999, including subsequent improvements to  
9 the property regardless of when made;

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

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

16 (5) the total dollar amount of any captured appraised  
17 value of property that:

18 (A) is within a reinvestment zone:

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

21 (ii) the project plan for which includes  
22 the alteration, remodeling, repair, or reconstruction of a  
23 structure that is included on the National Register of Historic  
24 Places and requires that a portion of the tax increment of the zone  
25 be used for the improvement or construction of related facilities  
26 or for affordable housing;

27 (B) generates school district taxes that are paid

1 into a tax increment fund created under Chapter 311, Tax Code; and

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

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

6 (7) the difference between the comptroller's estimate  
7 of the market value and the productivity value of land that  
8 qualifies for appraisal on the basis of its productive capacity,  
9 except that the productivity value estimated by the comptroller may  
10 not exceed the fair market value of the land;

11 (8) the portion of the appraised value of residence  
12 homesteads of individuals who receive a tax limitation under  
13 Section 11.26, Tax Code, on which school district taxes are not  
14 imposed in the year that is the subject of the study, calculated as  
15 if the residence homesteads were appraised at the full value  
16 required by law;

17 (9) a portion of the market value of property not  
18 otherwise fully taxable by the district at market value because of  
19 action required by statute or the constitution of this state, other  
20 than Section 11.311, Tax Code, that, if the tax rate adopted by the  
21 district is applied to it, produces an amount equal to the  
22 difference between the tax that the district would have imposed on  
23 the property if the property were fully taxable at market value and  
24 the tax that the district is actually authorized to impose on the  
25 property, less the amount of any disbursement received by the  
26 district in the applicable tax year from the prepaid property tax  
27 trust fund under Section 49-s, Article III, Texas Constitution, and

1 Section 403.030 of this code if this subsection does not otherwise  
2 require that portion to be deducted;

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

6 (11) the appraised value of property the collection of  
7 delinquent taxes on which is deferred under Section 33.06, Tax  
8 Code;

9 (12) the portion of the appraised value of property  
10 the collection of delinquent taxes on which is deferred under  
11 Section 33.065, Tax Code;

12 (13) the amount by which the market value of a  
13 residence homestead to which Section 23.23, Tax Code, applies  
14 exceeds the appraised value of that property as calculated under  
15 that section; and

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

18 SECTION 5. This Act applies only to an ad valorem tax year  
19 that begins on or after the effective date of this Act.

20 SECTION 6. This Act takes effect January 1, 2026, but only  
21 if the constitutional amendment proposed by the 89th Legislature,  
22 Regular Session, 2025, to provide for an exemption from ad valorem  
23 taxation of the total market value of real property on which the ad  
24 valorem taxes have been prepaid and to establish the prepaid  
25 property tax trust fund to provide annual distributions to  
26 political subdivisions affected by the exemption is approved by the  
27 voters. If that amendment is not approved by the voters, this Act

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1 has no effect.