By: Mizani H.B. No. 1075

A BILL TO BE ENTITLED

AN ACT

relating to an exemption of residence homesteads from school district maintenance and operations ad valorem taxation and state aid to replace the resulting loss of school district operating revenue.

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

SECTION 1. Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.2544 to read as follows:

Sec. 48.2544. STATE AID FOR RESIDENCE HOMESTEAD OPERATING TAX EXEMPTION. (a) Beginning with the 2028-2029 school year, a school district, including a district otherwise ineligible for state aid, is entitled to state aid for the maintenance and operations tax revenue it loses solely because of the exemption under Section 11.13(s), Tax Code. The aid for each school year is based on the tax year beginning in the calendar year in which that school year begins.

(b) The commissioner shall compare the district's maintenance and operations tax levy with and without the exemption, accounting for the district's adopted rates, other applicable exemptions, tax ceilings, part-year exemptions, and tax roll corrections. The commissioner shall adjust the difference to reflect the district's expected collection rate. The assessor for the district shall certify and update the information needed for the calculation as prescribed by commissioner rule.

(c) Except for aid under this section, the commissioner shall calculate state aid, local share, local tax effort, excess local revenue, and the maximum compressed tax rate under Chapters 46, 48, and 49 as if the exemption were not in effect. The comptroller shall determine and certify taxable property values under Section 403.302, Government Code, on the same basis. The chief appraiser and assessor for the district shall provide the information needed for those calculations.

(d) The commissioner shall pay the aid on the district's Foundation School Program payment schedule from general revenue appropriated for this purpose. The commissioner may make estimated payments and shall reconcile those payments with the district's entitlement. An overallocation is subject to recovery under Section 48.272.

(e) For purposes of Chapter 311, Tax Code, the portion of aid under this section attributable to property in a reinvestment zone is treated as school district tax increment only to the extent necessary to satisfy the district's obligation under an agreement executed before January 1, 2028, to pay tax increment into the tax increment fund for the zone.

(f) The commissioner and the comptroller shall adopt rules as necessary to administer this section.

SECTION 2. Section 11.13, Tax Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) An adult entitled to an exemption under Subsection (b) is entitled to an exemption from ad valorem taxation by a school district for maintenance and operations purposes of the portion of

the appraised value of the adult's residence homestead that remains taxable for those purposes after other applicable exemptions are applied. The exemption applies to taxes levied at the district's tier one maintenance and operations tax rate and enrichment tax rate under Section 45.0032, Education Code. The chief appraiser shall grant the exemption without a separate application to an adult granted the exemption under Subsection (b). This subsection is subject to Section 1-b(s), Article VIII, Texas Constitution, regarding a levy necessary to avoid impairment of a debt contract.

(t) For purposes of calculating the no-new-revenue tax rate, no-new-revenue maintenance and operations rate, and voter-approval tax rate of a school district under Chapter 26, the district shall use the taxable values and amounts of taxes that would apply if Subsection (s) were not in effect.

SECTION 3. Section 11.26, Tax Code, is amended by adding Subsection (q) to read as follows:

(q) The chief appraiser and assessor shall determine and maintain the limitation on tax increases and the amounts necessary to administer and transfer the limitation as if the exemption under Section 11.13(s) were not in effect. For a residence homestead subject to the limitation, the assessor shall determine the debt service tax due by apportioning the amount of school district tax that would be imposed after application of the limitation and in the absence of the exemption between maintenance and operations and debt service in proportion to the district's adopted rates for those purposes. The amount apportioned to debt service is the debt service tax due. The assessor shall apply Section 26.1115

separately to each component for a homestead that qualifies for the exemption for a portion of the tax year.

SECTION 4. The changes in law made by this Act apply only to ad valorem taxes imposed for a tax year beginning on or after January 1, 2028, and to state aid for a school year beginning with the 2028-2029 school year.

SECTION 5. This Act takes effect January 1, 2028, but only if the voters approve the constitutional amendment proposed by the 90th Legislature, Regular Session, 2027, exempting residence homesteads from school district maintenance and operations taxes and requiring state replacement of lost revenue.