

BILL ANALYSIS

C.S.S.B. 279
By: Watson
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under the Texas Constitution, the governing body of a political subdivision other than a county education district may offer a residence homestead property tax exemption of up to 20 percent, with a minimum dollar amount of \$5,000. Unlike school districts, interested parties note, these local governments are not allowed to grant a flat dollar-amount, portion-based homestead exemption. C.S.S.B. 279 seeks to enable the adoption of such an exemption.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.B. 279 amends the Tax Code to entitle an individual to an exemption from taxation by a taxing unit other than a school district of a portion of the appraised value of the individual's residence homestead if the exemption is adopted by the governing body of the taxing unit before July 1 in the manner provided by law for official action by the body. The bill sets the amount of the exemption at \$5,000 of the appraised value of the residence homestead, except that if the average market value of residence homesteads in the taxing unit in the tax year in which the exemption is adopted exceeds \$25,000, as calculated based on the appraisal records prepared by the chief appraiser of each appraisal district in which the taxing unit participates, the governing body may authorize an exemption in a larger dollar amount not to exceed an amount equal to 20 percent of the average market value of residence homesteads in the taxing unit in the tax year in which the exemption is adopted. The bill includes this portion-based exemption among the exemptions the assessor and collector for a taxing unit may disregard under certain circumstances. The bill includes property that qualifies for the portion-based property tax exemption that was adopted by the governing body of a taxing unit after the date appraisal records were submitted among the property to be listed in the supplemental appraisal records prepared by the chief appraiser.

C.S.S.B. 279 provides for the continuation of the existing percentage-based property tax exemption for an individual who would have been entitled to that exemption but for the governing body of a taxing unit ceasing to grant the percentage-based exemption and adopting a portion-based exemption as added by the bill. The bill specifies that the exemption expires in the event of a change in ownership of the property or, if the property is owned by a qualifying trust and the trustor of the trust or a beneficiary of the trust has the right to use and occupy the property as the trustor's or beneficiary's principal residential property, there is a change in the

trustor or beneficiary of the trust, respectively.

C.S.S.B. 279 adds temporary provisions, set to expire December 31, 2024, prohibiting the governing body of any taxing unit that adopted a percentage-based property tax exemption for the 2014 tax year from reducing the amount of or repealing the exemption but authorizing the governing body of a taxing unit other than a school district that adopted a percentage-based exemption for the 2014 tax year to repeal the exemption if the governing body adopts a portion-based exemption in an amount greater than \$5,000.

EFFECTIVE DATE

January 1, 2016, if the constitutional amendment authorizing the governing body of a political subdivision other than a school district to adopt an exemption from property taxation of a portion, expressed as a dollar amount, of the market value of an individual's residence homestead and authorizing the legislature to prohibit the governing body of any political subdivision that adopts an exemption from property taxation of a portion, expressed as a percentage or a dollar amount, of the market value of an individual's residence homestead from reducing the amount of or repealing the exemption is approved by the voters.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 279 may differ from the engrossed in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

SENATE ENGROSSED

SECTION 1. Section 11.13, Tax Code, is amended by amending Subsection (i) and adding Subsections (s), (t), (u), (u-1), and (v) to read as follows:

(i) The assessor and collector for a taxing unit may disregard the exemptions authorized by Subsection (b), (c), (d), ~~[(e)]~~ (n), or (s) ~~[of this section]~~ and assess and collect a tax pledged for payment of debt without deducting the amount of the exemption if:

(1) prior to adoption of the exemption, the unit pledged the taxes for the payment of a debt; and

(2) granting the exemption would impair the obligation of the contract creating the debt.

(s) In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a taxing unit other than a school district of a portion of the appraised value of the individual's residence homestead if the exemption is adopted by the governing body of the taxing unit before July 1 in the manner provided by law for official action by the body. The amount of the exemption is \$5,000 of the appraised value of the residence homestead unless a larger amount

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 11.13, Tax Code, is amended by amending Subsection (i) and adding Subsections (s), (t), (u), and (v) to read as follows:

(i) The assessor and collector for a taxing unit may disregard the exemptions authorized by Subsection (b), (c), (d), ~~[(e)]~~ (n), or (s) ~~[of this section]~~ and assess and collect a tax pledged for payment of debt without deducting the amount of the exemption if:

(1) prior to adoption of the exemption, the unit pledged the taxes for the payment of a debt; and

(2) granting the exemption would impair the obligation of the contract creating the debt.

(s) In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a taxing unit other than a school district of a portion of the appraised value of the individual's residence homestead if the exemption is adopted by the governing body of the taxing unit before July 1 in the manner provided by law for official action by the body. The amount of the exemption is \$5,000 of the appraised value of the residence homestead, except that if the

is specified by the governing body authorizing the exemption.

average market value of residence homesteads in the taxing unit in the tax year in which the exemption is adopted exceeds \$25,000, as calculated based on the appraisal records prepared by the chief appraiser of each appraisal district in which the taxing unit participates, the governing body may authorize an exemption in a larger dollar amount not to exceed an amount equal to 20 percent of the average market value of residence homesteads in the taxing unit in the tax year in which the exemption is adopted.

(t) This subsection applies only to a taxing unit to which Subsection (s) applies the governing body of which has not adopted an exemption under Subsection (n). An individual is entitled to an exemption from taxation by the taxing unit under Subsection (s) as if the exemption were adopted by the governing body under that subsection unless before July 1 the governing body in the manner provided by law for official action by the body elects not to adopt an exemption under that subsection. The amount of the exemption is \$5,000 of the appraised value of the individual's residence homestead unless the governing body authorizes an exemption in a larger amount as provided by Subsection (s).

(t) This subsection applies only to a taxing unit the governing body of which has ceased granting an exemption under Subsection (n) and has adopted an exemption under Subsection (s). An individual who would have been entitled to an exemption from taxation by the taxing unit under Subsection (n) had the governing body not ceased granting an exemption under that subsection is entitled to continue to receive an exemption under that subsection in lieu of the exemption under Subsection (s) if the individual otherwise qualifies for the exemption under Subsection (n) and the amount of the exemption under that subsection as calculated under this subsection exceeds the amount of the exemption under Subsection (s). The exemption applies only to property for which the individual received an exemption under Subsection (n) in the last year in which the governing body granted an exemption under that subsection. The exemption expires in the event of a change in ownership of the property or, if the property is owned by a qualifying trust and

(u) This subsection applies only to a taxing unit the governing body of which has ceased granting an exemption under Subsection (n) and has adopted an exemption under Subsection (s). An individual who would have been entitled to an exemption from taxation by the taxing unit under Subsection (n) had the governing body not ceased granting an exemption under that subsection is entitled to continue to receive an exemption under that subsection in lieu of the exemption under Subsection (s) if the individual otherwise qualifies for the exemption under Subsection (n) and the amount of the exemption under that subsection as calculated under this subsection exceeds the amount of the exemption under Subsection (s). The exemption applies only to property for which the individual received an exemption under Subsection (n) in the last year in which the governing body granted an exemption under that subsection. Notwithstanding Subsection (n), the amount of the exemption is the dollar amount of the

exemption that the individual received under that subsection in the last tax year in which the governing body granted an exemption under that subsection.

(u-1) The governing body of a taxing unit that adopted an exemption under Subsection (n) for the 2014 tax year may not reduce the amount of or repeal the exemption. This subsection expires December 31, 2024.

(v) Notwithstanding Subsection (u-1), the governing body of a taxing unit that adopted an exemption under Subsection (n) for the 2014 tax year may rescind an exemption granted under that subsection in lieu of an exemption granted under Subsection (s) if the exemption granted under Subsection (s) is an amount greater than \$5,000.

SECTION 2. Section 25.23(a), Tax Code, is amended.

SECTION 3. This Act applies only to ad valorem taxes imposed for a tax year that begins on or after the effective date of this Act.

SECTION 4. This Act takes effect January 1, 2016, but only if the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the governing body of a political subdivision other than a school district to adopt an exemption from ad valorem taxation of a portion, expressed as a dollar amount, of the market value of an individual's residence homestead is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.

the trustor of the trust or a beneficiary of the trust has the right to use and occupy the property as the trustor's or beneficiary's principal residential property, there is a change in the trustor or beneficiary of the trust, respectively.

(u) The governing body of any taxing unit that adopted an exemption under Subsection (n) for the 2014 tax year may not reduce the amount of or repeal the exemption. This subsection expires December 31, 2024.

(v) Notwithstanding Subsection (u), the governing body of a taxing unit other than a school district that adopted an exemption under Subsection (n) for the 2014 tax year may repeal the exemption if the governing body adopts an exemption under Subsection (s) in an amount greater than \$5,000. This subsection expires December 31, 2024.

SECTION 2. Same as engrossed version.

SECTION 3. Same as engrossed version.

SECTION 4. This Act takes effect January 1, 2016, but only if the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the governing body of a political subdivision other than a school district to adopt an exemption from ad valorem taxation of a portion, expressed as a dollar amount, of the market value of an individual's residence homestead and authorizing the legislature to prohibit the governing body of any political subdivision that adopts an exemption from ad valorem taxation of a portion, expressed as a percentage or a dollar amount, of the market value of an individual's residence homestead from reducing the amount of or repealing the exemption is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.