

## **RESOLUTION ANALYSIS**

C.S.S.J.R. 20  
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.J.R. 20 seeks to allow for the adoption of such an exemption.

### **CRIMINAL JUSTICE IMPACT**

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

### **ANALYSIS**

C.S.S.J.R. 20 proposes an amendment to the Texas Constitution to authorize the governing body of a political subdivision other than a school district by official action to exempt from property taxation a portion of the market value of the residence homestead of an individual. The resolution sets the amount of the exemption at \$5,000, except that if the average market value of residence homesteads in the political subdivision in the tax year in which the exemption is adopted exceeds \$25,000, 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 political subdivision in the tax year in which the exemption is adopted. The resolution requires the legislature by general law to specify the method for computing the average market value of residence homesteads for such purposes. The resolution authorizes the governing body, where property tax has previously been pledged for the payment of debt, to continue to levy and collect the tax against the value of the homesteads exempted under the resolution until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created.

C.S.S.J.R. 20 authorizes the legislature by general law to prohibit the governing body of any political subdivision that adopts an existing percentage-based property tax exemption or the portion-based property tax exemption authorized by the resolution from reducing the amount of or repealing the exemption. The resolution provides for the continuation of the percentage-based exemption for an individual who would have been entitled to that exemption had the governing body of a political subdivision not ceased granting that exemption, provided the legislature by general law allows the governing body to repeal the percentage-based exemption and the governing body has adopted the portion-based exemption as authorized by the resolution. The resolution specifies that the exemption expires in the event of a change in ownership of the

property or, if the property is owned by a 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.J.R. 20 adds a temporary provision, set to expire January 1, 2017, making the resolution's provisions effective beginning with the 2016 tax year.

### **ELECTION DATE**

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 3, 2015.

### **COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE**

While C.S.S.J.R 20 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 resolution.

#### SENATE ENGROSSED

SECTION 1. Section 1-b, Article VIII, Texas Constitution, is amended by adding Subsections (n), (o), (p), and (q) to read as follows:

(n) The governing body of a political subdivision other than a school district by official action may exempt from ad valorem taxation a portion of the market value of the residence homestead of an individual. The amount of the exemption is \$5,000 unless a larger amount is specified by the governing body authorizing the exemption. Where ad valorem tax has previously been pledged for the payment of debt, the governing body may continue to levy and collect the tax against the value of the homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created.

(o) This subsection applies only to a political subdivision to which Subsection (n) of this section applies the governing body of

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 1-b, Article VIII, Texas Constitution, is amended by adding Subsections (n), (o), and (p) to read as follows:

(n) The governing body of a political subdivision other than a school district by official action may exempt from ad valorem taxation a portion of the market value of the residence homestead of an individual. The amount of the exemption is \$5,000, except that if the average market value of residence homesteads in the political subdivision in the tax year in which the exemption is adopted exceeds \$25,000, 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 political subdivision in the tax year in which the exemption is adopted. The legislature by general law shall specify the method for computing the average market value of residence homesteads for purposes of this subsection. Where ad valorem tax has previously been pledged for the payment of debt, the governing body may continue to levy and collect the tax against the value of the homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created.

which has not adopted an exemption under Subsection (e) of this section. An individual is entitled to an exemption from ad valorem taxation by the political subdivision under Subsection (n) of this section as if the exemption were adopted by the governing body under that subsection unless the governing body by official action elects not to adopt an exemption under that subsection. The amount of the exemption is \$5,000 unless the governing body authorizes an exemption in a larger amount as provided by Subsection (n) of this section.

(p) The legislature by general law may prohibit the governing body of a political subdivision that adopts an exemption under Subsection (e) or (n) from reducing the amount of or repealing the exemption.

(q) If the legislature by general law allows the governing body of a political subdivision to repeal an exemption under Subsection (e) of this section and the governing body of a political subdivision has adopted an exemption under Subsection (n) of this section, an individual who would have been entitled to an exemption from ad valorem taxation by the political subdivision under Subsection (e) of this section 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 (n) of this section if the individual otherwise qualifies for the exemption under Subsection (e) of this section and the amount of the exemption under that subsection as calculated under this subsection exceeds the amount of the exemption under Subsection (n) of this section. The exemption applies only to property for which the individual received an exemption under Subsection (e) of this section in the last tax year in which the governing body granted an exemption under that subsection. Notwithstanding Subsection (e) of this section, 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.

(o) The legislature by general law may prohibit the governing body of any political subdivision that adopts an exemption under Subsection (e) or (n) of this section from reducing the amount of or repealing the exemption.

(p) This subsection applies only to a political subdivision the governing body of which has ceased granting an exemption under Subsection (e) of this section, if doing so is not prohibited by the legislature by general law, and has adopted an exemption under Subsection (n) of this section. An individual who would have been entitled to an exemption from ad valorem taxation by the political subdivision under Subsection (e) of this section 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 (n) of this section if the individual otherwise qualifies for the exemption under Subsection (e) of this section and the amount of the exemption under that subsection exceeds the amount of the exemption under Subsection (n) of this section. The exemption applies only to property for which the individual received an exemption under Subsection (e) of this section in the last tax 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 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.

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to 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.

(b) The amendments to Section 1-b, Article VIII, of this constitution take effect beginning with the tax year that begins January 1, 2016.

(c) This temporary provision expires January 1, 2017.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 3, 2015. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment 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."

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to 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.

(b) The amendments to Section 1-b, Article VIII, of this constitution take effect beginning with the tax year that begins January 1, 2016.

(c) This temporary provision expires January 1, 2017.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 3, 2015. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment 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."