

SUBJECT: Expanding the appraisal limit on replacement structures after disasters

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 11 ayes — Burrows, Guillen, Bohac, Cole, Martinez Fischer, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray

0 nays

WITNESSES: For — Dan Coleman, City of Houston (*Registered, but did not testify*); Jamaal Smith, City of Houston Mayor's Office; Michael Henry, Ryan, LLC; Brent South, Texas Association of Appraisal Districts; Julia Parenteau, Texas Realtors; Julie Wheeler, Travis County Commissioners Court; Idona Griffith; Ash Hall)

Against — None

BACKGROUND: Tax Code sec. 23.23 governs limitations on the appraised value of a residence homestead. Sec. 23.23(f) establishes that for appraisal purposes, improvements to property do not qualify as new improvements if they are used to replace a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage.

Sec. 23.23(g) defines the disaster recovery program as the program administered by the General Land Office that is funded with community development block grant disaster recovery money authorized by the federal Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 and the Consolidated and Further Continuing Appropriations Act of 2012. Under this section, a replacement structure is not considered a new improvement if to satisfy the requirements of the disaster recovery program it was necessary that:

- the square footage of the replacement structure exceeds that of the replaced structure; or
- the exterior of the replacement structure be of higher quality construction and composition than the replacement structure.

DIGEST: CSHB 1842 would expand the definition of disaster recovery program to include all programs funded with community development block grant disaster recovery money authorized by federal law. It would remove a requirement that the disaster recovery program be administered by the General Land Office.

The bill would take effect January 1, 2020, and would apply only to the appraisal of a home for a tax year that began on or after that date.

SUPPORTERS SAY: CSHB 1842 would allow current and future natural disaster victims to benefit from the appraisal limit on replacement structures by expanding the eligibility of this appraisal limit to include homeowners receiving any federal funds, not limited to only those provided directly by the General Land Office. Increased property values lead to higher property tax burdens on homeowners. Allowing all homeowners who are forced to rebuild due to natural disasters to benefit from the appraisal limit would reduce the tax burden on these individuals.

OPPONENTS SAY: CSHB 1842 would not go into effect soon enough to provide immediate relief to homeowners who were victims of Hurricane Harvey. The bill should include a provision providing for the immediate effect of the bill upon a two-thirds record vote of the membership of each house or have an effective date of September 1, 2019.