

SUBJECT: Establishing limitations on property taxes for certain low-income persons

COMMITTEE: Ways & Means — committee substitute recommended

VOTE: 10 ayes — Meyer, Thierry, Craddick, Gervin-Hawkins, Hefner, Muñoz, Noble, Raymond, Shine, Turner

0 nays

1 absent — Button

WITNESSES: For — (*Registered, but did not testify*: 15 individuals)

Against — None

On — (*Registered, but did not testify*: Allison Mansfield, Comptroller of Public Accounts)

BACKGROUND: Concerns have been raised that local taxing entities do not have the ability to grant property tax freezes to senior citizens or citizens with disabilities. Some have suggested that providing such a tax limitation would help low-income seniors and people with disabilities who may have difficulty keeping up with rapidly increasing property taxes.

DIGEST: CSHB 3757 would establish requirements for a qualifying taxing unit that chose to limit the total amount of taxes that could be imposed by the unit on the residence homestead of an eligible individual who was disabled or who was age 65 or older. An "eligible individual" would be defined as an individual whose household income did not exceed 200 percent of the federal poverty level. A "qualifying taxing unit" would be defined as a taxing unit other than a school district, county, municipality, or junior college district.

A qualifying taxing unit would be prohibited from increasing the total annual amount of property taxes on the residence homestead of an eligible individual who was disabled or over age 65 above the amount of the taxes

the taxing unit imposed on the homestead in the first tax year in which the individual qualified for the limitation. The bill would include additional provisions related to imposing the tax limitation in certain circumstances.

Tax officials in a qualifying taxing unit would be required to appraise the residence homestead of an eligible individual who was disabled or over age 65 and calculate taxes on the residence homestead in the same manner as other residence homesteads. If the calculated tax exceeded the allowed limitation, the imposed tax would be the amount of the tax that was imposed on the residence homestead in the first year in which the eligible individual qualified that residence homestead for the exemption.

If an eligible individual had made improvements to the individual's homestead other than repairs and required improvements, the taxing unit could increase the value on the appraisal roll and increase taxes according to provisions specified in the bill. A replacement structure for a structure that had been rendered uninhabitable or unusable by a casualty or by wind or water damage would not be considered an improvement for purposes of tax limitation unless the square footage of the replacement structure exceeded that of the replaced structure, or the exterior of the replacement was of higher quality construction and composition than the replaced structure.

The limitation on tax increases would expire on January 1 if:

- none of the owners of the structure who qualified for the exemption had been using the structure as a residence homestead;
- none of the owners of the structure qualified for the exemption for an individual that was disabled or 65 years of age or older; or
- none of the owners of the structure were eligible individuals.

If an exemption had been erroneously allowed, the tax assessor for the applicable county would be required to add the amount of taxes that should have been imposed for any applicable year as back taxes.

A limitation on tax increases would not expire because the owner of an

interest in the structure conveyed the interest to a qualifying trust if the owner or the owner's spouse was a trustor and would be entitled to occupy the structure.

The bill would establish the process for determining the tax amount on a different residence if an eligible individual or the eligible individual's surviving spouse qualified a different residence in the same taxing district. The bill would require the chief appraiser in the district where the former residence had been located to provide a certificate that included the information necessary to determine whether the individual would qualify for a limitation on a subsequently qualified homestead.

The surviving spouse of an eligible individual who qualified for a limitation on tax increases could qualify for the limitation on taxes if:

- the surviving spouse was disabled or was age 55 or older when the eligible individual died and also would qualify as an eligible individual; and
- the residence homestead of the eligible individual had been the residence homestead of the surviving spouse when the eligible individual died and remained the residence of the surviving spouse.

Provisions would be included to address circumstances when the eligible individual died in the first year in which the individual qualified for the limitation, and the surviving spouse remained in the qualifying residence.

An heir property owner who qualified the heir property as the owner's residence would be considered the sole owner of the property for the purposes of these provisions.

The chief appraiser for an appraisal district in which a qualifying tax unit participated could require an individual to provide any information necessary for the appraiser to determine whether the individual was an eligible individual.

The bill would add the authorized limitation to other tax exemptions for

which the stockholders of a housing corporation could request a separate appraisal of real property and improvements, and to provisions for determining the current total value of property for school districts.

The bill would take effect January 1, 2024, but only if the constitutional amendment to authorize a limitation on the total amount of ad valorem taxes that a political subdivision other than a school district, county, municipality, or junior college district could impose on the residence homesteads of certain low-income persons where were disabled or elderly and their surviving spouses was approved by the voters.

NOTES:

CSHB 3757 is the enabling legislation for CSHJR 153, which is also on the daily calendar for second reading consideration today.