

SUBJECT: Amending the constitution to authorize certain property tax revisions

COMMITTEE: Ways & Means — committee substitute recommended

VOTE: 9 ayes — Meyer, Thierry, Button, Craddick, Hefner, Noble, Raymond, Shine, Turner

0 nays

2 absent — Gervin-Hawkins, Muñoz

SENATE VOTE: On final passage (March 22) — 31 - 0

WITNESSES: None (*Considered in a formal meeting on May 12*)

BACKGROUND: Texas Constitution Art. 8, sec. 1 requires taxation to be equal and uniform and that all real property and tangible personal property in the state, unless exempt as required or permitted by the Constitution, be taxed in proportion to its value. This section also creates an exemption allowing for the limiting of appraisal values for a residence homestead for ad valorem tax purposes. This limit would be determined by either the most recent market value of the residence homestead or 110 percent of the appraised value of the residence homestead for the preceding tax year, whichever is lesser.

Texas Constitution Art. 8, sec. 22 requires that the growth rate of appropriations from state tax revenues not dedicated by the constitution be no greater than the estimated growth rate of the state's economy.

Some have suggested that extending the applicability of certain appraisal limitations, adjusting certain exemption amounts, and excluding certain appropriations would provide property tax relief for taxpayers.

DIGEST: CSSJR 3 would amend the Texas Constitution to allow the Legislature to expand the limitation on appraised value to cover real property, rather than a residence homestead, decrease the limitation on the allowable

annual increase on a real property's appraised value from 110 percent to 105 percent, and increase the homestead exemption from \$40,000 to \$100,000.

The homestead exemption under the bill would begin in the 2023 tax year and the revised limit on appraised value would take effect in the tax year following the first tax year in which the owner owned the property on January 1 and would expire on January 1 of the tax year following the tax year in which the owner no longer owned the property. The resolution would allow the Legislature by general law to continue the appraised value limitation for the owner's spouse or surviving spouse.

The measure also would require the Legislature to adjust the limitations on the tax rate for public school purposes applicable to the residence homestead of an individual who was disabled or age 65 or older and would include certain calculations to be used for adjusting the limitations.

Under CSSJR 3, appropriations from state tax revenues not dedicated by the Constitution that were made for the purpose of providing property tax relief, as defined by the Legislature, would be excluded from the determination of whether the growth rate of appropriations exceeded the constitutional spending limit.

The ballot proposal would be presented to voters at an election on November 7, 2023, and would read: "The constitutional amendment to authorize the legislature to limit the maximum appraised value of real property for ad valorem tax purposes; to increase the amount of the residence homestead exemption from ad valorem taxation for public school purposes from \$40,000 to \$100,000; to adjust the amount of the limitation on ad valorem taxes for public school purposes imposed on the residence homestead of a person who is disabled or is 65 years of age or older to reflect increases in certain exemption amounts; and to exempt certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations."

NOTES:

The enabling legislation for CSSJR 3 is CSSB 3, which is also on the

daily House calendar for second reading consideration today.

According to the Legislative Budget Board, the proposed constitutional amendment would have no cost to the state other than the cost of publication, which would be \$204,406.