

BILL ANALYSIS

Senate Research Center
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S.B. 1349
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

In 1997, the legislature amended the Tax Code to set a 10 percent cap on the annual increases of the appraised value of residence homesteads.

As proposed, S.B. 1349 lowers the current appraisal cap on residence homesteads to five percent. The bill also gives local control to local taxing units by allowing them to opt out of the appraisal cap by a majority vote of the governing board.

S.B. 1349 also requires local taxing units to raise tax rates, rather than appraisals, to collect more revenue. Taxing units that propose higher tax rates are subject to truth-in-taxation provisions, which call for certain notice and public hearing requirements. Appraisal districts are not subject to these provisions when raising property appraisals.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.23, Tax Code, by amending Subsection (a) and adding Subsections (g) and (h), as follows:

(a) Decreases from 10 to five percent the amount by which the appraised value of a residence homestead for a tax year is prohibited from increasing.

(g) Authorizes the governing body of a taxing unit, in the manner required by law for official actions, to determine at any time that the limitation provided by Subsection (a)(2) will not apply to the taxation of residence homesteads by the taxing unit in a tax year following the year in which the determination is made. Provides that, if the governing body of the taxing unit determines that the limitation provided by Subsection (a)(2) will not apply to the taxation of residence homesteads by the taxing unit, in the following and each subsequent tax year, the appraised value of a residence homestead for purposes of taxation by the taxing unit is the market value of the property.

(h) Provides that Subsection (g) does not affect the appraised value of property by a taxing unit other than the taxing unit whose governing body makes the determination under that subsection. Provides that if the governing body that makes a determination under Subsection (g) sets the tax rate for more than one taxing unit, the determination does not apply to a taxing unit other than the taxing unit whose governing body makes the determination.

SECTION 2. Effective date: January 1, 2006.

Makes application of this Act prospective.

Makes application of this Act contingent upon passage the constitutional amendment proposed by the 79th Legislature, Regular Session, 2005, authorizing the legislature to establish a lower limit on the maximum average annual percentage increase in the appraised value of residence homesteads for ad valorem tax purposes to authorize the

governing body of a taxing unit to determine whether a limit on residence homestead appraisal increases are required to apply in the taxing unit is approved by the voters.