

BILL ANALYSIS

Senate Research Center
79S20074 SMH-D

S.B. 31
By: Wentworth
Finance
8/2/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

S.B. 31 is the enabling legislation for S.J.R. 7, which proposes a constitutional amendment increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes from \$15,000 to \$22,500 and provides for an adjustment of the limitation on the amount of ad valorem taxes that may be imposed for those purposes on the homestead of an elderly or disabled person, to reflect the increased exemption amount, and increase or reduces, as applicable, the amount of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homestead of an elderly or disabled person in proportion to any increase or reduction in the tax rate of the school district but not exceeding the amount of the limitation for the later of the 2005 tax year or the tax year in which the limitation took effect, subject to increases for improvements.

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 11.13(b), Tax Code, to entitle an adult to exemption from taxation by a school district of \$22,500, rather than \$15,000, of the appraised value of the adult's residence homestead, except that only \$5,000 of the exemption applies, rather than \$10,000 of the exemption does not apply, to an entity operating under certain chapters of the Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

SECTION 2. Amends Section 11.26, Tax Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Provides that if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) (Residence Homestead) for individuals 65 years of age or older or disabled was a tax year before the 2006 tax year, rather than 1997 tax year, the amount of the limitation provided by this section is the amount of the tax the school district imposed for the 2005 tax year, rather than 1996 tax year, less an amount equal to the amount determined by multiplying \$7,500, rather than \$10,000, times the tax rate of the school district for the 2006 tax year, rather than 1997 tax year, plus any 2006, rather than 1997, tax attributable to improvements made in 2005, rather than 1996, other than improvements comply with governmental regulations or repairs.

Provides that if an individual receives this section's limitation and the tax rate of the school district for the current tax year is higher or lower than the tax rate of the district for the preceding tax year, the total amount of taxes that may be imposed by the district on the homestead is equal to the amount of tax the district imposed on the homestead for the preceding tax year multiplied by a fraction, the numerator of which is the tax rate of the district for the current tax year and the denominator of which is the tax rate of the district for the preceding tax year, plus any tax for the current tax year attributable to improvements made in the preceding tax year, other than improvements made to comply with governmental regulations or repairs, except that the total amount of taxes that may be imposed is prohibited from exceeding the amount of taxes imposed by the district for the later of the 2005 tax year or the tax year in which the limitation took effect, as that

limitation may have been increased in subsequent tax years or is authorized to be increased for the current tax year because of improvements as authorized by this section.

(a-1) Provides that notwithstanding Subsection (a), if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older or disabled was a tax year before the 2006 tax year and the tax rate of the school district for the 2006 tax year is higher or lower than the tax rate of the district for the 2005 tax year, the amount of the limitation provided by this section for the 2006 tax year is the amount of tax the school district imposed for the 2005 tax year, increased or reduced, as applicable, in proportion to the increase or reduction in the tax rate as provided by Subsection (a), less an amount equal to the amount determined by multiplying \$7,500 times the tax rate of the school district for the 2006 tax year, plus any 2006 tax attributable to improvements made in 2005, other than improvements made to comply with governmental regulations or repairs. Provides that the limitation continues to apply to the property in subsequent tax years, subject to the other provisions of this section.

SECTION 3. Amends Subchapter H, Chapter 42, Education Code, as added by ___ Bill No. ___, Acts of the 79th Legislature, ___ Called Session, 2005, by adding Section 42.3053, as follows:

Sec. 42.3053. ADDITIONAL STATE AID FOR RESIDENCE HOMESTEAD EXEMPTION AND TAX FREEZE. (a) Provides that a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property does not fully compensate the district for ad valorem tax revenue lost due to certain circumstances, notwithstanding any other provision of this chapter.

(b) Requires the commissioner of education, using information provided by the comptroller of public accounts (comptroller), to compute the amount of any additional state aid to which a district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

(c) Provide that this section expires September 1, 2007.

SECTION 4. Amends Section 403.302, Government Code, by amending Subsection (j) and adding Subsection (j-1), as follows:

(j) Requires the comptroller to make certain certifications to the commissioner of education. Makes a conforming change.

(j-1) Provides that to the extent of a conflict between Subsection (j) and a provision added by ___ Bill No. ___, Acts of the 79th Legislature, ___ Called Session, 2005, Subsection (j) prevails, regardless of the relative dates of enactment.

SECTION 5. Effective date: January 1, 2006. Provides that this Act applies only to an ad valorem tax year that begins on or after that date, contingent upon the passage of the constitutional amendment proposed by ___ J.R. No. ___, 79th Legislature, ___ Called Session, 2005.