

BILL ANALYSIS

Senate Research Center
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S.B. 175
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Property taxes are increasing at a rate that is making it financially difficult for homeowners to remain in their homes. The current cap on annual increases in appraised value for use in calculating ad valorem taxes is set at 10 percent for homestead properties. For example, a homesteaded property valued at \$100,000 this year cannot be appraised higher than \$110,000 next year, for ad valorem tax purposes.

This can mean that property taxes double in seven years. A homeowner may be unable or unwilling to sell or move, but must pay the assessed property taxes.

S.B. 175 decreases this cap from 10 percent to five percent. The bill also authorizes the commissioners court of a county to call an election, not more than once every 10 years, to allow the voters to set the percentage limitation on increases in appraised value at a rate higher than five percent, but not more than 10 percent.

As proposed, S.B. 175 amends current law relating to the limitation on increases in the appraised value of a residence homestead for ad valorem taxation.

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 Subsection (g), as follows:

(a) Authorizes an appraisal office, except as provided by Subsection (g), notwithstanding the requirements of Section 25.18 (Periodic Reappraisals), and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, to increase the appraised value of a residence homestead for a tax year not to exceed the lesser of:

(1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office; or

(2) the sum of five percent, rather than 10 percent, of the appraised value of the property for the preceding tax year; the appraised value of the property for the preceding tax year; and the market value of all new improvements to the property.

(g) Authorizes the commissioners court of a county to call an election in the county to permit the voters of the county to determine whether a percentage limitation on maximum appraised value determined in the manner provided by Subsection (a)(2) but not more than 10 percent will apply to the taxation of a residence homestead in the county by each taxing unit having territory in the county. Requires that the election be held on the date of the next general election for state and county officers. Requires that the ballot proposition specify the proposed percentage limitation on maximum appraised

value. Prohibits a subsequent election under this subsection, if a majority of the votes cast at the election do not favor the establishment of the proposed limitation, from being held before the 10th year after the year in which the election is held. Provides that the limitation, if a majority of votes cast at the election favor the establishment of the proposed limitation, applies beginning with the tax year following the year in which the election is held and remains in effect until amended or repealed by the voters of the county at a subsequent election called by the commissioners court. Prohibits an election to amend or repeal the limitation from being held before the 10th year after the year in which the proposition establishing the limitation was approved by the voters. Provides that the amendment or repeal, if the voters of a county amend or repeal a limitation, applies beginning with the tax year after the year in which the election is held.

SECTION 2. Amends Section 42.26(d), Tax Code, to require that the value of the property subject to the suit and the value of a comparable property or sample property that is used for comparison, for purposes of this section, be the market value determined by the appraisal district when the property is a residence homestead subject to a limitation on appraised value imposed by or established under Section 23.23.

SECTION 3. Makes application of this Act prospective to January 1, 2012.

SECTION 4. Effective date: January 1, 2012, contingent upon approval by the voters of the constitutional amendment proposed by the 82nd Legislature, Regular Session, 2011, authorizing the legislature to limit the maximum appraised value of a residence homestead for ad valorem tax purposes to 105 percent or less of the appraised value of the property for the preceding tax year and to permit the voters of a county to establish a higher limitation not to exceed 110 percent on the maximum appraised value of a residence homestead in the county.