

BILL ANALYSIS

Senate Research Center
86R4963 JES-D

S.B. 1086
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Property Tax
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The current cap on annual increases in appraised value for use in calculating ad valorem taxes is 10 percent for homestead properties and there is no cap on commercial property.

S.B. 1086 decreases the current cap on appraised value increases from the current 10 percent to five percent. Additionally, S.B. 1086 creates an appraisal cap for commercial property, equal to that of the proposed homestead property appraisal cap.

As proposed, S.B. 1086 amends current law relating to a limitation on increases in the appraised value of real property for ad valorem tax purposes.

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 1.12(d), Tax Code, to provide that for purposes of this section (Median Level of Appraisal), the appraisal ratio of real property, rather than of a homestead, to which Section 23.23 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law.

SECTION 2. Amends the heading to Section 23.23, Tax Code, to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY.

SECTION 3. Amend Section 23.23, Tax Code, by amending Subsections (a), (b), (c), and (e) and adding Subsections (c-1), (c-2), and (c-3), as follows:

(a) Authorizes an appraisal office, 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 real property, rather than a residence homestead, for a tax year to an amount not to exceed the lesser of:

(1) makes no changes to this subdivision; 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.

(b) Requires the chief appraiser, when appraising real property, rather than a residence homestead, to appraise the property at its market value and include in the appraisal records both the market value of the property and the amount computed under Subsection (a)(2).

(c) Provides that the limitation provided by Subsection (a) takes effect on January 1 of the tax year following the first tax year in which the owner owns the property on January 1, or, if the property qualifies as the residence homestead of the owner under Section 11.13 (Residence Homestead) in the tax year in which the owner acquires the property, the limitation takes effect on January 1 of the tax year following that tax year. Deletes existing text providing that the limitation provided by Subsection (a) takes effect as to a residence homestead on January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 11.13. Provides that, except as provided by Subsection (c-1) or (c-2), the limitation expires on January 1 of the first tax year following the year in which the owner of the property ceases to own the property. Deletes existing text providing that the limitation expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for an exemption under Section 11.13.

(c-1) Creates this subsection from existing text. Provides that if property subject to a limitation under this section qualifies for an exemption under Section 11.13 when the ownership of the property is transferred to the owner's spouse or surviving spouse, the limitation expires on January 1 of the first tax year following the year in which the owner's spouse or surviving spouse ceases to own the property unless the limitation is further continued under this subsection on the subsequent transfer to a spouse or surviving spouse.

(c-2) Provides that if property subject to a limitation under Subsection (a), other than a residence homestead, is owned by two or more persons, the limitation expires on January 1 of the first tax year following the year in which the ownership of at least a 50 percent interest in the property is sold or otherwise transferred.

(c-3) Provides that for purposes of applying the limitation provided by this section in the first tax year after the 2019 tax year in which the property is appraised for taxation:

(1) the property is considered to have been appraised for taxation in the 2019 tax year at a market value equal to the appraised value of the property for that tax year;

(2) a person who acquired real property in a tax year before the 2019 tax year is considered to have acquired the property on January 1, 2019; and

(3) a person who qualified the property for an exemption under Section 11.13 as the person's residence homestead for any portion of the 2019 tax year is considered to have acquired the property in the 2019 tax year.

(e) Provides that "new improvement" means an improvement to real property, rather than to a residence homestead, made after the most recent appraisal that meets certain conditions.

SECTION 4. Amends Section 42.26(d), Tax Code, to remove the specification that the value of the property for which remedy for unequal appraisal is sought and the value of a comparable or sample property that is used for comparison is required to be the market value determined by the appraisal district when the property is a residence homestead subject to the limitation on appraised value imposed by Section 23.23.

SECTION 5. Amends Sections 403.302(d) and (i), Government Code, as follows:

(d) Defines "taxable value" as the market value of all taxable property less certain amounts, including the amount by which the market value of real property, rather than a residence homestead, to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section, for purposes of this section.

(i) Replaces references to residence homesteads with references to properties in this subsection and makes no further changes to this subsection.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Effective date: January 1, 2020, contingent upon approval by the voters of the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, relating to authorizing the legislature to limit the maximum appraised value of real property for ad valorem tax purposes to 105 percent or more of the appraised value of the property for the preceding tax year.