

BILL ANALYSIS

Senate Research Center

H.B. 5
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under Section 1-b(d), Article VIII, Texas Constitution, a ceiling is placed on the amount of school property taxes that homeowners who are 65 years of age or older, or who have a disability, must pay. The ceiling on the tax is to be calculated based on the taxes owed by the homestead owner during the year the owner first qualified for the limit on the homestead tax increase.

During the 79th Legislative, 3rd Called Session, legislation was passed to provide homeowners with a reduction in their ad valorem taxes, but no proportional reduction on ad valorem taxes was provided to seniors 65 years of age or older, or homeowners with a disability.

H.B. 5 provides for a one-time reduction of the limitation on ad valorem taxes that school districts may impose on residence homesteads of the elderly or disabled to reflect any reduction in the school district tax rate. The bill also ensures that school districts losing local revenue as a result of this reduction are entitled to additional state aid.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.26, Tax Code, by adding Subsections (a-1), (a-2), and (a-3), as follows:

(a-1) Provides that the amount of the limitation on tax increases on a homestead in the 2007 tax year, notwithstanding the other provisions of this section, if in the 2007 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was the 2006 tax year is equal to the amount computed by a certain calculation.

(a-2) Provides that the amount of the limitation provided by this section on the homestead in the 2007 tax year, notwithstanding the other provisions of this section, if in the 2007 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was a tax year before the 2006 tax year is equal to the amount computed by a certain calculation.

(a-3) Provides that, except as provided by Subsection (b), a limitation on tax increases provided by this section on a residence homestead computed under Subsection (a-1) or (a-2) continues to apply to the homestead in subsequent tax years until the limitation expires.

SECTION 2. Amends Section 42.2511(a), Education Code, to provide that a school district is entitled to additional state aid to the extent that state aid does not compensate the district for ad valorem tax revenue lost due to the reduction in the school district tax rate as provided by

Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable and other revenue lost under this subsection, notwithstanding any other provision of this chapter.

SECTION 3. Amends Section 42.302(a-1), Education Code, to redefine "wealth per student."

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

(j) Requires the comptroller of public accounts (comptroller), for the purposes of Section 42.2511, Education Code, to certify to the commissioner of education a final value for each school district computed on the effect of the additional limitation on tax increase under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997; and a final value for each school district computed on the effect of the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

(j-1) Requires the comptroller for purposes of applying Subsection (j)(3) in the 2007-2008 school year, to compute the final value under that subsection as if the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable, had taken effect in the 2006 tax year. Provides that this subsection expires September 1, 2008.

SECTION 5. Provides that this Act applies beginning with the tax year that begins January 1, 2007.

SECTION 6. Provides that this Act takes effect on the date on which the constitutional amendment proposed by the 80th Legislature, Regular Session, 2007, authorizing the legislature to provide for a reduction of the limitation on the total amount of ad valorem taxes that are authorized to be imposed for public school purposes on the residence homesteads of the elderly or disabled to reflect any reduction in the rate of those taxes for the 2006 and 2007 tax years takes effect, if that constitutional amendment is approved by the voters. Provides that if the constitutional amendment is not approved by the voters, this Act has no effect.