

BILL ANALYSIS

Senate Research Center
86R8398 JES-D

S.B. 657
By: Creighton
Property Tax
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 23, Tax Code, limits increases in the appraised value of a residence homestead for ad valorem taxation to no more than 10 percent each year. There is concern that the current limitation on increases in appraised is insufficient in protecting homeowners from continuous growth in the value of their property. In some areas, appraisal values continue to rise even as the actual property values remain stagnant or fall, resulting in homeowners facing a rapidly increasing property tax burden in an already property tax heavy state. Moreover, many taxing entities are effectively increasing taxation when tax rates are not lowered to compensate for increased appraisals. The current limitation on appraisal increases is therefore inadequate and should be lowered by the legislature.

S.B. 657 addresses this issue by establishing a two-tiered appraisal cap. This will reduce the current limitation to five percent for all homeowners and will also provide additional relief to homeowners with lesser valued homes by establishing a three percent limitation for those homes.

As proposed, S.B. 657 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(a), Tax Code, to authorize 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 a residence homestead to an amount not to exceed the lesser of:

(1) makes no changes to this subdivision; or

(2) the sum of:

(A) the following applicable percentage, rather than 10 percent, of the appraised value of the property for the preceding tax year:

(i) three percent if the appraised value is \$1 million or less; or

(ii) five percent if the appraised value is more than \$1 million;

(B) and (C) makes no changes to these paragraphs.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2020, contingent upon approval by the voters of the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, authorizing

the legislature to set a lower limit and provide for more than one limit on the maximum appraised value of a residence homestead for ad valorem taxation.