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Pending Property Tax Legislation for the 87th Legislative Session

By Sands Stiefer

This summary of pending legislation for the 87th legislative session is prepared by Olson & Olson for the benefit of local government officials and staff. It will be updated weekly to reflect new bills filed and changes to bills as they work their way through the session. These are summaries; readers should refer to the text of filed bills for full details. This issue is organized by bill number. This edition reflects actions through January 8, 2021.

House Bills

HB 35 Swanson, Valoree **Relating to an election authorizing the issuance of bonds or an increase in taxes by a political subdivision.**

Would require 25% turnout to make a bond or tax increase election effective and require such elections to be held on the November uniform election date. Effective 9/1/21.

HB 50 Murr, Andrew **relating to the elimination of school district maintenance and operations ad valorem taxes and the creation of a joint interim committee on the elimination of those taxes.**

Would prohibit ISD's from imposing M&O taxes (with the exception of an enrichment tax) beginning in 2024.

HB 96 Toth, Steve **Relating to the limitation on increases in the appraised value of a residence homestead for ad valorem tax purposes.**

Would amend Sec. 23.23, Tax Code, to provide that the market value of a residence homestead is equal to its value in the first year the owner qualified it for exemption under Sec. 11.13, unless the owner purchased the property as a bona fide purchaser, in which case its market value is the purchase price. For property qualified prior to 2022, the 2021 market value becomes the market value of the property in subsequent years. Various exceptions and qualification requirements are included. Effective 1/1/2022, contingent on constitutional amendment.

HB 122 Bernal, Diego **Relating to an exemption from ad valorem taxation of the total appraised value of the residence homestead of an unpaid caregiver of an individual who is eligible to receive long-term services and supports under the Medicaid program**

Would amend Sec. 11.18(p) to strike the requirement that facilities exempted under Sec. 11.18 (23) be located on a single campus. Effective 1/1/22

HB 125 Buckley, Brad **Relating to the applicability of the law governing the provision of state aid to certain local governments disproportionately affected by the granting of ad valorem tax relief to disabled veterans.**

Would amend Loc. Gov't Code Sec. 140.011(z) to redefine a covered local government to include a municipality with extraterritorial jurisdiction located within two miles of the boundary line of a US military installation. Effective 9/1/21

HB 183 Bernal, Diego **Relating to a limitation on the total amount of ad valorem taxes that a school district may impose on certain residence homesteads following a substantial school tax increase.**

Would add Sec. 11.262, Tax Code, providing a school tax limitation for homesteads that have had the homestead exemption in effect for 15 consecutive years or more. If the school taxes imposed in the 15th year exceed taxes from the first year by 20% or more, school taxes in succeeding years can not exceed the least of: current year taxes as calculated; school taxes imposed in the 15th year; or school taxes as limited by the current Sec 11.26 tax ceiling. Increases in taxes prior to 2008 are excluded. The limitation passes to a surviving spouse. The limitation will increase if the owner makes new improvements, subject to some exceptions. Various conforming amendments are included. Effective 1/1/2022, contingent on constitutional amendment.

HB 186 Zwiener, Erin Relating to an exemption from ad valorem taxation of the portion of the appraised value of a person's property that is attributable to the installation in or on the property of certain water conservation systems.

Would add Sec. 11.325, Tax Code, providing an exemption for the portion of the appraised value of property that is attributable to the installation in or on the property of a rainwater harvesting or graywater system. Effective 1/1/22, contingent on constitutional amendment.

HB 281 Stephenson, Phil Relating to the selection and administration of an appraisal review board.

Would amend Chapter 6, Subchapter c, to provide for the election of ARB members with four being elected from commissioners precincts and one member elected at large from the county, and make conforming changes.. Provides that members of the ARB would appoint a sufficient number auxiliary board members to conduct hearings. Effective 9/1/21

HB 283 Stephenson, Phil Relating to the selection of the chief appraiser of an appraisal district.

Would amend Chapter 6, Subchapter A, Tax Code, to provide for election of chief appraisers. Makes conforming changes and defines "incompetency" for purposes of removing a chief appraiser to include not receiving required training.. Effective 9/1/21

HB 288 Stephenson, Phil Relating to an exemption from ad valorem taxation by a school district for maintenance and operations purposes of the total appraised value of a residence homestead and the offsetting of the resulting revenue loss.

Would amend Sec. 11.13 to provide for a 100% homestead exemption for the M&O portion of the ISD tax rate. Makes conforming changes. Creates fund to reimburse school districts for lost revenue to the extent funds are available to do so. Effective 1/1/22 contingent on constitutional amendment.

HB 349 Craddick, Tom Relating to the exemption from ad valorem taxation of certain property owned by a charitable organization and used in providing housing and related services to certain homeless individuals.

Would amend the eligibility requirements for an exemption under Sec. 11.18(23) to allow the exemption for organizations that have been in existence for two years in certain municipalities while retaining the 12 year requirement for others. Effective 1/1/21

HB 381 Pacheco, Leo Relating to the establishment of a limitation on the total amount of ad valorem taxes that taxing units may impose on the residence homesteads of individuals who are disabled or elderly and their surviving spouses.

Would amend Sec. 11.26, Tax Code, to expand the tax limitation provided by that section to all taxing units. Makes various conforming changes. Effective 1/1/22, contingent on constitutional amendment.

HB 384 Pacheco, Leo Relating to the period for which a school district's participation in certain tax increment financing reinvestment zones may be taken into account in determining the total taxable value of property in the school district.

Bill bracketed for City of San Antonio would modify the duration of certain reinvestment zones created by the City. Effective 9/1/21

HB 453 by Shaheen Homestead Exemption for certain physicians

Would amend Sec. 11.13 to allow counties to give a homestead exemption of up to 50% of value to a qualifying physician who provides indigent health services without seeking payment from any source. *Effective:1/1/22 contingent on constitutional amendment*

HB 467 Gonzalez, Jessica Relating to provisions applicable to affordable housing located in a reinvestment zone in certain areas of the state.

Would require certain cities to prepare affordable housing impact statements in connection with tax increment financing projects.. Effective 9/1/21

HB 468 Gonzalez, Jessica Relating to the authority of certain municipalities to designate an area as a homestead preservation district and reinvestment zone and the use of tax increment revenue in that area.

Would amend Chap 373A, Loc. Gov't Code to modify the household income threshold required for creation of a homestead preservation district. Would permit use of surplus tax increment funds remaining after payment of all obligations to be used for homestead preservation district projects. Effective 9/1/21 HB 469

HB 469 Gonzalez, Jessica (F) Relating to the deferral or abatement of the collection of ad valorem taxes on an appreciating residence homestead.

Would amend Sec. 33.065, Tax Code, to change the interest rate on deferred taxes on an appreciating homestead from eight percent to five percent. Applies to interest accrued on or after effective date. Effective 1/1/22'

HB 475 Lopez, Ray Relating to an exemption from ad valorem taxation of the residence homestead of the surviving spouse of a member of the armed services of the United States who is killed or fatally injured in the line of duty.

Would amend Sec. 11.133 to change the qualification for the exemption for a surviving spouse of a person killed in action to the surviving spouse of a person "killed or fatally injured in the line of duty." Effective 1/1/22, contingent on constitutional amendment.

HB 494 White, James Relating to the appraisal for ad valorem tax purposes of certain property that was erroneously omitted from an appraisal roll in a previous year.

Would amend Sec. 25.21 to make omitted property assessments optional unless otherwise required by law. Effective 9/1/21.

HB 528 White, James Relating to a limitation on increases in the appraised value of commercial real property for ad valorem tax purposes.

Would add new Sec. 23.231, Tax Code, providing for a limitation on increases in the value of commercial real property, defined as real property zoned or otherwise authorized for and actually used for a purpose other than single-family use, multifamily use, heavy industrial use, or use as a quarry. The appraised property of such property is the lesser of its market value or its previous appraised value plus 3.5%, plus the value of any new improvements. Eligibility begins and ends on terms similar to the Sec. 23.23 residential cap. Effective 1/1/22, contingent on constitutional amendment.

HB 529 White, James Relating to the limitation on increases in the appraised value of a residence homestead for ad valorem taxation.

Would amend Sec. 23.23, Tax Code, to lower the permissible increase in appraised value for a residence homestead from 10% to 2.5%. Effective 1/1/22, contingent on constitutional amendment.

HB 533 Shine, Hugh Relating to ad valorem tax sales of personal property seized under a tax warrant.

Would amend Sec. 33.25, Tax Code, to make the provisions currently applicable to counties of three million or more applicable to all counties for the conduct of sales of property seized under a tax warrant. Effective 9/1/21

HB 534 Shine, Hugh Relating to the reduction of the sales price of a comparable property by an amount equal to the amount of the typical commission for the sale or purchase of property for purposes of using the market data comparison.

Would amend Sec. 23.013, Tax Code, dealing with the comparable sales approach, to require the chief appraiser to reduce the sale price of a comparable property by an amount equal to the typical sales commission for such property. Effective 1/1/22

HB 535 Shine, Hugh Relating to the rate at which interest accrues in connection with the deferral or abatement of the collection of ad valorem taxes on the residence homestead of an individual who is elderly or disabled or a disabled veteran.

Would amend Sec. 33.06 to change the interest rate for deferred taxes from five percent to the 10-year T Bill rate as of January 1 of the applicable year. Effective 1/1/22

HB 537 Patterson, Jared Relating to the posting of required notice by a county on the county's Internet website.

Would add Sec. 2051.0465, Gov't Code, to allow a county to meet posting requirements to provide posting in a newspaper by posting the notice on the county's internet website. Effective 9/1/21

HB 778 Lozano, Jose Relating to the extension of the expiration of certain parts of the Texas Economic Development Act.

Would amend Sec. 313.007, Tax Code, to extend the expiration date for Subchapters B and C to December 31, 2032. Immediate effect.

HB 798 Larson, Lyle Relating to the authority of an appraisal district to increase the appraised value of property for ad valorem tax purposes in the next tax year in which the property is appraised.

Would amend Sec. 23.01(e) to require the chief appraiser to have clear and convincing evidence to increase the value of property lowered in the previous year as a result of an agreement. Would provide that the chief appraiser may not increase the value of a property covered by Sec. 23.01(e) by more than five percent plus the value of any new improvements. Effective 1/1/22, contingent on constitutional amendment.

HB 951 Raymond, Richard Relating to the exclusion from the market value of real property for ad valorem tax purposes of the value of any improvement, or any feature incorporated in an improvement.

Would add Sec. 23.015, Tax Code, to provide that in valuing property the chief appraiser excludes value added by improvements or features whose primary purpose is ADA compliance. Applies only to features/improvements made on or after 1/1/21. Effective:1/1/2022 if Constitutional amendment passes

HB 952 Raymond, Richard Relating to the qualification of land for appraisal for ad valorem tax purposes as qualified open-space land.

Would amend Sec. 23.51 to allow an owner whose land qualifies for open-space appraisal to qualify adjacent land that the owner acquires and that is currently devoted to agricultural use to the degree of intensity generally accepted in the area. Effective 1/1/22

HB 984 White, James(R) Relating to the appraisal for ad valorem tax purposes of certain property that was erroneously omitted from an appraisal roll in a previous year.

Would amend Sec. 21.21 to make addition of omitted property to the appraisal roll discretionary unless the law otherwise requires addition. Effective 9/1/21,

HB 986 Shine, Hugh(R) Relating to the appointment of appraisal review board members.

Would amend Sec. 6.41 to allow appraisal district board of directors to elect whether to appoint ARB members or have them appointed by the local administrative district judge. The board of directors for a county with a population of 120,000 or more could only choose to appoint ARB members if each member of the BOD other than the county assessor-collector serves as a member of the governing body of a participating taxing unit.

HB 987 Shine, Hugh(R) Relating to an exemption from ad valorem taxation of all or a portion of the value of a person's income-producing tangible personal property depending on the value of the property.

Would amend Sec. 11.145 to increase the exemption for business personal property valued at less than \$500 to less than \$5,000. The property must be listed in a single account with a total value of less than \$5,000. A person could receive more than one exemption. Would add Sec. 11.1455 providing an exemption of 20% of the value of tangible personal property listed in a single account if the total taxable value is \$5,000 or more and less than \$500,000. A person may receive more than one exemption. Effective 1/1/22 contingent on constitutional amendment.

HB 988 Shine, Hugh(R) Relating to the authority of a property owner to bring suit to compel an appraisal district, chief appraiser, or appraisal review board to comply with a procedural requirement applicable to an ad valorem tax protest.

Would add new Subchapter E to Chapter 41, Tax Code. The subchapter provides for a property owner who has filed a pending protest to file suit to compel the chief appraiser, appraisal district, or ARB to comply with a procedural requirement established by chapter 41 or an ARB or comptroller rule adopted pursuant to Chapter 41. The owner must first deliver notice to the entity and may not file suit unless the entity refuses to comply or does not comply within 10 days of the request. The owner must file within 30 days of the refusal or the 11th day following the request. Delivery of notice entitles the owner to a postponement of the hearing until either the 10 day period elapses or during the pendency of the suit. The suit is for the limited purpose of determining failure to comply; there is no discovery; the court must set the matter at the "earliest possible date" and determine the merits at the end of the hearing. If the court finds failure to comply, the court must order the entity to comply and enter any orders necessary, and may award costs and reasonable attorney fees to the property owner. The order is final and not appealable. Effective 1/1/22.

HB 989 Shine, Hugh(R) Relating to the correction of an ad valorem tax appraisal roll.

Would amend Sec. 25.25(d) to permit correction of errors relating to unequal appraisal and "excessive market value." Effective 9/1/21.

HB 990 Shine, Hugh(R) Relating to the repeal of the penalty on a delinquent ad valorem tax on a residence homestead.

Would amend Secs. 31.031(b) and 31.032(c) to provide that delinquent installment payments under Sec. 31.031 do not incur penalty and likewise they do not include penalty under Sec. 31.032 if the property is the owner's residence homestead.

HB 991 Shine, Hugh(R) Relating to the authority of the owner of a residence homestead to receive a discount for making an early payment of the ad valorem taxes on the homestead.

Would provide a mandatory 3/2/1% discount for early payment of taxes on a residence homestead. Would require a mortgage services who pays property taxes on a residence homestead to pay them in time to qualify for the maximum discount if the owner so requests in writing. Effective 1/1/22.

HB 992 Shine, Hugh(R) Relating to installment payments of ad valorem taxes imposed on residence homesteads.

Would amend Sec. 31.031 to permit any owner of a residence homestead to pay taxes on it in installments as provided by the section. Effective 1/1/22.

HB 993 Shine, Hugh(R) Relating to the establishment of a limitation on the total amount of ad valorem taxes that certain taxing units may impose on the residence homesteads of individuals who are disabled or elderly and their surviving spouse.

Would amend Sec. 11.261, Tax Code, to make the tax limitation provided by that section mandatory rather than optional for county, city, or junior college districts. Effective 1/1/22 contingent on constitutional amendment.

HB 994 Shine, Hugh(R) Relating to an exemption from ad valorem taxation by a taxing unit other than a school district of a portion of the appraised value of a residence homestead based on the average appraised value of all qualified residence homestead.

Would amend Sec. 11.13 to provide for an additional homestead exemption from taxes other than those of a school district. The exemption would be from 5 to 15% of the average appraised value of residence homesteads in the county as determined by the chief appraiser. The governing body would specify the percentage. The average value is determined as of August 1. Effective 1/1/22 contingent on constitutional amendment.

HB 1022 Murphy, Jim(R) Relating to the exemption from ad valorem taxation of real property leased to and used by certain schools.

Would add Sec. 11.211 providing an exemption for real property leased to an open enrollment charter school. The property must be used exclusively by the school for operation or administration and reasonably necessary for that purpose. The owner must certify by affidavit that the rent will be reduced in an amount equal to the tax reduction. Would provide that Sec. 25.07 does not apply to the leasehold interest in the exempt property. Effective 1/1/22 contingent on constitutional amendment.

House Resolutions

HJR 8 Toth, Steve Proposing a constitutional amendment authorizing the legislature to provide that the appraised value of a residence homestead for ad valorem tax purposes is the market value of the property for the first year. (HB 96)

HJR 14 Bernal, Diego Proposing a constitutional amendment authorizing the legislature to exempt from ad valorem taxation the total assessed value of the residence homestead of an unpaid caregiver of an individual. (HB 122)

HJR 16 Bernal, Diego Proposing a constitutional amendment authorizing the legislature to limit the total amount of ad valorem taxes that a school district may impose on the residence homestead of an individual.(HB 183)

HJR 17 Zwiener, Erin Proposing a constitutional amendment to authorize the legislature to exempt from ad valorem taxation the portion of the assessed value of a person's property harvesting rainwater or graywater. (HB 186)

HJR 19 Stephenson, Phil Proposing a constitutional amendment authorizing the legislature to exempt from ad valorem taxation by a school district for maintenance and operations purposes all or part of the appraised value of a residence homestead. (HB 288)

HJR 22 Pacheco, Leo Proposing a constitutional amendment establishing a limitation on the total amount of ad valorem taxes that political subdivisions may impose on the residence homesteads of individuals who are disabled or elderly. (HB 381)

HJR 25 Shaheen, Matt Proposing a constitutional amendment authorizing a local option exemption from ad valorem taxation by a county of a portion of the value of the residence homestead of a physician. (HB 453)

HJR 29 Lopez, Ray Proposing a constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a member of the armed services. (HB 475)

HJR 30 White, James Proposing a constitutional amendment to authorize the legislature to limit the maximum appraised value of commercial real property for ad valorem tax purposes.(HB 528)

HJR 31 White, James Proposing a constitutional amendment to authorize the legislature to set a lower limit on the maximum appraised value of a residence homestead for ad valorem taxation. (HB 529)

HJR 32 Shine, Hugh Proposing a constitutional amendment to restrict the power of the legislature to mandate requirements on a municipality or county.

HJR 36 Raymond, Richard Proposing a constitutional amendment providing honesty in state taxation.

HJR 38 Raymond, Richard Proposing a constitutional amendment to provide for an exemption from ad valorem taxation by certain political subdivisions of a portion of the market value of the residence homestead of the parent or guardian.

HJR 43 Wilson, Terry Proposing a constitutional amendment providing that a residence homestead is not subject to seizure or sale for delinquent ad valorem taxes.

HJR 44 Larson, Lyle Proposing a constitutional amendment to authorize the legislature to provide that if in a tax year the owner of property disputes the appraisal of the property and the appraised value.

HJR 50 Raymond, Richard Proposing a constitutional amendment to authorize the legislature to exclude from the market value of real property for ad valorem tax purposes the value of any improvement.

HJR 53 Shine, Hugh(R) Proposing a constitutional amendment authorizing the legislature to exempt from ad valorem taxation a portion of the value of a person's income-producing tangible personal property if the property has a value within a s

HJR 54 Shine, Hugh(R) Proposing a constitutional amendment to establish a limitation on the total amount of ad valorem taxes that certain political subdivisions may impose on the residence homesteads of persons who are disabled or elderly and their surviving

HJR 55 Shine, Hugh(R) Proposing a constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation by a political subdivision other than a school district of a portion of the assessed value of a residence.

Senate Bills

SB 63 Nelson, Jane Relating to the system for appraising property for ad valorem tax purposes. Omnibus bill would:

- Require the chief appraiser or ARB to deliver notices by e-mail upon written request of the owner addressed to the chief appraiser. Notices requiring certified mail must still be mailed. The request continues until revoked. The chief appraiser must confirm the request by email.
- Make a person (other than a county assessor-collector) who has served on a CAD board of directors for all or part of three terms ineligible to serve; places three year limits on ineligibility of appraisers, tax consultants, and CAD employees to serve on a board.
- Prevent a CAD from employing a former ARB member for two years.
- Impose 90 day timetables for
 - Determining whether an ARB member should be removed
 - Taking action on an exemption application
 - Acting on applications for ag-use, open space, and timber appraisal
 - Holding a protest hearing
- Require full explanation of the reasons for denial or modification of an exemption or agricultural or timber appraisal, and prohibit the chief appraiser from offering a reason other than that stated in the explanation to the property owner in a hearing on a protest regarding the matter.
- Require the comptroller's protest form to include a single check box to indicate an appraisal is both excessive and unequal.

- Effective 9/1/21

SB 113 West, Royce Relating to community land trusts.

Would expand the types of organizations eligible to organize a community land trust; amend Sec. 23.21 to require the chief appraiser to appraise land leased by the trust to an eligible family using the income approach, including taking into account the terms of the lease and limitation of the use on the property for the purposes of computing rental income. The chief appraiser must use the same capitalization rate she uses to appraise other rent restricted properties. If a housing unit is sold to an owner by the trust, and the unit is subject to an eligible use restriction, the chief appraiser may not appraise the unit for an amount that exceeds the price for which the unit may be sold in that year under the eligible land use restriction. Termination of an exemption applicable to land in a tax year will not result in proration. Effective 9/1/21

SB 134 Johnson, Nathan Relating to the determination of an ad valorem tax protest or appeal on the ground of the unequal appraisal of property on the basis of the appraised value of the property relative to the median appraised value.

Would provide that if a reasonable number of comparable properties for the purposes of Sec. 41.43(b)(3) or 42.26(a)(3) does not exist in the appraisal district, the median appraised value may be calculated using comparable properties in other parts of the state. Effective 9/1/21

SB 144 Powell, Beverly Relating to the extension of the expiration of certain parts of the Texas Economic Development Act.

Would amend Sec. 313.007, Tax Code, to extend the expiration date for Subchapters B and C to December 31, 2032. Immediate effect.

SB 266 West, Royce Relating to the authority of the commissioners court of a county to adopt an exemption from ad valorem taxation by the county of a portion, expressed as a dollar amount, of the appraised value of an individual's residence homestead.

Would permit a county to exempt up to \$100,000 of appraised value of a residence homestead from county taxes. Commissioners court must adopt the exemption before July 1.

Senate Resolutions

SJR 18 West, Royce Proposing a constitutional amendment authorizing the commissioners court of a county to adopt an exemption from ad valorem taxation by the county of a portion, expressed as a dollar amount, of the appraised value.