

Overview:

On Monday, in a bombshell announcement, Lt. Governor Dan Patrick and Speaker Dade Phelan announced a deal on a property tax relief package. This ended a lengthy stalemate between the two chambers. The same day, Governor Abbott expanded the second special session call to facilitate the deal.

Overall, the package generally consists of:

- More than \$12 billion in state funding to reduce school property tax rates through compression;
- An increase in the residence homestead exemption for school property taxes from \$40,000 to \$100,000;
- A 20% “circuit breaker” (an appraisal cap) on appraised values for non-homesteaded properties that are valued at \$5 million and under in a three-year pilot project;
- Creation of 3 county-wide elected positions on local appraisal boards in districts with populations of 75,000 or more; and
- Savings on franchise taxes for small business, via SB 3.

The Legislature adjourned sine die yesterday evening. An expected third-call special session is set to occur sometime in the fall, perhaps in October, on school choice, school funding, teacher bonus or pay increases, and any other issue the governor adds to the call.

Bill Report:

Here is a summary of what the bills do. The code sections affected follow each bill.

SB 2 is the bill addressing ad valorem taxation. Among other things, SB 2:

Adds Section 48.2555, Education Code.

Requires the maximum compressed tax rate for the 2023-2024 school year, (a) to be reduced by \$0.107, and (b) if the maximum compressed rate would be less than 90% of another school district’s rate under (a), the tax rate is the value at which the district’s maximum compressed tax rate would be equal to 90% of the other district’s tax rate. Provides that this section expires 9-1-25.

Adds Section 48.283, Education Code.

Provides additional state funding for school districts that receive less under the adjusted compression rate.

Amends Section 11.13(b), Tax Code.

Increases the residence homestead exemption for school districts from \$40,000 to \$100,000.

Adds Section 11.13(n-1), Tax Code.

Prohibits the governing body of a school district, county, or city that adopted a local option residence homestead exemption for the 2022 tax year from reducing the amount or repealing the exemption through December 31, 2027.

Amends Section 11.26(a), (a-10), and (o) Tax Code, and adds Subsections (a-11) and (a-12).

Provides for the recalculation of tax ceilings for property owners who qualified for an over-65 exemption in 2022/2023.

Amends Education Code, various sections.

Provides additional state aid to school districts that receive less revenue due to increases in residence homestead exemptions and additional limitations in tax increases.

Makes changes to required election dates and includes transitional provision for the changes made by this act.

Adds Section 23.231, Tax Code.

Creates a 20% "circuit breaker" (cap) on non-homestead real property, plus any new improvements (with limits based on new improvements due to casualty). Applies to properties with a value of \$5M or less for the 2024 tax year. It does not apply to property appraised under Chapter 23 Subchapter C, D, E, F, G, or H. The \$5 million threshold will increase/decrease with the 2025 tax year by an amount equal to \$5 million multiplied by the percentage increase or decrease in the consumer price index during preceding state fiscal year.

Provides that this cap expires December 31, 2026.

Amends Section 25.19, Tax Code.

Requires notice of appraised value to include a statement about the 20% circuit breaker limitation, its trial period through 2026, and the possibility of an increase in ad valorem taxes afterwards if not extended by the Legislature.

Amends Sections 41.41, 42.26, Tax Code.

Adds qualification for the circuit breaker as a matter that may be protested to ARB or subject to lawsuit filed in district court.

Amends Sections 6.03 and adds Sections 6.031-.032, Tax Code.

Requires, for counties with a population of 75,000 or more, that three members of the Board of Directors for an appraisal district will be elected members, five will be appointed by taxing units, and one is the Tax Assessor-Collector in an ex officio capacity. The $\frac{3}{4}$ Rule is eliminated for populous counties.

Provides an elected candidate may be placed on the ballot after paying a filing fee or obtaining a certain number of signatures on a petition, based on the population size of the county. Elections to be held in May 2024, with winners taking office July 1, 2024, and serving a term that expires 12/31/26. Then the three elected members will be elected in November 2026, begin serving 1/1/27, and will serve a four-year term.

Establishes eligibility requirements. To be eligible to serve on the BOD an individual, other than the TAC, must be a resident of the district and must have resided in the district for at least two years immediately preceding the date of taking office. An individual who is otherwise eligible to serve is not ineligible because of membership on the governing body of a taxing unit. An employee of a taxing unit that participates in the appraisal district is not eligible to serve unless the individual is also a member of the governing body or an elected official of a taxing unit that participates in the district.

Provides that members of the BOD appointed by the taxing units participating in the district will serve staggered four-year terms beginning on January 1 of every other even-numbered year. Elected members of the board of directors will serve staggered four-year terms beginning on January 1 of every other odd-numbered year.

Provides a vacancy for an appointed director will be filled by the governing bodies entitled to nominate and vote for directors and a vacancy by an elected official will be filled by majority vote the BOD.

Amends Section 6.41, Tax Code.

Provides that ARB members will be appointed by the BOD in counties with a population of 75,000 or more (the local administrative judge will appoint ARB members in districts where Section 6.03 still applies). Appointments to the ARB by the BOD must be by majority vote with at least two members of the majority being elected members of the BOD. They will also appoint the ARB chair and secretary.

Amends Section 25.23, Tax Code.

Applies to appraisal records only for the 2023 tax year. Requires the chief appraiser to prepare supplemental appraisal records for 2023 to account for the changes in law made by SB 2. [CADs, Chief Appraisers, Assessors are required to reflect the changes made SB2 immediately upon passage of the Act and signature by the Governor since the Bill passed by 2/3 of each house.]

Amends Sections 26.04, 26.08, 26.09, adds 26.041, Tax Code.

Requires the assessor for a taxing unit to determine taxable value of property and calculate the no-new-revenue and voter-approval tax rates as if the changes in SB 2 were in effect for tax year 2023. The voter-approval tax rate of a school district for the 2023 tax year shall be calculated as if the changes in SB 2 were in effect for the 2023 tax year.

The assessor for a taxing unit will calculate the amount of tax imposed by the unit on property for the 2023 tax year as if the changes in SB2 were in effect and also as if the changes in law made by the bill were not in effect for 2023.

Amends Section 26.15, Tax Code.

Mandates that tax assessors must correct tax rolls for the 2023 tax year to reflect the results of the November vote on the constitutional amendment authorizing the increased exemptions and caps.

Amends Section 31.01, Tax Code.

Requires tax bills to contain additional verbiage. It requires a tax bill to be sent that indicates it is provisional and includes: 1) amount bill would have been if provisions not in effect; 2) difference in amount without changes and with changes of SB 2 in effect; 3) amount tax bill will be lowered by SB 2 / approval in Nov. election; 4) amount of supplemental bill that will be mailed if not approved in Nov. election. Tax bill is provisional until November 2023 election. If approved by voters, it becomes a final tax bill. The delinquency date will be February 1, 2024.

Alternatively provides that if the voters do not approve the constitutional amendment, tax assessors shall prepare supplemental tax bills by Dec. 1 or soon as practicable thereafter in amount equal to difference between amount of tax bill if the changes in law made by the bill were not in effect for that tax year and the amount of the tax bill if those changes were in effect for that tax year.

Amends Section 31.02, Tax Code.

Provides that taxes will be due March 1, 2024 for the additional taxes that will be owed if the voters do not approve the constitutional amendment in November 2023.

Citations: [46.071, ED](#), [48.2542, ED](#), [48.2543, ED](#), [48.2555, ED](#), [48.2556\(a\), ED](#), [48.283, ED](#), [49.004\(a-1\),\(b-1\),\(c-1\), ED](#), [49.0042, ED](#), [49.0121, ED](#), [49.154\(a-2\)-\(a-3\), ED](#), [49.308\(a-1\), ED](#), [403.302, GOV](#), [403.302\(d\),\(i\), GOV](#), [1.12\(d\), TAX](#), [6.03, TAX](#), [6.0301, TAX](#), [6.032, TAX](#), [6.032, TAX](#), [6.033\(a\), TAX](#), [6.036\(a\), TAX](#), [6.052\(f\), TAX](#), [6.41, TAX](#), [6.42\(a\), TAX](#), [6.425\(e\), TAX](#), [11.13, TAX](#), [11.26, TAX](#), [11.26\(a-1\)-\(a-3\), TAX](#), [11.26\(a-5\)-\(a-9\), TAX](#), [23.231, TAX](#), [25.19\(b\),\(g\), TAX](#), [25.19\(o\), TAX](#), [25.23\(a-1\), TAX](#), [26.04\(a-1\),\(c-1\), TAX](#), [26.0401, TAX](#), [26.08\(q\), TAX](#), [26.09\(c-1\), TAX](#), [26.15\(h\), TAX](#), [31.01\(d-2\)-\(d-5\), TAX](#), [31.02\(a-1\), TAX](#), [41.41\(a\), TAX](#), [42.26\(d\), TAX](#)

SB 3 is the franchise tax component of the tax relief plan.

Amends Section 171.002, Tax Code.

Raises the amount of total revenue a company can make in a 12-month period and still be exempt from franchise taxes to \$2.47 million from the current \$1 million.

Amends Section 171.204, Tax Code.

Prohibits comptroller from requiring company to file an information report if it is exempt from taxes.

Repeals Section 172.204(d), Tax Code.

Citations: [171.002\(d\), TAX](#), [171.204\(b\), TAX](#), [171.204\(d\), TAX](#)

HJR 2 contains the proposed constitutional amendments allowing many of the changes in SB 2. It will be on the ballot in November.

Proposes adding Section 1(n), Article VIII, Texas Constitution. Allows Legislature by general law to limit the maximum appraised value for real property other than property that qualifies for a residence homestead exemption. Sets the range of the limitation to the lesser of the most recent market value of the property as determined by the appraisal entity or 120 percent, or a greater percentage, of the appraised value of the property for the preceding tax year. Authorizes Legislature to impose additional eligibility requirements for property to qualify for limitation. Provides it will expire December 31, 2026.

Proposes amendment to Section 1-b(c) and (d), Article VIII, Texas Constitution. Increases the amount of the residence homestead exemption for school taxes from \$40,000 to \$100,000.

Proposes amendment to Section 22, Article VIII, Texas Constitution. Provides that appropriations for ad valorem tax relief are not considered appropriations for determining whether the rate of growth of appropriations exceeds constitutional limitations.

Proposes amendment to Section 30, Article XVI, Texas Constitution. Authorizes Legislature by general law to require board of directors of an appraisal entity in a county with population of 75,000 or more to serve terms not to exceed four years.

Proposes this joint resolution will be submitted to the voters at an election to be held November 7, 2023.

Citations: [VIII Sec 1\(n\),\(n-1\), CON](#), VIII Sec 1-b(c)-(d), CON, [VIII Sec 22\(a-1\), CON](#), [XVI Sec 30\(e\), CON](#)

This will be our last update for the 88th Special Sessions of the Texas Legislature for July. Please contact us if you have any questions or feedback concerning these updates.

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