

PROPERTY TAX BILLS IN THE 2023 TEXAS LEGISLATURE SECOND SPECIAL SESSION

Last Updated: August 17, 2023

In its second special session, the legislature enacted Senate Bill 2, authored by Sen. Bettencourt, and House Joint Resolution 2, a proposed constitutional amendment authored by Representative Metcalf. Senate Bill 2 calls itself the “Property Tax Relief Act.” The two measures are designed to work together and are described below. They are contingent on the approval of the constitutional amendment in an election to be held on November 7, 2023.

Both measures were passed by overwhelming majorities in the Texas House and Senate. The approval of the constitutional amendment seems assured. We will discuss the changes with the expectation that the amendment will be approved and that the new laws will take effect.

Of course, we will be happy to assist our clients who have questions about legislation.

Exemptions

The general school-tax homestead exemption will increase from \$40,000 to \$100,000. Existing tax ceilings will be reset to account for both the increase from \$25,000 to \$40,000 in the last session and the increase from \$40,000 to \$100,000 in this session. In the future all ceilings will be recalculated whenever there is a change in the homestead exemption amount. The state will provide extra money to school districts to offset the revenue loss resulting from the increased homestead exemption.

School districts, cities, and counties may not repeal or reduce any existing percentage homestead exemptions until 2028.

The increased exemption will apply in 2023. So will adjustments to tax ceilings. Appraisal districts will have to create supplemental 2023 appraisal records reflecting the changes. Those supplemental appraisal records will be submitted to the ARB for approval.

School districts will perform their truth-in-taxation calculations based on the increased exemption. Tax bills will reflect the increased exemption, but those bills must explain that they are based on the assumption that the constitutional amendment will be approved. The bills will note that if the amendment should fail, the property owners will receive supplemental bills. The bills will be considered “provisional” until the results of the November 7 election are determined. They will become “final” bills when the votes are counted and the constitutional amendment is approved.

Appraisals

Year-to-year increases in the appraised values of many non-homestead real properties will be capped at 20%. The bill refers to this new cap as a “circuit breaker.” The cap will benefit a property with an appraised value of \$5 million or less in 2024. Thus, the cap would benefit a restaurant building worth \$3 million dollars but not an apartment complex worth \$10 million. Property that receives a special appraisal such as agricultural land will not qualify. That \$5-million figure will change from year to year as determined by the comptroller and based on changes in the consumer price index. The appraised value of a qualifying property will be limited to the preceding year’s appraised value plus 20% plus the value of any new improvements. In order to benefit in a particular year, the property owner must have owned the property on January 1 of the preceding year. If a property changes hands during a year, the cap will not apply in the following year.

The law currently calls for this new cap to expire after 2026, but that is subject to change when the legislature meets in 2025 and 2027.

Appraisal Districts and ARBs

In fifty counties, those with 75,000 people or more, the appraisal district’s board of directors will consist of nine members. Five members will be selected by the taxing units in the way that directors are selected now. Three will be elected in countywide elections. The county’s tax assessor-collector will be the ninth. There will be no option for a larger or smaller board. No director currently sitting will continue to sit after December 31, 2024, unless he/she is elected or appointed to a new term. The provisions governing the transition to a new appointed-elected hybrid board of directors are complicated, especially for appraisal districts that have expanded their boards of directors or changed the method through which directors are selected.

Directors will serve four-year staggered terms. The first election will be in May of 2024. The elected directors will take office on July 1, 2024, and serve terms that expire on December 31, 2026. There will be another election in November of 2026. The directors elected then will start their terms on January 1, 2027. In order to stagger their terms, two of those directors will serve four-year terms, and one will serve a two-year term. If there is a vacancy in an elected seat, the other members of the board will choose someone to fill the vacancy. Appointed directors will serve staggered four-year terms beginning in even-numbered years.

In a county with 75,000 people or more, ARB members will once again be appointed by the appraisal district’s board of directors. The new law will not affect the current terms of current ARB members. Members currently serving 2022-2023 terms and members currently serving 2023-2024 terms will finish out their terms. The local administrative district judge will appoint members to terms beginning January 1, 2024. The Board of

Directors will be responsible for appointing members to terms beginning January 1, 2025 or later. A board of directors acting as an appointing authority must make appointments to the ARB by majority vote, with at least two members of the majority being elected directors.

In a county with fewer than 75,000 people, ARB members will continue to be appointed by the local administrative district judge.

School Finance

The state will provide extra money to school districts and require districts to reduce their m&o tax rates. Each school district's maximum compressed rate for the 2023-2024 school year will be reduced by 10.7¢. If a school district's maximum compressed rate turns out to be less than 90% of another school district's maximum compressed tax rate the district's maximum compressed tax rate will rise to 90% of the other district's maximum compressed tax rate. Tax assessors will calculate 2023 taxes based on the reduced rates.