

## **BILL ANALYSIS**

Senate Research Center  
82R9074 TJB-F

S.B. 1205  
By: Jackson  
Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, Texas tax laws fail homeowners after a natural disaster. Under existing law, the appraised value of a homestead may not increase by more than 10 percent of the previous year's appraised value, plus the market value of any new improvements. However, homeowners do not benefit from this cap if the new structure increases in size or the new exterior of the house is of higher quality than the old exterior. While this exception makes sense in general, it has unintended consequences for some homeowners who cannot rebuild their homes as they once were because of disaster recovery program requirements or local building codes.

Taxpayers whose homes improve only to meet minimum disaster recovery or building code requirements should benefit from the 10 percent cap so that the appraised tax cap of their property increases gradually, like their neighbors who were fortunate enough to have their homes survive.

This legislation will protect homeowners in a natural disaster by allowing them to keep their 10 percent appraisal cap on a replacement structure for improvements required by building codes, fire codes, local ordinances, or government assistance programs.

As proposed, S.B. 1205 amends current law relating to the application of the limit on appraised value of a residence homestead for ad valorem tax purposes to an improvement that is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage.

### **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, Tax Code, by adding Subsection (g), as follows:

(g) Provides that notwithstanding Subsection (f)(2) (relating to certain requirements that determine a replacement structure), a replacement structure described by that subdivision is not considered to be a new improvement if, to satisfy the requirements of a building code, fire code, or other local ordinance or a government assistance program that provided funding for the construction of the replacement structure, it was necessary that:

- (1) the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the casualty or damage occurred; or
- (2) the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure.

SECTION 2. Provides that this Act applies only to the appraisal of a residence homestead for ad valorem tax purposes for a tax year that begins on or after January 1, 2012.

SECTION 3. Effective date: January 1, 2012.