

BILL ANALYSIS

Senate Research Center

S.B. 1801
By: Springer
Local Government
5/30/2023
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law requires a chief appraiser to investigate whether a previously granted homestead exemption is invalid, which can happen when an owner has an exemption on more than one property or an owner does not live primarily at a residence. If the chief appraiser discovers an erroneous exemption has been allowed in any of the five preceding years, then they must remove the exemption and initiate a process to impose taxes on any value that escaped taxation.

Erroneous exemptions bestow an unmerited benefit on some homeowners, which shifts the tax burden to compliant taxpayers through increased tax rates. As the legislature considers expanding the homestead exemption, the fiscal harm and unfairness grow proportionately. A periodic review of homestead exemptions will increase consistency across the state and facilitate fairness in tax rate setting by adding value to the tax roll.

Evidence suggests that approximately one percent of homestead exemptions are erroneous; although that seems like an inconsequential percentage, the discovery and removal of erroneous exemptions in 17 small to medium-sized counties has added \$4 billion back to the tax roll. Adding value to the tax roll is property tax relief.

Although current law requires a chief appraiser to investigate, there is no requirement to proactively review existing homestead exemptions to determine whether an exemption might be erroneous. S.B. 1801 addresses this issue by requiring an appraisal district to develop a program to examine residence homestead exemptions at least once every five years.

Furthermore, the bill allows an appraisal district to conduct the review in phases over five years. While the bill provides state guidance on a five-year review cycle, it will enable local appraisal districts to determine the best methodology to execute the review, including programs already utilized in some districts.

S.B. 1801 amends current law relating to a requirement that each appraisal district periodically confirm that recipients of residence homestead exemptions qualify for those exemptions.

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 11.43, Tax Code, by adding Subsection (h-1), as follows:

(h-1) Requires the chief appraiser of an appraisal district to develop a program for the periodic review of each residence homestead exemption granted by the district under Section 11.13 (Residence Homestead) to confirm that the recipient of the exemption still qualifies for the exemption. Requires that the program require the chief appraiser to review each residence homestead exemption at least once every five tax years. Authorizes the program to provide for the review to take place in phases, with a portion of the exemptions reviewed in each tax year.

SECTION 2. Requires the chief appraiser of an appraisal district to develop and implement the program required by Section 11.43(h-1), Tax Code, as added by this Act, not later than January 1, 2024. Requires that the program provide that the first five-year review cycle required by that section begins on that date.

SECTION 3. Effective date: September 1, 2023.