

**SUBJECT:** Increasing elderly and disabled residence homestead exemption

**COMMITTEE:** Ways & Means — favorable, without amendment

**VOTE:** 12 ayes — Meyer, Martinez Fischer, Button, Capriglione, Gervin-Hawkins, Hickland, Muñoz, Noble, V. Perez, Troxclair, Turner, Vasut  
0 nays  
1 absent — Bernal

**SENATE VOTE:** On final passage (April 23) — 30 - 1

**WITNESSES:** For — Christy Gessler, Texas REALTORS (*Registered, but did not testify*: Samuel Sheetz, Americans for Prosperity; Charles Maley, South Texans' Property Rights Association; J.D. Hale, Texas Association of Builders; Jorge Martinez, The LIBRE Initiative; Steven Deline)  
Against — None

**DIGEST:** SB 23 would increase the additional school district residence homestead tax exemption for a person who was elderly or disabled and provide state assistance to school districts for funding reductions related to property tax adjustments.

**Residence homestead exemption.** SB 23 would increase the additional school district residence homestead tax exemption for an adult who was disabled or was age 65 or older from \$10,000 to \$60,000 of the appraised value of a residence homestead.

**Additional state aid for school districts.** A school district impacted by property tax reductions authorized by the bill would be eligible for additional state aid as follows:

- *Debt service.* Beginning in the 2025-26 school year, a school district would be eligible for additional state aid if state and local

revenue used to service debt had been reduced due to the increase in the residence homestead exemption for a person who was elderly or disabled and any additional limitation on tax increases.

- *Local interest and sinking revenue.* Additional state aid also would be available in 2025-26 to a school district to address the amount by which local interest and sinking revenue could be attributed to changes in the residence homestead exemption for a person who was elderly or disabled and any additional limitation on tax increases that was not offset by a gain in state aid established by the bill.
- *Homestead exemption.* For the 2024-25 school year, a school district would be entitled to additional state aid if state and local revenue collected was less than the level of revenue that would have been available to the district on September 1, 2022, and beginning with the 2025-26 school year if revenue was less than what would have been available to the district on September 1, 2024.
- *Limitation on state aid for debt service.* If the amount required to pay debt service on bonds was less than the sum of state assistance and the district's interest and sinking revenue, the additional state aid would be reduced to only the amount required to pay debt service.

The bill's provisions increasing the residence homestead exemption and providing additional state aid for school districts would take effect on the effective date of the relevant constitutional amendment proposed by the 89th Legislature. If that amendment was not approved by the voters, the provisions would have no effect.

**Maximum compressed tax rate calculation.** Maximum compressed tax rates for the 2025-26 school year would have to be calculated as if the increase in the residence homestead exemption for a person who was elderly or disabled as provided in the proposed constitutional amendment had taken effect. If the constitutional amendment did not take effect, the commissioner of education could adjust school districts' maximum compressed rates accordingly, after notifying and receiving approval from

the Legislative Budget Board and the governor.

**Local revenue in excess of entitlement.** As soon as practicable after receiving revised property values that reflected adoption of the constitutional amendment, the commissioner of education would be required to review the local revenue level of districts and make any necessary revisions to notifications regarding excess revenue, property annexation, and district consolidations to each relevant district for the 2025-26 school year. The bill would add certain temporary provisions related to school district options for reducing local revenue in excess of entitlement for the 2025-26 school year to reflect revenue changes related to the property tax reductions authorized by the bill. The bill would require the commissioner to set a date for elections necessary for voters to approve an option selected by a district.

By the 2026-27 school year, the commissioner would be required to order detachment and annexation or consolidation as necessary to reduce a district's local revenue level if the district selected such options and received commissioner approval but either failed to hold the required election or did not receive voter approval at an election. This provision would expire September 1, 2027.

School districts that selected and were authorized by the commissioner to purchase average daily attendance credit to account for excess local revenue would have the option to pay for the purchased credit in installments or one lump sum, as provided by the bill.

**Transitional tax year.** The bill would include transitional provisions for the assessor, chief appraiser, and taxing unit to assess applicable property, prepare the appraisal roll and tax roll, prepare supplemental appraisal records, determine taxable value, and calculate the no-new-revenue tax rate and the voter approval tax rate, as applicable, to account for changes made to the calculation of property taxes included in the bill.

**Provisional tax bill.** The bill would require the assessor of a taxing unit to mail a provisional tax bill to each person whose taxes would be reduced

by the changes in law attributable to SB 23 and the corresponding proposed constitutional amendment. The provisional tax bill would be required to include a statement containing certain information, including:

- the amount of the tax bill without the changes in SB 23;
- the amount of the tax bill with the changes in SB 23; and
- that the property owner would receive a supplemental tax bill equal to the difference between those amounts if the proposed constitutional amendment was not approved by voters.

The provisional tax bill would be considered a final tax bill for the taxes imposed for the 2025 tax year if voters approved the proposed constitutional amendment. Otherwise, the assessor would be required to prepare and mail a supplemental tax bill equal to the difference between the amount if the proposed constitutional amendment were approved and the amount if it were not. The taxes due in the supplemental tax bill would be delinquent if not paid before March 1 of the following year. This provision would expire December 1, 2026.

**Effective dates.** Except for the provisions made contingent on voter approval of the proposed constitutional amendment, all other provisions of SB 23 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, they would take effect September 1, 2025.

**SUPPORTERS  
SAY:**

By increasing the residence homestead property tax exemption for elderly and disabled individuals, SB 23 would increase housing affordability and provide protection for a vulnerable population. Many individuals who qualify for this exemption live on a fixed income and face rising medical insurance costs. Older adults and individuals with disabilities also often have to make expensive modifications to their homes, such as adding ramps or accessibility features to accommodate walkers, wheelchairs, and other medical devices. Providing an increase in the homestead exemption for these individuals would help them to stay in their homes and their neighborhoods. Keeping seniors in the homes they've lived in for decades is especially valuable, as it contributes to continuity and stability in the

community.

SB 23 would provide visible and understandable tax relief to a large segment of the state's population. Homestead exemptions are a particularly beneficial form of tax relief because taxpayers can clearly see the reduction in their tax bills, which encourages faith in and support for the tax system overall.

School districts would not experience a reduction in funding because the bill would make up for losses in revenue caused by the increase in the homestead exemption by providing additional state general revenue.

CRITICS  
SAY:

The additional tax cut provided by SB 23 is unnecessary because the Legislature has already cut taxes repeatedly in recent years. Spending more money on tax cuts would reduce what is available for public services such as school funding, healthcare, and infrastructure needs. The state should not rely too heavily on the temporary surplus, which may not be available if there is an economic downturn in the future.

If the Legislature wanted to provide more tax relief, it should do so in a way that benefits more individuals than just homeowners. An increase in the residence homestead exemption would not directly benefit renters, who comprise a significant portion of the state's population. Also, tying the exemption to individuals over the age of 65 is not necessarily a good proxy for helping low-income individuals, since not all seniors live on low or fixed incomes.

NOTES:

SB 23 is the enabling legislation for SJR 85, which is set for second reading consideration on the Constitutional Amendments Calendar today.

According to the Legislative Budget Board, the bill would have a negative impact of about \$1.2 billion to general revenue related funds through the biennium.