



88th Legislature Second Called Special Session Wrap Up

After the legislature failed to come to an agreement regarding property tax relief during the first called special session, Governor Abbott called the members back to Austin to once again pass legislation that will provide the biggest property tax cut in Texas history.

As you will recall during the first special session, the House and Senate were at a stalemate in determining how exactly this relief would be provided. The House proposed solely cutting the school district tax rate by 16.2 cents while the Senate proposed a more extensive plan that would cut the school district tax rate by 10 cents; lower the school district collection limit rate from 2.5% to 1.75%, and increase the small business exemptions from the franchise tax from \$1 million to \$2.47 million of total revenue.

However after weeks of negotiations, the House and Senate finally came to an agreement which will amount to over \$18 billion in tax relief to homeowners and businesses. The legislature passed three bills: **Senate Bill 2**, **Senate Bill 3**, and **House Joint Resolution 2** that will provide significant relief to taxpayers. Below are the highlights of each bill.

Senate Bill 2: This bill lowers the school tax rate by reducing the maximum compressed tax rate for school districts by 10.7 cents during the 2023-24 school year. This is in addition to the 10 cents of rate compression that was included in the appropriations bill passed during the regular session.

The bill increases the school homestead exemption from \$40,000 to \$100,000 for homeowners under the age of 65 and \$110,000 for homeowners over 65 or disabled. The bill prohibits local taxing units from reducing or eliminating an existing local option homestead exemption for four years following the increase to the homestead exemption.

SB 2 also creates the “circuit breaker” pilot program which creates a 20% limitation on appraised value increases for non-homestead real property valued less than \$5 million, which will be indexed to inflation. The program would begin on January 1, 2024 and end December 31, 2026. This bill does not impact existing law related to the 10% homestead exemption on residential property.

Finally, the bill increases the membership on the board of directors for appraisal districts in counties with populations of 75,000 or more from five members to nine members by adding three directors elected by majority vote at the general election for state and county officers by the voters of the county in which the district is established and by designating the county assessor-collector as an ex officio director. These members would serve staggered four-year terms.

House Joint Resolution 2: This is the constitutional amendment that would enable the enactment of SB 2. This amendment authorizes the legislature to increase the residential homestead exemption, creates the “circuit breaker” pilot program, and authorizes the election of members serving on appraisal boards in counties with a population of 75,000 or more for no longer than four



years. Voters will have an opportunity to vote on this constitutional amendment on November 7, 2023.

Senate Bill 3: This bill increases the amount of the total revenue exemption for the franchise tax for businesses from \$1 million to \$2.47 million. The bill also eliminates the requirement for a taxable entity that does not owe any franchise tax to file a No-Tax-Due franchise tax return.

The Governor has indicated that he will sign all three of these bills.

The second called special session has now concluded. There will be a third special session later this year. The Governor has indicated that school choice legislation will be one of the topics included on the call. We are still waiting to hear if there will be any other matters included in the third special session.