School
Floresville 1

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Homestead Exemption Act

HB 2 – SB 3

Bill Analysis

BACKGROUND & PURPOSE

In 2015, the Texas Legislature increased the residence homestead exemption for school district property taxes from $15,000 to $25,000. In 2021, the Legislature again raised the exemption to $40,000, and in 2023, the Legislature increased it to $100,000.

This bill continues this effort to provide property tax relief to homeowners by increasing the residence homestead exemption for school district ad valorem taxation from $100,000 to $140,000, contingent on voter approval of the necessary constitutional amendment.

To protect local school districts from losing funding due to this increase, the bill entitles districts to additional state aid to offset any reduction in local revenue caused by the higher exemption. The legislation also directs the Texas Education Agency to adjust school funding formulas and maximum compressed tax rates to reflect the change, ensuring that no district experiences a net revenue loss.

According to estimates, this increase will save the average homeowner approximately $363.44 annually on their school property taxes, based on the statewide ISD average tax rate of $0.9086 per $100 of property valuation.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education in Section 2.02 of this bill, in order to adjust school district compressed tax rates if the constitutional amendment increasing the residence homestead exemption does not take effect.

SECTION BY SECTION ANALYSIS

Article 1 amends Section 11.13(b), Tax Code, to increase the residence homestead exemption from $100,000 to $140,000. It also amends Sections 46.071 and 48.2543, Education Code, to provide additional state aid to school districts beginning with the 2027–2028 school year to offset revenue losses from the exemption increase.

Article 2 adds Section 46.071(f), Education Code, restricting use of state aid to debt service on school bonds. It also adds Subsections (d-3) and (d-4) to Section 48.2551, Education Code, directing the Texas Education Agency to calculate maximum compressed tax rates as if the new exemption were in effect and authorizing adjustments if it is not. Section 48.283, Education Code, is amended to continue providing hold-harmless funding for districts affected by rate compression.

EFFECTIVE DATE

January 1, 2027.