Reduced Valuations

Senate Bill 812

Senate Bill 812 amends the Texas Property Tax Code 23.23(g) to allow the limitation of appraised values for residential homesteads participating in federally funded disaster recovery home repair programs.

- The current reduced valuation program only applies to disaster recovery programs administered by the General Land Office that are funded under the Continuing Appropriations Act, 2009 and the Consolidated and Further Continuing Appropriations Act, 2012.

- For this law to apply programs administered by the City designated to benefit Hurricane Harvey victims or victims of other flooding events, the current law would have to be changed.

This change would allow homes that replaced a structure from being assessed as a new improvement, but rather as a replacement structure. The following criteria must be satisfied for a new improvement to be considered a replacement structure (23.23(f):

A. It must be a replacement for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage.
B. The square footage of the replacement structure may not exceed the square footage of the replaced structure.
C. The exterior of the replacement structure may not be of higher quality construction and composition than that of the replaced structure.

There is an exception to (b)and (c) if the upgrade is to satisfy the requirements of the disaster recovery program.

Under the favorable treatment, the replacement structure is not to be valued as a "new improvement" in the first year and will be valued based on the prior year. In succeeding years, it would be valued pursuant to 23.23 (a), which means it would be valued at the lesser of:

A. The market value in the most recent tax year that the district determined a market value (usually a 3 year cycle, presuming the value of the new home would be considered in future valuations); or
B. The sum of:
(i) 10% of the appraised value for the preceding year; and
(ii) The appraised value of the property in the preceding tax year; and
(iii) Any new construction (exceeding a replacement home).

Based on this, if a property were valued at $50,000.00 before the construction of a Replacement Home and would be valued at $150,000.00 if the value of the replacement home were considered, taxes would be as follows:

Year 1 after construction: $55,000.00 (old value plus 10%);
Year 2 after construction: $60,600.00 (prior value plus 10%)
Year 3, etc. – until the value hits the lesser of market or $150,000.00 (around Year 11).