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TAXING MATTERS

NAVIGATING THE EVER-EVOLVING LANDSCAPE OF PROPERTY TAXES

LEGISLATIVE UPDATE: SO MANY PROPERTY TAX BILLS, SO LITTLE TIME

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John Brusniak

“It is much easier to kill a bill than to pass one.” — Political Maxim

With more than 500 property tax-related bills filed, Texas lawmakers are on a mission to change the way property is taxed — *again*. But with the legislative session ending June 2, time is short, and the process favors the status quo. Most bills die in committee. A few, though, have momentum.

Here’s a look at the ones still alive.

For real-time updates on this year's legislation, check out John Brusniak's LinkedIn postings.

THE BIG IDEAS

Tax Relief: Different Visions

Competing proposals in the House and Senate aim to cut school district taxes — but in different ways:

Senate Plan:

- Increase the school district homestead exemption from \$100,000 to \$140,000.
- Reduce school tax rates by 6.8 cents.
- Boost the business personal property exemption to \$25,000.
- Offer partial franchise tax credits based on inventory taxes paid.

House Plan:

- Keep the \$100,000 homestead exemption.
- Lower school tax rates by 3.31 cents.
- Increase business personal property exemption to \$250,000.
- Focus more on business relief than homeowner relief.

Improved Homeowner Appraisal Caps? Lawmakers are looking to slow skyrocketing values with tighter caps:

- Lower the annual cap from 10% to as low as 2.5%.
- Lock in taxable value at purchase price + inflation.
- Apply the 10% cap to inherited homes.
- Extend senior/disabled "value freezes" to more taxing units.

Abolish School Property Taxes

Yes, really. Several bills propose phasing them out entirely, possibly replacing them with a gross receipts tax or sales taxes — but not before 2030.

OTHER HOMESTEAD EXEMPTION IDEAS

Across-the-Board Changes

- Increase the school district homestead exemption from \$100,000 to \$200,000.
- Convert percentage-based homestead exemptions to a flat \$100,000 amount indexed to inflation.
- Permit taxing units to grant homestead exemptions as specific dollar amounts instead of percentages of value.
- Allow homestead value limitations (i.e., the 10% appraisal cap) to be carried over to a new homestead, for up to \$500,000 in reduced value.

Targeted Relief

100% homestead for:

- Individuals aged 75 or older who have lived in their home for over 10 years.
- Relatives providing unpaid care for a Medicaid-eligible individual awaiting residential placement.
- Disabled veterans with a disability rating of 60% or more.
- Surviving spouses of government employees, including Border Patrol and ICE agents, killed in the line of duty.
- Qualifying disabled first responders and their surviving spouses (if they do not remarry and remain in the homestead).

Additional relief for:

- Disabled veterans with a disability rating above 10%, in proportion to their disability percentage.
- Parents caring for disabled children (additional \$10,000 exemption).
- Individuals providing care for Medicaid-covered persons.
- Owners of homes occupied by a close relative with developmental or intellectual disabilities (with a \$100,000 school district exemption).
- Foreign Service employees who are stationed abroad.

Create optional local relief for:

- Peace officers, with amounts tied to years of service.
- Employees of independent school districts.

Extend eligibility to:

- Spouses living apart, allowing separate exemptions.
- Rental single-family homes leased at or below fair market value, including to individuals 65 or older (capped at 10% of such units).
- First heirs inheriting a homestead, allowed to retain the appraisal cap.

Homestead Valuation Caps & Freezes

- Reduce the 10% appraisal cap to between 2.5% and 5%.
 - Lock in taxable value at purchase price plus inflation, provided it was a bona fide transaction.
 - Extend value freezes for seniors and disabled individuals to more taxing units beyond the current limited availability.
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BUSINESS PROPERTY RELIEF

Circuit Breaker (Pilot → Permanent):

- Make permanent the 3-year pilot that capped annual appraisal increases at 20% for non-homestead real property valued at \$5 million or less.
- Raise the value threshold to \$10 million.
- Lower the annual increase cap to between 8% and 10%.

Other Incentives:

- Raise business personal property exemption up to \$250,000.
 - Proposals to exempt all business personal property.
 - Exempt newly opened small businesses for their first three years.
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EXEMPTION AND SPECIAL VALUATION CHANGES

Environmental & Accessibility Incentives:

- Exempt the value of energy-efficient improvements to homesteads.
- Exclude ADA-compliant improvements from appraised value.
- Allow exemptions for xeriscaping, greywater, and rainwater harvesting systems.

Charitable & Housing Organizations:

Broaden eligibility for ad valorem tax exemptions to include charitable organizations that:

- Offer housing and services to individuals aged 62 or older, provided the organization allocates at least 4% of its net resident revenue to charitable housing and services.

- Support medical care at colleges and universities.
- Promote youth development, agriculture, or education, particularly as outlined in Harris County's standards.
- Conduct fundraising for charitable purposes without requiring affiliation with a national or state-level organization.
- Expand exemptions for cooperative housing, broadening the eligible resident population beyond students to include a wider range of individuals.

Disqualifications & Limitations:

- Require charitable fraternal organizations to maintain compliance with their initial qualifications under the Tax Code to retain their exempt status.
- Disallow homestead exemptions for properties where a registered sex offender resided on January 1.
- Eliminate entirely the exemption for solar and wind-powered devices from property valuation.

Prohibit exemptions for nonprofit community business organizations if:

- The organization is a political committee, or
- It was formed for the purpose of functioning as one.

Reducing the window to correct erroneously allowed exemptions from five to three years for real property, and to two years for personal property.

Special Valuation Changes

- Allow property to qualify immediately for open space valuation if used at area intensity standards.
- Allow open-space land for wildlife protection, urban land banking, and raising exotic animals.
- Reduce open-space qualification period from 5 to 4 years.
- Provide that eminent domain seizures do not invalidate open space valuation on remaining land.
- Require the Comptroller and Texas A&M AgriLife to establish agricultural standards for multi-use and small tracts.
- Extend timberland application period after an owner's death.
- Confirm airplanes operated under fractional ownership programs qualify for interstate commerce allocation.



PROCEDURAL REFORMS & TAXPAYER PROTECTIONS

Appraisal District Practices and Standards

- Allow property owners to designate different agents for different tax matters—e.g., filing renditions, claiming exemptions, or handling protests.
- Mandate appraisal districts to reappraise annually.
- Require Comptroller to establish comparability standards for the sales comparison approach.
- Prohibit valuation of incomplete residential improvements.
- Require weekly updates to large CAD websites on ARB outcomes.

Governance and Oversight of Appraisal Districts (CADs)

- Bar elected officials from serving on CAD boards.
- Require four CAD board members to be elected from single-member districts.

Appraisal Review Board (ARB) Procedures

- Grant taxpayer representatives one automatic ARB postponement and to reschedule hearings missed due to conflicting ARB appearances.
- Require CADs to bears the burden of proof in limited arbitration cases following ARB decisions.
- Require ARB decisions to be issued in writing on forms prescribed by the Comptroller.
- Permit property owners to submit protest evidence electronically before or during ARB hearings.
- Require automatic hearing postponements if the ARB runs over 2 hours late.
- Ban increasing appraised values during arbitration.

Tax Collection, Delinquencies, and Penalties

- Prohibit foreclosure on mortgage-free homesteads with < \$25K in delinquent taxes.
- Cap penalties/interest at 7% before July 1, 12% after.
- Require delinquency payments to be applied to principal first.
- Reduce the penalty for failing to timely file a rendition from 10% to 5%.
- Grant first-time delinquent rendition filers a waiver of the penalty.
- Provide that tax certificates shield against retroactive challenges to prior homestead exemptions.
- Lower tax deferral affidavit to age 60 from 65.

APPEALS

- Allow retroactive value reductions allowed if sale is 10%+ below CAD value.
- Allow state-licensed appraisers to serve as arbitrators.
- Limit discovery in equity property tax appeals without good cause, as to income-related information (e.g., rent rolls).
- Allow ARBs and CADs to be awarded up to \$100,000 in attorney's fees if they prevail.
- Allow Arbitrators to award attorney's fees in limited arbitration.
- Prohibit Arbitrators and district courts from setting appraised values higher than the CAD's value.
- Require refunds to be issued within 60 days after appeal resolution and to be addressed to the correct party.
- Allow appeals to justice courts for disputes involving taxes of \$20,000 or less.
- Let lessees appeal through Arbitration if they pay the taxes themselves.

STAY TUNED

As the session heats up, expect more twists — and perhaps a few surprises. For real-time updates and deeper dives, connect with John Brusniak on LinkedIn.



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