

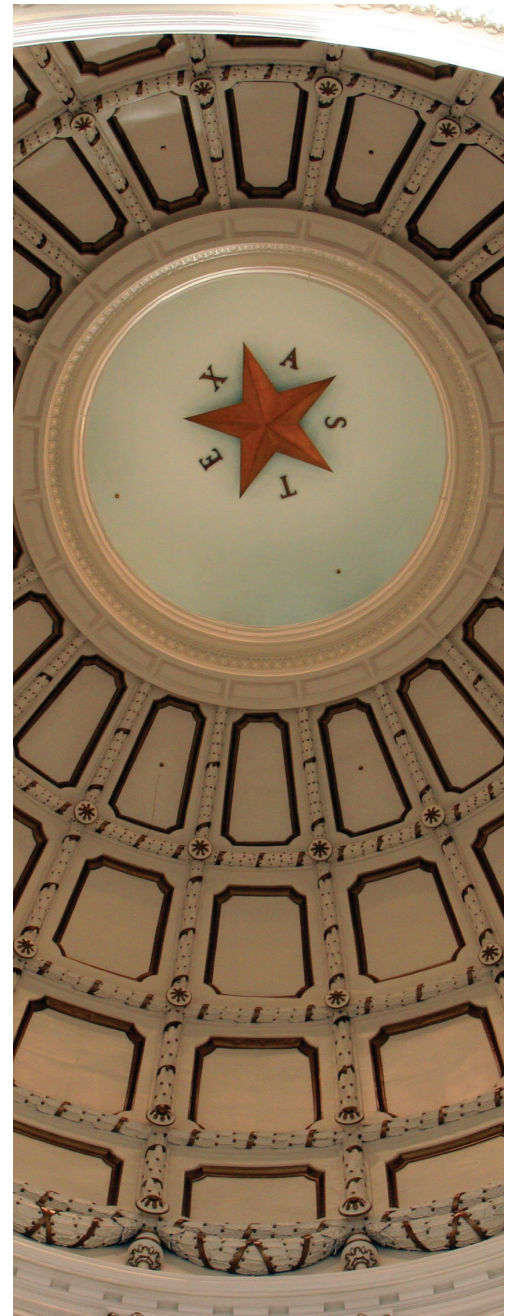
# Recap of the 86<sup>th</sup> Texas Legislature

JANUARY – MAY 2019



REAL ESTATE WINS  
AT THE TEXAS CAPITOL





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Close to 3,000 Texas REALTORS® participated in REALTOR® Day at the Texas Capitol on March 26, 2019.



# How Texas Real Estate Won in the Legislative Session

The 86<sup>th</sup> Texas Legislature adjourned May 27, closing out a monumental session for Texas real estate consumers and private property rights.

Your association read and analyzed every bill that was filed this session to ensure the interests of Texas REALTORS® and real estate consumers were protected. Then, we monitored bills that had the potential to directly or indirectly affect the Texas real estate industry.

Thanks to your grassroots advocacy efforts during REALTOR® Day at the Texas Capitol and timely response to calls for action, Texas REALTORS® earned several incredible legislative victories this session that were signed into law by Gov. Greg Abbott.



Texas REALTORS® tracked  
**2,784**  
of 7,851 bills and  
resolutions filed in the  
86<sup>th</sup> legislative session.



## **PROPERTY TAX REFORM**

After years of advocating for changes to the state's property tax system, Texas REALTORS® have succeeded in giving taxpayers more information about how tax rates are set and how to engage in the rate-setting process that determines your property tax bill.

The Texas Legislature agreed that property tax reform is critical, passing REALTOR®-supported **Senate Bill 2**, also known as "The Texas Property Tax Reform and Transparency Act."

The legislation was authored by Sen. Paul Bettencourt and sponsored by Rep. Dustin Burrows. The new law implements several REALTOR®-supported measures that enhance transparency for taxpayers.

The new law requires central appraisal districts to create online databases to:

- Show property owners how proposed tax rate changes would affect their bills
- Make it easy for taxpayers to submit comments via an online form
- Provide information about when and where a property owner's local taxing entities are holding public hearings to set their tax rates.

The new law also makes changes to the rollback rate that is currently at 8% for local taxing entities:

- Most cities and counties will be subject to a 3.5% rollback rate
- Most cities and counties will have automatic elections if they exceed the rollback rate. (Currently, these elections may only happen if voters petition for them.)
- Keeps rollback rate at 8% for special taxing units, including:
  - ▷ Cities/counties with population <30,000
  - ▷ Junior colleges
  - ▷ Hospital districts.
- Renames the rollback rate the "voter-approval tax rate"
- Renames the effective rate the "no-new-revenue tax rate."

### **CALL FOR ACTION RESPONSE:**

Texas REALTORS®

sent more than

**6,100**  
**messages**

to lawmakers urging  
them to support  
property tax reform.



## SCHOOL FINANCE REFORM

The Texas Legislature unanimously approved legislation to reform the public school finance system and the property tax system: **House Bill 3**, authored by Rep. Dan Huberty and sponsored by Sen. Larry Taylor.

This REALTOR®-supported law is a comprehensive reform of the state's public school finance system and property tax system to lessen the burden on local property taxpayers while increasing the state's investment in educators and students.

One of the most impactful changes is the lowering of school property tax rates statewide, which provides \$5.1 billion in tax relief through an average eight-cent tax rate reduction in 2019-2020 and 13-cent reduction in 2020-2021.

Additional changes:

- Provides \$6.5 billion in additional funding to public education and school employee compensation
- Increases the state's share of education funding from 38% to 45%
- Reduces recapture by 47% (\$3.6 billion) in the next biennium
- Raises the basic allotment from \$5,140 to \$6,160 per student, benefiting all school districts
- 3.5% voter-approval tax rate for ISDs.

The new law creates the Tax Reduction and Excellence in Education Fund to provide further tax rate compression and funding for schools using revenue from several existing sources:

- Sales tax revenue from the Wayfair court decision (\$300 million per year)
- Available School Fund revenue to be used for increased school funding (\$600 million per year)
- Any severance tax revenue diversion provided by the Texas Constitution to be used for tax compression
- Any revenue appropriated to the fund.

The new law also maintains the enhanced transparency measures and automatic rollback elections REALTORS® support.







## ENDING FORCED ANNEXATION STATEWIDE

REALTOR®-supported **House Bill 347**, authored by Rep. Phil King and sponsored by Sen. Brian Birdwell, ends forced municipal annexation statewide, giving property owners a say in whether they are annexed.

If a municipality seeks to annex an area into its limits, the municipality must now hold an election of the affected residents.

## EXPANDED ACCESS TO HOME EQUITY

**House Bill 1254**, authored by Rep. Jim Murphy and sponsored by Sen. Kelly Hancock, will allow a property owner to use agricultural land as collateral for a home equity loan.

In 2017, voters approved a REALTOR®-supported constitutional amendment (Prop 2) to modernize the home equity lending process for property owners.

This new law further updates those provisions to allow more homeowners the ability to access the hard-earned equity in their homes while maintaining the strong consumer protections in the Texas Constitution.

## TREC SUNSET REVIEW

In 2018, the Texas Real Estate Commission underwent what's known as sunset review—a process for state agencies during which Texas Sunset Advisory Commission staff evaluate the agency and issue recommendations for positive change.

Texas REALTORS® staff worked on your behalf with the Sunset Commission and staff on final recommendations for TREC that





were reflected in the legislation—REALTOR®-supported **Senate Bill 624**, authored by Sen. Robert Nichols and sponsored by Rep. Senfronia Thompson.

The new law implements the Sunset Commission’s recommendations for TREC, such as extending TREC for six years, allowing the agency to maintain its self-directed, semi-independent status, and requiring additional reporting to the Legislature, governor, and Sunset Commission.

## **PROTECTING PROPERTY OWNERS FROM EXCESSIVE TAXES**

REALTOR®-supported **House Bill 1743**, authored by Rep. Tracy King and sponsored by Sen. Brandon Creighton, reduces change-of-use lookback taxes due when a property is changed from agricultural to non-agricultural use.

Currently, when a property changes its use classification from agricultural to non-agricultural, county chief appraisers can assess the owners five years of retroactive taxes based on the new classification, plus 7% interest per year.

This new law reduces the lookback period from five to three years and reduces the interest due from 7% to 5%.

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## TRANSPORTATION FUNDING

REALTOR®-supported **Senate Bill 962** continues the development of a stronger highway system for Texas. The legislation was authored by Sen. Robert Nichols and sponsored by Rep. John Zerwas.

In 2014, 80% of voters approved an amendment to the Texas Constitution to allocate revenue from oil and gas production tax (a.k.a. severance tax), split between the State Highway Fund and the Economic Stabilization Fund (a.k.a. the state's Rainy Day Fund). The State Highway Fund can only be used for constructing, maintaining, and acquiring rights of way for public non-toll roadways.

The new law extends provisions related to that constitutional amendment to ensure no interruption of funding for 10 years, continuing voters' desire to invest in transportation projects.

## BUILDING MATERIALS

REALTOR®-supported **House Bill 2439**, authored by Rep. Dade Phelan and sponsored by Sen. Dawn Buckingham, protects Texas property owners.

This new law prevents a governmental entity (city/county) from requiring or prohibiting the use of certain building methods, products, or materials in the construction of a residential or commercial structure.





## PERMITTING FEES

REALTOR®-supported **House Bill 852** was authored by Rep. Justin Holland—who is a Texas REALTOR® himself—and sponsored by Sen. Pat Fallon.

The new law will keep cities from using construction fees as a backdoor tax for the funding of other services, bring greater fairness to the distribution of the fee burden, and prevent cities from requiring sales price disclosure as part of the permitting process.

## ENHANCED SELLER'S DISCLOSURE

Texas REALTORS® supported **Senate Bill 339**, authored by Sen. Joan Huffman and sponsored by Rep. Geanie Morrison, and **House Bill 3815**, authored by Rep. Morrison and sponsored by Sen. Huffman.

This pro-consumer law is the most comprehensive update to the Seller's Disclosure statement since the statement's creation in 1993. The updates add significant information related to flooding and provide buyers with in-depth information about past flooding on a property and its structures, while still limiting the seller's liability.

## DISASTER RELIEF/RESPONSE

After the devastating effects of Hurricane Harvey and other recent natural disasters across the state, Texas lawmakers passed several REALTOR®-supported bills to increase resources for property owners and create disaster recovery and prevention plans.

**House Bill 5**, authored by Rep. Dade Phelan and sponsored by Sen. Lois Kolkhorst, creates a catastrophic debris management plan and training for cities and counties.

**House Bill 6**, authored by Rep. Geanie Morrison and sponsored by Sen. Lois Kolkhorst, creates a disaster recovery task force to assist with long-term recovery plans.

**House Bill 7**, authored by Rep. Geanie Morrison and sponsored by Sen. Joan Huffman, creates a disaster recovery plan to be enacted by state agencies as needed.

**Senate Bill 6**, authored by Sen. Lois Kolkhorst and sponsored by Rep. Geanie Morrison, creates a disaster response plan for local officials.

**Senate Bill 7**, authored by Sen. Lois Kolkhorst and sponsored by Rep. Dade Phelan, creates the Flood Infrastructure Fund to finance flood mitigation projects.

**Senate Bill 8**, authored by Sen. Charles Perry and sponsored by Rep. Lyle Larson, creates a statewide flood plan.







## **TENANT LATE FEES**

REALTOR®-supported **Senate Bill 1414**, authored by Sen. Kelly Hancock and sponsored by Rep. Dade Phelan, establishes clearer parameters around fees that may be assessed for the late payment of rent.

The law clarifies what types of costs and considerations may be included in the calculation of late fees and provides a safe harbor for reasonable late fees.

## **ON THE NOVEMBER BALLOT**

The Texas Legislature passed 10 measures that will be on the Nov. 5, 2019 ballot as constitutional amendments for every Texas voter.

The following two REALTOR®-supported joint resolutions will help Texans prepare for or recover from disasters.

**House Joint Resolution 4**, authored by Rep. Dade Phelan and sponsored by Sen. Brandon Creighton, proposes a constitutional amendment to create a fund to aid in financing flood mitigation projects, with the following ballot language: *“The constitutional amendment providing for the creation of the flood infrastructure fund to assist in the financing of drainage, flood mitigation, and flood control projects.”*

**House Bill 492/House Joint Resolution 34**, authored by Rep. Hugh Shine and sponsored by Sens. Larry Taylor and Paul Bettencourt, propose a constitutional amendment to provide a temporary property tax exemption for qualified property damaged by a disaster, with the following ballot language: *“The constitutional amendment autho-*



izing the legislature to provide for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster.”

## **WE DEFEAT BAD BILLS, TOO**

Texas REALTORS® know harmful legislation when we see it. That’s why we go on record in opposition to legislation that would have detrimental effects on Texas real estate. This session, the association successfully opposed legislation on issues including mandatory sales price disclosure, appraisal caps, and weakening equal and uniform appraisal standards.



Texas REALTOR® and Rep. Cody Harris (center) hosts the association’s Leadership Team at the state Capitol.

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