

Underwriting Bulletin: UNTX-2023-008

Date: September 19, 2023
To: All Texas Agents
From: Underwriting Department
RE: **Residence Homestead Tax Exemption**

Update 9-20-2023

As a point of clarification to the above referenced bulletin, it should be noted that the increased residential homestead exemption is applicable to the calculation of ISD taxes only, ultimately reducing the amount of taxes paid directly to the districts. This clarification does not change the primary subject of the bulletin which, to restate, is the requirement that the title agent collect and pay ISD taxes under the assumption that the constitutional amendment will pass on November 7, 2023. This requirement results in the agent collecting and paying a lower ISD tax amount than would otherwise be collected and paid.

On November 7, 2023, Texas voters will consider and vote on a proposed constitutional amendment to Article VIII of the Texas Constitution which, if passed, will increase the Texas homestead exemption from \$40,000.00 to \$100,000.00.

In 2015 and again in 2022, voters overwhelmingly approved increases to the homestead exemption. It is anticipated that voters will again approve the proposed increased exemption.

Although the vote will not be held until November 7th, SB2 requires that the assessor for a taxing unit shall calculate the tax imposed by the taxing unit on property for the 2023 tax year as if the increase were in effect for the 2023 tax year. The tax bill must state that it is a provisional tax bill and must set forth the tax amount that would have been collected had the increased exemption not been implemented. The tax bill will be considered a provisional tax bill until such time as votes are canvassed. Should the voters approve the increased exemption amount, the tax bill will be considered a final tax bill, and no further tax bill will be mailed. If the increased exemption is not approved by voters, the provisional tax bill will be considered a final tax bill as to the amounts set forth therein. However, the taxing unit will prepare and mail out a supplemental tax bill by December 1, 2023, or as soon thereafter as practical, which will be due and payable upon receipt. Taxes due under a supplemental tax bill, if mailed, are not delinquent until March 1, 2024.

First National Title Insurance Company Underwriting Requirements:

1. Collect taxes under the assumption the constitutional amendment will pass.
2. Until November 7, 2023, include the following Schedule C notation on all purchase transactions:

Taxes have been prorated based on current tax information which assumes, in accordance with SB2, that a constitution amendment increasing the Texas homestead exemption will be approved by voters on November 7, 2023. If the proposed constitutional amendment fails to pass, a supplemental tax bill will be sent and is due and payable upon receipt. The supplemental tax will become delinquent on March 1, 2024. It is suggested that the parties agree, in writing, as to how such supplemental taxes will be paid.

3. Until November 7, 2023, we recommend agents require all buyers and sellers sign an indemnity and hold harmless agreement, separate and apart from your standard closing affidavit, acknowledging the potential for a supplemental tax bill and the obligation of the parties to remit full payment of any supplemental taxes in the event the constitutional amendment is not approved by voters.

If you have additional questions, please contact your friendly First National Title Insurance Co. underwriter.

This Underwriting Bulletin becomes a part of the principles and practices with which you are to comply under the terms of your Underwriting Agreement with First National Title Insurance Company. Should the content of this bulletin address the closing and escrow function, this information should be considered a directive and part of the principles and practices if non-compliance would result in liability to FNTI under either the insured closing service letter or policy of title insurance notwithstanding that the Underwriting Agreement does not include the closing and escrow functions of your agency.