

WFG Underwriting Bulletin



To: All Texas Policy Issuing Agents of WFG National Title Insurance Company

From: WFG Underwriting Department

Date: October 10, 2023

Bulletin No.: TX 2023-34

Subject: Prorating and Collecting 2023 Ad Valorem Taxes Under the 2023 Property Tax Relief Bill

Explanation of the Property Tax Relief Bill:

During the Second Special Session of this year's 88th Texas Legislative Session, the legislature passed and Governor Abbot signed SB2¹, which provides substantial property tax cuts.

Specifically, SB2 does the following:

- Increases the school district residential homestead exemption from \$40,000 to \$100,000;
- Compresses (or reduces) school districts' maintenance and operations tax rate by 10.7 cents per \$100 of a property's valuation;
- Sets a 20% "circuit breaker" or appraisal cap on increases in property valuations for properties valued at \$5 million or less that are not considered homesteads (including second homes, rental property, vacation property, commercial and retail business property); and
- Prohibits school districts, municipalities, and counties from reducing an existing exemption before December 31, 2027 (so that other taxing authorities may not reduce existing exemptions to make up for the reduction in school taxes).

Because these changes require amendments to the Texas Constitution to be effective, they must be voted on by the general public. The vote will occur at the election on November 7, 2023. See [here](#) for more information. If approved, the changes will become effective immediately.

In recognition of the uncertainty prior to November 7, SB2 directs tax assessors to determine the total taxable value of the property as though the changes are already effective for this year. The tax bill will also state that it is "provisional" and include the amount due if the amendments do not pass. If the changes do not pass, a supplement bill will be sent, which is due on receipt and will become delinquent on March 1, 2024.

¹ SB2 is the enabling legislation for HJR2, which actually proposes the constitutional amendments.

NOTE: The information contained in this Bulletin is intended solely for the use of employees of WFG National Title Insurance Company, its title insurance agents and approved attorneys. Disclosure to any other person is expressly prohibited unless approved in writing by the WFG National Title Insurance Company's Underwriting Department.

The Agent may be held responsible for any loss sustained as a result of the failure to follow the standards set forth above.

Underwriting Requirements for Taxes from October 1, 2023 through November 7, 2023:

Due to the uncertainty and potential confusion created by SB2, WFG requires the following for files closing prior to November 8, 2023:

1. You may prorate, collect, and pay 2023 taxes based upon the provision tax bills and insure that 2023 taxes are paid.
2. You must include the following Schedule B exception on all commitments and policies:

Supplemental taxes for 2023, if any, that may be assessed, if the constitutional amendment proposed by H.J.R. 2, Acts of the 88th Legislature, Second Called Session, 2023 is not approved by the voters at the election to be held November 7, 2023.

3. You must also include the following Note on Schedule C of all commitments:

Prorations of 2023 taxes are to be made as if the constitutional amendment proposed by H.J.R. 2, Acts of the 88th Legislature, Second Called Session, 2023, is approved by the voters at an election to be held November 7, 2023. If the constitutional amendment is not approved by the voters, supplemental taxes may be assessed for 2023 after closing.

4. You may include the following additional Note on Schedule C of all commitments:

Adjustment, re-proration and payment of any supplemental taxes that may be assessed for 2023 after closing will be the responsibility of the parties (seller and buyer in accordance with their agreement(s) in the sale transaction, and the owner in any loan transaction). Any adjustments or re-prorations after closing will be made between the parties without the involvement of the Company or any settlement agent.

If you have any questions, please contact WFG Underwriting at SWLegal@wfgtitle.com.

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