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To: Clients and Friends

From: Daniel S. Engle

Subject: Passage of SB 4 and SB 23 and Upcoming Constitutional Amendment Vote on SJR 2 and SJR 85

On May 22, 2025, the Texas House and Senate submitted a proposed Texas Constitutional Amendment, SJR 2, to the Texas Secretary of State for approval by Texas voters along with Governor Abbott signing its enabling legislation, SB 4, on June 16, 2025. If approved by the voters, the amendment will increase the residential homestead exemption for school district property taxes from \$100,000 to \$140,000, which will reduce homeowners' property taxes. A majority of Texas voters must vote for it to pass with the vote scheduled for November 4, 2025. If passed, SJR 2 will be retroactive for 2025 property taxes, meaning that Texans with a residence homestead exemption will obtain this benefit for this year's taxes. The proposed amendment is expected to pass.

Likewise, on May 22, 2025, the Texas House and Senate submitted proposed Amendment SJR 85 to the Secretary of State, which enabling legislation, SB 23, was signed by Governor Abbot on June 16, 2025. If passed, this amendment will increase the school district property tax exemption for elderly and disabled homeowners from \$10,000 to \$60,000. Again, a majority of Texas voters must vote for it to pass with the vote scheduled for November 4, 2025. Like SJR 2, if passed, SJR 85 will be retroactive for 2025 property taxes, and this proposed amendment is also expected to pass.

Property taxes in Texas become finalized after October 1 and become due and payable once finalized. Some taxing authorities are more expedient in handling this process so some Texans will obtain their tax statements shortly while for others it may be delayed later into the year. For tax statements sent before November 4, it will not be absolutely clear how much in property taxes a property owner with a homestead exemption will owe for 2025 and how much in property taxes a property owner with an elderly or disabled exemption will owe for 2025. The Texas legislature addressed this uncertainty in SB 4, the accompanying bill to SJR 2, and SB 23, the accompanying bill to SJR 85, and clarified that a tax statement sent before November 4 will list the amount due as if the amendments passed along with a statement clarifying that this is a provisional tax bill conditioned on approval of the amendments. The statement will also state what the tax bill would be if the amendments do not pass.

A similar scenario occurred in 2023, when the exemption for school taxes was increased to \$100,000. In 2023, the potential uncertainty of the exact amount of property taxes due for 2023 led to different interpretations among title insurers and lenders and a similar scenario may take place for 2025. In 2023, most title insurers took the position that the provisional tax bill could be relied upon for taxes necessary to provide coverage for 2023 taxes due to the practical certainty of the proposed amendment passing while others took a more conservative position and required using the value if the amendment didn't pass. It is likely

that a similar situation will take place in 2025, and this could lead to complexities for lenders closing loans in October and early November. Lenders should defer to the title company's interpretation for 2025 taxes that have become due and payable so that lenders can obtain the necessary title coverage to have sellable loans. For escrow and ability to repay estimates, BMG's view is that a lender may make estimates assuming that SJR 2 and SJR 85 will pass.

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