



Texas BOMA 89th Legislative Session Wrap Up

After 140 days the 89th legislative session concluded on June 2, 2025. The legislature tackled various issues this session ranging from property tax relief, water, public education, and so many other vital issues impacting our state.

The Appropriations Act is the only bill that the legislature is required to pass. The legislature passed **Senate Bill 1** by Senator Joan Huffman (R – Houston) spending about \$338 billion All Funds for the 2026-2027 biennium (\$149 billion in general revenue). This bill includes about \$51 billion in property tax relief, \$5 billion for the Texas Energy Fund, \$2.5 billion for water infrastructure through the supplemental appropriations bill, \$6.5 billion for non-Medicaid/CHIP (Children's Health Insurance Program) behavioral health services, and funding for countless other legislative priorities.

Below is a recap of the issues impacting the commercial real estate industry.

Texas BOMA Legislative Priorities

Texas BOMA legislative priorities included: 1) reducing property tax burdens for commercial building owners; 2) investing in our state's infrastructure; 3) limiting burdensome government regulations; 4) addressing homelessness; and 5) addressing the rising cost of insurance.

Property Tax

Property Tax Relief: Property taxes continue to be one of the costliest expenditures for commercial building owners. For several sessions, Texas BOMA has worked and supported legislation that would ensure all Texans receive property tax relief regardless of their property type.

This session both the House and Senate included property tax relief as a top legislative priority. However, there was initial disagreement on how that relief should be given to the taxpayers. The Senate's plan was to provide tax relief to homeowners by increasing the school homestead exemption while the House wanted to reduce the maximum compressed tax rate for school districts and increase the business personal property tax exemption. In the end, the legislature agreed on a property tax relief package totaling about \$51 billion in property tax relief.

- **Senate Bill 1** includes about \$51 billion in property tax relief for the next biennium, including \$10 billion in new property tax relief based on the passage of legislation enacted during the 89th legislative session.
- **Senate Bill 4** by Senator Paul Bettencourt (R – Houston) would raise the school homestead exemption from \$100,000 to \$140,000 for homeowners. **Senate Joint Resolution 2** by Senator Bettencourt is the constitutional amendment that would enable the enactment of SB 4.



- **Senate Bill 23** by Senator Bettencourt would increase the homestead exemption for elderly and disabled homeowners an additional \$60,000 to a total amount of \$200,000. **Senate Joint Resolution 85** by Senator Bettencourt is a constitutional amendment that would enable the enactment of SB 23.
- **House Bill 9** by Representative Morgan Meyer (R – Dallas) would raise the business personal property tax exemption from \$2,500 to \$125,000. **House Joint Resolution 1** by Representative Morgan Meyer is the constitutional amendment that would enable the enactment of HB 9.

The legislature also passed several bills focused on reforming our property tax and appraisal system. **House Bill 30** by Representative Ellen Troxclair (R – Lakeway) eliminates the disaster exemption loophole that allowed certain local taxing unit's the ability to adopt a property tax rate that exceeds the voter-approval tax rate without holding an election in the year after a disaster occurred. **Senate Bill 1025** by Senator Bettencourt adds the language "THIS IS A TAX INCREASE" to ballot measures if a proposition is submitted to the voters for approval of the imposition or increase of a tax rate for cities, counties, and special purpose districts.

The legislature also worked on ways to help streamline the process for paying property taxes. **Senate Bill 1531** by Senator Juan "Chy" Hinojosa (D – McAllen) would require all tax collectors to accept certain standard forms of electronic payment of property taxes and establish uniform procedures regarding transparency, fees, and error protections for taxpayers. Although SB 1531 passed the Senate, it did not pass the House before the legislative deadline.

Appraisal Caps: Texas BOMA opposed legislation that would further codify appraisal caps on real property because caps do not provide true property tax relief but only serve to shift the burden from one taxpayer to another group of taxpayers. There was multiple appraisal cap bills filed this session including:

- **House Bill 202** by Representative Will Metcalf (R- Montgomery) which would make the "Circuit Breaker" pilot program created under Senate 2, passed during the second called special session, permanent. This program, set to expire in 2026, created a 20% limitation on appraised value increases for non-homestead real property valued at less than \$5 million.
- **House Bill 273** by Representative Metcalf which would implement a 10% appraisal cap on commercial property for property valued at less than \$10 million.
- **House Bill 338** by Representative Keith Bell (R – Forney) which would lower the residential homestead cap from 10% to 5%.
- **House Bill 398** by Representative Carl Tepper (R – Lubbock) which would have lowered the residence homestead exemption cap from 10% to 2.5% and made the "Circuit Breaker" appraisal cap permanent.

None of these bills received a hearing.



Sales Price Disclosure: Texas BOMA has historically been opposed to mandating the disclosure of the sale price for real estate property because this would allow local appraisal districts to base appraised property values, at least partially, on sales prices of other buildings. This may lead to sales price chasing, where appraisal districts tend to base all property values based on the sales of buildings, without taking into account the differences in the type of building, the type of sale, and the quality of the building.

There were bills filed related to sales prices disclosure such as **House Bill 291** by Representative Cecil Bell (R – Magnolia) which requires sales price disclosure reports on the sale of real property within 10 days of recording the deed with the chief appraiser and **House Bill 622** by Representative Diego Bernal (D – San Antonio) which would have mandated sale price disclosure in commercial and industrial real property sales. None of these bills received a hearing.

Infrastructure Investment

Strengthening the Electric Grid: Following up from the legislative reforms from 2021 after Winter Storm Uri, the legislature has continued to make significant investments in our electric grid. In **Senate Bill 1**, the legislature appropriated \$5 billion to the Texas Energy Fund for the 2026-2027 biennium, which will help increase the construction of power infrastructure projects like natural gas plants, backup generators, and nuclear power plants. **Senate Bill 6** by Senator Phil King (R – Weatherford) addresses the planning and infrastructure costs associated with electricity supply for large loads, those industries that use a lot of electricity. **Senate Bill 1606** by Representative Metcalf requires retail electric utilities, retail electric providers, electric cooperatives, and municipally owned utilities to periodically include notice on customer bills about how to request vegetation management near a transmission or distribution line. **Senate Bill 75** by Senator Bob Hall (R – Edgewood) establishes the Texas Grid Security Commission under the direction of the Texas Division of Emergency Management to evaluate all hazards to the ERCOT electric grid and vulnerabilities of essential service systems for municipalities.

Water Infrastructure: Our state's deteriorating water infrastructure has led to failed water systems, damaged pipes, and water shortages throughout the state. Last session the legislature passed, and voters approved, the creation of a \$1 billion Texas Water Fund to help strengthen our state's water infrastructure. This session the legislature voted to invest over \$20 billion in water projects over the next 20 years. **House Joint Resolution 7** by Representative Cody Harris (R – Palestine) is the constitutional amendment that would dedicate the first \$ 1 billion in sales and use tax revenue per year to the Texas Water Fund for the next 20 years. **Senate Bill 7** by Senator Charles Perry (R – Lubbock) lays out the administrative framework for funding water projects through the Texas Water Development Board to help increase the state's water supply and strengthen the state's water infrastructure. The legislature also passed **House Bill 500** by Representative Greg Bonnen (R – Friendswood) which appropriates over \$2.5 billion for water infrastructure projects.



Limiting Burdensome Local Regulations

Reducing Local Regulations. The legislature passed **Senate Bill 840** by Senator Bryan Hughes (R- Mineola) which will reduce some of the regulatory barriers for developers to convert their office buildings or build more mixed-used developments. The bill would allow mixed use residential or multifamily residential use and development in areas that were zoned for office, commercial, retail, warehouse, or mixed-uses or development. The bill also prevents cities from requiring a zoning or land use change prior to allowing a mixed-use residential or multifamily development in the area. This bill would apply to cities with a population of 150,000 that are in a county with a population of 300,000 or more.

During the 88th legislative session, the legislature passed the Texas Regulatory Consistency Act, House Bill 2127, which preempted local regulation of matters regulated by the state in the following codes: Agriculture, Business and Commerce, Finance, Insurance, Labor, Natural Resources, Occupations, and Property Code. This bill sought to add consistency and eliminate the patchwork of local regulations that impact businesses throughout the state. As a continuation of the Texas Regulatory Consistency Act, **Senate Bill 3016** by Senator Brandon Creighton (R – Conroe) would have allowed state preemption over municipal and county regulations related to certain land use, structures, businesses, and related activities and municipal boundaries and annexation. The bill also added stronger enforcement mechanisms by allowing the attorney general to investigate and bring action against cities and counties that are alleged to be in violation of this statute. Although the bill passed the Senate, it failed to pass the House.

Homelessness

Addressing Homelessness. Commercial buildings are often located in some of the most vibrant and mobile areas of a city. There has been a growing concern over the increased number of homeless individuals on public grounds, especially in our downtown areas. Commercial building owners see firsthand how well-meaning policies can have the opposite effect of keeping our most vulnerable Texans safe and off the street.

Understanding that homelessness is a complex issue that will require a comprehensive solution, mental health must be included in any policy solution. Through **Senate Bill 1**, the legislature continued to make strong investments in behavioral health services, including appropriating over \$6.5 billion to provide behavioral and mental health services for our most vulnerable populations.

This session the legislature looked at ways it could address the safety concerns for the homeless population and community at large. **Senate Bill 617** by Senator Charles Schwertner (R – Georgetown) ensures that before any city acquires property and relocates homeless individuals into another jurisdiction, it must provide notice and a public hearing. This will help ensure that there is communication between local officials and residents to ensure adequate services and support will be available for at-risk populations.



Additionally, the legislature attempted to strengthen the statewide public camping ban passed during the 87th legislative session with **Senate Bill 241** by Senator Pete Flores (R – Pleasanton) which would have provided more enforcement powers to ensure the camping ban is enforced and would also place some city's sales tax revenue in jeopardy if cities chose not to enforce the camping ban. This bill passed the Senate but failed to pass in the House. The legislature also looked at using public improvement districts to help address homelessness. Public improvement districts (PIDs) are defined geographical areas that are financed by assessments against the property owners within the area to provide specific types of improvements or maintenance. **Senate Bill 2594** by Senator Middleton sought to reform PIDs in certain metropolitan areas to help provide supplemental services to businesses in downtown urban areas that need assistance with crime reduction and homelessness. This bill failed to pass.

Property Insurance

Addressing Property Insurance Cost. Texas has the second highest insurance market in the nation. Homeowners and businesses have seen their insurance rates increase due to various driving factors such as extreme weather events, rising inflation, labor expenses, supply chain disruptions, and reinsurance. Several bills were filed this session in hopes of providing accountability and financial relief to home, commercial and automobile owners. Unfortunately, no substantial insurance reforms were passed this legislative session but there were small changes made to improve transparency. For example, under current law, insurers must provide notice to policyholders or applicants for insurance stating the reason why policies were declined, canceled, or not renewed, *if requested* by the policyholder or applicant. **House Bill 2067** by Representative Dennis Paul (R – Houston) would make it a *requirement* for insurers to provide policyholders and applicants for insurance with a written statement explaining the reason for the declination of a policy application or the cancellation of or refusal to renew an existing policy.

Additional Priority Bills

Prohibiting Foreign Ownership: The legislature passed **Senate Bill 17** by Senator Lois Kolkhorst (R – Brenham) which prohibits individuals and business entities from certain designated countries from purchasing or leasing real property in the state of Texas. The bill defines “designated countries” as a country identified by the U.S. Director of National Intelligence as posing a risk to national security in at least one of the three most recent Annual Threat Assessments of the U.S. Intelligence Community or a country designated by the governor. The countries that have been identified are China, North Korea, Iran, and Russia. This ban would apply to all types of real property, including commercial and industrial real estate. The ban would not apply to leases that are less than one year. The bill has the potential to impact the commercial and industrial real estate industry in Texas because it will eliminate building owners’ ability to lease, renew, or extend leases that are more than one year to individuals or entities from those designated countries. The Attorney General is authorized to investigate any violation of the statute and seek divestiture of the prohibited transaction. It is a state jail felony for a restricted individual to knowingly acquire



an interest in real property in violation of the statute. A company or entity that is in violation of this law could be liable to the state for a civil penalty equal to the greater of \$250,000 or 50% of the market value of the interest in real property that is the subject of the violation. This bill would impact any purchases or leases made after September 1, 2025.

Construction Law: Each session Texas BOMA, along with other aligned building and trades groups, work to prevent the passage of bills that would change the state's construction law to the detriment of our industry. Representative Keith Bell filed four bills that would make drastic changes to Texas' construction laws:

- **House Bill 3287** would have classified funds reserved or required to be reserved by a property owner as trust funds.
- **House Bill 3288** would have made it a violation to withhold funds on a construction project due to a dispute regarding another construction project.
- **House Bill 3289** redefined what constitutes a "good faith dispute" to exclude issues unrelated to the specific contract in question.
- **House Bill 3290** would have required an owner to release reserved funds within a specific period.

Each of these bills would be problematic for the commercial real estate industry because they expose owners to potential criminal liability, disrupt established contracting principles, and place building owners at a great disadvantage compared to contractors and subcontractors. Texas BOMA was able to work with the author of these bills to find a compromise that would help balance the interest for all parties involved. However, none of the bills passed.

The legislature also passed the following bills of note:

- **Senate Bill 783** by Senator Jose Menendez (D – San Antonio) would allow the State Energy Conservation Office to update energy efficiency codes.
- **Senate Bill 1883** by Senator Bettencourt provides more transparency and accountability when certain political subdivisions impose impact fees on new developments by imposing pre-notice requirements for impact fees; increasing the approval threshold to adopt impact fees from a simple majority vote to two-thirds vote; and prohibiting a city from increasing an impact fee within three years of the first date it was adopted or last increased.
- **House Bill 2468** by Representative Cody Harris would allow a purchaser to terminate a contract for the purchase and sale of real property if the seller fails to provide the requisite public improvement district location notice. The purchaser could terminate the contract for any reason within seven days after the purchaser received the notice.
- **House Bill 2960** by Representative Richard Hayes (R – Hickory Creek) would require legal actions arising out of construction contracts for real property located in Texas to be brought only in Texas in the county in which the property that is the subject of the litigation is located, unless the parties stipulate to another venue after the dispute arises.
- **Senate Bill 929** by Senator Nathan Johnson (D – Dallas) clarifies the state's lien laws by requiring that the deadline to provide notice or to take any required action related to



mechanic's, contractor's, or materialman's liens must be extended to the next business day if it falls on a weekend or holiday.

- **House Bill 3848** by Representative Ana Hernandez (D – Houston) would authorize the Texas Commission of Licensing and Regulation (TDLR) to permit inspection reports, other documents, and fees to be filed in a manner prescribed by TDLR, including electronically, and allow reports and related documentation to be considered filed by the date of electronic submission.
- **Senate Bill 38** by Senator Paul Bettencourt revamps the eviction process in Texas by allowing for a more expedited process for an owner to evict a person from their property.