



Legislative Priorities
for the 89th Texas Legislature



On behalf of the 150,000 plus Texas REALTORS® members, I am honored to present the Texas REALTORS® Legislative Priorities for the 89th Texas Legislature. This publication outlines key issues Texas REALTORS® will monitor during the dynamic 2025 legislative session. The successes and lessons of the 88th Texas Legislature have prepared us to embrace the unexpected, and our plan equips us with a strong and strategic roadmap to confidently navigate the ever-evolving landscape of the Texas Legislature.

Our plan offers our priorities based on common ground issues to usher productive and positive conversations with all. This plan also allows us the opportunity to educate elected officials on the issues that truly matter to all Texas REALTORS®. We know that what matters to Texas REALTORS® are the issues that matter to all Texans, and we are very proud to advocate for all!

Our members are the backbone of our organization and through a careful committee process, these members drive the priorities in our focus areas: infrastructure, land use, taxation and business issues. I am incredibly proud and always impressed by the work that these volunteer-led, dedicated committees produce during the interim period. The time, attention and conversations that surround policy issues that all Texans face is what makes Texas REALTORS® unique. We take input from all corners of the state to generate our policy positions. Thousands of thoughtful hours go into each policy decision, creating a balanced and inclusive approach to our interactions with all members of the Legislature.

We appreciate that our members have a variety of views on issues and this publication demonstrates how we seamlessly integrate those viewpoints into one collective guide. I hope you will make time to review each priority, and that you find a connection in each that resonates with you, your business, and your community.

We are excited and optimistic about the 89th Texas Legislature, as we will continue to advocate for keeping Texas the best state in America for buying, selling, and leasing all types of property while always protecting real property rights.

Sincerely,

A handwritten signature in black ink, appearing to read 'Christy Gessler'.

Christy Gessler
2025 Chairman of the Board
Texas REALTORS®

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Annexation

Issue

Annexation has pros and cons for affected residents; they may have access to city services, such as utilities and law enforcement, but they will also be subject to new city taxes and land use regulations. Texas REALTORS® believes the decision to become part of a city should be left up to the impacted property owners.

What does this mean for the real estate industry?

Texas REALTORS® is the state's leading advocate for private property rights. REALTORS® want to empower property owners to decide whether they want additional services and the taxes and fees that come with them.

The Texas REALTORS® position

Our association believes forced annexation is un-Texan. Property owners deserve the right to have a say in whether their property is annexed. Providing property owners the right to vote on whether their property should be annexed empowers them to make decisions for themselves.

Texas REALTORS® acknowledge that property owners may wish to seek voluntary annexation by a nearby municipality, and we support an accessible and fair process for those property owners to use. In any annexation agreement, property owners deserve to receive clear information about the impacts of being annexed (such as financial or regulatory impacts), the type of municipal services they can expect to be provided, and the timeline for the delivery of those services.

Historical perspective

In 2017, the legislature created a process by which property owners could vote by ballot measure to end the practice of forced annexation within their county. Over the next 18 months, voters in eight counties overwhelmingly approved such measures. With that momentum at their backs, in 2019 legislators passed a new law that ended forced municipal annexation statewide, giving property owners control over whether they are to be annexed into a city boundary.

In 2023, a new law required some cities that finalized annexation plans between 2015 and 2017 to hold an election in those areas, allowing property owners to vote to de-annex or stay in the city. Another new law created a process by which residents of other annexed areas around the state could petition to create a ballot measure to release the area from municipal control.



Legislative outlook

The Texas Legislature heard the message from property owners loud and clear – no one wants to be forcibly drawn into a government entity against their wishes. But new laws often require tweaks; expect legislation that would further refine the processes adopted in 2023, to make sure all affected property owners can have a say. During the interim, legislative committees have focused on ideas to reform municipal regulatory authority in voluntarily annexed territories – see *Extra-Territorial Jurisdictions* on page 12.

Appraisal Caps

Issue

Texas real estate is in demand, and reliable increases in value are what makes property in our state such a great investment. However, many property owners are concerned about ever-increasing property tax bills and have placed the blame on appraisal values. Therefore, there are regular calls to tackle the property tax problem by setting a limit on annual appraisal increases.

Unfortunately, drastically limiting the appraisal value of a home through artificial government rules sets a dangerous precedent. These proposals all but guarantee an automatic annual increase on property tax bills. Appraisal caps also shift the property tax burden of higher-valued properties to middle and lower value homes, which typically do not appreciate as quickly as higher-priced homes.

What does this mean for the real estate industry?

While the political pressure to lower the appraisal cap percentage may be great, there are consequences. Appraisal caps do not address the underlying problem with our current property tax system. Appraisal caps would merely artificially limit the increase in value a residential homestead could experience.

Lowering the property-appraisal cap also creates havoc within the appraisal system. A recent report from the Real Estate Center at Texas A&M University outlines the detrimental impacts various tax plans following this model would have on the Texas economy.¹

According to the report, "...caps on assessed values spawn several market distortions and inequities. For example, it creates a disincentive to mobility and investment and disadvantages for newer real estate buyers, including homeowners. The longer one owns a property subject to an assessment cap, the greater the benefit (and incentive to stay put without making improvements that could trigger a reassessment). Additionally, new entrants to the market, even neighbors to existing owners, would face a disproportionate share of the local tax burden."²

In truth, value increases in real property are signs of a robust local and state economy and lead to greater building of wealth. Vilifying appraisal increases is dangerous rhetoric and can lead younger populations to shy away from homeownership.

In fact, a 2021 paper by the Joint Center for Housing Studies at Harvard University focused on U.S. homeownership and its financial benefits concluded that homeownership improves quality of life for families: "It is the most common method for such a family to build wealth: by paying down mortgage principal



each month and participating in the long-term appreciation of home values, a family can build wealth that can be used for retirement or other needs, including helping the next generation."³

The Texas REALTOR® position

Texas REALTORS® opposes efforts to reduce the property-tax appraisal cap from its current level of 10% because such stringent caps create inequalities in the tax burden and do not achieve property tax reductions for taxpayers. We also oppose the imposition of an appraisal cap on commercial properties.

The legislature should carefully monitor the effects of the 2023 property tax reform package that included a 20% appraisal cap on non-homestead properties valued less than \$5 million to determine whether the cap has any measurable impact on individual property tax bills, and to ensure it does not have distortive effects on the real estate market.

Historical perspective

A limit on appraisals was enacted by the Texas Legislature in 1997 and was fully implemented for the 1998 property tax year. That 10% cap was applicable only to residential homesteads. In 2023 the Legislature created a 3-year pilot program that established a 20% appraisal cap on non-homestead property valued at less than \$5 million.

Legislative outlook

Expect numerous bills to be filed to further lower the appraisal cap for homestead properties. These bills may also try to extend the current appraisal cap pilot program and expand it to all real property in Texas regardless of the appraised value. These efforts are attempting to rein in increasing property tax bills, but legislators should instead focus their attention on the process to set tax levies at the local level.

1 "Texas' Property Tax Puzzle," Texas Real Estate Research Center, June 2023

2 Ibid

3 "The Homeownership Rate and Housing Finance Policy - Part 1: Learning from the Rate's History," Joint Center for Housing Studies of Harvard University, August 19, 2021

Central Appraisal Districts

Issue

Property appraisal is one of the elements that determine tax liability for real property in Texas. However, the appraisal process and local taxing-jurisdictions' budget processes have become increasingly convoluted and difficult for property owners to understand.

In addition, many commercial and residential property owners believe the processes to appraise property and protest appraisals are not transparent, fair, or uniform across central appraisal districts (CADs).

Recent public comment has demonstrated a lack of understanding of CADs' role, leading many property owners to believe CADs either work for or collude with local taxing jurisdictions.

What does this mean for the real estate industry?

A transparent and improved appraisal process for commercial and residential property gives property owners confidence, which leads to a more stable and reliable real estate market.

The Texas REALTOR® position

Texas REALTORS® supports legislation that would increase state oversight of central appraisal districts and appraisal review boards, including added transparency around mass appraisal methods and methodologies for residential and commercial real property and business property taxes. We also support clarity and standardization of information in the protest process.

Our association opposes any changes to the “equal and uniform” appraisal laws, which ensure property owners are treated fairly during the ad valorem appraisal process.

Texas REALTORS® opposes the election of chief appraisers and appraisal review board members, as elections would politicize the appraisal process. Chief appraisers were intentionally made appointed officials during the historic property tax reforms of 1979 and 1981 for just this reason.

The legislature should closely monitor the impacts of the 2023 property tax legislation that allows for the election of central appraisal district board of directors' members in certain counties and ensure that there is strong public understanding of roles and responsibilities of all parties in the CAD's appraisal process.



Historical perspective

In 2020, the Senate Select Committee on Property Tax Relief and Reform looked at solutions to provide Texans with relief from skyrocketing property tax bills. The select committee heard many potential solutions, including increasing the state's share of public education funding, lowering the rollback rate, requiring an automatic election if a taxing entity exceeds the rollback rate, lowering the appraisal cap on residential homesteads, and expanding the appraisal cap to all real property.

As a result, lawmakers were able to pass House Bill 2941 during the 87th Texas Legislature. That legislation changed how members of appraisal review boards are appointed. The intention of this law is to make ARBs less biased in favor of the government, which would benefit taxpayers who protest their CAD's valuation of their property for tax purposes.

In 2023, the sweeping property tax reform package that passed in the second special session included a pilot program on appraisal caps for non-homestead properties, limiting their appraised value growth to no more than 20% per year for the next three years – but the bill only applies to properties worth \$5 million or less. Additionally, for the first time since the 1970s, a segment of CAD leadership will now be elected rather than appointed – in large counties (those over 75,000 population), 3 additional seats were added to each CAD Board of Directors, and those seats are filled in staggered terms by a public vote on the November ballot.

Legislative outlook

With the adoption of significant appraisal district reforms in 2023, including non-resident homestead appraisal caps and the election of some CAD Board of Directors in larger Texas counties, expect to see legislation that seeks to expand and further codify those changes. Some constituents have loudly called for the election of chief appraisers, believing that those roles have a direct impact on property tax bills. While some reforms could be enacted that improve CAD transparency and access, it is possible that much of the legislature's energy will be focused on bills that politicize the appraisal process.

Change-of-Use Taxes

Issue

Central Appraisal Districts are responsible for determining and applying the taxable value for all properties in their respective counties, but because Texas has a variety of property types, we don't have a one-size-fits-all appraisal approach.

For example, much of Texas' land is used for agricultural purposes, and our state allows property owners to have their land appraised based on the land's capacity to produce agricultural products rather than the land's market value. This often provides a substantial reduction in the appraised value that is used for ad valorem taxation.

However, the Texas Tax Code allows that when land that has qualified for agricultural appraisal changes use to nonagricultural purpose, the property owner who changes the use will owe a "rollback tax" for each of the previous three years when the land had the lower appraisal (with some exceptions). This "rollback" tax is the difference between the taxes paid on the land's agricultural value and the taxes that would have been paid if the land had been taxed on its higher market value.

What does this mean for the real estate industry?

This circumstance results in unjustified ad valorem taxation on property owners. A significant future tax burden can deter potential property owners from seeking to use their property as they see fit, which violates their private-property rights. When considering the burden of "rollback" tax liability, property owners may be hesitant to reclassify their property from agricultural to another use, which not only places a burden on the owners, but potentially limits community growth.

Texas REALTORS® position

The association supports repealing or reducing the three-year "rollback" tax collection when land that has qualified for agricultural appraisal changes use to non-agricultural purpose.

The association also supports repealing or reducing the "five-of-seven previous years" time period test currently required for a property to be considered for an agricultural valuation.

Historical perspective

Texas has two constitutional provisions that value qualified property based on its agricultural use rather than on its market value. Voters first added agricultural valuation to the Texas Constitution in 1966 as Article VIII, Section 1-d. Property qualified if it was used for agricultural purposes and was owned by a family or individual whose primary occupation was



farming or ranching. The primary purpose was to keep land in agricultural use and protect legacy farming. As Texas became increasingly urbanized and ownership shifted from the family farm to other ownership structures, this approach became increasingly ineffective.

In 1978, voters added Article VIII, Section 1-d-1 to the Constitution. This approach focuses entirely on the use of the land and does not consider ownership structure or occupation. This approach is now used for most agricultural valuation in Texas.

The two provisions contained a "rollback" tax penalty to discourage changes from agricultural use and prevent the holding of property in agricultural classifications simply to avoid paying taxes on market value. Additionally, to be considered for a new agriculture exemption, the land must have been devoted to agricultural or timber production for at least five of the past seven years. Land within a city must meet additional qualifications to be considered.¹

It now appears that the "rollback" penalty has served its purpose and has become counterproductive to development and a limitation preventing needed value additions to taxing unit tax bases. A law passed in 2019 reduced change-of-use lookback taxes to be paid when a property changes from agricultural to nonagricultural use from 5 years to 3 years. In 2021, the Legislature also eliminated interest charges on change-of-use taxes.

Legislative outlook

We expect to see legislation addressing this issue as the Texas Legislature continues to focus on reducing property tax burdens statewide.

¹ Agricultural, Timberland and Wildlife Management Use Special Appraisal, Texas Comptroller
<https://comptroller.texas.gov/taxes/property-tax/ag-timber/index.php>

Deed and Lease Fraud

Issue

Deed and lease fraud is on the rise across the United States and can be devastating for homeowners. Fraudulent documents can allow criminals to lease a home, take loans against a property, or even sell a property they do not own. While it is impossible to entirely legislate away criminal behavior, there are legal procedures that can help an owner regain control of their property. One such option is fee-based services that will notify a property owner about changes to their property records. Numerous counties across Texas have decided to provide this service free of charge to their residents.

What does this mean for the real estate industry?

Disputes and clouds on title can cause a lot of problems for property owners, as well as lenders and title companies. These issues can arise both in and outside of a transaction. Vulnerable populations, such as elderly homeowners, are particularly susceptible to property abuse and fraud. At minimum, victimized property owners can find themselves mired in legal proceedings to unwind fraudulent paperwork... at worst, they may find their properties sold or leased out from under them, creating a significant challenge to regain legal control.

The Texas REALTOR® position

Property owners are vulnerable to fraudulent lease or deed activity, and Texas laws should provide simple options to ensure such disputes can quickly be resolved. Systems that can help identify fraudulent behavior are helpful to catch bad actors before they go too far. Alerts that notify the property owner when deed or other property records are attempted to be filed can be very useful to property owners and county recorders.

Texas REALTORS® supports statewide implementation of such early warning systems, as well as expedited access to court proceedings to settle disputes of property ownership and help property owners regain control of their property in cases of lease or deed document fraud. Our association also supports enhanced penalties for fraudulent real estate activity.

Historical perspective

While this issue is not new to the world of real estate, it only recently achieved notoriety with the general public. There have been several bills filed related to deed fraud over the past several sessions, but none gained enough momentum to pass through the legislature.



Legislative outlook

This issue has become a hot topic around the country over the past year. Expect numerous filed bills to help safeguard Texans and their property.



Eminent Domain Authority

Issue

The Texas Constitution limits the use of eminent domain by requiring adequate compensation for the land on which eminent domain is used. The exercise of this power, considered a necessary tool of government, has been argued to have been expanded and in some situations, abused.

Texas also allows certain private entities to exercise eminent domain authority, so long as the legislature approves that ability with a supermajority vote.

Texans continue to struggle with an unbalanced set of laws at odds with a state known for private property rights. Our association understands the need for legitimate property condemnations; however, landowners should be justly and timely compensated in those extraordinary circumstances.

What does this mean for the real estate industry?

Private property rights are threatened whenever eminent domain is imposed. Property owners should be given all information relevant to their rights in condemnation situations; they should be treated fairly and protected from abusive eminent-domain practices.

The Texas REALTOR® position

Our association understands the need for legitimate property condemnations; however, landowners should be justly and timely compensated. As the leading advocates for private-property rights, Texas REALTORS® is uniquely positioned to ensure fair treatment of property owners.

Significant improvements can be made to enhance protections of private-property rights for Texans. Our association supports legislation that:

- Requires pipeline and electric utility easement agreements to include a list of basic terms to protect the landowner during construction and future use of the easement and requiring these companies to use a standard document provided by the Attorney General that includes these terms
- Provides landowners with information about the project seeking their land and about their rights by requiring a public meeting in each county where affected landowners can ask questions about the project and the company's eminent

domain authority—as is required for public entities with eminent domain authority

- Requires a condemning company to inform the landowners of their rights and how the company will calculate fair compensation
- Protects the landowner’s right to receive a bona fide offer by ensuring a landowner receives an initial offer of fair compensation and information necessary to evaluate whether the initial offer is truly a bona fide offer and requiring a bad actor that negotiates in bad faith to make an additional “penalty” payment to the property owner

Historical perspective

In 2005, during the 79th Legislature’s second special session, lawmakers passed Senate Bill 7 prohibiting entities with the authority to use eminent domain from condemning private property for economic purposes. In November 2009, Texans took the first step toward strengthening private property rights against abusive eminent domain by passing Proposition 11 with an overwhelming 81% of the vote.

Eminent domain was one of Governor Perry’s emergency legislative items for the 82nd Texas Legislature in 2011. Senate Bill 18, which strengthened property owners’ rights in eminent-domain takings, passed and was signed into law. The law limits the purposes for which a property may be condemned and specifies that taken property must be made available for resale to the original owner if it’s not used for its intended purpose after 10 years.

In 2013, during the 83rd Texas Legislative session, the Texas Open Beaches Act (HB 3459) granted the public the free and unrestricted right to access state-owned beaches and a right to use any public beach or larger area extending from the line of mean low tide to the line of vegetation bordering the Gulf of Mexico.

During the 87th Texas Legislature in 2021, lawmakers further reformed eminent domain to make it fairer and increase property owner awareness of their rights in the condemnation process. Under the new law, condemning entities must include more information in an initial offer to property owners, including the landowner’s bill of rights, a property appraisal including the remainder of the property not being condemned, and a list of negotiable terms.

Legislative outlook

Every few years, the Texas Legislature takes up bills attempting to balance private property rights with utilitarian uses of the complicated eminent domain process and resolve pending issues like the constitutional question of who should have the burden of proof, what kind of entities have condemnation authority, and the definition of public use. In 2021, lawmakers once again looked at the issue and ultimately passed legislation increasing transparency of the process and expanding the Landowner Bill of Rights. After four years of letting those new standards roll out, some legislators may again start thinking about other changes to the process.

Extra-Territorial Jurisdictions

Issue

The extraterritorial jurisdiction (ETJ) is an “unincorporated area that is contiguous to the corporate boundaries” of a municipality, as outlined in the Local Government Code. The size of a municipality’s ETJ generally depends on its population, and a city’s ETJ can only expand as a result of annexation, landowner request, or an increase in the city’s number of inhabitants.

The Texas Legislature created the concept of ETJs in 1963 to “promote and protect the general health, safety, and welfare of persons residing in and adjacent to” cities.

Municipal regulatory authority over ETJs in Texas has a variety of purposes, but arguably the most significant has historically been related to planning, development, and future annexation.

With the elimination of forced municipal annexation in 2019, and the creation of a process by which a landowner can be released from the ETJ in 2023, the time has come to thoroughly examine the merits of and needs for municipal regulatory authority in ETJs.

What does this mean for the real estate industry?

Many Texans purchase property outside of city limits to avoid the regulations and taxes imposed by city government.

However, residents of a city’s ETJ may still be subject to regulations and fees, which can increase the cost of owning real estate and can price owners out of their property. This can also limit a buyer’s options if they avoid purchasing property near cities because the property is potentially subject to city regulations despite being out of city limits.

Texas is experiencing continued growth in population across the state, often in rural and farming communities as new residents seek opportunities to own Texas real estate. However, this growth makes it increasingly important for property owners to be aware of the rights and protections granted to property owners who consistently use their property for agricultural operations from nuisance lawsuits.

The Texas REALTOR® position

Texas REALTORS® understands the need for local governments to conduct long-range growth planning to ensure that development is well-considered and that adequate infrastructure can be provided to residents and businesses. However, we are concerned about the current extent of municipal regulation in



extra-territorial jurisdictions, as well as the conflicts that arise between cities and counties regarding regulation of properties and development in ETJs. Further, we are concerned about the lack of representation provided to property owners in ETJs; that is, they cannot participate in elections for the municipal representatives who are enacting and enforcing regulations on their properties.

Following the end of forced annexation in Texas in 2019, there is a need to reevaluate the use and effectiveness of ETJs and municipal land-use regulations in those areas. Texas REALTORS® supports a thorough analysis of ETJs to determine whether changes to that governing structure are warranted. This analysis should include a focus on protecting private property rights and ensuring property owners are receiving value from the local governments that regulate their properties.

Historical perspective

In 2019, a new law ended forced municipal annexation statewide, giving property owners a say in whether they are annexed. In 2023, members of the 88th Legislature deemed it fit to allow Texans to remove themselves from an existing ETJ by election. With these monumental policy changes, municipal interest in ETJs has shifted focus and will have reduced consideration for long-term municipal expansion.

Legislative outlook

Conversations continue about the viability and purpose of ETJs in Texas. Lawmakers may file legislation to reform municipal regulatory authority in and boundaries of ETJs. They will likely work to fine tune recent changes that allow landowners to remove themselves from the ETJ by election. Our association also expects the Texas Legislature to continue supporting private-property rights by addressing the need for enforcement of Right to Farm laws.

Fair Housing

Issue

The Federal Fair Housing Act originally passed as part of the Civil Rights Act in 1968. This act now prohibits discrimination in housing based on race, color, religion, sex, familial status, national origin and disability. Texas went on to pass their own Fair Housing Act to mirror the Federal Fair Housing Act in 1989. Additionally, cities, counties and other municipalities may adopt additional housing discrimination laws.

For over a decade, the National Association of REALTORS® has sought to add protections for sexual orientation and gender identity into the federal Fair Housing Act, but to date, those changes have not been codified. Texas has its own Fair Housing Act, which also does not currently include those protections.

Real estate professionals and consumers depend on strong fair housing laws and practices for our communities and economy to thrive. Discrimination distorts the housing market and closes the door on the American dream of homeownership for qualified buyers.

What does this mean for the real estate industry?

REALTORS® and consumers rely on robust fair housing laws and practices to ensure the growth and prosperity of our communities and economy. Discrimination undermines the housing market and denies qualified buyers the opportunity to achieve the American dream of homeownership. Supporting policies that expand access to affordable, accessible, and inclusive homeownership opportunities is essential for thriving communities everywhere.

The Texas REALTOR® position

Texas REALTORS® believes that everyone deserves a home of their own. Real estate professionals and consumers depend on strong fair housing laws and practices for our communities and economy to thrive. Discrimination distorts the housing market and closes the door on the American dream of homeownership for qualified buyers. With those principles in mind, our association supports adding “gender identity” and “sexual orientation” as protected classes to the Texas Fair Housing Act, Chapter 301 of the Texas Property Code.

Historical perspective

Texas legislators have proposed amendments to the state’s Fair Housing Act over several past sessions, but no changes to that law have been finally adopted since 1993.



Legislative outlook

This issue is of interest to some members of the legislature. Expect to see bills that expand and codify these protections into state law.

Home Equity

Issue

When it comes to home-equity lending, Texas has some of the most conservative homeowner protections in the country.

Key among these provisions is the requirement stipulating a home-equity loan may not exceed 80% of the market value of the homestead (80% LTV). This Texas Constitution protection allows ample access to capital while at the same time ensuring homeowners do not incur excessive debt. This measure helped insulate Texas from the recession that followed the 2008 housing bubble.

What does this mean for the real estate industry?

Some states allow for home-equity loans upward of 120% loan-to-value (LTV), creating a situation where homeowners become instantly upside down because they owe more to the bank than their homes are worth. When real estate values dipped in these states, many homeowners walked away from their obligation. Foreclosures hurt the overall real estate market and lower home values.

The Texas REALTOR® position

Our association supports maintaining the strong consumer protections in home-equity lending provided in the Texas Constitution and opposes moving any segment of those protections, including the required 12-day advanced consumer notice before loan closing, from the Constitution to the Texas Finance Code or any other statutes.

Historical perspective

In 1997, the Texas Association of REALTORS® was very involved in passing a constitutional amendment allowing Texans access to the equity in their homestead. Texas, for more than 140 years, did not allow home-equity loans because of the possible repercussions from defaulting on the loan.

Since 1997, when the voters of Texas approved home equity lending, some lender groups have tried to tinker with the home-equity provisions of the Texas Constitution to either make them more lender-oriented and a little less consumer friendly or to allow changes to home equity law more easily without having to go to Texas voters for approval.

In 2003, Texas voters passed constitutional amendments that allowed homeowners who currently have one type of home-equity loan to refinance it with another type of home-equity loan to comply with the limitation in the law. Minor revisions



were passed during the 2007 legislative session that modified the procedures for obtaining a home-equity loan.

In 2017, Texas voters overwhelmingly approved a constitutional amendment (Proposition 2) that modernized how Texas homeowners can access home equity loans and home equity lines of credit, including:

- Redefined what is and is not included in the calculation of the 3% cap on fees associated with a home equity loan
- Allowed for a seasoned refinanced loan into one loan with one rate and term
- Maintained the \$4,000 draw requirements on home equity lines of credit (HELOCs) and increased the 50% equity provision to 80%—same as in a home equity loan
- Allowed farm and ranch property owners to acquire home-equity loans, while allowing for continuation of agricultural valuation of their properties
- Made technical changes in the Texas Constitution to ensure out-of-date terminology was updated

As a result, home equity loans have been made available to more Texas homeowners—all while maintaining the strict consumer protections that have served the state so well. In addition, homeowners with existing home equity loans now have more options when it comes to refinancing.

Legislative outlook

Some lawmakers may seek to dilute conservative constitutional protections afforded to Texas homeowners. There may be some attempts to pass a joint resolution amending these consumer protections; however, most lawmakers agree that these protections helped Texas avoid much of the national foreclosure crisis.

Recently, the most significant discussion surrounding home equity laws has been whether to amend procedures for signing home equity loan documents, such as by using remote or electronic signature methods. Expect that conversation to continue as technology advances.

Homeowners' Associations (HOAs)

Issue

Homeowners' associations exist to enhance neighborhoods and increase property values. Increasingly, though, HOAs are taking on functions local governments traditionally provide, resulting in higher fees and increased scrutiny on property rights. The Texas Legislature has addressed HOA issues a number of times over the last 20 years, yet property owners and property buyers still voice concerns over actions taken by HOAs.

What does this mean for the real estate industry?

HOAs can provide a great benefit to property owners by enhancing their quality of life and the enjoyment of their property. However, when the HOA is not managed effectively, buying and selling homes in those neighborhoods can be difficult and costly, and property rights may be infringed.

The Texas REALTOR® position

Texas REALTORS® supports efforts to reform laws governing homeowners' associations to ensure HOA operations are transparent and resident friendly. We understand that HOA-related legislation should seek to provide an appropriate balance between private property rights and agreed-upon community standards, but any reforms must also uphold property owners' First and Fourteenth Amendment rights.

Our association supports extending certain consumer protections established in the Residential Property Owners Protection Act (Chapter 209 of the Texas Property Code) to properties that are regulated under condo regime statutes.

We support legislation requiring HOAs and related nonprofit corporations to be registered entities with regulatory oversight (whether from their county or an agency of the State of Texas). Given the authority HOAs have over individual properties, such as lien and foreclosure ability, regulatory oversight is necessary to ensure proper due process and consumer protection.

Texas REALTORS® supports firm timelines for producing HOA documents related to property sales, as well as reasonable and necessary fee limits. Our association also supports legislation to eliminate the exemption for fees paid to 501(c)3 and 501(c)4 corporations from the transfer fee ban in the Texas Property Code.

Texas REALTORS® supports legislative efforts to ensure property owners in HOAs have a right to financial privacy, including limiting credit reporting.

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Homeowners' Associations (HOAs)

Texas REALTORS® believes the right to rent is a fundamental part of the property rights bundle, and that property owners' associations should not limit property owners' ability to lease their properties, regardless of lease term.

In 2025, expect more bills to be filed to restrict HOA authorities over individual property owners, to expand oversight of those entities, and address fees, fines, and other legal proceedings within those communities.

Historical perspective

In 2011, the Texas Legislature made significant pro-homeowner changes to laws regulating HOAs. The most significant applied a priority-of-payment structure, so that a delinquent homeowner's payments are applied in the following order: delinquent assessments, current assessments, HOA attorney fees, fines, other past-due amounts. There were also changes to HOAs' foreclosure and notification-of-foreclosure proceedings.

In 2015, the 84th Texas Legislature passed House Bill 2489, which keeps HOAs out of the property-management business. The resulting law protects property owners' rights by clarifying that HOAs don't have the authority to screen, approve, or deny prospective tenants. The law also explicitly states that prospective tenants don't have to provide a credit report or lease application to the HOA.

More recently, in 2021, the 87th Texas Legislature passed sweeping reforms of HOA governance policies and procedures. This pro-property owner legislation limited the ability of HOAs to ban certain property modifications, increased record-keeping requirements and information-sharing with community members, increased the notice period for regular HOA board and budget meetings, attempted to limit conflicts of interest, and required HOAs to be submit their management certificates to the Texas Real Estate Commission, which TREC is to make publicly available via its www.hoa.texas.gov website.

In 2023, the Legislature passed SB 1668, expanding some provisions of the 2021 legislation to condominium properties. Unfortunately, that bill was vetoed as a result of legislative disputes on other topics.

Legislative outlook

Seemingly every session in recent cycle, the Texas Legislature examines regulations and oversight of homeowners' associations, working to make them more accountable to property owners in their jurisdictions. Many times, egregious actions by homeowner associations are reported in the news, prompting legislators to file bills intended to address one particular issue. In 2011 and 2021, the Legislature sought to get to the root of the problem by reforming HOA management practices. However, some HOA management continues to restrict certain activities which can violate a person's First Amendment rights.

Housing Affordability

Issue

According to data compiled by the Texas A&M Real Estate Research Center, affordability continued to decline at the end of 2022, amid higher mortgage interest rates and still-elevated home prices. Although home price appreciation declined substantially from record highs observed in the first two years of the COVID-19 pandemic, median year-over-year growth continues to rise overall. As of November 2024, Texas housing affordability has improved as both average home prices and average mortgage rates decreased.¹

While the rise in median family income through the end of 2022 (13.6 percent) outpaced the growth in median home price, the substantial uptick in mortgage rates has essentially offset the effect of higher median family income. The average rate on the 30-year fixed-rate mortgage sits between 6 and 7% as of November 2024. All other things being equal, higher mortgage interest rates translate into higher monthly mortgage payments and diminish buying power. The Federal Reserve is now widely anticipated to cut interest rates over the near term to boost the economy as inflation cools, which should help to slightly lower mortgage interest rates.

In 2022, about 34 percent of Texas households were cost burdened. Cost burdens are particularly acute in lower-income households – 88 percent of households with annual incomes less than \$20,000 were cost burdened, compared to 8 percent of households with incomes of \$75,000 or more.² As long as the rise in home prices continues to outpace the increase in income, purchase affordability, or the ability of a household to buy a home, will continue to diminish.

What does this mean for the real estate industry?

Housing affordability impacts inventory, which in turn affects the sales of Texas REALTORS®. The Texas housing market has cooled with housing inventory increasing from only about a month of available inventory at the peak in May 2021 to 4.79 months of inventory in October 2024.³ However, the major metros continue to have a limited supply, especially at lower price points. To maintain the health of the real estate industry, housing must be available at a wide range of price points for a wide range of potential buyers.

The Texas REALTOR® position

Texas REALTORS® supports housing that is affordable to all Texans and supports creative solutions to help boost homebuying among Texans of all income levels. This could include the



creation of a self-sustaining no- or low-interest revolving mortgage loan fund using state funds, downpayment assistance programs, and public-private investment in housing supply, or increased access to capital for land development.

County and municipal regulatory barriers can be a significant impediment to the development of new housing. Texas REALTORS® supports the reduction and elimination of cumbersome processes, certain development requirements and restrictions, and lengthy permitting timelines.

Consumer incomes need to keep pace with increasing costs of living. Texas REALTORS® supports strong workforce development programs that will ensure Texans can successfully attain homeownership.

Our association also supports investment in skilled trades education, including public- private partnerships to streamline certification programs.

Historical perspective

In the 87th Texas Legislature, House Bill 2784 established the Texas Industry-Recognized Apprenticeship Programs Grant Program within the Texas Workforce Commission. The new program will help train Texans for jobs that pay a living wage and place them on the path toward homeownership. 2023 saw an influx of bills trying to tackle housing affordability from a variety of angles. The legislature ultimately passed House Bill 14 which helps to speed up the processing of plats, property development plans, permits, and similar documents.

Legislative outlook

Expect several bills to be filed that would increase avenues to homeownership and/or develop and aid existing workforce training programs.

1 “Housing Affordability in Limbo,” Texas Real Estate Research Center, November 2024

2 “Housing Affordability Challenge,” Texas Comptroller, August 2024

3 Texas Real Estate Research Center <https://trerc.tamu.edu/data/housing-activity/?data-State=Texas>

Infrastructure: Broadband

Issue

For years, REALTORS® have advocated for dependable and affordable internet access statewide. The COVID-19 pandemic reinforced this need as Texans were forced to work from home, or to take classes from home. During this time, Texans without ready access to broadband were unable to see healthcare providers from their living room, fill out job applications online, start businesses, or access online education from their kitchen tables.

The pandemic and our increasingly virtual world have increased dependence on high-speed internet in homes across the state and emphasized the challenges faced in communities without broadband access. 2022 U.S. Census Bureau data indicate almost 2.8 million Texas households and 7 million people lack broadband access.

What does this mean for the real estate industry?

Increased access to broadband internet is a critical infrastructure goal that would benefit individual Texans and the state overall in several ways. With increased access, real estate consumers will be provided with more housing options as more Texans have the option to work remotely. This would bring economic-development opportunities for smaller communities outside of the state's metro areas. In addition, increased broadband access is necessary for educational and professional success.

Enhanced broadband access will also provide real estate professionals with greater ability to conduct business in the field, shortening wait times that only exist for the parties to reach a service area when minutes can make a difference.

Texas REALTORS® position

Critical first steps have been taken toward expansion of broadband infrastructure and services throughout Texas, especially in rural areas. Looking forward, Texas REALTORS® supports additional public and private investment in those technologies, including community needs assessments, physical infrastructure, and consumer training.

Texas REALTORS® supports continued investment in broadband throughout the state, especially to the many that have no or inadequate service. Adequate connectivity will make more communities viable for Texans.



Historical perspective

In 2019, the Legislature passed groundbreaking broadband-related legislation, including laws that created the Governor's Broadband Development Council; laws that authorize electric cooperatives to provide highspeed internet service to their customers using the cooperative's existing electricity easements; and laws to allow broadband providers to work with the Texas Department of Transportation to deploy broadband access using the state's right-of-way.

Legislation passed in 2021 established a new Broadband Development Office (BDO) under the Office of the Comptroller to provide grants to expand access to broadband and other services in eligible areas.

2023 saw the passage of numerous substantial pieces of broadband related legislation. This included legislation to bring the BDO in closer alignment with federal standards to help Texas draw down more than \$3.3 billion from the Broadband, Equity, Access, and Deployment (BEAD) Program - the largest amount of any state - and to establish the Broadband Infrastructure Fund to help direct \$1.5 billion in state funds to broadband and telecommunications projects.

Legislative outlook

In 2025, legislators will continue to expand broadband access. Bills will likely be filed to provide the Broadband Development Office with the tools it needs to continue to fulfill its objectives.

Infrastructure: Energy and Electricity

Issue

In February 2020, Winter Storm Uri and subsequent widespread blackouts highlighted the need for energy stability within the state's grids. Nearly 70% of Texans lost power as a result—and some were without it for days. More than 200 deaths were linked to the storm. ¹ There were multiple factors leading to the blackouts, but failures from all power generating sources, inaccurate forecasts, timing of planned maintenance outages, dated infrastructure, and inadequate resiliency against the ice and snow were among the causes. ²

Extreme weather events like Uri put a strain on state's energy infrastructure as demand for power-hungry heaters or air conditioning rises. Although new power generation (including gas-powered plants, wind and solar farms, geothermal energy, and other innovative sources) continue to be built in Texas at a rapid pace, infrastructure is needed to effectively utilize that power has lagged. ³

What does this mean for the real estate industry?

Texas provides an environment that fosters the growth of business and attracts outside investors. If the state is to continue leading the nation as an economic powerhouse, Texas grid operators must be able to keep the lights on. REALTORS® want to keep Texas a great place to live and do business, ensure the safety of homeowners and renters, and maintain reasonable energy prices so property owners can afford their utility bills.

The Texas REALTOR® position

Reliable and resilient electricity and energy services are critical to the wellbeing of all Texans. Texas is and should continue to be a global leader in both oil and gas and renewable energy technologies. The Legislature should continue to prioritize that multi-modal energy system that facilitates safe delivery of electricity and other energy services to residents and businesses, as well as innovative technologies that may add to the state's overall energy supply without detracting from traditional sources.

Historical perspective

Following Winter Storm Uri in 2021, the 87th Texas Legislature passed legislation to map existing energy infrastructure to ensure adequate weather proofing. Other bills passed that session aimed to increase accountability of the state agencies overseeing utilities and the grid.



In 2023 the 88th Legislature dedicated more than \$10 billion in funding for the creation of the Texas Energy Fund, which is managed by the Public Utilities Commission. This fund was created to provide grants and loans to finance the construction, maintenance, modernization, and operation of electric facilities in Texas - both inside and outside of the Electric Reliability Council of Texas (ERCOT) power region.

Legislative outlook

Expect several bills to be filed that would help bolster the newly created Texas Energy Fund, which will provide grants and loans to finance the construction, maintenance, modernization, and operation of electric facilities in Texas. The Legislature may also pursue more bills that would increase the transparency and accountability of state-run agencies like the Public Utility Commission and the Electric Reliability Council of Texas. Additionally, expect the Legislature to put more focus on the use of advanced nuclear energy in the state.

- ¹ "Winter Storm Uri 2021: The Economic Impact of the Storm," Texas Comptroller, October 2021
- ² "The Timeline and Events of the February 2021 Texas Electric Grid Blackouts," The University of Texas at Austin Energy Institute, July 2021
- ³ "As Texas increases renewable energy production, grid capacity and transmission haven't caught up," Texas Standard, July 2022

Infrastructure: Hospital Development

Issue

Texans depend on hospitals in their communities for timely and local access to healthcare and are increasingly relying on telehealth services. However, 70% of Texas counties are considered rural, and the healthcare facilities in many rural areas experience challenges such as limited workforce and resources, provider shortages, and a remote geographic location.

Many patients who access hospitals use public programs such as Medicare and Medicaid. Hospitals who rely on these public programs are vulnerable to payment cuts when federal funds are threatened, which puts small and rural healthcare providers in jeopardy.

Insufficient access to primary care and other essential services in Texas leads to poorer health outcomes for Texans and increases the likelihood of more expensive treatments.

Between January 2010 and June 2024, Texas has seen 27 rural hospital closures in 23 communities – the highest number of closures in the nation. Rural hospitals statewide serve 12% of the Texas population but cover emergency and local hospital care for 85% of the state’s geographical area.¹

The COVID-19 pandemic heightened the importance of access to hospitals and telehealth for protecting and serving the healthcare needs of Texans.

What does this mean for the real estate industry?

Hospitals are essential to a community’s health and well-being as healthcare providers and as employers and investors in the community. They are economic anchors for rural communities, and the loss of rural hospitals can result in business closures, population decline, and reduction in the sales tax base which impacts other community services.

Access to healthcare facilities boosts communities’ attractiveness to buyers, makes it more likely that residents will stay, and increases options for real estate buyers and investors seeking livable communities.

Texas REALTORS® position

Our association supports the development and funding of hospitals and health care in all parts of Texas, and especially in our rural communities.

Innovative telehealth treatment options allow for expedient and safe care to be provided to patients in areas with minimal



facilities who cannot access in-person care. More areas of Texas will be sustainable if Texas makes every effort to support online health service options.

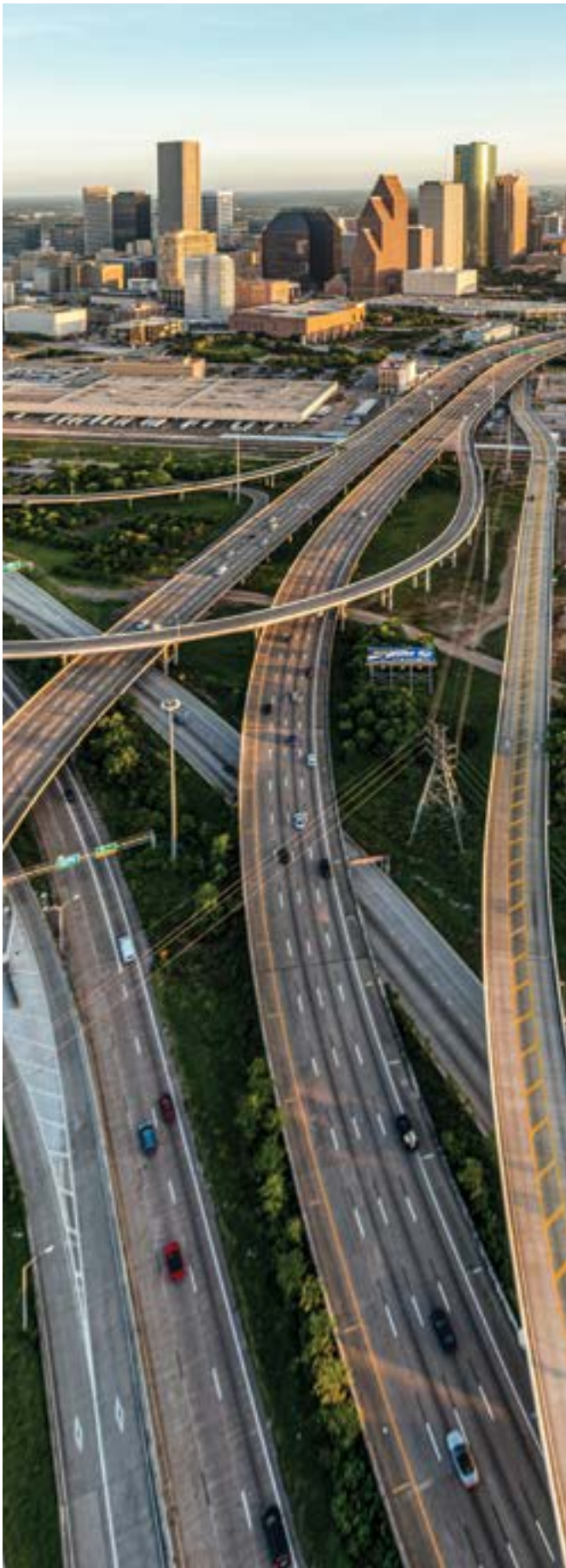
Legislative outlook

We expect lawmakers to introduce legislation that would invest in rural hospital development, expand Medicaid, address obstetrical and baby delivery services in rural areas, and improve telehealth access.

Historical perspective

The Texas Legislature has made great strides over the years to increase healthcare access, work toward making healthcare more affordable for Texans, and pass pro-consumer healthcare legislation.

¹ “Ten Things to Know about Texas Rural Hospitals,” June 2024 www.torchnet.org/uploads/1/1/9/5/119501126/torch_10_things_fact_sheet.pdf



Infrastructure: Transportation

Issue

Despite statewide Proposition 1 passing in 2014, highway and road construction in Texas remains underfunded. The shortfall is due mostly to an underperforming gasoline tax and an unwillingness to adjust the tax or increase other transportation-related fees.

The problem is magnified by a population boom, mostly in and around urban population centers. In fact, Texas has four of the 11 most-populous cities in the United States (Houston, Dallas/Fort Worth, San Antonio, and Austin), each of which is growing rapidly.

Due to an insufficient revenue stream, the Texas Department of Transportation (TxDOT) has been forced to over-rely on bond debt to fund roadway maintenance and new transportation projects. However, TxDOT's main bond programs (State Highway Fund bonds, Texas Mobility Fund bonds, and general-obligation highway bonds) are effectively exhausted.

With the uncertainty of future federal dollars, diminishing revenue, and depleted bond capacity, TxDOT has also resorted to a large number of public/private partnerships, i.e., toll roads.

Clearly, bonds and toll roads are important pieces of the transportation-funding solution, but they will not meet the growing demands on transportation infrastructure by themselves.

What does this mean for the real estate industry?

An insufficient transportation network impedes commerce, increases the costs of goods and services and creates air-quality issues. Furthermore, poor infrastructure limits viable housing options for Texans and decreases quality of life.

The Texas REALTOR® position

The State of Texas must ensure its citizens have access to a safe and efficient transportation system. In doing so, the state must address numerous issues: congestion, capacity, construction and maintenance costs, safety, age and condition of roadways, the impact transportation delays have on air quality, cost of goods, and quality of life. Failing to pay for infrastructure needs will ultimately cost state taxpayers an extraordinary amount of money in the future.

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Infrastructure: Transportation

Our association supports the following:

- A statewide, multi-modal transportation system that facilitates safe and efficient movement of people and goods, including sufficient transportation options choices such as roads, bicycle and footpaths, freight, and passenger rail (including high-speed), waterways, sea and inland ports, and air
- The development of innovative technologies to provide new transit options
- Incentives for the creation of transit and transportation node-focused community development plans, to ensure that the Texas workforce can get from places of employment to housing that is affordable
- Local option transportation funding sources, in addition to state funding, which may include toll roads

Finally, the Texas Transportation Commission and Texas Department of Transportation should ensure accountability, transparency, and public involvement in the transportation-planning process.

Historical perspective

While various financing options have been proposed and a few passed in recent sessions, the state gasoline tax has not been raised from its current 20 cents per gallon since 1991. Coupled with the increasing number of electric and alternatively fueled vehicles on the road, the result is a decrease in the tax's purchasing power.

In 2014, Texas voters passed a Texas constitutional amendment (Proposition 1) with an overwhelming 80%, signaling to lawmakers that funding for transportation is an important issue and must be addressed.

In 2015, the 84th Texas Legislature ended diversions from the Texas Highway Fund, decreasing bond debt, and allocating motor vehicle sales taxes to the state highway fund (House Bill 1), and ended diversions from the Texas Highway Fund and prioritized future TxDOT projects based on safety, maintenance, and congestion (House Bill 20). Later that year, voters approved Proposition 7, a constitutional amendment authorized by SJR 5 to dedicate \$2.5 billion of sales tax revenue and 35% of motor vehicle sales taxes to the Texas Highway Fund when revenue milestones are met.

In addition, in 2023 the legislature passed a law to increase both the initial and yearly registration fees for electric vehicles. This change aimed to solve a growing problem where only petroleum powered vehicles were paying into the transportation fund while all vehicles, including electric vehicles, benefit from the funding.

Legislative outlook

We expect to see a number of transportation-funding bills filed, including proposals to increase the annual registration fee and gas tax, and other measures aimed to provide more funding for transportation infrastructure.



Infrastructure: Water

Issue

Drought, boil notices, flooding, and other events in the last several years have raised awareness of the need to improve water infrastructure throughout the state of Texas. In 2021, millions of Texans lacked access to clean water as freezing temperatures broke water mains and dropping water-system pressure led to potential contamination. Hurricane Harvey's devastating impact on the Greater Gulf Coast in 2017 also brought to light many of our state's failing infrastructure needs. Furthermore, Texas has seen unprecedented flooding across all regions in recent years, including West Texas, the Panhandle, and the Hill Country.

Water infrastructure updates are overdue throughout the state, and failure to address those issues could negatively impact our water supply.

What does this mean for the real estate industry?

While infrastructure projects like water delivery systems are built to last long-term, everything has a finite lifespan and eventually must be repaired or replaced. But high-dollar investments in systems that are largely invisible can be challenging for the public to understand and for elected officials to implement.

Texas has more than 7,000 public water systems that manage the vast majority of our water infrastructure, and they have struggled to find funds to keep up with needed repairs and increased demand from growing communities.

Failing water systems can quickly lead to community development shutdowns, not to mention the human cost that can come from contaminated water or worse, no water. Texas2036 estimates that Texas loses \$2 billion a year in water system leaks alone. ¹ Widespread economic impacts of failing water systems combined with prolonged drought could cost hundreds of billions of dollars.

In addition to water supply systems, floodwaters pose significant concern for Texas communities. The Texas Water Development Board reminds us that "anywhere it rains in Texas, it can flood." One-fourth of the state's land – roughly 67,000 square miles – either falls within the 100-year floodplain or the 500-year floodplain. And each of the state's 254 counties has experienced at least one federally declared flood disaster since 1953, according to TWDB. ² Property owners need assurances that they are as safe as possible from floodwater. And if disaster does hit, property owners need efficient and affordable insurance and access to contractors and other skilled workers.

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Infrastructure: Water

The Texas REALTOR® position

Confidence in our water supply is critical for the wellbeing of Texans, statewide economic development, and our communities and businesses.

Texas REALTORS® supports:

- Timely investment in our aging infrastructure systems to prevent failures that could harm residents and businesses
- Prioritizing both new and existing water supplies as demand throughout the state increases
- Exploration of innovative technologies to ensure that current and future Texans have consistent access to clean water
- Investment in sustainable practices such as additional water reclamation and reuse to increase water supplies

For long-term planning and community health, we recognize the importance of critical examinations of how our water sources are governed and accessed. Such examinations should provide for sustainable regional planning, considering that geological aspects of watersheds and other waterways are not necessarily limited by political boundaries.

Finally, Texans deserve a secure defense against floodwaters, and our association supports the development and implementation of a broad range of flood mitigation technologies, such as:

- Flood warning systems
- Improved levies and dams
- Innovative construction techniques for water systems, homes and other buildings

Historical perspective

In November 2013, Texas voters approved Proposition 6 by a 3:1 margin. This constitutional amendment authorized the transfer of \$2 billion to the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT). These funds enable cities, counties, and water districts to apply for low-interest loans for water projects that align with the state water plan. The following year, TWDB approved rules that opened the door for those local entities to begin accessing those dollars.

After Hurricane Harvey, the Texas Water Development Board released a State Flood Assessment for the 86th Texas Legislature in 2018. That report estimated the state needs up to \$36 billion for flood mitigation and proposed strategies to prepare for future floods, such as improved flood modeling and mapping and coordinated watershed-based planning. The report pointed out

that Texas has never conducted a statewide assessment of flood risks and needs. The 86th Texas Legislature expanded the TWD's role in flood planning and authorized the agency to administer a new state and regional flood planning process based on river basins. The first regional flood plans, 15 in all, were delivered to the Texas Water Development Board in January of 2023, with the first state flood plan were turned over to the 88th Legislature in September of 2024.

The passage of SB 28/SJR 75 by the 88th Legislature, along with the approval of Proposition 6 by voters in November of 2023 created the new Texas Water Fund and provided for an initial appropriation of \$1 billion. This money will be used to support a wide range of projects including fixing Texas' aging and deteriorating pipes, acquiring more water sources and mitigating water loss.

Legislative outlook

In 2025, legislators will consider legislation that will increase access to water resources in time of drought. Going a step further, lawmakers will have significant interest in legislation that will help update our aging infrastructure and do what is possible to mitigate future flood damage. Look for the legislature to consider a large one-time appropriation as well as a dedicated funding stream to address our statewide water issues.

With that comes the prioritization of clear and consistent water rights, including streamlined permitting and amendment process for water projects that are handled by the Texas Commission on Environmental Quality.

While the 2021 federal Infrastructure Investment and Jobs Act provides Texas with a substantial sum over the next five years, that amount will not solve every problem. Towards that end, the Legislature may want to consider funding other state programs or even establishing a new fund to address the water access needs within small, rural and disadvantaged communities.

Another opportunity relates to planning. We know generally that we have significant water access needs. But data gaps exist regarding the magnitude of those needs. An opportunity may exist here to measure and evaluate the magnitude of our water access needs in order to strategically target our financial assistance resources.

1 "Securing Texas' future: Water is the key to power our economy," Texas2036, December 2024

2 2024 State Flood Plan, Texas Water Development Board

Insurance: Property

Issue

Property insurance is vital to protect both homeowners and mortgagors from damage, vandalism and theft, natural disasters, and more. But home insurance premiums are on the rise, with Texas' effective rate of change increasing 23 percent in 2023 – the highest of any state. Only trailing Oklahoma, Texas now has the highest average home insurance costs in the country, more than double the national average.¹

Steeply rising insurance costs go beyond the insurance policies themselves – they have also become a significant detractor to housing affordability in Texas.

What does this mean for the real estate industry?

Rapidly rising insurance rates only exacerbate the affordability problem seen by our state. In some cases, the lack of affordable insurance – or even the inability to insure a property at all – may cause transactions to fall apart. Further, property owners who cannot get or maintain insurance risk losing their homes as a result of natural disasters or other damages.

Texas REALTORS® position

Texas REALTORS® acknowledges that rising insurance premiums have an adverse effect on housing affordability. Therefore, we support affordable home insurance rates with clear rationale provided to property owners when rate increases are necessary, and transparency about claim history for property buyers. We also support protections that may insulate property owners from rapid insurance rate increases, and safeguards against dropped coverage after a major claim that was unavoidable by the client.

Historical Perspective

An increase in both the occurrence and severity of catastrophic weather events, partnered with rising construction cost and higher claim payouts has led Texas to have one of the fastest growing premium rates in the U.S. Should these trends continue and be amplified by rising reinsurance cost and a dwindling group of providers willing to write policies in certain areas, cost will only continue to rise.

The Texas Legislature has historically been supportive of private, competitive business practices and has shown reluctance to impose artificial government limits on insurance markets.



Legislative outlook

With Texas having one of the highest average home insurance costs in the country, expect the legislature to look for ways to bring insurance back to more affordable levels without decreasing the quality of the product Texans receive.

¹ “Texas and Oklahoma have the highest home insurance costs in the U.S.” Axios, April 2024

Insurance: Title

Issue

Title insurance is a unique insurance policy that protects the holder's ownership in real property – in most cases, your home. Unlike other policies, title insurance is a one-time fee policy which protects the owner from past errors related to ownership history. Title coverage is based on careful research of past ownership records and is designed to address any overlooked or outstanding issues prior to your taking possession of your property.

There is a push by some groups calling for comprehensive reform to the title insurance industry in Texas, to create a system similar to states like California, New York, Massachusetts, and New Jersey.

What does this mean for the real estate industry?

Texas property owners benefit greatly from having a stable and reliable title insurance industry with competitive rates, which, in fact, have dropped 15% over the last decade. Texas offers one of the most transparent and complete sets of coverage in the nation, with consistent rates applied evenly to all purchasers, residential and commercial alike.

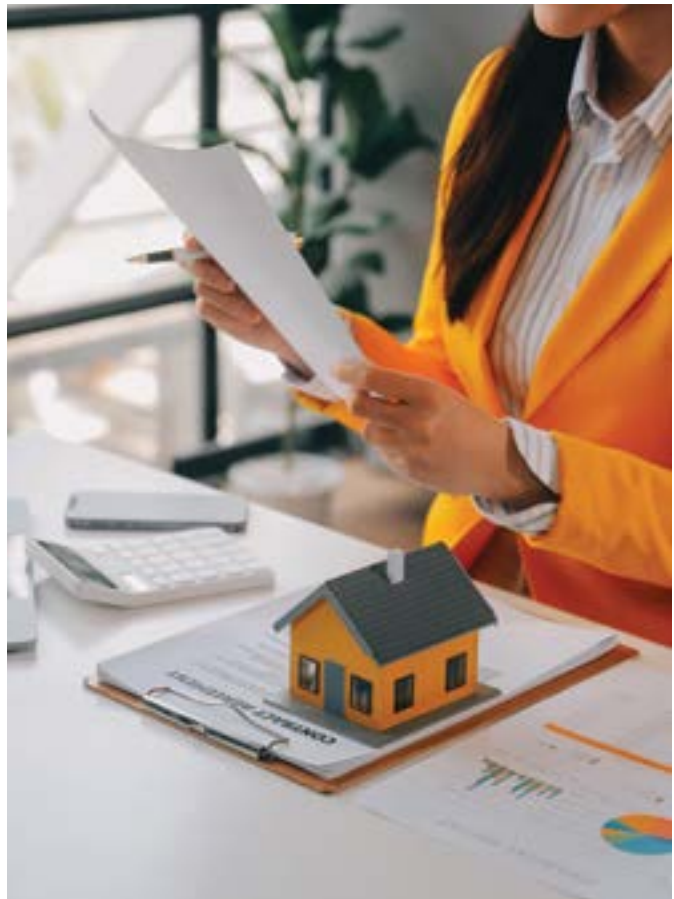
The Texas Department of Insurance (TDI) is charged with oversight of title insurance. When you purchase a title policy in Texas, you should know that the rates, terms, and coverages are set by TDI and all title professionals are legally bound to those requirements. Since title professionals do not compete on price or product, they instead compete on the quality of service provided.

The Texas REALTOR® position

Our association supports the current title insurance consumer protections which ensure competitive rates and comprehensive coverages.

Historical perspective

Title insurance insures against financial loss caused by challenges to the title of real property. Title insurance companies defend against lawsuits attacking the title, or in the case of a covered loss, reimburse the insured up to the policy limit. In Texas, the Department of Insurance is the state agency charged with oversight of title insurance. According to the Texas Land Title Association, Texas has the most tightly regulated title insurance industry in the United States. Both rates and forms are standardized, meaning the language of the policy is the same, regardless of the title company (also known as an underwriter) issuing the policy, and the premium amount charged for the



policy is the same no matter which title insurance agent you choose.

When you purchase a title policy in Texas, you should know that the rates, terms and coverages are set by the Texas Department of Insurance, and all title professionals are legally bound to those requirements. Because title professionals can't compete on price or product, they must compete on the quality of service they provide.¹

The Texas Legislature took on some title insurance reforms in 2015, including amending some licensing requirements and ensuring compliance with federal consumer protection laws to provide additional information to consumers. No significant reforms to title insurance laws have been taken up with the legislature since 2015.

Legislative outlook

A few bills may be filed relating to comprehensive reform of the title insurance industry. Just as in past legislative sessions, the Texas Legislature more than likely will not upend our state's stable title insurance market.

¹ Texas Land Title Association https://tlta.com/TLTA/Tlta/Resources/title_insurance_FAQs.aspx

Insurance: Windstorm

Issue

The Texas Windstorm Insurance Association (TWIA) is a quasi-governmental state agency that serves as the insurer of last resort for wind and hail damage for property owners in 14 Gulf Coast counties.

Because those 14 counties have the highest risk of annual storm damage, few private-market insurers are willing or able to provide coverage, leaving TWIA as the only option for most property owners along the coast. Any insurance program that only serves an area with such highly concentrated risk cannot be financially sustainable.

What does this mean for the real estate industry?

As the cost of traditional property insurance soars, so goes the cost of windstorm insurance. With TWIA being the only option for many Texans to purchase windstorm insurance through, their rates and potential increases continue to magnify the affordability issue.

The Texas REALTORS® position

The Texas Association of REALTORS® believes all property owners in Texas should have access to risk-related property insurance. Because the Gulf Coast is such an important part of the Texas economy, the association also believes TWIA policyholders should not bear the entire financial burden associated with insuring against these catastrophic events.

Additionally, any solution should include better underwriting rules, adequate rates, liability limits, and more stable funding strategies, as well as incorporate the private insurance market in some capacity.

Historical perspective

Following more than \$500 million in damage to the coast caused by Hurricane Celia in 1970, the Texas Legislature created TWIA in 1971 to provide windstorm and hail coverage to those unable to obtain insurance from a voluntary insurance market. The 81st and 82nd Texas Legislatures enacted HB 4409 and HB3, which included changes to the board composition, funding structure, eligibility requirements, claims processes, and transparency in operations.

The 84th Texas Legislature enacted SB 900, which includes changes to TWIA's funding structure and board composition, requires TWIA to establish a depopulation program, and requires TDI to conduct a biennial study of market incentives.



The 86th Legislature passed numerous items of significance to TWIA, including HB 1900 which among other things established legislative funding and a funding structure legislative oversight board.

In 2021, The 87th Legislature also saw numerous bills on the subject, including SB 1448 which adjusted the approval process and vote threshold for a TWIA rate increase.

Legislative Outlook

Similar to *Property Insurance* (page 25) expect the legislature to look at ways to ensure that properties are able to get windstorm coverage at an affordable rate that is sustainable for the state to offer.

Local Rulemaking Authority

Issue

Texas home-rule cities have the authority to regulate land use, structures, and create requirements around platting and subdividing land. They also provide and regulate water, sewer, and other utility services to residential property. On the other hand, Texas counties must be specifically granted powers by the Legislature.

In some areas around the state, there is confusion among local government staff, elected officials, and constituents about what entity oversees a particular aspect of land use. This often leaves property owners in a lurch as they try to determine what rules they need to follow. In the midst of that confusion, some county governments seek to increase their authority and burden the land-use process with unnecessary regulations.

What does this mean for the real estate industry?

At the county level, giving counties more development regulation powers is likely to restrict growth and limit the state's potential for prosperity.

At the municipal level, many Texans purchase property outside of city limits to avoid the regulations and taxes imposed by city government. However, residents of a city's ETJ may still be subject to regulations and fees, which can increase the cost of owning real estate and can price owners out of their property. This can also limit a buyer's options if they avoid purchasing property near cities because the property is potentially subject to city regulations despite being out of city limits.

Landowners who are complying with laws and regulations deserve to use their property how they see fit. Many municipalities are unaware of property rights protections such as Right to Farm laws, and they may try to unjustly enforce regulations on agricultural operators within their boundaries or their extra-territorial jurisdictions. This could result in time-consuming and costly negotiations for the property owner who is seeking to defend their rights.

The Texas REALTORS® position

Texas REALTORS® understands the objective to “preserve the general health, safety and welfare of persons residing in or adjacent to” municipalities, but that interest must not be seen as permission for any wholesale expansion of local government rulemaking authority within those jurisdictions.

Texas REALTORS® supports delineation in local government land use rules and regulations, meaning that all parties, including property owners and local elected officials and staff, should have clear information regarding which local government has regulatory authority over specific land use decisions.

Texas REALTORS® supports the enforcement of laws designed to protect the property rights of landowners within ETJs or who consistently use their property for agricultural operations, such as Right-to-Farm laws. Our association believes property owners should be given clear information regarding their rights in these circumstances, as well as swift and simple pathways to recourse if those rights are violated.

Historical perspective

The Texas Legislature has consistently affirmed its unwillingness to give county governments the same regulatory authority as home-rule cities. However, the Legislature has given county governments some ability to regulate land use, structures, platting and subdivision of land, as well as provide and regulate water, sewer, and other utility services to residential property.

In 1981, the Texas Legislature enacted the Texas Right to Farm Act, which demonstrates the state's commitment to the agricultural industry. The act applies to all agricultural operations, including cultivating the soil; producing crops for human food, animal feed, planting seed, or fiber; floriculture; viticulture; horticulture; silviculture; wildlife management; raising or keeping livestock or poultry; and planting cover crops or leaving land idle for the purpose of participating in any governmental program or normal crop or livestock rotation procedure.

In 2019, a new law ended forced municipal annexation statewide, giving property owners a say in whether they are annexed.

In 2023 the legislature passed HB 1750/HJR 126, and voters approved the measure as Proposition 1 during the November constitutional election. The adoption of this proposition by voters now constitutionally protects their right to engage in certain generally accepted agricultural practices on their own property.

Legislative outlook

Lawmakers may file legislation to reform municipal regulatory authority and to increase county regulatory authority. Other proposals could seek to reduce or eliminate ETJs altogether.



Model Subdivision Rules

Issue

Our state faces a unique situation related to certain residential communities near Texas' international border with Mexico. These communities—known as “colonias”—lack basic infrastructure such as water, wastewater, and paved roads.

All Texas counties holding land within 50 miles of the border are subject to “Model Subdivision Laws” that intend to assure infrastructure exists for new residential developments. However, existing state law effectively makes many of these properties unsalable, yet property owners are taxed for ad valorem purposes on the property's full value.

The Texas Government Code prohibits selling, offering for sale, or even advertising a property for sale unless it is properly subdivided under the Model Subdivision Rules. This portion of the law applies only to areas along the border, and both sellers and their representatives (such as REALTORS®) may be hit with significant fines for advertising or offering such a property for sale.

The Texas Water Development Board has rules to assure water and sewer services in these areas and provides training for local officials about these areas; however, enforcement resides with the Attorney General's office.

What does this mean for the real estate industry?

“Model subdivision laws” were put into place to address important infrastructure and health and safety issues; however, the practical effect is that these properties become virtually unsalable, which in turn sets their market value at zero.

This circumstance results in unfair and unjustified ad valorem taxation on property owners and negatively impacts the ability of property owners to freely sell or transfer ownership of this property. These laws are also unequal, being strictly applied only to properties based on their geographic location instead of being a universal standard for all property within the state.

The Texas REALTORS® position

Texas REALTORS® understands the need to ensure that inhabited real property has adequate utility connections, such as electricity, sewer, and water. However, the Model Subdivision laws that are applicable only to land in a county within 50 miles of an international border have unfortunately created an unequal

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Model Subdivision Rules

standard for those properties as compared to real property elsewhere in Texas, which infringes upon the ability and rights of property owners to sell or transfer that property.

Texas REALTORS® supports practical modifications to the model subdivision standards that maintain public health standards while still fostering residential and economic development. Texas law should allow real property in a county within 50 miles of an international border to be legally transferred without fines or other penalty or fear of retribution, while still ensuring such property has adequate utility connections for habitability. Modifications may include:

- Giving counties the authority to grant variances to individual property owners when certain standards are already met on the property;
- Allowing buyers to assume the responsibility of establishing utility connections, including septic tanks where appropriate, within a certain timeframe after purchase;
- Allowing transfers made to certain family members, such as from parent to child or among siblings.

We support the removal of the classification of ‘Colonia’ for neighborhoods that have been retrofitted to meet existing water and wastewater standards. We also support identifying and closing the loopholes that continue to allow the creation of substandard homes and neighborhoods.

Further, property that is devalued or is not saleable due to government restrictions should be deemed to have less or no value for property tax purposes. Therefore, Texas REALTORS® supports legislation that states if a parcel of real property, subject to Model Subdivisions Laws and located in a county within 50 miles of an international border, is not improved and therefore is not marketable or saleable due to existing state or local regulations, then any appraised market value shall be fully exempted for ad valorem tax purposes only. This exemption does not necessarily indicate the property is valueless when being assessed for public or private taking or other real property transfer.

Historical perspective

In 1989, colonias-prevention rules were first mandated by legislation known as the Economically Distressed Areas Program. The model rules were initially required to be adopted and enforced just by counties and cities seeking EDAP funding through the Water Development Board, but in 1997, the legislature passed a bill to mandate enforcement by all counties containing land within 50 miles of the border, impacting 28

counties. In 1999, legislation was adopted to add Nueces County to the mandate. No significant changes have been made to those laws since the turn of the century.

Legislative outlook

Modification of model subdivision rules has been very contentious in the legislature over the past two decades, with many elected officials along the border expressing concern that any changes to the process could risk allowing more substandard developments to arise. However, as demand for developable property continues to rise throughout Texas, and specifically in the Rio Grande Valley and other border regions, some legislators have started to examine whether there could be some changes made to the laws to allow for better outcomes for some property owners. Expect that conversation to continue this session.

PACE Lending

Issue

Property Assessed Clean Energy (PACE) loans were created to help property owners finance energy efficient upgrades for their homes. However, this type of borrowing sets up a lien against the property, one that typically takes precedence over the mortgage lenders. And because the PACE lien is generally in first position—meaning, in front of your mortgage lender—you risk foreclosure even if you make your regular mortgage payments as agreed.

Texas REALTORS® have found that this type of loan complicates property transfers and increases the risk of foreclosure due to such loans being secured by your home. Homes with a PACE lien are not eligible for a mortgage financed by Fannie Mae, Freddie Mac, or the Federal Home Loan Banks. That could make it impossible to sell the property to someone whose mortgage was obtained through a federal lending program.¹

What does this mean for the real estate industry?

Texas REALTORS® support homeowners adding value to their homes through energy efficient investments. However, the association is wary of lending programs that practice misleading marketing that could place a borrower in a financial pinch, and lead complications in future real estate transactions, or even foreclosure.

The Texas REALTOR® position

Texas REALTORS® opposes the expansion of the Property Assessed Clean Energy lending programs beyond what is currently allowed by Texas law.

Historical perspective

Administered by the Texas Comptroller's State Energy Conservation Office (SECO), the Property Assessed Clean Energy (PACE) program provides low-cost, long-term financing for water and energy efficiency and conservation improvements to commercial and industrial properties and intentionally excluded residential properties. In 2013, the Legislature passed Senate Bill 385 allowing municipalities and counties to work with commercial lenders and property owners to pursue improvements using property assessments as a secure repayment mechanism.



Legislative outlook

Expect bills to be filed that would make it easier for companies to market these loan products to homeowners. Conversely, legislation may be filed that would require Property Assessed Clean Energy (PACE) loan terms to be fully disclosed to borrowers.

¹ "PACE Yourself," National Mortgage Professional, December 2024



Property Taxes

Issue

Local property taxes in Texas have increased dramatically over just the past few decades. In 1998, the total property tax levy in Texas was just under \$20 billion. By 2021, that total was more than \$73 billion – a more than 265% increase, according to data from the Texas Comptroller.¹

Part of the increase in local property tax revenue can be attributed to new property added to the appraisal roll and higher property values. However, an increase in property value should not mean an automatic increase in property tax revenue.

If a local taxing entity needs more revenue, a more honest and transparent conversation needs to occur at the local level, so taxpayers completely understand why. In 2019, REALTOR®-supported property tax reform legislation brought monumental changes to the state’s property tax system.

The Legislature took another huge step in 2023 with the passage of the Property Tax Relief Act (SB 2/HJR 2). The pieces of legislation lead to what the Senate author dubbed “the largest tax cut in history.” But even with these monumental pieces of legislation, property taxes continue to rise.

What does this mean for the real estate industry?

Texas has been a dominant force in the national economy, and our relative housing affordability has been a contributing factor. But steep increases in property taxes threaten this affordability.

According to a 2023 report by the Texas A&M Real Estate Research Center, Texas has the 6th highest effective property tax rate, while maintaining the 6th lowest state and local tax burden. Among other factors, the reliance on property taxation in Texas can be attributed to the lack of a state income tax.

Texans still need clearer information about how their properties are assessed for property tax purposes and how their local governments collect and spend those tax revenues.

The more Texas residents – including owners and tenants – understand that process, the better they will be able to engage with decision-makers and ensure their voices are heard.

The Texas REALTORS® position

Texas REALTORS® supports the exploration and adoption of alternative revenue sources dedicated to lessening the reliance on property taxes without increasing the overall tax burden on Texas taxpayers.

Policymakers should be mindful that property taxes not only impact property owners, but also impact renters, and that

property tax increases may disproportionately impact people of lower and fixed incomes.

Careful consideration, along with transparency and public input, should be given to any budgetary or policy change that requires funding through property tax revenue.

Texas REALTORS® understands that the primary driver of annual property tax bills is the budgets set by local taxing entities; therefore, the state legislature should ensure the system surrounding local budgeting and tax rate-setting is transparent to and accessible by all taxpayers.

Texas REALTORS® supports close monitoring of the implementation of the Property Tax Relief Act of 2023, to determine the impacts on housing affordability, individual annual property tax bills, and small business property taxes.

Historical perspective

In 2019, the Texas Legislature agreed that property tax reform is critical and passed the Texas Property Tax Reform and Transparency Act (Senate Bill 2). The new law implemented several measures that enhance transparency for taxpayers by providing more information about how tax rates are set and how to engage in the rate-setting process that determines your property tax bill.

In 2023, the Legislature went on to pass what they have referred to as the largest tax cut in history. This legislation expanded on the compression adopted in 2019 and took the homestead exemption from \$40,000 to \$100,000 and included a pilot program on expanding appraisal caps to non-homestead properties valued less than \$5 million.

Legislative outlook

Alleviating the burden of high property taxes is a perennial mission for lawmakers in Texas, which has among the highest property tax rates in the country. The anticipated budget surplus presents an opportunity for lawmakers to get creative with their approach to this issue. Some decision-makers may wish to seek one-time refund checks to property owners, or lawmakers might use the surplus to fund or help restructure the state's public school system—among the biggest expenses for property taxpayers.

Although monumental property tax transparency and reform legislation was passed in 2019 and 2023, there is still substantial work that needs to be done to educate consumers on the local budget-setting processes that impact the bills they receive each year.

Lawmakers may take up legislation that would further clarify the intent to inform taxpayers and increase taxpayer engagement in the property tax process. The legislature will likely also look at ways to lessen the property tax burden on the taxpayer or to eliminate the property tax as a whole.

¹ “Biennial Property Tax Report 2020-2021,” Texas Comptroller, December 2022

Real Estate Disclosure: Irrigation Districts

Issue

Irrigation districts were created to deliver untreated water throughout their jurisdictions for irrigation and to provide drainage. These districts are governed by elected boards of directors and have the power to levy and collect taxes, borrow money, and have eminent domain powers. They are self-governing subdivisions of the state government; however, irrigation districts can only be formed with the consent of landowners within the area and legislative approval.

What does this mean for the real estate industry?

These districts are created and dissolved with the consent of property owners; however, as property is sold, transparency problems can arise in the transfer, which can negatively affect real estate transactions.

The Texas REALTORS® position

Texas REALTORS® believes that property owners and potential buyers should be able to access all relevant public information related to easements and other encumbrances by governmental or private entities on their property. We support strengthening provisions pertaining to the recording of irrigation districts' encumbrances on real property by ensuring such information is recorded with the County Clerk in which the property is located.

Historical perspective

The Texas Legislature first authorized the creation of irrigation districts in 1905. The law was then replaced in 1913 by a new irrigation act providing that districts could be established by a county election. Since the original statute was replaced in 1913, legislators have detailed the required process to gain public consent to form an irrigation district, with the most comprehensive statute restructuring taking place in 1977.

Legislative outlook

The Legislature is likely to examine a full spectrum of proposals that relate to the authority of political subdivisions, including special entities such as irrigation districts. While the creation of such districts has typically been seen as a localized issue, interplay between state and local governing bodies will be under increased scrutiny. Thus, there may be a good opportunity to



include consumer-friendly reforms of these special districts that further protect property rights in the upcoming legislative session.

Real Estate Disclosure: Sales Prices

Issue

Some appraisal districts, cities, and counties argue for full disclosure of all real estate sales prices to establish the value of real property in Texas.

There are numerous problems with basing value, especially taxable value, on the sales price of real property. For example, many of the state's 253 central appraisal districts (CADs) do not consider seller concessions, which can lead to artificially high tax-appraisal values in the year-of-purchase and beyond.

There is also a problem with subdivisions that feature unequally sized lots or custom-built homes. Another issue concerns farm and ranch properties where improvements like trade fixtures and livestock are included in the sales price. Additional difficulties arise with commercial properties, which may include a business and/or trade fixtures, value of long-term leases and intellectual property, and properties where mineral rights are included or excluded from the sale.

What does this mean for the real estate industry?

Mandated public disclosure of real property sales prices has long been considered an unnecessary invasion into Texans' private information. Additionally, many transactions are complex and sales prices may include elements that go beyond the base price of the real property – this can lead to misinterpretation of the real meaning of “sales price.”

Finally, many proposals to mandate sales price disclosure misunderstand the nature of and information contained within a privately held multiple listing service and seek to improperly put liability for disclosure on real estate licensees or MLSs.

The Texas REALTOR® position

Texas REALTORS® opposes any mandate to publicly disclose real estate sales prices. Our association also opposes the involuntary use of real estate sales prices to directly assess individual real property taxes.

Real estate advertisements, comparative market analyses, and other similar business practices that contain market value information are not, and should not be taken as, verified sales prices for the purposes of property tax valuations.

Texas REALTORS® has a duty to protect the confidential data of our members and their clients, and therefore opposes any legislative attempts to force public or government access into proprietary multiple listing services.

Historical perspective

The appraisal process we know today was created by the Legislature in 1979 and was fully implemented in January 1982. Mandatory sales-price disclosure was part of the debate then and has been ever since. Prior to a central appraisal process, each local taxing jurisdiction valued real property separately. The city could have one value on their books while the county had a completely different value.

Since 1982, real property in Texas has been subject to a local property tax administered at the local-taxing-jurisdiction level. CADs are tasked with appraising real property for ad valorem taxation purposes. Many of these appraisal districts have called upon the Legislature to pass sales-price disclosure to enable districts to adequately appraise real property.

In 2006, Gov. Perry created the Texas Task Force on Appraisal Reform (TTFAR), and the final report stated, “Most appraisal districts do not have the internal capacity to analyze complex financial or commercial transactions.”

During the 81st Texas Legislature in 2009, lawmakers passed comprehensive appraisal reform in the form of numerous bills aimed at reforming the process. Specifically, the Legislature passed House Bill 8, which enacted a Methods and Procedures Audit on all appraisal districts in Texas. The comptroller's office was tasked with implementing the bill and has completed the audits.

In 2009, the 81st Texas Legislature also passed (and voters approved) a constitutional amendment which allows for uniform appraisal standards to be used in all appraisal districts.

The Texas Comptroller of Public Accounts, in the most recent report on appraisal districts and appraisals, stated that all real property in Texas is being valued at 96% of market value.

Legislative outlook

Central appraisal districts and local taxing entities may seek full sales-price disclosure of all real estate transactions in Texas. This includes residential, commercial, industrial, raw land, and farm-and-ranch. The Texas Legislature has consistently stated that expanding government intrusion into the private lives of Texans is not an option.

Real Estate Disclosure: Special Districts

Issue

Special districts are independent, special-purpose governmental units that exist as separate entities with substantial administrative and fiscal independence from general-purpose local governments. They tend to serve areas that cross county and/or municipal boundaries to serve a single (or multiple) purpose(s). In Texas, thousands of special purpose districts provide a variety of services including water conservation, toll roads, hospitals, libraries, utilities, and fire control efforts. Depending on their purpose, these districts may be supported by a property tax, sales tax or user fees, and may issue debt.

Although many of Texas' special purpose districts post their budgets, annual reports and detailed spending information online, deciphering financial reports can still be a challenge. Additionally, it can sometimes be unclear which special districts a property falls within.

What does this mean for the real estate industry?

Special districts can impact a property owner's tax bill, which is a consideration when weighing the decision to buy or sell a home. Additionally, special districts might have development or land use impacts that property owners and potential buyers need to be aware of.

The Texas REALTOR® position

Texas REALTORS® supports easily accessible and transparent data related to property taxes and special district assessments, accessible via central appraisal district tax transparency websites, so that property buyers and sellers have the most up-to-date and relevant information they need before entering into real property contracts.

Historical perspective

According to the Texas Senate Research Center, the most basic levels of government are special purpose districts. These districts are areas of the state, county, municipality, or other political subdivision that have been created for judicial, political, electoral, or administrative purposes. Special purpose districts were originally created to provide infrastructure and levy taxes for limited purposes, such as firefighting, road construction, and water and sewage treatment. These districts are given significant



powers, including the power to acquire, purchase, sell, or lease real or personal property; sue and be sued; impose and collect taxes; issue bonds; borrow money; and contract with other entities. Some districts are granted the power of eminent domain.

Legislative outlook

Increasing transparency of special districts and their impact on property tax bills may be part of larger property tax relief and reform legislation in the upcoming legislative session.

- 1 Special Purpose Districts, Texas Comptroller <https://comptroller.texas.gov/transparency/local/special-purpose.php#:~:text=In%20Texas%2C%20thousands%20of%20local,utilities%20and%20fire%20control%20effortsp>
- 2 "Invisible Government: Special Purpose Districts in Texas," Texas Senate Research Center, October 2014. https://senate.texas.gov/assets/srcpub/Spotlight_Special_Purpose_Districts.pdf

Real Estate Wholesaling

Issue

Wholesaling is a real estate investment strategy wherein an investor gets a property under contract and sells that contract to a third party who, after closing, usually does rehab work with the intention of selling the property at a profit, all within a short-term timeframe (usually a year or less). Investors aim to sell the rights of that contract to buyers at a higher price and pocket the difference. However, this practice comes with risk for all participants, especially in the residential market.

What does this mean for the real estate industry?

Wholesaling represents one of numerous strategies for REALTORS® to generate income, but when practiced unethically or irresponsibly it can be harmful to consumers. Protecting consumer interests is in the best interest of the real estate industry and protects the reputation of REALTORS®.

The Texas REALTOR® position

Wholesaling poses potential risk to consumers in real estate transactions. Therefore, Texas REALTORS® supports licensing of real estate wholesalers, and appropriate and timely disclosure to all parties involved in a real estate wholesale transaction, including in any advertisement.

Historical perspective

Both the legislature and TREC have moved in recent years toward greater regulation of the business of wholesaling. In 2017, the legislature approved a disclosure requirement notifying buyers they would be entering into a wholesaling agreement. Further legislation in 2023 expanded the disclosure requirement to sellers as well.

Legislative outlook

Proposed legislation may seek to limit predatory practices and require licensing of those participating in the industry.



Residential Leasing

Issue

A healthy supply of residential properties available for lease helps make homeownership attainable for first-time buyers and provides an additional stream of revenue for property owners struggling to keep up with the rising cost of property taxes.

However, some municipalities and hyperlocal groups like property owners' associations are attempting to limit residential leasing by limiting and/or regulating rental housing, including costly licensing and permitting processes, invasive registration and inspection requirements, or even the outright ban of certain types of rental housing. Municipalities purport to be limiting residential leasing because neighbors claim renters are noisy and disruptive. However, most renters, whether short- or long-term occupants, are respectful neighbors, and rental housing provides important housing choice and significant revenue sources for both municipalities and property owners.

In recent years, the issue of short-term residential leasing has become particularly contentious, both at the local and state levels. Some groups are interested in severely curtailing property owners' ability to lease their residences on a short-term basis – though what constitutes “short-term” is often up for debate. While it seems a modern innovation, in fact the practice of leasing a room or whole property on a short-term basis has existed for hundreds of years, to the great benefit of the property owner and the tenant alike. Further, short-term tenants provide significant economic benefit to communities by way of job creation, and property and sales taxes.

What does this mean for the real estate industry?

The right to rent is considered a fundamental element of the bundle of property rights a homeowner can count on when purchasing real property. Residential leasing is an opportunity for investment in the real estate industry. This practice also increases the accessibility of housing, which can later lead to homeownership.

The Texas REALTOR® position

Texas REALTORS® believes the right to rent is a fundamental part of the property rights bundle, and that municipalities and homeowners' associations should not limit property owners' ability to lease their properties, regardless of lease term.

Residential rental properties are an important part of our housing supply, and Texas REALTORS® supports rental housing that is accessible to Texans of all income levels. Increasing fees

and other regulatory costs can contribute to higher rents. Fees charged for rental registration, licensing, or other costs should not be used as revenue streams. Texas REALTORS® opposes any governmental limitation on rents that may be charged.

Further, Texas REALTORS® supports legislation declaring that a municipality may not adopt or enforce a local law that expressly or effectively prohibits the use of a property as a short-term rental. These ordinances and other regulations infringe on a property owner's ability to rent their property without intrusion. In addition, they are often duplicative, ineffective, and intrusive to owners and tenants of rental properties.

Texas REALTORS® believes cities should use the tools already at their disposal to combat nuisance properties and bad actors, and to protect the health and safety of tenants, property owners, and community members.

Historical perspective

There are no statewide short-term rental rules and regulations in Texas. The state has largely left regulation of the vacation rental industry up to local county and city authorities. Over the past 10 years, numerous bills have been filed that take aim at preempting local regulations of short-term rentals, but none have passed through the legislature.

Several court decisions have sided in favor of the ability of property owners to rent their homes for any ‘residential purposes’ in select jurisdictions¹, however, no such protection exists statewide.

Legislative outlook

There is some renewed interest in filing legislation to address the regulation of short-term residential leasing. Bills may seek to either pre-empt local regulatory authority or to limit property owners' rights to lease. Further, we could still see legislation filed in response to local action taken on residential leasing during the COVID-19 pandemic related to the landlord-tenant contract and eviction proceedings.

¹ “Texas Supreme Court sides with short-term renters, likely bolstering state’s fight against Austin’s ordinance,” The Texas Tribune, May 25, 2018. <https://www.texastribune.org/2018/05/25/airbnb-homeaway-texas-supreme-court-ken-paxton-austin-ordinance/>

Sales Tax on Professional Services

Issue

The State of Texas imposes a sales tax on retail sales, leases and rentals of most goods, and some taxable services. All local governmental entities have the option of imposing an additional local sales tax for a maximum combined state and local tax of 8.25%.

During past legislative sessions, some discussion has concentrated on expanding the state sales tax base to include professional services. All professional services, including real estate services, could be taxed.

What does this mean for the real estate industry?

According to the Real Estate Research Center at Texas A&M University, the median home sale price in Texas in October 2024 was \$335,000. That would mean, depending on concessions, commission rate, and local options, such a tax could add well over \$23,000 due at closing.

The Texas REALTOR® position

Our association steadfastly opposes efforts to expand the sales tax base to include professional services. Furthermore, the association believes any taxing structure should not place an undue burden on the real estate industry or hamper the Texas economy.

Historical perspective

Studies from the National Association of REALTORS®, the Real Estate Research Center at Texas A&M, and other industry think-tanks confirm that adding a tax on real estate services would have a detrimental effect on the housing industry—one study indicates an overall 3% drop in the real estate market.

Legislative outlook

Legislation is routinely filed that would expand the state's sales tax base to include real estate services, but the legislature has historically declined to consider those bills.



Sales Tax on Real Estate Transactions

Issue

The State of Texas imposes a sales tax on leases and rentals of most goods, retail sales, and some services. All local governmental entities have the option of imposing an additional local sales tax for a maximum combined state and local tax of 8.25%.

Under the guise of property-tax relief, there are groups proposing a restructuring of the state and local taxing system. Their proposal includes eliminating (or greatly reducing) property tax and replacing lost revenue with an expanded sales tax that would include a dramatic increase in the sales-tax rate and an expansion of the tax base to include the sale and lease of real property. Other entities seek to add a transfer tax to real estate transactions.

What does this mean for the real estate industry?

Any tax on real estate transactions would wreak havoc on the real estate market, a critical part of the Texas economy.

A sales tax on real estate would initially destroy the first-time homebuyer sector. But the problem would quickly extend throughout the entire real estate market. Without the first-time homebuyer component, existing homeowners would have a difficult time selling their property, which would preclude them from moving up. As housing affordability because more front and center for the Texas Legislature, changes like these would only exacerbate the problem.

The Texas REALTOR® position

Texas REALTORS® has conducted exhaustive, multi-year studies on local property taxes and believes applying sales tax to real estate is a short-sighted and flawed approach to property tax relief. Reducing property taxes by adding a different tax onto the property does not achieve the true tax reform that our state's taxpayers deserve. Not only would adding real estate to the sales-tax base destroy the state's real estate economy, but it would also disproportionately affect lower- and middle-class Texans.

Historical perspective

In 2015, 86% of voters approved statewide Proposition 1, which constitutionally banned transfer taxes on real estate transactions. This overwhelming response is proof that Texans believe the real estate transaction should not be subject to additional taxation.



Legislative outlook

Property taxes continue to be a burden on Texas property owners. The Texas Legislature will no doubt see many proposals seeking to reduce the property tax burden, including the elimination of local property taxes and replacement with an expanded and increased sales tax.

Squatters

Issue

Although the idea of squatting has long been in the real estate lexicon, only recently did this criminal activity gain national attention. While it seems simple enough to remove a squatter from your property in theory, in practice, Texans have run into significant challenges.

Squatters have become increasingly savvy, and many know that local law enforcement is often reluctant to remove someone from a property if they claim they have a right to be there – often, squatters will tell police they have a lease or other claim to the property. Taking a squatter to court can be a lengthy, expensive process, and leaves the property in physical and financial danger until a resolution can be reached. Criminals are taking advantage of this murky area of the law, putting homeowners’ investment at risk.

What does this mean for the real estate industry?

The inability to remove a squatter from your property is costly to owners and violates the private property rights this state holds dear. Bringing certainty and expediency to the removal process safeguards many people’s largest investment.

The Texas REALTORS® position

Texas REALTORS®’ fundamental belief in private property rights means that property owners should be provided quick recourse when their home or land is illegally occupied. Our association supports clearer definitions of criminal trespass activity, increased training for law enforcement, and streamlined legal procedures to ensure property owners can swiftly regain control, with legal recourse, of their homes and land.

History

Squatters’ rights laws in the United States originated during the westward expansion in the 19th century. As settlers moved out west, the concept of “adverse possession” emerged in legal statutes as a way to gain ownership over unoccupied properties through continuous habitation and improvement of the land.

These early squatter’s rights laws were intended to encourage settlement in western states by allowing people to gain title to lands that were not being used. Some of the earliest adverse possession laws were enacted in states like California, Texas and Oklahoma as they were rapidly settled during the 1840s-1890s.

Under modern laws in Texas, squatters must occupy a property for 10 years and they must pay property taxes throughout that time in order to lay any legal claim to the property.



During the Great Recession of the early 21st century, a protest movement known as Occupy Homes arose out of New York and made its way to Texas in 2011, in which protesters tried to halt residential foreclosures by forcibly occupying the properties. More recently, widely viewed social media posts sought to teach people how to falsify documents and skirt law enforcement to homes, leading to a public outcry about illegal occupation of property. This led to an avalanche of legislation around the country to address the issue to protect property from this kind of illegal trespass.

Legislative Outlook

This issue took the nation by storm after a viral video surfaced in early 2024 extolling the ‘invasion’ of American homes and giving tips on how to accomplish it. Expect this item to be a bipartisan priority for the legislature and for numerous bills to be filed aimed at protecting private property rights, increasing law enforcement capabilities, and streamlining judicial procedures in occupancy disputes.

Texas Real Estate Commission

Issue

Our association is committed to ensuring the highest standard of service by Texas real estate license holders. Each legislative session, the association helps update and modernize consumer-protection standards and the Texas Real Estate License Act, which allows for a more efficient system.

In 2018, the Texas Real Estate Commission underwent review by the Texas Sunset Commission. The Sunset Commission issued a report in October 2018 listing recommendations to improve the service TREC provides to license holders and consumers, and in 2019 the state legislature passed legislation to implement those recommendations.

What does this mean for the real estate industry?

The Texas Real Estate Commission (TREC) licenses and regulates real estate brokers, salespersons, inspectors, and other related professionals. High standards for real estate professionals ensure the industry's continued success.

The Texas REALTOR® position

Our association supports legislation that facilitates the administration of the commission and eliminates certain inefficient provisions in the law, when identified.

Historical perspective

In 2011, during the 82nd legislative session, lawmakers passed Senate Bill 1000 designating TREC as a self-directed, semi-independent state agency. This status meant TREC would no longer be subject to the legislative budget or appropriations process at the Legislature—instead, the agency conducts business using the licensing fees it collects.

Also in 2011, Senate Bill 747 focused on better preparing license holders to represent consumers in real estate transactions and ensuring education for applicants and license holders is targeted and of the highest quality.

In 2013, House Bill 2911 amended the law to require real estate inspectors to have the same education and license-renewal requirements as the Texas Real Estate Commission's other license holders and addressed issues regarding errors and omissions insurance coverage and the real estate inspection recovery fund.



In 2015, Senate Bill 699 clarified TREC regulations, explained situations that would require license revocation, created procedures for actions brought against real estate brokers and sales agents, and amended the requirements for licenses, fees, and education.

In 2018, Sunset Commission staff evaluated TREC and made recommendations to the Sunset Advisory Commission.

Those recommendations—requiring TREC to demonstrate improvements in customer service, technology systems, and financial oversight, and directing the Commission to undergo another Sunset review in six years rather than the standard 12—were approved in the subsequent 86th Texas Legislature.

In 2023, the legislature passed a bill that cleaned up statutes as it relates to TREC and Texas Real Estate Research Center (TRERC). Among other things, the bill modernizes terms and practices related to the structures and operations of TRERC— the first updates since 1987; directs TREC to collect reasonable and necessary fees to cover cost of the real estate recovery trust account and raises the payment limits of the account; clarified where the center is funded from and on what timeline; and reduced barriers to entry for a brokerage license.

Legislative outlook

Our association works closely with TREC to identify inefficient and outdated real estate law. We expect lawmakers to consider legislation to continue to closely monitor TREC and its operations for continued improvements, and to make statutory and procedural adjustments as deemed necessary.

Texas REALTORS®

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