

- SUBJECT:** Notice and hearing requirements when adopting local tax rates
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — Oliveira, McCall, Bonnen, Hilbert, Keffer, T. King, Ramsay
1 nay — Heflin
3 absent — Craddick, Y. Davis, Sadler
- WITNESSES:** For — David Cook, Texas Municipal League and City of Dallas; Eric Reister, Bexar County
Against — None
On — George Christian, Texas Taxpayers and Research Association
- BACKGROUND:** Under current law, a governing body must hold a public hearing before adopting an ad valorem property tax rate that, if applied to the taxing unit's total taxable value, would impose an amount of taxes that exceeds the previous year's total levy. This requirement has been in effect only since the 1997 legislative session. Previously, a governing body was required to hold a public hearing if it sought to adopt a tax rate that exceeded either the rollback tax rate or 103 percent of the effective tax rate as calculated under Tax Code, sec. 26.04.

An affected governing body must hold two public meetings on its tax rate. It must publish a quarter-page newspaper ad at least one week before each public hearing to announce the hearing and describe the proposed tax rate.
- DIGEST:** HB 954 would amend Tax Code, sec. 26.05(d) to require a governing body to notify the public and hold public hearings if it proposed adopting a higher tax rate than the rate in effect for the preceding tax year.

The bill would take effect on January 1, 2000, and would apply only to ad valorem tax rates adopted on or after that date.

**SUPPORTERS
SAY:**

HB 954 would return the statutory language regarding required notification and public hearings to its pre-1997 intent, which was to ensure public awareness of tax-rate increases. These procedures are not necessary when there is no change in the tax rate or when the rate actually is lowered. Under current law, the only instances that do not trigger these requirements are a substantial decrease in taxes or a decrease in taxable property value. In other words, nearly every governing body in the state now must follow these requirements, regardless of their tax rates.

Under current law, a governing body must publish notice and hold public hearings if its overall tax levy increases over the previous year, even if the taxing unit does not increase its tax rate. In some cases, tax rates actually have been lowered, yet the overall levies have increased, triggering the notice and hearing requirements. In these cases, local politicians who voted to lower tax rates nonetheless must notify constituents of a “tax increase.”

Governing bodies each spend thousands of dollars to comply with current law when they are taking no action to increase their tax rates. These funds could be directed at providing other services to taxpayers. The tax rate still would be discussed and adopted in a public meeting with the usual public notification given.

**OPPONENTS
SAY:**

The purpose of the current notice and hearing requirements is to inform taxpayers that their local governments, school boards, and other taxing districts stand to receive more funds than in the previous year. More public scrutiny may reveal that tax rates should be lowered as the local taxable value increases or more property is placed on the tax rolls. These meetings allow elected officials to discuss their plans to use the additional money and give the public an opportunity to debate these plans. The expense of publishing ads in the newspaper is minimal compared to the tax levies involved.

NOTES:

HB 1037 by Junell, which would create a simplified notification procedure for taxing units with small tax levies, passed the House on April 22 and is scheduled for a public hearing in the Senate Finance Committee on May 4. That bill would exempt small taxing units from the current requirements if their tax rate did not change but their tax levy increased. HB 954 would do this for all taxing units.