

SUBJECT: Amending the property tax system and reducing the rollback tax rate

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Burrows, Guillen, Murphy, Noble, Sanford, Shaheen, Wray

2 nays — Martinez Fischer, E. Rodriguez

2 absent — Bohac, Cole

WITNESSES: For — Samuel Sheetz, Americans for Prosperity; Russ Duerstine, Americans for Prosperity and Concerned Veterans for America; James Harris, Citizens for Appraisal Reform; Chris Hill, Collin County; Darrell Hale, Collin County Commissioners; Kimberly Savage, Convention of States; Thomas Fabry, Frisco Tea Party; Robert Primo, Gregg County; Robin Lennon, Kingwood TEA Party, Inc.; Jason Corley, Lubbock County Commissioner Precinct 2; Crystal Main, NE Tarrant Tea Party; Terry Holcomb and Terry Harper, Republican Party of Texas; Mark Ramsey, Republican Party of Texas: SREC SD7; Bill Eastland, Texans For Freedom; Scott Norman, Texas Association of Builders; Tray Bates, Texas Realtors; Jorge Martinez, The LIBRE Initiative; Ellen Troxclair, Texas Public Policy Foundation; Roger Falk, Travis County Taxpayers Union; James LeBas, Texas Oil and Gas Association; and 18 individuals; (*Registered, but did not testify*: Steven Albright, Associated General Contractors of Texas; Adam Cahn, Cahnman's Musings; Michael Cassidy, Tamara Colbert, Michelle Hodson, Paul Hodson, Peter Morales, and Shelby Williams, Convention of States; Angela Smith, Fredericksburg Tea Party; Cheryl Johnson, Galveston County Tax Office; Armando Longoria, GI Forum; James Lennon, Kingwood TEA Party; Mark Keough, Montgomery County; Annie Spilman, National Federation of Independent Business; Fran Rhodes and Richard Davey, NE Tarrant Tea Party; Summer Wise, Republican Party of Texas; Mark Dorazio, Republican Party, State Republican Executive Committee; Justin Keener, Texans for Free Enterprise; David Mintz, Texas Apartment Association; Rick Dennis, Texas Association of Property Tax Professionals; Crystal Brown, Texas Building Owners and Managers Association; Mia McCord,

Texas Conservative Coalition; Michael Pacheco, Texas Farm Bureau; Vance Ginn, Texas Public Policy Foundation; Daniel Gonzalez and Julia Parenteau, Texas Realtors; Jason Vaughn, Texas Young Republicans; and 38 individuals)

Against — Dick Lavine, Center for Public Policy Priorities; George Haehn, City of Buda; Chris Coffman, City of Granbury; Holly Gray Moore, City of Roanoke; Brynn Myers, City of Temple; Adam Haynes, Conference of Urban Counties; Jim Allison, County Judges and Commissioners Association of Texas; Charles Reed, Dallas County Commissioners Court; David Stout, El Paso County; Jay Elliott, Falls County; Bill Jackson, Harris County; John Barton and Carlos Lopez, Justices of the Peace and Constables Association of Texas; Joe Shuster, Pecos County; Glen Whitley, Tarrant County; Maureen Milligan, Teaching Hospitals of Texas; Robert Johnston, Texas Association of Counties; Jimmy Stathatos, Town of Flower Mound; Stacy Suits, Travis County Constable, Precinct 3; Sarah Eckhardt; (*Registered, but did not testify*): Kristen O'Brien, American Federation of State, County and Municipal Employees Local 1624; Joe Hamill, American Federation of State, County and Municipal Employees; Selena Xie, Austin EMS Association; Paul Pape, Bastrop County Judge; Melissa Shannon, Bexar County Commissioners Court; Bo Kidd, Buda Police Department; Jimmy Spivey, City of Richardson; Mario Martinez, City of Brownsville; June Ellis, City of Buda; Jay Abercrombie and Pam Frederick, City of Bullard; Karen Hunt, Mike Land, Traci Leach, Biju Mathew, Wes Mays, and Gary Roden, City of Coppell; Paul Henley, City of Corsicana; Elizabeth Reich, City of Dallas; Michael Kovacs, City of Fate; Bill Kelly, City of Houston Mayor's Office; Clayton Fulton and David Palla, City of Hurst; Brad Boulton, Sean Johnson, Walters Marcus, Opal Mauldin-Jones, Nina Morris, Rona Stringfellow, and Samuel Urbanski, City of Lancaster; Clayton Chandler and Peter Phillis, City of Mansfield; John Love, City of Midland and Texas Municipal League; Yolanda Ford, City of Missouri City; Scott Swigert, City of Mont Belvieu; Mike Ahrens, Darleen Durant, Jacob Hatfield, and Amy Hinton, City of Mount Pleasant; Sereniah Breland, City of Pflugerville; Hugo Berlanga, City of Port Aransas and Nueces County; Karen Kennard, City of Port Arthur; Curtis Poovey, City

of Richardson; Scott Campbell, City of Roanoke; Stacey Pfefferkorn, City of Round Rock; Neil Howard, City of Rowlett; Claudia Russell, City of San Marcos; Brandon Hill, City of South Padre Island; Charley Wilkison, Combined Law Enforcement Associations of Texas; Leon Klement, Cooke County; Dolores Ortega Carter, County Treasurers Association of Texas; Matthew Williamson, Dallas Police Department; Michael Sullivan, Farmersville Police Department; Chris Youngman, Lancaster Fire Department; Donna Warndof, Harris County Commissioners Court; Clayton Huckaby, Hays County Emergency Services District No. 8; Jessica Anderson, Houston Police Department; Laurie Christensen, Texas Chapter of International Association of Arson Investigators and Texas Fire Marshal's Association; Bobby Gutierrez, Justices of the Peace and Constables Association of Texas; Isiah Chancellor, Lancaster Youth Ad Council; Pamela Bixby, League of Women Voters of Texas; Will Francis, National Association of Social Workers-Texas Chapter; Holli Davies, North Texas Commission; John Marez, Nueces County; Barbara Canales, Nueces County Commissioners Court; Don Allred, Oldham County; Mike Brodnax, Rowlett Police Department; Victor Boyer, San Antonio Mobility Coalition; Rene Lara, Texas AFL-CIO; Dwight Harris, Texas American Federation of Teachers; Patrick Shipp, Texas Fire Chiefs Association; Gary Tittle, Texas Police Chiefs Association; Lisa Dawn-Fisher, Texas State Teachers Association; Noel Johnson, Texas Municipal Police Association; Paul Spencer, Town of Addison; Rodney Harrison and Jeremy Wilson, Town of Little Elm; Julie Wheeler, Travis County Commissioners Court; Juan Booker, Jalen Brooks, Thomas Fripps, Rashad Jackson, Andrea Oseguerda, Rudolpho Ramirez, Zerell Sims, Keenan Smith, and Damareon Thomas, Youth Advisory Commission; and 10 individuals)

On — Ginger Nelson, City of Amarillo; Steve Adler, City of Austin; Karl Mooney, City of College Station; Dee Margo, City of El Paso; Shona Huffman, City of Frisco; David Palmer, City of Irving; George Fuller, City of McKinney; John Dean, City of Ovilla; Harry Lsrosiliere, City of Plano; Ron Nirenberg, City of San Antonio; Suzanne Bellsnyder, City of Spearman; Roberto Zarate, Community College Association of Texas Trustees; John Hryhorchuk, Office of the Governor; Jennifer Rabb, Rice

University's Baker Institute for Public Policy; Larry Gaddes, Tax Assessor-Collectors Association; Marya Crigler, Texas Association of Appraisal Districts and Travis Central Appraisal District; Robert Riza, Texas Association of Community Colleges; Brent South, Texas Association of Appraisal Districts; Christy Rome, Texas School Coalition; John Carlton, Texas State Association of Fire and Emergency Districts; Deborah Cartwright and Dale Craymer, Texas Taxpayers and Research Association; Margo Goodwin, Town of Highland Park; Amy Hedtke; Michelle Howarth; (*Registered, but did not testify*: Sylvia Acuff, Amigos de Patriots; David Anderson, Arlington Independent School District Board of Trustees; Eddie Solis, City of Arlington; Joe McComb, City of Corpus Christi; TJ Patterson, City of Fort Worth; John Bruce, City of Frisco; Sally Bakko, City of Galveston; Edena Atmore and Eliska Padilla, City of Hutto; Tracy Aaron, City of Mansfield; Mark Hindman, City of North Richland Hills; Mike Reissig, Comptroller of Public Accounts; Angela Hale, Frisco Chamber of Commerce and McKinney Chamber of Commerce; Roland Altinger, Harris County Appraisal District; Kevin Kavanaugh and John McGeady, Legislative Budget Board; Colby Nichols, Texas Association of School Administrators and Fast Growth School Coalition; Von Byer and Al McKenzie, Texas Education Agency; Steve Bassett, Texas School Alliance; Steven Alexander and Bill Lindley, Town of Highland Park; George Hernandez, University Health System Jon Hockenyos; Donna Rogers)

BACKGROUND: Tax Code sec. 26.07 allows voters to petition for an election to repeal a tax rate adopted by a taxing unit that exceeds the unit's rollback tax rate. A petition for a rollback election must be signed by a certain percentage of the taxing unit's registered voters and be submitted to the governing body of the taxing unit within 90 days of the tax rate's adoption.

Tax Code sec. 26.04 defines the rollback tax rate as the rate that would raise 8 percent of additional tax revenue over the previous year's tax revenue.

DIGEST: CSHB 2 would reduce to 2.5 percent the rollback tax rate for many taxing units other than school districts and certain special districts and would

require an automatic election if a taxing unit's adopted tax rate exceeded its rollback tax rate. The bill also would make changes to the administration and state oversight of appraisal districts, appraisal review boards (ARBs), and property tax arbitration.

Rollback Tax Rate

CSHB 2 would provide two different methods for calculating the rollback tax rate for taxing units other than school districts and certain special districts. The method that applied would depend on whether the taxing unit was a special taxing unit.

Special taxing units. The bill would set the rollback tax rate of a special taxing unit at 8 percent. A special taxing unit would be defined as:

- a taxing unit whose proposed maintenance and operations tax rate was 2.5 cents or less per \$100 of taxable value;
- a junior college district;
- a hospital district; or
- an emergency services district.

Other taxing units. The bill would limit the rollback tax rate of a taxing unit other than a school district or special taxing unit to 2.5 percent. The rollback tax rate of a taxing unit other than a special taxing unit also would include a revenue enrichment rate and an unused increment rate.

The revenue enrichment rate would be the rate that, when applied to the current total value of taxable property in the taxing unit, would impose an amount of taxes equal to a revenue enrichment amount. The revenue enrichment amount for the 2020 tax year would be \$250,000 and for each succeeding tax year would be equal to the revenue enrichment amount for the preceding tax year as adjusted for inflation. The comptroller would calculate and publish the revenue enrichment amount in the Texas Register each year by August 1 or as soon thereafter as practicable.

The taxing unit's unused increment rate would equal the difference between the aggregate rate by which the taxing unit's rollback rate exceeded its adopted tax rate and the aggregate rate by which the taxing unit's adopted tax rate exceeded its rollback rate in the preceding five

years beginning after January 1, 2020.

The bill would require that only the property tax rate needed to service debt that had been approved at an election could be used in the computation of the rollback tax rate.

Disaster areas. A taxing unit other than a special taxing unit could calculate its rollback tax rate in the same way as a special taxing unit if any part of the unit was located in a declared disaster area during the tax year. The taxing unit's rollback rate would be calculated in this way until the earlier of the first tax year in which the total taxable value of property in the unit exceeded the total taxable value of property in the unit on January 1 of the tax year in which the disaster occurred or five years after the disaster.

Anticipated collection rate. If the anticipated collection rate of a taxing unit was lower than the lowest actual collection rate of the taxing unit for any of the preceding three years, then the anticipated collection rate would be the lowest actual collection rate for any of the preceding three years. The anticipated collection rate could exceed 100 percent.

Automatic Election

CSHB 2 would require an automatic election if a taxing unit adopted a tax rate that exceeded the rollback rate. The order calling the election would be required to be issued by August 15, and the election would be held on the first Tuesday after the first Monday in November of the applicable year. Ballots would have to allow for a vote for or against approving the taxing unit's adopted tax rate exceeding the rollback rate and include the adopted tax rate and the difference between that rate and the rollback rate. If a majority of the votes cast in the election favored this proposition, the tax rate for the current year would be the adopted tax rate. If the proposition was not approved, the governing body would be prohibited from adopting a tax rate that exceeded the rollback rate for that year.

If the taxing unit already had sent out tax bills to property owners based on an adopted tax rate that was rejected at a rollback election, the assessor would have to send out new bills based on the new rate. Property owners who had already paid taxes would be refunded any difference between the

taxes paid and those due under the subsequently adopted tax rate.

Taxing units that increased their expenditures to respond to a disaster other than a drought declared by the governor in any area in which the taxing unit was located would not be required to hold an election to approve the adopted tax rate for the year following the year in which the disaster occurred.

Appraisal Districts

Board of Directors. The bill would prohibit an individual from serving on an appraisal district board of directors if the individual had engaged in the business of appraising property for use in property tax proceedings or representing property owners in hearings within the preceding three years.

CSHB 2 would create an exception to the offense of *ex parte* communication between a member of the appraisal district board of directors and the chief appraiser in situations where a member transmitted to the chief appraiser in writing and without comment a complaint by a property owner or a taxing unit about the appraisal of specific property.

Methodology. An appraisal district would be required to appraise property in accordance with the comptroller's appraisal manuals and generally accepted appraisal methods and techniques.

Notice of Appraised Value. CSHB 2 would repeal the requirement for a notice of appraised value to include the amount of tax that would be imposed on the property based on the preceding year's tax rate.

If issued by the chief appraiser of an appraisal district with a population of fewer than 120,000, the notice of appraised value would be required to state that the Legislature was not responsible for setting local taxes and to direct all inquiries relating to property taxes to local officials. This provision would apply to all appraisal districts in the state after January 1, 2022.

Appraisal Review Boards

CSHB 2 would set certain training and requirements for members of

ARBs.

Special panels. An ARB for an appraisal district in a county with a population of 1 million or more would be required to establish special panels to conduct protest hearings relating to property with an appraised value of \$50 million or more that was commercial real and personal property, real and personal property of utilities, industrial and manufacturing real and personal property, or multifamily residential real property. The ARB chairman also could assign protest hearings relating to other types of property to a special panel.

A special panel would be allowed to conduct a protest hearing only if requested by the property owner or if assigned to the special panel by the ARB chairman. The chief appraiser in the county would have to include in the notice of appraised value for qualifying property that the owner had the right to have a protest heard by a special panel of the ARB.

Each special panel would consist of three members appointed by the ARB chairman who met certain educational or licensing requirements.

Size of ARB. The appraisal district board of directors in a county with a population of at least 1 million would be required to increase the size of the ARB to the number of members appropriate to manage the ARB's duties, including the duties of each special panel.

Hearings. CHSB 2 would require that in addition to hearings on Saturday, the ARB would be required to provide for protest hearings after 5 p.m. on a weekday. The board would be prohibited from scheduling the first protest hearing after 7 p.m. on a weekday evening or a protest hearing on a Sunday. The bill would provide requirements for setting multiple consecutive hearings on a single day and postponing hearings.

Notice of protest hearing. The bill would require the notice of the setting of a protest hearing to include a description of the subject matter of the hearing sufficient to identify the specific action being protested.

If multiple hearings were to be heard on the same day, the notice of hearings would be required to state the date and times of the hearings and the order in which the hearings would be held, which could not be

changed without the consent of all parties. Restrictions on rescheduling an ARB hearing are detailed in the bill.

Challenges barred. The bill would repeal the ability of a taxing unit to challenge before an ARB the level of appraisals of a category of property in the district.

Evidence. Upon request by the property owner, the chief appraiser would be required to deliver copies of any information that would be introduced at the protest hearing at no cost to the owner. The chief appraiser could not introduce any requested information that was not delivered to the protesting party at least 14 days before the hearing, except to rebut evidence or argument presented by the protesting party.

Majority vote. The concurrence of a majority of the ARB or panel members present at a meeting would be sufficient for any action by the board or panel. Requiring more than a majority for any action would be prohibited.

Determination. An ARB would be required to enter a written decision on a protest hearing within 30 days or 45 days of the hearing's conclusion, depending upon the population of the county in which the ARB was located.

CSHB 2 would prohibit an ARB from determining the appraised value of property subject to a protest to be greater than the appraised value shown in the appraisal records submitted by the chief appraiser, unless the protest involved the cancellation, modification, or denial or an exemption or a determination that that the property did not qualify for appraisal as land designated for agricultural use, agricultural land, timber land, or restricted-use timber land.

Survey form. The comptroller would be required to prepare an ARB survey form and instructions and maintain a web page on the comptroller's website on which the form could be completed and submitted electronically. The form would allow for comments and suggestions from participants in an ARB hearing regarding hearing procedures and any other matter related to the fairness and efficiency of the ARB.

Arbitration

Training. CSHB 2 would require the comptroller to create a training program on property tax law for arbitrators. A person who wanted to become an arbitrator would be required to complete this program along with the comptroller's course for ARB members. The comptroller would be required to approve curricula and provide an arbitration manual and other materials.

Renewal and removal. To renew an agreement to serve as arbitrator, a person would have to continue to meet the same requirements initially needed to become an arbitrator. The comptroller would be required to remove a person as an arbitrator if the person failed to complete a program on property tax law for arbitrators within 120 days.

Eligibility. The bill would repeal the requirement that an arbitrator reside in the county in which the property subject to the appeal was located. Instead, an arbitrator only would be required to reside in the state. The bill also would impose guidelines on the comptroller's appointment of certain arbitrators.

Rate Setting

CSHB 2 would make changes to the procedure by which a taxing unit set its tax rate. The bill also would rename the "effective tax rate" as the "no-new-revenue tax rate" and the "effective maintenance and operations rate" as the "no-new-revenue maintenance and operations rate."

Calculating rates. If the ARB for an appraisal district had not approved the appraisal records for the district by July 20, the chief appraiser would be required to prepare and certify to the assessor for each taxing unit in the district an estimate of the taxable value of the property in that taxing unit by July 25.

Upon the comptroller's publication of the year's revenue enrichment amount, the designated officer or employee of a taxing unit's governing body would be required to calculate the no-new-revenue tax rate and the rollback tax rate based on the certified appraisal or certified estimate

received from chief appraiser.

The comptroller's tax rate calculation forms would be required for these calculations. A tax rate could not be adopted until the officer or employee had certified on the forms that the rates were calculated accurately and that the values shown on the taxing unit's certified appraisal roll or certified estimate had been used in the calculations. The taxing unit would be required to include the forms as an appendix to its budget for the fiscal year, and the forms would have to be submitted to the county assessor-collector for each county in which the taxing unit was located.

By August 7 of each year, or as soon thereafter as practicable, the officer or employee would be required to publish the rates in a newspaper in the county in which the taxing unit was primarily located, post the rates in a prominent location on the taxing unit's website, and submit to the governing body a schedule of the taxing unit's debt obligations, in addition to current statutory requirements.

On the same date, the chief appraiser of each appraisal district would be required to deliver to each property owner a notice stating that the estimated amount of taxes to be imposed on the owner's property by each taxing unit was available on the property tax database maintained by the appraisal district.

These certification and notice requirements would not apply to a school district. A taxing unit with low tax levies that elected to provide public notice of its proposed tax rate would be required to list the proposed tax rate prominently on its website.

CSHB 2 would allow a property owner in a taxing unit to obtain an injunction prohibiting the taxing unit from adopting a tax rate if the assessor or the taxing unit had not complied with tax rate publication or posting requirements.

Property tax database. Each appraisal district's chief appraiser would be required to create and maintain a property tax database identified by the name of the county in which the appraisal district was located. The database would be required to be updated continuously as preliminary and revised data became available and would have to be accessible to the

public and searchable by property address and owner, unless such information was confidential.

The database would include such information as the no-new-revenue rate, rollback rate, and proposed rate for each taxing unit in the district, information about any hearing or meeting to adopt a proposed rate, and an email address for each taxing unit. It also would provide an electronic form that would allow taxpayers to submit an opinion regarding the adoption of a proposed rate. The bill would set out requirements for the incorporation of relevant data into the database.

Taxing unit website. Each taxing unit would maintain a website with certain information, including its proposed or adopted budget, adopted tax rates for the two most recent years, most recent financial audit, and contact information. The website also would include the name and contact information for each member of the taxing unit's governing body.

County website. Counties would be required to maintain a website with information regarding the adopted tax rate, the maintenance and operations rate, the debt rate, the no-new-revenue rate, the no-new-revenue maintenance and operations rate, and the rollback rate for the five most recent years. Each taxing unit in the county would be required to post the certified tax rate calculation forms used to determine its rates for the five most recent tax years beginning the 2020 tax year and the name and contact information for each member of its governing body. Each year's tax rate calculation forms would have to be posted on the website by August 1.

Rate adoption. CSHB 2 would require that the governing body of a taxing unit other than a school district hold a public hearing before adopting a tax rate that exceeded the lower of the rollback tax rate or the no-new-revenue tax rate. The taxing unit could not hold this hearing before the fifth business day after the chief appraiser of each appraisal district in which the taxing unit participated had delivered to each property owner the required notice regarding the property tax database and uploaded to the database the required information and tax rate calculation forms.

The bill would require that certain statements with information regarding the rates and taxing units be included in notice of public hearing.

The governing body could vote on the proposed tax rate at the public hearing. If the governing body did not vote on the proposed tax rate at the public hearing, the date, time, and place of the meeting at which it would vote on the proposed rate would have to be announced at the hearing and in a public notice.

The governing body would be prohibited from scheduling a meeting to vote on the adoption of the proposed tax rate later than the seventh day after the public hearing.

The governing body of a taxing unit that imposed an additional local sales and use tax would be prohibited from adopting a tax rate until the taxing unit's chief financial officer or auditor submitted a written certification that the amount of additional sales and use tax revenue used for debt service had been deducted from the total amount of the property tax revenue that would be used to pay the taxing unit's debt obligation for the next year.

Injunction. Any action for an injunction by a property owner restraining collection of taxes by a taxing unit due to noncompliance with the tax rate calculation, notice, and adoption requirements would have to be filed within 15 days after the tax rate's adoption. It would be a defense to such an action for an injunction if failure to comply with any of the above requirements was in good faith.

The bill would not require the property owner to pay the taxes imposed by the taxing unit while an injunction action was pending and would allow the owner to receive a refund of any taxes paid, along with reasonable attorney's fees and court costs, if the owner prevailed in the action.

Deadline for adoption. A taxing unit would be required to adopt a tax rate in excess of the rollback tax rate by the 71st day before the first Tuesday after the first Monday in November of that year. In all other cases, a taxing unit would be required to adopt a tax rate before the later of September 30 or the 60th day after receiving the certified appraisal roll.

2015-2019 calculation forms. The designated officer or employee of the taxing unit also would be required to submit to the county assessor-collector for each county in which the taxing unit was located the worksheets used to calculate the effective and rollback tax rates for the 2015-2019 tax years. The county would be required to post the worksheets on the its website.

State Administration

Tax rate calculation forms. CSHB 2 would require the comptroller to prescribe tax rate calculation forms for use by taxing units to calculate the no-new-revenue rate and rollback tax rate. School districts also would use these forms to calculate the rate needed to maintain the same amount of state and local revenue that the district received in the school year beginning in the preceding tax year. The forms would be in an electronic format and would be capable of being incorporated into the appraisal district's property tax database.

Advisory board. CSHB 2 would require the comptroller to appoint a property tax administration advisory board to provide advice regarding the state administration of property taxation and state oversight of appraisal districts. The advisory board would be composed of at least six members, including a person with knowledge or experience in ratio studies and representatives of property tax payers, appraisal districts, assessors, and school districts.

The advisory board could make recommendations to the comptroller on improving the efficiency of the property tax system, best practices, and complaint resolution procedures.

Biennial reports. CSHB 2 would add requirements regarding certain biennial reports and reviews conducted by the comptroller in order to implement the provisions of this bill.

Statewide list of tax rates. CSHB 2 would add tax rates imposed by school districts to the comptroller's annual list of tax rates across the state and would change the deadline for the list's publication.

School property value study. If the comptroller determined in a school

property value study that a school district's local value as determined by the applicable appraisal district was not valid, the comptroller would be required to provide notice to the appraisal district's board of directors, and the board would be required to hold a public meeting to discuss the notice.

If the comptroller determined that the school district's local value was not valid for three consecutive years, the comptroller would be required to conduct a review and provide recommendations to the appraisal district. If the appraisal district failed to take remedial action reasonably designed to ensure substantial compliance with each recommendation before the first anniversary of the date that the recommendations were made, the comptroller would be required to notify the Texas Department of Licensing and Regulation (TDLR). TDLR would be required to take action to ensure that the recommendations were carried out as soon as practicable.

With the assistance of the comptroller, TDLR would determine whether the comptroller's recommendations had been substantially implemented and would notify the appraisal district's board of directors of the determination by February 1 of the next year. If TDLR determined that the recommendations had not been substantially implemented, the board of directors would be required to consider within three months whether the failure to implement the recommendations was under the chief appraiser's control and whether the chief appraiser was able to adequately perform the chief appraiser's duties.

Implementation. The comptroller would be required to provide written notice to each appraisal district of the deadline for complying with each new requirement, duty, or function imposed by this bill on an appraisal district or taxing unit and any change made by this bill to the deadline for complying with an existing requirement, duty, or function of an appraisal district or taxing unit. After receiving this notice, the chief appraiser of an appraisal district would be required to forward the notice to each assessor for a taxing unit located in the appraisal district.

Effective dates. Except as otherwise provided, the bill would take effect January 1, 2020.

Certain provisions, including those relating to the requirement that the comptroller send notice to each appraisal district regarding the implementation of this bill and the requirement that the designated officer or employee of a taxing unit submit prior-year worksheets to the county assessor-collector for posting on the county website would be required within 30 days of the effective date of these provisions. These provisions would take effect immediately if the bill was finally passed by a two-thirds record vote of the membership of each house. Otherwise, these provisions would take effect on the 91st day after the last day of the legislative session.

Certain provisions, including some relating to ARBs and special panels, would take effect September 1, 2020.

Certain provisions, including some relating to special panels, tax rate calculation forms, and notice of the property tax database, would take effect January 1, 2021.

An appraisal district established in a county with a population of at least 120,000 and each taxing unit located in such an appraisal district would be required to comply with the requirements for a property tax database, taxing unit website, and related notice requirements by the beginning of the 2021 tax year. An appraisal district established in a county with a population of less than 120,000 and each taxing unit located wholly in such an appraisal district would be required to comply with these requirements by the 2022 tax year.

Certain provisions, including changes to the notice of appraised value, would take effect January 1, 2022.

The comptroller would be required to implement required changes to the statewide list of tax rates by January 1, 2022, in the case of a taxing unit located in a county with a population of at least 120,000, or by January 1, 2023, in the case of taxing unit located wholly in a county with a population of less than 120,000.

SUPPORTERS
SAY:

CSHB 2 would enable Texans to slow the increase in local property taxes and encourage local governments to make more efficient budgetary

decisions. The bill also would improve transparency and allow for more standardization in the property tax system.

Taxes. CSHB 2 would provide Texas homeowners and businesses with a mechanism to alleviate the ever-increasing burden of property taxes. Property taxes in many Texas communities have been growing faster than average income, imposing a substantial financial burden on taxpayers. Rising property taxes have caused Texans to be taxed out of their homes, not purchase homes at all, go out of business, or make cuts in crucial areas of their budgets. According to a February 2019 University of Texas/Texas Tribune poll, a majority of Texas voters say they pay too much in property taxes.

CSHB 2 would give voters a greater say in whether increases in property taxes were warranted. At the same time, the bill would prevent the state's economic growth from being undermined by these taxes.

Reducing the rollback tax rate from 8 percent to 2.5 percent would bring the rate more in line with the current rate of inflation. Removing the onerous requirements of petitioning for a rollback election by making such elections automatic and moving the election date to November to maximize voter participation would make the rate of property tax growth further responsive to the concerns of taxpayers.

Spending. CSHB 2 also would encourage more efficient government spending. Local governments either would have to convince voters that an adopted tax rate in excess of the rollback tax rate was needed to fund specific projects or services or would have to cut costs in other areas to avoid a rollback election. If desired spending concerned matters with broad community support, such as public safety, local governments would have nothing to fear from rollback elections.

The bill would provide for budgetary flexibility by allowing local governments that had not exceeded the rollback tax rate in prior years to bank this unused amount toward raising the rollback rate in a subsequent year, incentivizing local governments to adopt a tax rate below the

rollback rate. Local governments also could use the higher, 8 percent rollback tax rate for up to five years after being declared a disaster area.

As under current law, new property value would be subject to property tax but not factored into the rollback rate, meaning that growing cities and counties would see an increase in their budgets to meet the demand for expanded services. Debt service also would be carved out of the rollback rate calculation. Local governments also could prepare for any emergencies by buying insurance, expanding their rainy day fund, or pooling resources with other similarly situated local governments.

Local control. CSHB 2 would return control to voters and provide them with greater oversight over the budgetary decisions of local governments.

Transparency. CSHB 2 would improve the transparency and efficiency of the property tax system by providing taxpayers with real-time access to tax information, revising required notices, using easier-to-understand terminology, and making the process generally more taxpayer friendly.

The bill's property tax database would save taxpayers the time and effort of searching newspapers and websites for tax notices by providing up-to-date, accurate information about how a proposed rate affected their tax bill, how it compared to their tax bill for the previous year, and where to go to learn more or voice concerns. This database would better inform taxpayers and allow them to engage in the rate setting process.

Revising required notices would prevent confusion. Taxpayers currently have difficulty understanding the notices they receive at various stages in the property tax appraisal and rate-setting process. Including an estimate of taxes due in the notice of appraised value often misleads property owners into believing that the notice reflects their tax bill. As a result, taxpayers tend to protest the appraised value of their property when they really intend to dispute their taxes, overburdening appraisal review boards (ARBs). On the other hand, there is often little participation in the rate-setting process that actually determines the amount of taxes property owners end up paying.

By removing the statement of estimated tax from the notice of appraised value, the bill would be less likely to mislead taxpayers and would focus attention on the rate-setting process, which determines the amount of taxes paid. The bill also would make the property tax system easier for taxpayers to understand by replacing complex jargon in notices with more user-friendly terms.

Standardization. CSHB 2 would improve state oversight of appraisal districts, ARBs, and property tax arbitration. The requirement that appraisal districts use the comptroller's appraisal manual would standardize and clarify the appraisal process. CSHB 2 also would ease the process of protests and appeals by issuing property appraisal notices electronically and allowing taxpayers to schedule after-hours protests and appeals.

OPPONENTS
SAY:

CSHB 2 would limit local governments' ability to provide critical services and usurp local control with a state-mandated, one-size-fits-all property tax cap, all while saving taxpayers relatively little.

Taxes. CSHB 2 would provide only modest savings to taxpayers in comparison with the costs to local governments and could lead to unintended consequences.

The bill could lead to local governments adopting a tax rate equal to the rollback tax rate each year, even when additional revenue in that amount was not needed, in order to save for unforeseen contingencies. In order to avoid cutting spending on critical public safety and infrastructure, some cities could rescind the homestead, senior, and disabled exemptions, which are more effective mechanisms for providing tax relief than lowering the rollback rate. Some local governments also could turn to higher sales taxes and fees to make up for the revenue shortfall, all of which could impose a greater financial burden on those least able to pay.

Spending. CSHB 2 would make it difficult for local governments to pay for existing public safety and other critical services, let alone new services

to meet the needs of a growing population. Most cities in the state spend about two-thirds of their budget on public safety. Some budget growth is driven by rising costs of living due to health insurance cost increases, wage increases, and inflation. Population growth and economic development also require cities to expand services further.

A 2.5 percent rollback rate would be so low that local governments could see a budget crisis even during average years. Such a low rollback tax rate could inhibit the ability of local governments to attract big employers, slowing economic growth in Texas. The bill also would limit the ability of local governments to deal with emergencies and lead to long-term cuts in property tax receipts in the event of a decrease in property values due to a recession.

In order to avoid cost-cutting, rollback elections would have to be held every year. These elections not only could cost millions and create a great deal of uncertainty but also could damage the credit ratings of local governments and prevent them from entering into long-term contracts due to increased uncertainty.

Local control. CSHB 2 would reduce local control by applying a one-size-fits-all approach to property taxation. Local governments have diverse needs, and local officials are in a better position than state legislators to understand the unique needs of their community. The bill would make it difficult for local officials to respond to these needs. Local control also could be undermined because of the difficulty in obtaining bonds due to the reduced credit rating that would be a possible consequence of lowering the rollback tax rate.

Voters already have a mechanism to voice their displeasure with increasing property taxes, which includes voting elected officials who raise taxes out of office. Mandating elections because of cost increases over which local governments have little control also could lead to voter fatigue, which could lead to decreased voter participation in important elections.

OTHER
OPPONENTS
SAY:

While CSHB 2 would be a step in the right direction, the bill would not do enough to counteract rising property taxes. The bill would not cover school districts, which account for a large portion of property tax bills. In addition, a reduced rollback tax rate would slow growth but would not reduce current taxes.

NOTES:

According to Legislative Budget Board's fiscal note, CSHB 2 would prohibit an ARB from determining the appraised value of a protested property to be an amount greater than the appraised value of the property as shown in the appraisal records. As a result, taxable property value could be reduced and the related costs to the Foundation School fund could be increased through the operation of school finance formulas.

The comptroller's office reports that the administrative costs to implement provisions of the bill would total about \$1.2 million per year starting in fiscal 2020 and would require 18 FTEs.