

BILL ANALYSIS

Senate Research Center
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S.B. 1771
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The effective tax rate notice was meant to inform taxpayers in simple terms what tax rate would be necessary to raise the same amount of revenue as in the previous year from properties on the tax role for both years. Twenty-three steps are now required to calculate the effective tax rate and the resulting notice to taxpayers is so complicated that it is no longer informative.

S.B. 1771 simplifies tax notices and adjusts the dates when they are required to be sent. It replaces the current effective tax rate notice with one that includes only three items: the current tax rate, the tax rate necessary to fund the same level of services next year to both existing and new properties on the tax roll, and the proposed tax rate. Notice to taxpayers will be given before the first meeting of a taxing unit to consider the next year's proposed budget.

Applying these three tax rates to a property's taxable value as shown on the appraisal district's notice of appraised value allows the taxpayer to clearly see what changes in tax burden are being considered. This would provide taxpayers with the information needed to hold a taxing jurisdiction's governing body accountable for tax changes.

As proposed, S.B. 1771 amends current law relating to the provision of information by tax officials related to ad valorem tax rates.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 25.19(b) and (i), Tax Code, as follows:

(b) Deletes existing text requiring the chief appraiser to include in the notice to a property owner of the appraised value of the property owner's property if the appraised value is greater than it was in the preceding year, the amount of tax that would be imposed on the property on the basis of the tax rate for the preceding year. Makes nonsubstantive changes.

(i) Provides that delivery with a notice required by Subsection (a) (requiring the chief appraiser to deliver a written notice under certain conditions to a property owner of a single-family residence that qualifies for a certain exemption) or (g) (requiring the chief appraiser to deliver a written notice under certain conditions to the owner of a property not included in a notice to be delivered under Subsection (a)) of a copy of the pamphlet published by the comptroller of public accounts (comptroller) under Section 5.06 (Explanation of Taxpayer Remedies) or a copy of the notice published by the chief appraiser under Section 41.70 (Public Notice of Protest and Appeal Procedures) is sufficient to comply with the requirement that the notice include the information specified by Subsection (b)(6) (relating to a detailed explanation of the time and procedure for protesting the value) or (g)(3) (relating to a detailed explanation of the time and procedure for protesting the value), rather than Subsection (b)(7) or (g)(3), as applicable.

SECTION 2. Amends Section 26.012, Tax Code, by adding Subdivisions (13-a) and (13-b) to define "last year's maintenance and operations levy" and "last year's maintenance and operations rate."

SECTION 3. Amends the heading to Section 26.04, Tax Code, to read as follows:

Sec. 26.04. SUBMISSION OF ROLL TO GOVERNING BODY; EFFECTIVE, SAME SERVICES, AND ROLLBACK TAX RATES.

SECTION 4. Amends Sections 26.04(b), (c), (d), (e), (e-1), (f), (i), and (j), Tax Code, as follows:

(b) Requires the assessor to submit the appraisal roll for the unit showing the total appraised, assessed, and taxable values of all property and the total taxable value of new property to the governing body of the unit not later than the 21st day after the date the appraisal roll is certified to the assessor, rather than by August 1 or as soon thereafter as practicable. Requires the taxing unit's collector, on or before the 21st day after the date the appraisal roll is certified by the assessor, rather than by August 1 or as soon thereafter as practicable, to certify an estimate of the collection rate for the current year to the governing body.

(c) Requires an officer or employee designated by the governing body, not later than the 30th day after the date the appraisal roll is certified to the assessor, to calculate the effective tax rate, the same services tax rate, and the rollback tax rate for the unit. Defines "same services tax rate" and makes nonsubstantive changes.

(d) Provides that the same services tax rate for a county is the sum of the same services tax rates calculated for each type of tax the county levies. Makes a nonsubstantive change.

(e) Requires the designated officer or employee, not later than the fifth day after the date the designated officer or employee completes the calculations required by Subsections (c) and (d), rather than by August 7 or as soon thereafter as practicable, to submit the rates to the governing body and provide to the chief appraiser in the form prescribed by the comptroller the effective tax rate, the same services tax rate, the rollback tax rate, and an explanation of how they were calculated. Requires the designated officer or employee, at least 14 days before the date of the first meeting of the governing body to consider the budget for the current tax year, to deliver by mail to each property owner in the unit or publish in a newspaper in the form prescribed by the comptroller:

(1) last year's tax rate, the same services tax rate, the tax rate required to fund the budget for the current tax year, and an explanation of their meaning and how they were calculated;

(2) a statement, including an example calculation, that the tax liability of any parcel of taxable property can be derived by multiplying the property's taxable value as computed on the basis of the notice of appraised value delivered by the appraisal district by each tax rate; and

(3) a statement that adoption by the governing body of a tax rate for the current year that is higher than the same services tax rate will constitute an overall tax increase.

Deletes existing text of Subdivision (1) relating to the effective tax rate, the rollback tax rate, and an explanation of how they were calculated. Deletes existing text of Subdivision (2) relating to the estimated amount of interest and sinking fund balances and the estimated amount of maintenance and operation or general fund balances remaining at the end of the current fiscal year that are not encumbered with or by corresponding existing debt obligation. Deletes existing

Subdivision (3) relating to a schedule of the unit's debt obligations showing certain amounts. Deletes existing Subdivision (4) relating to the amount of additional sales and use tax revenue anticipated in calculations under Section 26.041. Deletes existing Subdivision (5) relating to a statement that the adoption of a tax rate equal to the effective tax rate would result in an increase or decrease, as applicable, in the amount of taxes imposed by the unit as compared to last year's levy, and the amount of the increase or decrease. Deletes existing Subdivision (6) relating to a schedule that includes certain information in the year that a taxing unit calculates an adjustment under Subsection (i) or (j). Deletes existing Subdivision (7) relating to a schedule that includes certain information in the year following the year in which a taxing unit raised its rollback rate as required by Subsection (j).

(e-1) Provides that the notice requirements imposed by Subsection (e), rather than Subsections (e)(1)-(6), do not apply to a school district.

(f) Provides that, if as a result of consolidation of taxing units a taxing unit includes territory that was in two or more taxing units in the preceding year, the amount of taxes imposed in each in the preceding year is combined for purposes of calculating the effective, same services, and rollback tax rates under this section.

(i) Provides that the rollback tax rate of a taxing unit to which this subsection applies in the first tax year in which a budget is adopted that does not allocate revenue to the discontinued department, function, or activity is calculated as otherwise provided by this section, except that last year's levy used to calculate the effective maintenance and operations rate and the same services tax rate of the unit is reduced by the amount of maintenance and operations tax revenue spent by the taxing unit to operate the department, function, or activity for the 12 months preceding the month in which the calculations required by this chapter are made and in which the unit operated the discontinued department, function, or activity. Provides that if the unit did not operate that department, function, or activity for the full 12 months preceding the month in which the calculations required by this chapter are made, the unit shall reduce last year's levy used for calculating the effective maintenance and operations rate and the same services tax rate of the unit by the amount of the revenue spent in the last full fiscal year in which the unit operated the discontinued department, function, or activity.

(j) Provides that the rollback tax rate of a taxing unit to which this subsection applies in the first tax year after the other taxing unit discontinued the substantially similar department, function, or activity in which a budget is adopted that allocates revenue to the department, function, or activity is calculated as otherwise provided by this section, except that last year's levy used to calculate the effective maintenance and operations rate and the same services tax rate of the unit is increased by the amount of maintenance and operations tax revenue spent by the taxing unit that discontinued operating the substantially similar department, function, or activity to operate that department, function, or activity for the 12 months preceding the month in which the calculations required by this chapter are made and in which the unit operated the discontinued department, function, or activity. Provides that if the unit did not operate the discontinued department, function, or activity for the full 12 months preceding the month in which the calculations required by this chapter are made, the unit may increase last year's levy used to calculate the effective maintenance and operations rate and the same services tax rate by an amount not to exceed the amount of property tax revenue spent by the discontinuing unit to operate the discontinued department, function, or activity in the last full fiscal year in which the discontinuing unit operated the department, function, or activity.

SECTION 5. Amends Sections 26.041(a), (c), (e), (g), and (h), Tax Code, as follows:

(a) Provides that in the first year in which an additional sales and use tax is required to be collected, the effective tax rate, same services tax rate, and rollback tax rate for the unit are calculated according to certain formulas set forth in this subsection.

(c) Provides that in a year in which a taxing unit that has been imposing an additional sales and use tax ceases to impose an additional sales and use tax the effective tax rate, same services tax rate, and rollback tax rate for the unit are calculated according to certain formulas set forth in this subsection.

(e) Authorizes the governing body, if a city that imposes an additional sales and use tax receives payments under the terms of a contract executed before January 1, 1986, in which the city agrees not to annex certain property or a certain area and the owners or lessees of the property or of property in the area agree to pay at least annually to the city an amount determined by reference to all or a percentage of the property tax rate of the city and all or a part of the value of the property subject to the agreement or included in the area subject to the agreement, by order adopted by a majority vote of the governing body, to direct the designated officer or employee to add to the effective, same services, and rollback tax rates the amount that, when applied to the total taxable value submitted to the governing body, would produce an amount of taxes equal to the difference between the total amount of payments for the tax year under contracts described by this subsection under the rollback tax rate calculated under this section and the total amount of payments for the tax year that would have been obligated to the city if the city had not adopted an additional sales and use tax.

(g) Provides that, in the first year in which an additional sales and use tax is increased:

(1) the effective tax rate for the unit is the effective tax rate before the increase minus a number the numerator of which is the revenue generated as a result of the increase in the additional sales and use tax, as determined under this subsection, and the denominator of which is the current total value minus the new property value; and

(2) the same services tax rate for the unit is the same services tax rate before the increase minus a number the numerator of which is the revenue generated as a result of the increase in the additional sales and use tax, as determined under this subsection, and the denominator of which is the current total value minus the new property value.

(h) Provides that in the first year in which an additional sales and use tax is decreased:

(1) the effective tax rate for the unit is the effective tax rate before the decrease plus a number the numerator of which is the revenue lost as a result of the decrease in the additional sales and use tax, as determined under this subsection, and the denominator of which is the current total value minus the new property value; and

(2) the same services tax rate for the unit is the same services tax rate before the decrease plus a number the numerator of which is the revenue lost as a result of the decrease in the additional sales and use tax, as determined under this subsection, and the denominator of which is the current total value minus the new property value.

SECTION 6. Amends the heading to Section 26.043, Tax Code, to read as follows:

Sec. 26.043. ROLLBACK, EFFECTIVE, AND SAME SERVICES TAX RATES IN CITY IMPOSING MASS TRANSIT SALES AND USE TAX.

SECTION 7. Amends Sections 26.043(a) and (b), Tax Code, as follows:

(a) Provides that, if the election on the question of whether to impose a local sales and use tax under Subchapter H (Taxes), Chapter 453 (Municipal Transit Departments), Transportation Code, is determined in favor of the imposition of the tax, the representative shall subtract from the city's rollback, effective, and same services tax rates

the amount that, if applied to the city's current total value, would impose an amount equal to the amount of property taxes budgeted in the current tax year to pay for expenses related to mass transit services.

(b) Provides that, in a tax year to which this section applies, a reference in this chapter to the city's effective, same services, or rollback tax rate refers to that rate as adjusted under this section.

SECTION 8. Amends the heading to Section 26.044, Tax Code, to read as follows:

Sec. 26.044. EFFECTIVE AND SAME SERVICES TAX RATES TO PAY FOR STATE CRIMINAL JUSTICE MANDATE.

SECTION 9. Amends Sections 26.044(a) and (b), Tax Code, as follows:

(a) Provides that the first time that a county adopts a tax rate after September 1, 1991, in which the state criminal justice mandate applies to the county, the effective maintenance and operation rate and the same services tax rate for the county are increased by the rate calculated according to a certain formula set forth in this subsection.

(b) Provides that in the second and subsequent years that a county adopts a tax rate, if the amount spent by the county for the state criminal justice mandate increased over the previous year, the effective maintenance and operation rate and the same services tax rate for the county are increased by the rate calculated according to a certain formula set forth in this subsection.

SECTION 10. Amends Sections 26.0441(a) and (b), Tax Code, as follows:

(a) Provides that in the first tax year in which a taxing unit adopts a tax rate after January 1, 2000, and in which the enhanced minimum eligibility standards for indigent health care established under Section 61.006 (Standards and Procedures), Health and Safety Code, apply to the taxing unit, the effective maintenance and operations rate and the same services tax rate for the taxing unit are increased by the rate computed according to a certain formula set forth in this subsection.

(b) Provides that in each subsequent tax year, if the taxing unit's enhanced indigent health care expenses exceed the amount of those expenses for the preceding year, the effective maintenance and operations rate and the same services tax rate for the taxing unit are increased by the rate computed according to a certain formula set forth in this subsection.

SECTION 11. Amends Section 26.05, Tax Code, by amending Subsections (a), (b), (c), (d), and (g) and adding Subsection (d-1), as follows:

(a) Requires the governing body of each taxing unit, before the later of September 30 or the 90th, rather than the 60th, day after the date the certified appraisal roll is received by the taxing unit, to adopt a tax rate for the current tax year and to notify the assessor for the unit of the rate adopted. Provides that the two components of the tax rate are:

(1) the following rate, as applicable:

(A) for a taxing unit other than a school district, the rate that, if applied to the total taxable value, will impose an amount equal to the amount computed by:

(i) adding the amount of principal and interest that will be paid to service the unit's debts in the next year from property tax revenue, including payments of lawfully incurred contractual obligations providing security for the payment of the principal of and interest on bonds and other evidences of indebtedness issued on behalf of the unit by another political subdivision and, if the unit is created

under Section 52 (Counties, Cities or Other Political Corporations or Subdivisions; Lending Credit; Grants; Bonds), Article III (Legislative Department), or Section 59 (Conservation and Development of Natural Resources and Parks and Recreational Facilities; Conservation and Reclamation Districts), Article XVI (General Provisions), Texas Constitution, payments on debts that the unit anticipates to incur in the next calendar year; and the amount by which taxes imposed for debt are to be increased because of the unit's anticipated collection rate; and

(ii) subtracting from the amount computed under Subparagraph (i) the sum of any amount collected in excess of the previous year's anticipated collections certified as provided by Section 26.04(b); and any amount of additional sales and use tax revenue that will be used to pay debt service, rather than the total amount published under Section 26.04(e)(3)(C), less any amount of additional sales and use tax revenue that will be used to pay debt service; or

(B) for a school district, the rate published under Section 44.004(c)(5)(A)(ii)(b), Education Code; and

(2) the rate that, if applied to the total taxable value, will impose the amount of taxes needed to fund maintenance and operation expenditures of the unit for the next year.

(b) Requires that the vote on the ordinance, resolution, or order setting a tax rate that exceeds the same services tax rate, rather than the effective tax rate, be a record vote. Requires that a motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the same services tax rate, rather than the effective tax rate, be made in a certain form set forth in this subsection. Requires the taxing unit, if the ordinance, resolution, or order sets a tax rate that, if applied to the total taxable value, will impose an amount of taxes that exceeds the amount of taxes imposed in the preceding year, rather than impose an amount of taxes to fund maintenance and operation expenditures of the taxing unit that exceeds the amount of taxes imposed for that purpose in the preceding year, to:

(1) include in the ordinance, resolution, or order in type larger than the type used in any other portion of the document certain statements set forth in this subdivision; and

(2) include on the home page of any Internet website operated by the unit certain statements set forth in this subdivision.

(c) Provides that if the designated officer or employee does not comply with Section 26.04(e) by the date required by that subsection and the failure to comply was caused by circumstances beyond the designated officer's or employee's control, such as a natural disaster, the tax rate for the taxing unit for that tax year is the lower of the same services tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Deletes existing text providing that if the governing body of a taxing unit does not adopt a tax rate before the date required by Subsection (a), the tax rate for the taxing unit for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year.

(d) Prohibits the governing body of a taxing unit other than a school district from adopting a tax rate that exceeds the lower of the rollback tax rate or the same services tax rate, rather than the effective tax rate, calculated as provided by this chapter until the governing body has complied with Subsection (d-1) of this section and has held two public hearings on the proposed tax rate and otherwise complied with Section 26.06 and Section 26.065. Requires the governing body of a taxing unit to reduce a tax rate set by law or by vote of the electorate to the lower of the rollback tax rate or the same services

tax rate, rather than the effective tax rate, and may not adopt a higher rate unless it first complies with Section 26.06.

(d-1) Requires the governing body of a taxing unit that is required to comply with that section, before giving notice of the public hearings on the proposed tax rate under Section 26.06, to take a record vote on a proposal to place consideration of an increase in taxes on the agenda for the meeting at which the governing body will adopt the tax rate. Requires that the motion for the vote be made in a certain form set forth in this subsection.

(g) Requires that, if a school district adopts a tax rate under this subsection, the effective tax rate, the same services tax rate, and the rollback tax rate of the district be calculated based on the certified estimate of taxable value.

SECTION 12. Amends Section 26.052(e), Tax Code, to require that public notice provided under Subsection (c) include a certain statement set forth in this subsection if the proposed tax rate for the taxing unit exceeds the unit's same services tax rate, rather than the effective tax rate, calculated as provided by Section 26.04.

SECTION 13. Amends Sections 26.06(b), (d), and (e), Tax Code, as follows:

(b) Sets forth the language of the statement required in the notice of a public hearing.

(d) Sets forth the language required in the notice of the meeting at which the governing body will vote on the proposed tax rate.

(e) Requires the governing body, if it does not adopt a tax rate that exceeds the lower of the rollback tax rate or the same services tax rate, rather than the effective tax rate, by the 14th day, to give a new notice under Subsection (d) before it may adopt a rate that exceeds the lower of the rollback tax rate or the same services tax rate. Makes a conforming change.

SECTION 14. Repealers: Sections 26.044(c) (requiring the county to include a notice of the increase in the effective maintenance and operation rate and certain other information) and 26.0441(c) (requiring the taxing unit to include a notice of the increase in the effective maintenance and operations rate and certain other information), Tax Code.

SECTION 15. Provides that this Act applies only to a tax year beginning on or after the effective date of this Act.

SECTION 16. Effective date: January 1, 2012.