

BILL ANALYSIS

Senate Research Center
86R13519 CBH-F

S.B. 1430
By: Hancock; Bettencourt
Property Tax
4/8/2019
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

There is general consensus among Texans that skyrocketing property taxes are a major issue of concern, as evidenced by testimony heard in the Senate Committee on Property Tax this session. However, the Tax Code is bogged down with terms that are difficult for the average taxpayer to understand. In order to increase transparency, the legislature should attempt to make the tax legalese in statute more easily digestible and user-friendly.

S.B. 1430 would simply strike the term "rollback" tax rate in all sections of code and replace it with "voter approval" tax rate. The committee substitute to S.B. 1430 would also strike the term "effective" tax rate in all sections of code and replace it with "no-new-revenue" tax rate.

As proposed, S.B. 1430 amends current law relating to clarifying certain terminology, including terminology applicable to tax rate calculations, in relation to the ad valorem tax system.

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 Section 42.2522(e), Education Code, to require a school district, for purposes of computing a voter approval tax rate, rather than a rollback tax rate, under Section 26.08 (Election to Ratify School Taxes), Tax Code, to adjust the district's tax rate limit to reflect assistance received under this section.

SECTION 2. Amends Sections 44.004(c) and (i), Education Code, as follows:

(c) Prohibits the notice of public meeting to discuss and adopt the budget and the proposed tax rate from being smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and requires the headline on the notice to be in 18-point or larger type. Requires the notice, subject to Subsection (d) (relating to requiring the comptroller of public accounts of the State of Texas (comptroller) to prescribe the language and format to be used in the part of the notice required by Subsection (c)), to:

(1)–(7) makes no changes these subdivisions;

(8) contain the following statement in bold print: "Notice of Voter Approval Tax Rate," rather than "Notice of Rollback Rate." Replaces references to the rollback rate with references to the voter approval tax rate throughout this subdivision; and

(9) makes no changes to this subdivision.

(i) Requires a district to publish a revised notice and hold another public meeting before the district is authorized to adopt a tax rate that exceeds certain rates, including the district's voter approval tax rate, rather than rollback tax rate, determined under Section 25.08, Tax Code, using the certified appraisal roll.

SECTION 3. Amends Section 45.261(e), Education Code, to make a conforming change.

SECTION 4. Amends Section 281.107(j), Health and Safety Code, as follows:

(j) Requires the portion of the rate of ad valorem tax that is to be levied and assessed each year by or for a certain hospital district that is allocated by the district to the payment of the principal of and the interest on bonds and other obligations or the maintenance of reserves therefor in accordance with this section to be applied as a payment on current debt in calculating the current debt rate under the applicable voter approval tax rate provisions, rather than the tax rate rollback provisions, of Chapter 26 (Assessment), Tax Code.

SECTION 5. Amends the heading to Section 281.124, Health and Safety Code, to read as follows:

Sec. 281.124. ELECTION TO APPROVE TAX RATE IN EXCESS OF VOTER APPROVAL TAX RATE.

SECTION 6. Amends Sections 281.124(b), (c), (d), and (e), Health and Safety Code, as follows:

(b) Authorizes the board of managers of a certain hospital district to hold an election at which the registered voters of the district may approve a tax rate for the current tax year that exceeds the district's voter approval tax rate, rather than the district's rollback tax rate, for the year computed under Chapter 26, Tax Code, by a specific rate stated in dollars and cents per \$100 of taxable value.

(c)-(e) Makes conforming and nonsubstantive changes.

SECTION 7. Amends Section 102.007(d), Local Government Code, as follows:

(d) Requires a budget adopted by the governing body of a municipality to contain a cover page that includes certain information, including the municipal property tax rates for the preceding fiscal year, and each municipal property tax rate that has been adopted or calculated for the current fiscal year, including the voter approval tax rate, rather than the rollback tax rate.

SECTION 8. Amends Section 111.008(d), Local Government Code, as follows:

(d) Requires a budget adopted by the commissioners court of a county of a certain size to contain a cover page that includes certain information, including the county property tax rates for the preceding fiscal year, and each county property tax rate that has been adopted or calculated for the current fiscal year, including the voter approval tax rate, rather than the rollback tax rate.

SECTION 9. Amends Section 111.039(d), Local Government Code, as follows:

(d) Requires a budget adopted by the commissioners court of a county of a certain size to contain a cover page that includes certain information including the county property tax rates for the preceding fiscal year, and each county property tax rate that has been adopted or calculated for the current fiscal year, including the voter approval tax rate, rather than the rollback tax rate.

SECTION 10. Amends Section 111.068(c), Local Government Code, as follows:

(c) Requires a budget adopted by the commissioners court of a county of a certain size using the alternate method to contain a cover page that includes certain information including the county property tax rates for the preceding fiscal year, and each county property tax rate that has been adopted or calculated for the current fiscal year, including the voter approval tax rate, rather than the rollback tax rate.

SECTION 11. Amends Sections 140.010(a), (d), and (e), Local Government Code, as follows:

(a) Defines "effective tax rate" and "voter approval tax rate," rather than "voter rollback tax rate," for purposes of this section.

(d) Requires a county or municipality that proposes a property tax rate that does not exceed the lower of the effective tax rate, or the voter approval tax rate, rather than the rollback tax rate, to provide a certain notice and sets forth the required language of the notice.

(e) Requires a county or municipality that proposes a property tax rate that exceeds the lower of the effective tax rate or the voter approval tax rate, rather than the rollback tax rate, to provide a certain notice and sets forth the required language of the notice.

SECTION 12. Amends Sections 1063.255(a) and (d), Special District Local Laws Code, as follows:

(a) Requires a petition to require an election under Section 26.07 (Election to Repeal Increase), Tax Code, notwithstanding Section 26.07(d), Tax Code, on reducing the district's tax to the voter approval tax rate, rather than the rollback tax rate, to be submitted to the Montgomery County elections administrator instead of the Montgomery County hospital district (board).

(d) Makes a conforming change to this subsection.

SECTION 13. Amends Section 1122.2522, Special District Local Laws Code, as follows:

Sec. 1122.2522. New heading: VOTER APPROVAL TAX RATE PROVISIONS APPLICABLE. (a) Authorizes the qualified voters of the Hidalgo County Healthcare District by petition, if in any year the board adopts a tax rate that exceeds the voter approval tax rate, rather than the rollback tax rate, calculated as provided by Chapter 26, Tax Code, to require that an election be held to determine whether or not to reduce the tax rate adopted by the board of directors of the district for that year to the voter approval tax rate, rather than the rollback tax rate.

(b) Makes no changes to this subsection.

SECTION 14. Amends Section 26.012(10), Tax Code, as follows:

(10) Defines "excess collections" as the amount, if any, by which debt taxes collected in the preceding year exceeded the amount anticipated in the preceding year's calculation of the voter approval tax rate, rather than the rollback tax rate, as certified by the collector under Section 26.04(b) (relating to the requirement of 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 by August 1 or soon thereafter as practicable). Makes a nonsubstantive change.

SECTION 15. Amends the heading to Section 26.04, Tax Code, to read as follows:

Sec. 26.04. SUBMISSION OF ROLL TO GOVERNING BODY; EFFECTIVE AND VOTER APPROVAL TAX RATES.

SECTION 16. Amends Sections 26.04(c), (d), (e), (f), (i), and (j), Tax Code, to read as follows:

(c) Requires an officer or employee designated by the governing body of a taxing unit to calculate the effective tax rate and the voter approval tax rate, rather than the rollback tax rate, for the taxing unit, where:

(1) makes no changes to this subdivision; and

(2) "Voter approval tax rate," rather than "rollback tax rate," means a rate expressed in dollars per \$100 of taxable value calculated according to the following formula:

VOTER APPROVAL TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

(d) Provides that the effective tax rate for a county is the sum of the effective tax rates calculated for each type of tax the county levies and that the voter approval tax rate, rather than the rollback tax rate, for a county is the sum of the voter approval tax rates, rather than the rollback tax rates, calculated for each type of tax the county levies.

(e) Requires the designated officer or employee to deliver by mail to each property owner in the taxing unit or publish in a newspaper in the form prescribed by the comptroller:

(1) the effective tax rate, the voter approval tax rate, rather than the rollback tax rate, and an explanation of how they were calculated;

(2) makes no changes to this subdivision;

(3) makes conforming changes to this subdivision;

(4) makes no changes to this subdivision;

(5)–(6) makes conforming changes to these subdivisions; and

(7) in the year following the year in which a taxing unit raised its voter approval tax rate, rather than rollback rate, as required by Subsection (j), a schedule that includes the following elements:

(A) the amount of property tax revenue spent by the taxing unit to operate the department, function, or activity for which the taxing unit raised the voter approval tax rate, rather than the rollback tax rate, as required by Subsection (j) for the 12 months preceding the month in which the calculations required by this chapter are made; and

(B) the amount published by the taxing unit in the preceding tax year under Subdivision (6)(B).

(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 and voter approval tax rates, rather than the effective and rollback tax rates, under this section.

(i)-(j) Makes conforming changes to these subsections.

SECTION 17. Amends Sections 26.041(a), (b), (c), and (e), 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 and voter approval tax rate, rather than the rollback tax rate, for the taxing unit are calculated according to the following formulas:

$$\text{EFFECTIVE TAX RATE} = [(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] - \text{SALES TAX GAIN RATE}$$

and

$$\text{VOTER APPROVAL TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times 1.08) + \text{CURRENT DEBT RATE} - \text{SALES TAX GAIN RATE}$$

and makes nonsubstantive changes.

(b), (c), and (e) Makes conforming and nonsubstantive changes to these subsections.

SECTION 18. Amends Sections 26.043(a) and (b), Tax Code, as follows:

(a) Requires the designated officer or employee, rather than the representative, if an

election on the question of whether to impose a local sales and use tax under Subchapter H (Taxes), Chapter 453, Transportation Code, is determined in favor of the imposition of the tax, to subtract from the city's voter approval tax rate, rather than the the rollback tax rate, and effective 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) Makes a conforming change to this subsection.

SECTION 19. Amends the heading to Section 26.045, Tax Code, to read as follows:

Sec. 26.045. VOTER APPROVAL TAX RATE RELIEF FOR POLLUTION CONTROL REQUIREMENTS.

SECTION 20. Amends Sections 26.045(a), (c), and (i), Tax Code, as follows:

(a) Provides that the voter approval tax rate, rather than the rollback tax rate, for a political subdivision of this state is increased by the rate that, if applied to the total current value, would impose an amount of taxes equal to the amount the political subdivision will spend out of its maintenance and operation funds under Section 26.012(16) (relating to the definition of "maintenance and operations") to pay for a facility, device, or method for the control of air, water, or land pollution that is necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality.

(c) and (i) Makes conforming changes.

SECTION 21. Amends Sections 26.05(d) and (g), Tax Code, as follows:

(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 voter approval tax rate, rather than the rollback tax rate, or the effective tax rate calculated as provided by this chapter until the governing body has held two public hearings on the proposed tax rate and has otherwise complied with Section 26.06 (Notice, Hearing, and Vote on Tax Increase) and Section 26.065 (Supplemental Notice of Hearing on Tax Rate Increase). Makes a conforming change.

(g) Makes a conforming change to this subsection.

SECTION 22. Amends Sections 26.06(b), (d), and (e), Tax Code as follows:

(b) Replaces a reference to a rollback tax rate in the required language of a notice of a public hearing on tax increase with a reference to a voter approval tax rate.

(d)-(e) Makes conforming changes to these subsections.

SECTION 23. Amends Sections 26.07(a), (d), and (e), Tax Code, as follows:

(a) Provides that if the governing body of a taxing unit other than a school district adopts a tax rate that exceeds the voter approval tax rate, rather than the rollback tax rate, calculated as provided by this chapter, the qualified voters of the taxing unit by petition are authorized to require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the voter approval tax rate, rather than the rollback tax rate, calculated as provided by this chapter.

(d) and (e) Makes conforming changes to these subsections.

SECTION 24. Amends Sections 26.08(a), (b), (d), (g), (n), (o), and (p), Tax Code, as follows:

(a) Requires the registered voters of a school district, if the governing body of the district adopts a tax rate that exceeds the district's voter approval tax rate, rather than the rollback tax rate, to determine at an election held for that purpose whether to approve the adopted

tax rate.

(b), (d), (g), (n), (o), and (p) Makes conforming changes to these subdivisions.

SECTION 25. Amends Sections 26.16(a) and (d), Tax Code, as follows:

(a) Requires the county assessor-collector for each county that maintains an Internet website to post on the website of the county certain information for the most recent five tax years beginning with the 2012 tax year for each taxing unit all or part of the territory of which is located in the county. Replaces a reference to the rollback tax rate with a reference to voter approval tax rate.

(d) Requires the county assessor-collector to post immediately below the table prescribed by Subsection (c) (relating to a required format for the information described by Subsection (a)) a certain statement, replaces references to the rollback tax rate in the required language of the statement with references to the voter approval tax rate, and makes nonsubstantive changes.

SECTION 26. Amends Sections 49.236(a) and (d), Water Code, as added by Chapter 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, as follows:

(a) Replaces references to the rollback tax rate in the required language of the notice of public hearing on tax rate required to be given by the governing body of certain districts with references to the voter approval tax rate.

(d) Makes conforming changes to this subsection.

SECTION 27. Amends Section 49.2361, Water Code, as follows:

Sec. 49.2361. **ADDITIONAL NOTICE FOR CERTAIN TAX INCREASES.** Provides that if a certain district proposes to adopt a combined tax rate that would authorize the qualified voters of the district by petition to require a voter approval tax rate election, rather than rollback election, to be held in the district, the notice required by Section 49.236 (Notice of Tax Hearing) is required to include a description of the purpose of the proposed tax increase.

SECTION 28. Provides that a reference in law to a "rollback" tax rate means a "voter approval" tax rate.

SECTION 29. Effective date: January 1, 2020.