

BILL ANALYSIS

Senate Research Center
88R6746 SHH-D

S.B. 1814
By: Bettencourt
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law allows a taxing unit to levy an unrestricted interest and sinking property tax rate necessary to generate sufficient revenue to cover the required debt service for the current tax year. The interest and sinking tax rate declines as the total amount of debt outstanding from issuances is paid off, over time. However, the governing bodies of some taxing jurisdictions elect to retire debt earlier than required by a bond's covenant and schedule. These decisions require that the interest and sinking rate be set higher than would otherwise be required, leading taxpayers to pay higher tax bills than they otherwise would.

S.B. 1814 seeks to amend the definition of "current debt" for purposes of calculating an interest and sinking tax rate, to include only the minimum amount required by a bond issuance's schedule.

As proposed, S.B. 1814 amends current law relating to the definition of current debt service for the purpose of calculating the current debt rate of a taxing unit for ad valorem tax purposes.

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 26.012(3), Tax Code, as follows:

(3) Defines "current debt service" as the minimum dollar amount required to be expended for debt service for the current year, rather than defining "current debt" as debt service for the current year.

SECTION 2. Provides that this Act applies only to ad valorem taxes imposed for an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2024.