

BILL ANALYSIS

Senate Research Center

S.B. 18
By: Williams, Janek
Finance
3/23/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

S.B. 18 addresses state requirements for public notification when a taxing jurisdiction proposes increasing its property tax rate. Currently, a local government (other than a public school district) must publish notice in a newspaper and hold a public hearing before it may adopt a tax rate exceeding 103 percent of the rate necessary to generate the previous year's tax revenue using the current year's appraised value (the "effective tax rate").

S.B. 18 compels a taxing jurisdiction, if proposing any increase in the rate above the effective tax rate, to hold two public hearings in two separate weeks. This ensures property taxpayers have adequate notification and an opportunity to hold their elected officials to a higher level of accountability on the total amount of property taxes being assessed.

S.B. 18 also changes the way local governments calculate their effective tax rate and rollback tax rate. Under current law, taxing jurisdictions exclude lost property levy and new property value when calculating the effective tax rate and new property value when calculating the election rollback rate. S.B. 18 removes these exclusions to ensure the effective tax rate and rollback rate accurately reflect the tax revenue available to the taxing entity.

Additionally, the rollback formula provides a taxing jurisdiction with the same amount of tax revenue it received during the last fiscal year plus an extra eight percent cushion and sufficient funds to pay debts in the coming year. The resulting rate is the highest rate a taxing jurisdiction may adopt before local taxpayers can petition for an election to rollback the adopted rate. Under S.B. 18, the eight percent cushion is lowered to five percent and the petition requirement is eliminated, sending the proposed tax increase straight to the voters.

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 26.04(c), Tax Code, to redefine "effective tax rate" and "rollback tax rate" by amending the formulas used to calculate taxable value.

SECTION 2. Amends Sections 26.041(a), (b), and (c), to make conforming and nonsubstantive changes.

SECTION 3. Amends Section 26.05(d), Tax Code, to prohibit the governing body of a taxing unit from adopting a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate, but not 103 percent of the effective tax rate, calculated as provided by this chapter until the governing body has held a public hearing on the proposed tax rate and has otherwise complied with Sections 26.06 and 26.065. Makes conforming and nonsubstantive changes.

SECTION 4. Amends Section 26.06(e), Tax Code, to prohibit the meeting of a governing body of a taxing unit to vote on the tax increase from being earlier than the fifth business day, rather than third day, or later than the 14th calendar day after the date of the public hearing. Requires the governing body, at the meeting, to afford an adequate opportunity for proponents and

opponents of the tax increase to present their views before the governing body votes on the tax increase. Makes conforming changes.

SECTION 5. Amends Section 26.07, Tax Code, as follows:

Sec. 26.07. New heading: ELECTION TO RATIFY TAX INCREASE OF TAXING UNIT OTHER THAN SCHOOL DISTRICT. (a) Prohibits the governing body of a taxing unit, other than a school district, from adopting a tax rate that exceeds the rollback tax rate calculated as provided by this chapter without voter approval as provided by this section. Requires the governing body, to adopt a tax rate that exceeds the rollback tax rate, to adopt the rate as a proposed tax rate and call an election to permit the qualified voters of the taxing unit to approve or disapprove the proposed tax rate. Deletes existing text authorizing voters, in certain circumstances and by petition, to require that an specific election be held.

(b) Redesignated from existing Subsection (d). Deletes existing text of Subsections (b) and (c). Requires the governing body to order that the election be held in the taxing unit on a date not less than 30 or more than 90 days after the day on which the governing body adopted the proposed tax rate. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election unless a date specified by that section falls within the time permitted by this section. Deletes existing text relating to the requirement that the governing body take certain actions if it finds that the petition is valid. Amends specific information which is required to be included on the ballot. Requires the ballot proposition to include the proposed tax rate and the difference between that rate and the rollback tax rate in the appropriate places.

(c) Redesignated from existing Subsection (e). Provides that, if a majority of the votes cast in the election favor the proposition, the proposition is approved and the tax rate for the current year is the proposed tax rate that was adopted by the governing body. Deletes existing text providing that, if a majority of the qualified voters voting on the question in the election favor the proposition, the tax rate for the taxing unit for the current year is the rollback tax rate calculated as provided by this chapter; otherwise, the tax rate for the current year is the one adopted by the governing body.

(d) Redesignated from existing Subsection (f). Prohibits the governing body, if the proposition is not approved as provided by Subsection (c), from adopting a tax rate for the taxing unit for the current year that exceeds the taxing unit's rollback tax rate. Deletes existing text requiring the assessor for the unit, if the tax rate is reduced by an election called under this section, to prepare and mail corrected tax bills and to perform other related actions. Deletes text of existing Subsection (g).

SECTION 6. Amends Section 31.12(a) and (b), Tax Code, to make conforming changes.

SECTION 7. Amends Section 33.08(b), Tax Code, to make a conforming change.

SECTION 8. Amends Sections 49.236(a) and (d), Water Code, as added by Chapter 335, Acts of the 78th Legislature, Regular Session, 2003, as follows:

(a) Amends the statement which must be included on the required notice of each meeting given by the board at which the adoption of an ad valorem tax rate for the district for debt service will be considered.

(d) Requires an election to be held if the governing body of a district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05, rather than 1.08, times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, to determine whether to ratify the tax rate adopted for the current year in accordance with the

procedures provided by Section 26.07, Tax Code. Deletes existing text authorizing the qualified voters of the district, in certain circumstances and by petition, to require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate in accordance with the procedures provided by Sections 26.07(b)-(g) and 26.081, Tax Code. Makes conforming changes.

SECTION 9. Repealer: Section 49.236 (Notice of Tax Hearing), Water Code, as added by Chapter 248, Acts of the 78th Legislature, Regular Session, 2003.

SECTION 10. Effective date: upon passage or the 91st day after adjournment.

SECTION 11. (a) Makes application of this Act applicable to the 2005 tax year.

(b) Makes application of this Act, if the governing body of a taxing unit has adopted an ad valorem tax rate for the taxing unit for the 2005 tax year before the effective date of this Act, prospective to the 2006 tax year.