

BILL ANALYSIS

C.S.H.B. 486
By: VanDeaver
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that the requirement for a school district to hold an election for the approval of the district's adoption of a tax rate that exceeds the district's rollback tax rate deters districts seeking to lower their tax rate and is financially burdensome as an election must be held even when a school district is attempting to reduce the tax rate to a rate that is still above the rollback tax rate. C.S.H.B. 486 seeks to address these concerns by providing an alternative means to determine certain school districts' rollback tax rate for purposes of an election to ratify school tax rates.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 486 amends the Tax Code to establish that, for purposes of an election to ratify school taxes, the rollback tax rate of a public school district whose maintenance and operations (M&O) tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value and whose adopted tax rate was approved at an election in the 2006 tax year or any subsequent tax year is the higher of the amount provided by state law or the sum of the district's current debt rate and the highest M&O tax rate adopted by the district for the 2007 tax year or any subsequent tax year in which the district's adopted tax rate was approved at an election to ratify school taxes. This provision applies only to such a school district that has adopted a tax rate equal to or higher than the rollback tax rate for any tax year in the preceding 10 tax years and expressly does not apply to a school district if the district's adopted tax rate in the 2007 tax year or a subsequent tax year before the 2016 tax year was approved at a ratifying election and the M&O tax rate adopted by the district for that tax year was higher than the sum of the rate per \$100 of taxable value that is equal to the product of the state compression percentage for the current year and \$1.50 and the rate of \$0.04 per \$100 of taxable value; the district adopted a M&O tax rate in the 2016 tax year that was lower than the highest M&O tax rate adopted by the district for a tax year in which the district's adopted tax rate was approved at a ratifying election in such a tax year and higher than the sum of those rates; and the district's adopted tax rate has not been approved at a ratifying election since the 2016 tax year.

EFFECTIVE DATE

January 1, 2018.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 486 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 26.08, Tax Code, is amended by adding Subsections (q) and (r) to read as follows:

(q) This subsection applies only to a school district described by Subsection (n) whose adopted tax rate was approved at an election under this section in the 2006 tax year or any subsequent tax year. Notwithstanding Subsection (n), for purposes of this section, the rollback tax rate of the school district is the higher of:

(1) the amount computed under Subsection (n); or

(2) the sum of the following:

(A) the highest maintenance and operations tax rate adopted by the district for the 2007 tax year or any subsequent tax year in which the adopted tax rate of the district was approved at an election under this section; and

(B) the district's current debt rate.

(r) Subsection (q) applies to a school district only if the district has adopted a tax rate equal to or higher than the rate provided by that subsection for any tax year in the preceding 10 tax years.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 26.08, Tax Code, is amended by adding Subsections (q), (r), and (s) to read as follows:

(q) This subsection applies only to a school district described by Subsection (n) whose adopted tax rate was approved at an election under this section in the 2006 tax year or any subsequent tax year. Notwithstanding Subsection (n), for purposes of this section, the rollback tax rate of the school district is the higher of:

(1) the amount computed under Subsection (n); or

(2) the sum of the following:

(A) the highest maintenance and operations tax rate adopted by the district for the 2007 tax year or any subsequent tax year in which the adopted tax rate of the district was approved at an election under this section; and

(B) the district's current debt rate.

(r) Subsection (q) applies to a school district only if the district has adopted a tax rate equal to or higher than the rate provided by that subsection for any tax year in the preceding 10 tax years.

(s) Subsection (q) does not apply to a school district if:

(1) in the 2007 tax year or a subsequent tax year before the 2016 tax year the district's adopted tax rate was approved at an election under this section and the maintenance and operations tax rate adopted by the district for that tax year was higher than the sum of the rates described by Subsections (n)(2)(A)(i) and (ii);

(2) in the 2016 tax year the district adopted a maintenance and operations tax rate that was:

(A) lower than the highest maintenance and operations tax rate adopted by the district for a tax year in which the district's adopted tax rate was approved at an election in a tax year described by Subdivision (1); and

(B) higher than the sum of the rates described by Subsections (n)(2)(A)(i) and

(ii); and
(3) the district's adopted tax rate has not been approved at an election under this section since the 2016 tax year.

SECTION 2. (a) The comptroller of public accounts shall conduct a study to determine:
(1) the number of school districts that adopt an ad valorem tax rate for the tax year in which this Act takes effect that is lower than the district's ad valorem tax rate for the tax year preceding that tax year and then, for the tax year following the tax year in which this Act takes effect, adopt an ad valorem tax rate that is higher than the district's ad valorem tax rate for the tax year in which this Act takes effect; and
(2) the number of school districts that adopted an ad valorem tax rate for the second tax year preceding the tax year in which this Act takes effect that was lower than the district's ad valorem tax rate for the tax year preceding that tax year and then, for the tax year preceding the tax year in which this Act takes effect, adopted an ad valorem tax rate that was higher than the district's ad valorem tax rate for the second tax year preceding the tax year in which this Act takes effect.
(b) The comptroller of public accounts shall report the results of the study conducted under this section to each member of the legislature not later than December 1, 2019.

No equivalent provision.

SECTION 3. (a) The change in law made by this Act applies to the ad valorem tax rate of a school district beginning with the 2017 tax year, except as provided by Subsection (b) of this section.
(b) If the governing body of a school district adopted an ad valorem tax rate for the school district for the 2017 tax year before the effective date of this Act, the change in law made by this Act applies to the ad valorem tax rate of that school district beginning with the 2018 tax year, and the law in effect when the tax rate was adopted applies to the 2017 tax year with respect to that school district.

SECTION 2. The change in law made by this Act applies to the ad valorem tax rate of a school district beginning with the 2018 tax year.

SECTION 4. This Act takes effect immediately if it receives a vote of

SECTION 3. This Act takes effect January 1, 2018.

two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2017.