

By: Middleton

H.B. No. 1391

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the effect of an election at which the voters fail to
3 approve or vote to reduce the ad valorem tax rate adopted by the
4 governing body of a taxing unit.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 26.06(b-1), Tax Code, is amended to read
7 as follows:

8 (b-1) If the proposed tax rate exceeds the no-new-revenue
9 tax rate and the voter-approval tax rate of the taxing unit, the
10 notice must contain a statement in the following form:

11 "NOTICE OF PUBLIC HEARING ON TAX INCREASE

12 "PROPOSED TAX RATE \$_____ per \$100

13 "NO-NEW-REVENUE TAX RATE \$_____ per \$100

14 "VOTER-APPROVAL TAX RATE \$_____ per \$100

15 "The no-new-revenue tax rate is the tax rate for the (current
16 tax year) tax year that will raise the same amount of property tax
17 revenue for (name of taxing unit) from the same properties in both
18 the (preceding tax year) tax year and the (current tax year) tax
19 year.

20 "The voter-approval tax rate is the highest tax rate that
21 (name of taxing unit) may adopt without holding an election to seek
22 voter approval of the rate.

23 "The proposed tax rate is greater than the no-new-revenue tax
24 rate. This means that (name of taxing unit) is proposing to

1 increase property taxes for the (current tax year) tax year.

2 "A public hearing on the proposed tax rate will be held on
3 (date and time) at (meeting place).

4 "The proposed tax rate is also greater than the
5 voter-approval tax rate. If (name of taxing unit) adopts the
6 proposed tax rate, (name of taxing unit) is required to hold an
7 election so that the voters may accept or reject the proposed tax
8 rate. If a majority of the voters reject the proposed tax rate, the
9 tax rate of the (name of taxing unit) will be the lesser of the
10 no-new-revenue tax rate or voter-approval tax rate. The election
11 will be held on (date of election). You may contact the (name of
12 office responsible for administering the election) for information
13 about voting locations. The hours of voting on election day are
14 (voting hours).

15 "Your taxes owed under any of the tax rates mentioned above
16 can be calculated as follows:

17 "Property tax amount = tax rate x taxable value of your
18 property / 100

19 "(Names of all members of the governing body, showing how
20 each voted on the proposal to consider the tax increase or, if one
21 or more were absent, indicating the absences.)

22 "The 86th Texas Legislature modified the manner in which the
23 voter-approval tax rate is calculated to limit the rate of growth of
24 property taxes in the state."

25 SECTION 2. Sections 26.063(b) and (c), Tax Code, are
26 amended to read as follows:

27 (b) This subsection applies only to a taxing unit that is

1 required to hold an election under Section 26.07. In the notice
2 required to be provided by the taxing unit under Section 26.06(b-1)
3 or (b-3), as applicable, the taxing unit shall:

4 (1) add the following to the end of the list of rates
5 included in the notice:

6 "DE MINIMIS RATE \$_____ per \$100";

7 (2) substitute the following for the definition of
8 "voter-approval tax rate": "The voter-approval tax rate is the
9 highest tax rate that (name of taxing unit) may adopt without
10 holding an election to seek voter approval of the rate, unless the
11 de minimis rate for (name of taxing unit) exceeds the
12 voter-approval tax rate for (name of taxing unit).";

13 (3) add the following definition of "de minimis
14 rate": "The de minimis rate is the rate equal to the sum of the
15 no-new-revenue maintenance and operations rate for (name of taxing
16 unit), the rate that will raise \$500,000, and the current debt rate
17 for (name of taxing unit)."; and

18 (4) substitute the following for the provision that
19 provides notice that an election is required: "The proposed tax
20 rate is greater than the voter-approval tax rate and the de minimis
21 rate. If (name of taxing unit) adopts the proposed tax rate, (name
22 of taxing unit) is required to hold an election so that the voters
23 may accept or reject the proposed tax rate. If a majority of the
24 voters reject the proposed tax rate, the tax rate of the (name of
25 taxing unit) will be the lesser of the no-new-revenue tax rate or
26 voter-approval tax rate of the (name of taxing unit). The election
27 will be held on (date of election). You may contact the (name of

1 office responsible for administering the election) for information
2 about voting locations. The hours of voting on election day are
3 (voting hours).".

4 (c) This subsection applies only to a taxing unit for which
5 the qualified voters of the taxing unit may petition to hold an
6 election under Section 26.075. In the notice required to be
7 provided by the taxing unit under Section 26.06(b-1) or (b-3), as
8 applicable, the taxing unit shall:

9 (1) add the following to the end of the list of rates
10 included in the notice:

11 "DE MINIMIS RATE \$_____ per \$100";

12 (2) substitute the following for the definition of
13 "voter-approval tax rate": "The voter-approval tax rate is the
14 highest tax rate that (name of taxing unit) may adopt without
15 holding an election to seek voter approval of the rate, unless the
16 de minimis rate for (name of taxing unit) exceeds the
17 voter-approval tax rate for (name of taxing unit).";

18 (3) add the following definition of "de minimis
19 rate": "The de minimis rate is the rate equal to the sum of the
20 no-new-revenue maintenance and operations rate for (name of taxing
21 unit), the rate that will raise \$500,000, and the current debt rate
22 for (name of taxing unit)."; and

23 (4) substitute the following for the provision that
24 provides notice that an election is required: "The proposed tax
25 rate is greater than the voter-approval tax rate but not greater
26 than the de minimis rate. However, the proposed tax rate exceeds
27 the rate that allows voters to petition for an election under

1 Section 26.075, Tax Code. If (name of taxing unit) adopts the
2 proposed tax rate, the qualified voters of the (name of taxing unit)
3 may petition the (name of taxing unit) to require an election to be
4 held to determine whether to reduce the proposed tax rate. If a
5 majority of the voters reject the proposed tax rate, the tax rate of
6 the (name of taxing unit) will be the lesser of the no-new-revenue
7 tax rate or voter-approval tax rate of the (name of taxing unit).".

8 SECTION 3. Sections 26.07(e) and (g), Tax Code, are amended
9 to read as follows:

10 (e) If the proposition is not approved as provided by
11 Subsection (d), the taxing unit's tax rate for the current tax year
12 is the lesser of the taxing unit's no-new-revenue tax rate or
13 voter-approval tax rate.

14 (g) If a property owner pays taxes calculated using the
15 originally adopted tax rate of the taxing unit and the proposition
16 to approve the adopted tax rate is not approved by voters, the
17 taxing unit shall refund the difference between the amount of taxes
18 paid and the amount due under the no-new-revenue tax rate or
19 voter-approval tax rate, as applicable, if the difference between
20 the amount of taxes paid and the amount due under the applicable
21 ~~[voter-approval]~~ tax rate is \$1 or more. If the difference between
22 the amount of taxes paid and the amount due under the applicable
23 ~~[voter-approval]~~ tax rate is less than \$1, the taxing unit shall
24 refund the difference on request of the taxpayer. An application
25 for a refund of less than \$1 must be made within 90 days after the
26 date the refund becomes due or the taxpayer forfeits the right to
27 the refund.

1 SECTION 4. Sections 26.075(c), (g), and (h), Tax Code, are
2 amended to read as follows:

3 (c) The qualified voters of a taxing unit by petition may
4 require that an election be held to determine whether to reduce the
5 tax rate adopted by the governing body of the taxing unit for the
6 current tax year to the lesser of the taxing unit's no-new-revenue
7 tax rate or voter-approval tax rate.

8 (g) At the election, the ballots shall be prepared to permit
9 voting for or against the proposition: "Reducing the tax rate in
10 (name of taxing unit) for the current year from (insert tax rate
11 adopted for current year) to (insert lesser of no-new-revenue tax
12 rate or voter-approval tax rate)."

13 (h) If a majority of the votes cast in the election favor the
14 proposition, the tax rate for the current tax year is the lesser of
15 the taxing unit's no-new-revenue tax rate or voter-approval tax
16 rate.

17 SECTION 5. Section 26.08(d), Tax Code, is amended to read as
18 follows:

19 (d) If the proposition is not approved as provided by
20 Subsection (c), the governing body may not adopt a tax rate for the
21 school district for the current year that exceeds the lesser of the
22 school district's no-new-revenue tax rate or voter-approval tax
23 rate.

24 SECTION 6. Section 49.236(a), Water Code, is amended to
25 read as follows:

26 (a) Before the board adopts an ad valorem tax rate for the
27 district for debt service, operation and maintenance purposes, or

1 contract purposes, the board shall give notice of each meeting of
2 the board at which the adoption of a tax rate will be
3 considered. The notice must:

4 (1) contain a statement in substantially the following
5 form:

6 "NOTICE OF PUBLIC HEARING ON TAX RATE

7 "The (name of the district) will hold a public hearing on a
8 proposed tax rate for the tax year (year of tax levy) on (date and
9 time) at (meeting place). Your individual taxes may increase at a
10 greater or lesser rate, or even decrease, depending on the tax rate
11 that is adopted and on the change in the taxable value of your
12 property in relation to the change in taxable value of all other
13 property. The change in the taxable value of your property in
14 relation to the change in the taxable value of all other property
15 determines the distribution of the tax burden among all property
16 owners.

17 "(Names of all board members and, if a vote was taken, an
18 indication of how each voted on the proposed tax rate and an
19 indication of any absences.)";

20 (2) contain the following information:

21 (A) the district's total adopted tax rate for the
22 preceding year and the proposed tax rate, expressed as an amount per
23 \$100;

24 (B) the difference, expressed as an amount per
25 \$100 and as a percent increase or decrease, as applicable, in the
26 proposed tax rate compared to the adopted tax rate for the preceding
27 year;

1 (C) the average appraised value of a residence
2 homestead in the district in the preceding year and in the current
3 year; the district's total homestead exemption, other than an
4 exemption available only to disabled persons or persons 65 years of
5 age or older, applicable to that appraised value in each of those
6 years; and the average taxable value of a residence homestead in the
7 district in each of those years, disregarding any homestead
8 exemption available only to disabled persons or persons 65 years of
9 age or older;

10 (D) the amount of tax that would have been
11 imposed by the district in the preceding year on a residence
12 homestead appraised at the average appraised value of a residence
13 homestead in that year, disregarding any homestead exemption
14 available only to disabled persons or persons 65 years of age or
15 older;

16 (E) the amount of tax that would be imposed by the
17 district in the current year on a residence homestead appraised at
18 the average appraised value of a residence homestead in that year,
19 disregarding any homestead exemption available only to disabled
20 persons or persons 65 years of age or older, if the proposed tax
21 rate is adopted;

22 (F) the difference between the amounts of tax
23 calculated under Paragraphs (D) and (E), expressed in dollars and
24 cents and described as the annual percentage increase or decrease,
25 as applicable, in the tax to be imposed by the district on the
26 average residence homestead in the district in the current year if
27 the proposed tax rate is adopted; and

1 (G) if the proposed combined debt service,
2 operation and maintenance, and contract tax rate requires or
3 authorizes an election to approve or reduce the tax rate, as
4 applicable, a description of the purpose of the proposed tax
5 increase;

6 (3) contain a statement in substantially the following
7 form, as applicable:

8 (A) if the district is a district described by
9 Section [49.23601](#):

10 "NOTICE OF VOTE ON TAX RATE

11 "If the district adopts a combined debt service, operation
12 and maintenance, and contract tax rate that would result in the
13 taxes on the average residence homestead increasing by more than
14 eight percent, an election must be held to determine whether to
15 approve the operation and maintenance tax rate under Section
16 [49.23601](#), Water Code.";

17 (B) if the district is a district described by
18 Section [49.23602](#):

19 "NOTICE OF VOTE ON TAX RATE

20 "If the district adopts a combined debt service, operation
21 and maintenance, and contract tax rate that would result in the
22 taxes on the average residence homestead increasing by more than
23 3.5 percent, an election must be held to determine whether to
24 approve the operation and maintenance tax rate under Section
25 [49.23602](#), Water Code."; or

26 (C) if the district is a district described by
27 Section [49.23603](#):

1 "NOTICE OF TAXPAYERS' RIGHT TO ELECTION TO REDUCE TAX RATE

2 "If the district adopts a combined debt service, operation
3 and maintenance, and contract tax rate that would result in the
4 taxes on the average residence homestead increasing by more than
5 eight percent, the qualified voters of the district by petition may
6 require that an election be held to determine whether to reduce the
7 operation and maintenance tax rate [~~to the voter-approval tax rate~~]
8 under Section 49.23603, Water Code."; and

9 (4) include the following statement: "The 86th Texas
10 Legislature modified the manner in which the voter-approval tax
11 rate is calculated to limit the rate of growth of property taxes in
12 the state.".

13 SECTION 7. Sections 49.23601(a) and (c), Water Code, are
14 amended to read as follows:

15 (a) In this section:

16 (1) "No-new-revenue tax rate" has the meaning assigned
17 by Section 26.04(c), Tax Code.

18 (2) "Voter-approval [~~,"voter-approval~~] tax rate"
19 means the rate equal to the sum of the following tax rates for the
20 district:

21 (A) [~~(1)~~] the current year's debt service tax
22 rate;

23 (B) [~~(2)~~] the current year's contract tax rate;
24 and

25 (C) [~~(3)~~] the operation and maintenance tax rate
26 that would impose 1.08 times the amount of the operation and
27 maintenance tax imposed by the district in the preceding year on a

1 residence homestead appraised at the average appraised value of a
2 residence homestead in the district in that year, disregarding any
3 homestead exemption available only to disabled persons or persons
4 65 years of age or older.

5 (c) If the board of a district adopts a combined debt
6 service, contract, and operation and maintenance tax rate that
7 would impose more than 1.08 times the amount of tax imposed by the
8 district in the preceding year on a residence homestead appraised
9 at the average appraised value of a residence homestead in the
10 district in that year, disregarding any homestead exemption
11 available only to disabled persons or persons 65 years of age or
12 older, an election must be held in accordance with the procedures
13 provided by Sections 26.07(c)-(g), Tax Code, to determine whether
14 to approve the adopted tax rate. If the adopted tax rate is not
15 approved at the election, the district's tax rate is the lesser of
16 the district's no-new-revenue tax rate or voter-approval tax rate.

17 SECTION 8. Section 49.23602(a), Water Code, is amended by
18 adding Subdivision (2-a) to read as follows:

19 (2-a) "No-new-revenue tax rate" has the meaning
20 assigned by Section 26.04(c), Tax Code.

21 SECTION 9. Section 49.23602(c), Water Code, is amended to
22 read as follows:

23 (c) If the board of a district adopts a combined debt
24 service, contract, and operation and maintenance tax rate that
25 exceeds the district's mandatory tax election rate, an election
26 must be held in accordance with the procedures provided by Sections
27 26.07(c)-(g), Tax Code, to determine whether to approve the adopted

1 tax rate. If the adopted tax rate is not approved at the election,
2 the district's tax rate is the lesser of the district's
3 no-new-revenue tax rate or voter-approval tax rate.

4 SECTION 10. Sections 49.23603(a) and (c), Water Code, are
5 amended to read as follows:

6 (a) In this section:

7 (1) "No-new-revenue tax rate" has the meaning assigned
8 by Section 26.04(c), Tax Code.

9 (2) "Voter-approval [~~,"~~ "voter-approval]" tax rate"
10 means the rate equal to the sum of the following tax rates for the
11 district:

12 (A) [~~(1)~~] the current year's debt service tax
13 rate;

14 (B) [~~(2)~~] the current year's contract tax rate;
15 and

16 (C) [~~(3)~~] the operation and maintenance tax rate
17 that would impose 1.08 times the amount of the operation and
18 maintenance tax imposed by the district in the preceding year on a
19 residence homestead appraised at the average appraised value of a
20 residence homestead in the district in that year, disregarding any
21 homestead exemption available only to disabled persons or persons
22 65 years of age or older.

23 (c) If the board of a district adopts a combined debt
24 service, contract, and operation and maintenance tax rate that
25 would impose more than 1.08 times the amount of tax imposed by the
26 district in the preceding year on a residence homestead appraised
27 at the average appraised value of a residence homestead in the

1 district in that year, disregarding any homestead exemption
2 available only to disabled persons or persons 65 years of age or
3 older, the qualified voters of the district by petition may require
4 that an election be held to determine whether to reduce the tax rate
5 adopted for the current year to the lesser of the district's
6 no-new-revenue tax rate or voter-approval tax rate in accordance
7 with the procedures provided by Sections [26.075](#) and [26.081](#), Tax
8 Code.

9 SECTION 11. The change in law made by this Act applies to
10 the ad valorem tax rate of a taxing unit beginning with the 2022 tax
11 year.

12 SECTION 12. This Act takes effect January 1, 2022.