

By: Isett

H.B. No. 104

A BILL TO BE ENTITLED

1

AN ACT

2 relating to the ad valorem tax rates of certain taxing units.

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

4 SECTION 1. Section 26.04(c), Tax Code, is amended to read as
5 follows:

6 (c) An officer or employee designated by the governing body
7 shall calculate the effective tax rate and the rollback tax rate for
8 the unit, where:

9 (1) "Effective tax rate" means a rate expressed in
10 dollars per \$100 of taxable value calculated according to the
11 following formula:

12
$$\text{EFFECTIVE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$$

13
$$(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})$$

14 ; and

15 (2) "Rollback tax rate" means a rate expressed in
16 dollars per \$100 of taxable value calculated according to the
17 following formula:

18
$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times$$

19
$$\underline{1.03} [\text{~~1.08~~}] + \text{CURRENT DEBT RATE}$$

20 SECTION 2. Sections 26.041(a), (b), and (c), Tax Code, are
21 amended to read as follows:

22 (a) In the first year in which an additional sales and use
23 tax is required to be collected, the effective tax rate and rollback
24 tax rate for the unit are calculated according to the following

1 formulas:

2 EFFECTIVE TAX RATE = $\frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})]}{1}$ - SALES TAX GAIN RATE

4 and

5 ROLLBACK RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.03
6 [~~1.08~~]) + CURRENT DEBT RATE - SALES TAX GAIN RATE

7 where "sales tax gain rate" means a number expressed in dollars per
8 \$100 of taxable value, calculated by dividing the revenue that will
9 be generated by the additional sales and use tax in the following
10 year as calculated under Subsection (d) [~~of this section~~] by the
11 current total value.

12 (b) Except as provided by Subsections (a) and (c) [~~of this~~
13 ~~section~~], in a year in which a taxing unit imposes an additional
14 sales and use tax the rollback tax rate for the unit is calculated
15 according to the following formula, regardless of whether the unit
16 levied a property tax in the preceding year:

17 ROLLBACK RATE = $\frac{[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times \text{1.03} [\text{1.08}]) / ((\text{TOTAL} [\text{TOTAL}] \text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE}))]}{1}$ +
18 (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

20 where "last year's maintenance and operations expense" means the
21 amount spent for maintenance and operations from property tax and
22 additional sales and use tax revenues in the preceding year, and
23 "sales tax revenue rate" means a number expressed in dollars per
24 \$100 of taxable value, calculated by dividing the revenue that will
25 be generated by the additional sales and use tax in the current year
26 as calculated under Subsection (d) [~~of this section~~] by the current
27 total value.

(c) In a year in which a taxing unit that has been imposing an additional sales and use tax ceases to impose an additional sales and use tax the effective tax rate and rollback tax rate for the unit are calculated according to the following formulas:

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

and

ROLLBACK TAX RATE = $[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times \underline{1.03} [\underline{1.08}]) / ((\text{TOTAL} [\text{TOTAL}] \text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] + \text{CURRENT DEBT RATE}$

where "sales tax loss rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the amount of sales and use tax revenue generated in the last four quarters for which the information is available by the current total value and "last year's maintenance and operations expense" means the amount spent for maintenance and operations from property tax and additional sales and use tax revenues in the preceding year.

SECTION 3. Section 26.05, Tax Code, is amended by amending Subsection (d) and adding Subsection (g) to read as follows:

(d) The governing body of a taxing unit [~~district~~] other than a school district and other than a county or municipality to which Subsection (g) applies may not adopt a tax rate that exceeds the lower of the rollback tax rate or 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 [~~Section~~] 26.06 and [~~Section~~] 26.065. The governing body of a taxing unit to which this

1 subsection applies shall reduce a tax rate set by law or by vote of
2 the electorate to the lower of the rollback tax rate or 103 percent
3 of the effective tax rate and may not adopt a higher rate unless it
4 first complies with Section 26.06.

5 (g) This subsection applies only to a county or municipality
6 for which the total tax rate proposed for the current tax year would
7 impose taxes in an amount of \$5,000,000 or more when applied to the
8 current total value for the county or municipality. The governing
9 body of the county or municipality may not adopt a tax rate that
10 exceeds the effective tax rate calculated as provided by this
11 chapter until the governing body has held a public hearing on the
12 proposed tax rate and has otherwise complied with Sections 26.06
13 and 26.065. The governing body of a county or municipality to which
14 this subsection applies shall reduce a tax rate set by law or by
15 vote of the electorate to the effective tax rate and may not adopt a
16 higher rate unless it first complies with Section 26.06.

17 SECTION 4. Section 26.06, Tax Code, is amended by amending
18 Subsections (b), (d), and (e) and adding Subsection (h) to read as
19 follows:

20 (b) The notice of a public hearing to be conducted by the
21 governing body of a taxing unit other than a county or a
22 municipality to which Section 26.05(g) applies may not be smaller
23 than one-quarter page of a standard-size or a tabloid-size
24 newspaper, and the headline on the notice must be in 18-point or
25 larger type. The notice must:

26 (1) contain a statement in the following form:

27 "NOTICE OF PUBLIC HEARING ON TAX INCREASE

1 "The (name of the taxing unit) will hold a public hearing on a
2 proposal to increase total tax revenues from properties on the tax
3 roll in the preceding year by (percentage by which proposed tax rate
4 exceeds lower of rollback tax rate or effective tax rate calculated
5 under this chapter) percent. Your individual taxes may increase at
6 a greater or lesser rate, or even decrease, depending on the change
7 in the taxable value of your property in relation to the change in
8 taxable value of all other property and the tax rate that is
9 adopted.

10 "The public hearing will be held on (date and time) at
11 (meeting place).

12 "(Names of all members of the governing body, showing how
13 each voted on the proposal to consider the tax increase or, if one
14 or more were absent, indicating the absences.)"; and

15 (2) contain the following information:

16 (A) the unit's adopted tax rate for the preceding
17 year and the proposed tax rate, expressed as an amount per \$100;

18 (B) the difference, expressed as an amount per
19 \$100 and as a percent increase or decrease, as applicable, in the
20 proposed tax rate compared to the adopted tax rate for the preceding
21 year;

22 (C) the average appraised value of a residence
23 homestead in the taxing unit in the preceding year and in the
24 current year; the unit's homestead exemption, other than an
25 exemption available only to disabled persons or persons 65 years of
26 age or older, applicable to that appraised value in each of those
27 years; and the average taxable value of a residence homestead in the

1 unit in each of those years, disregarding any homestead exemption
2 available only to disabled persons or persons 65 years of age or
3 older;

4 (D) the amount of tax that would have been
5 imposed by the unit in the preceding year on a residence homestead
6 appraised at the average appraised value of a residence homestead
7 in that year, disregarding any homestead exemption available only
8 to disabled persons or persons 65 years of age or older;

9 (E) the amount of tax that would be imposed by the
10 unit in the current year on a residence homestead appraised at the
11 average appraised value of a residence homestead in the current
12 year, disregarding any homestead exemption available only to
13 disabled persons or persons 65 years of age or older, if the
14 proposed tax rate is adopted; and

15 (F) the difference between the amounts of tax
16 calculated under Paragraphs (D) and (E), expressed in dollars and
17 cents and described as the annual increase or decrease, as
18 applicable, in the tax to be imposed by the unit on the average
19 residence homestead in the unit in the current year if the proposed
20 tax rate is adopted.

21 (d) At the public hearing the governing body shall announce
22 the date, time, and place of the meeting at which it will vote on the
23 proposed tax rate. After the hearing the governing body of a taxing
24 unit other than a county or a municipality to which Section 26.05(g)
25 applies shall give notice of the meeting at which it will vote on
26 the proposed tax rate and the notice shall be in the same form as
27 prescribed by Subsections (b) and (c), except that it must state the

1 following:

2 "NOTICE OF VOTE ON TAX RATE

3 "The (name of the taxing unit) conducted a public hearing on a
4 proposal to increase the total tax revenues of the (name of the
5 taxing unit) from properties on the tax roll in the preceding year
6 by (percentage by which proposed tax rate exceeds lower of rollback
7 tax rate or effective tax rate calculated under this chapter)
8 percent on (date and time public hearing was conducted).

9 "The (governing body of the taxing unit) is scheduled to vote
10 on the tax rate that will result in that tax increase at a public
11 meeting to be held on (date and time) at (meeting place)."

12 (e) The meeting to vote on the tax increase may not be
13 earlier than the third day or later than the 14th day after the date
14 of the public hearing. The meeting must be held inside the
15 boundaries of the taxing unit in a publicly owned building or, if a
16 suitable publicly owned building is not available, in a suitable
17 building to which the public normally has access. If the governing
18 body of a taxing unit other than a county or a municipality to which
19 Section 26.05(g) applies does not adopt a tax rate that exceeds the
20 lower of the rollback tax rate or 103 percent of the effective tax
21 rate by the 14th day, it must give a new notice under Subsection (d)
22 before it may adopt a rate that exceeds the lower of the rollback
23 tax rate or 103 percent of the effective tax rate. If the governing
24 body of a county or a municipality to which Section 26.05(g) applies
25 does not adopt a tax rate that exceeds the effective tax rate by the
26 14th day, it must give a new notice under Subsection (d) before it
27 may adopt a rate that exceeds the effective tax rate.

1 (h) This subsection applies only to a county or a
2 municipality to which Section 26.05(g) applies. Subsections (b)
3 and (d) govern the notice of the public hearing to be conducted by
4 the governing body of the county or municipality and the notice of
5 the meeting of the governing body to vote on the tax rate, except
6 that:

7 (1) the statement otherwise required by Subsection
8 (b)(1) must be in the following form:

9 "NOTICE OF PUBLIC HEARING ON TAX INCREASE

10 "The (name of the county or municipality) will hold a public
11 hearing on a proposal to increase total tax revenues from
12 properties on the tax roll in the preceding year by (percentage by
13 which proposed tax rate exceeds the effective tax rate calculated
14 under this chapter) percent. Your individual taxes may increase at
15 a greater or lesser rate, or even decrease, depending on the change
16 in the taxable value of your property in relation to the change in
17 taxable value of all other property and the tax rate that is
18 adopted.

19 "The public hearing will be held on (date and time) at
20 (meeting place).

21 "(Names of all members of county or municipal governing body,
22 showing how each voted on the proposal to consider the tax increase
23 or, if one or more were absent, indicating the absences.)"; and

24 (2) the notice required by Subsection (d) must state
25 the following:

26 "NOTICE OF VOTE ON TAX RATE

27 "The (name of the county or municipality) conducted a public

1 hearing on a proposal to increase the total tax revenues of the
2 (county or municipality) from properties on the tax roll in the
3 preceding year by (percentage by which proposed tax rate exceeds
4 the effective tax rate calculated under this chapter) percent on
5 (date and time public hearing was conducted).

6 "The (governing body of the county or municipality) is
7 scheduled to vote on the tax rate that will result in that tax
8 increase at a public meeting to be held on (date and time) at
9 (meeting place)."

10 SECTION 5. Section 26.065(d), Tax Code, is amended to read
11 as follows:

12 (d) The notice of the public hearing required by Subsection
13 (b) must contain a statement that is substantially the same as the
14 statement required by Section 26.06(b)(1) or (h)(1), as applicable,
15 and must contain information that is substantially the same as the
16 information required by Section 26.06(b)(2).

17 SECTION 6. (a) This Act takes effect November 1, 2003.

18 (b) The change in law made by this Act applies to the ad
19 valorem tax rate of a taxing unit beginning with the 2004 tax year.