

By: Williams

S.B. No. 33

A BILL TO BE ENTITLED

1 AN ACT

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

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

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

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

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

13 
$$\text{EFFECTIVE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$$
  
14 
$$(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})$$

15 ; and

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

19 
$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times$$
  
20 
$$\underline{1.05} [\text{~~1.08~~}] + \text{CURRENT DEBT RATE}$$

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

23 (a) In the first year in which an additional sales and use  
24 tax is required to be collected, the effective tax rate and rollback

1 tax rate for the unit are calculated according to the following  
2 formulas:

3 EFFECTIVE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
4 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE) - SALES TAX GAIN RATE

5 and

6 ROLLBACK RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.05  
7 [~~1.08~~]) + CURRENT DEBT RATE - SALES TAX GAIN RATE

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

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

18 ROLLBACK RATE = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE X  
19 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +  
20 (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

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

1 total value.

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

6 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
7 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS RATE

8 and

9 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND OPERATIONS  
10 EXPENSE X 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT TOTAL VALUE - NEW PROPERTY  
11 VALUE)] + CURRENT DEBT RATE

12 where "sales tax loss rate" means a number expressed in dollars per  
13 \$100 of taxable value, calculated by dividing the amount of sales  
14 and use tax revenue generated in the last four quarters for which  
15 the information is available by the current total value and "last  
16 year's maintenance and operations expense" means the amount spent  
17 for maintenance and operations from property tax and additional  
18 sales and use tax revenues in the preceding year.

19 SECTION 3. Subsection (b), Section 26.07, Tax Code, as  
20 amended by Senate Bill No. 18, Acts of the 79th Legislature, Regular  
21 Session, 2005, is amended to read as follows:

22 (b) A petition is valid only if:

23 (1) it states that it is intended to require an  
24 election in the taxing unit on the question of reducing the tax rate  
25 for the current year;

26 (2) it is signed by a number of registered voters of  
27 the taxing unit equal to at least 10[+]

1            [~~(A) seven~~] percent of the number of [~~registered~~]  
2 voters of the taxing unit who voted in [~~according to~~] the most  
3 recent gubernatorial election [~~list of registered voters if the tax~~  
4 ~~rate adopted for the current tax year would impose taxes for~~  
5 ~~maintenance and operations in an amount of at least \$5 million; or~~  
6            [~~(B) 10 percent of the number of registered~~  
7 ~~voters of the taxing unit according to the most recent official list~~  
8 ~~of registered voters if the tax rate adopted for the current tax~~  
9 ~~year would impose taxes for maintenance and operations in an amount~~  
10 ~~of less than \$5 million]; and~~

11            (3) it is submitted to the governing body on or before  
12 the 90th day after the date on which the governing body adopted the  
13 tax rate for the current year.

14            SECTION 4. Chapter 26, Tax Code, is amended by adding  
15 Section 26.071 to read as follows:

16            Sec. 26.071. ELECTION ON INCREASE IN TAX RATE OF CERTAIN  
17 TAXING UNITS. (a) This section applies only to:

18                    (1) a junior college district; or

19                    (2) a county or municipality for which the proposed  
20 tax rate to impose taxes for maintenance and operations  
21 expenditures for the current tax year would impose taxes in an  
22 amount that does not exceed \$5 million when applied to the current  
23 total value for the county or municipality.

24            (b) Sections 26.07 and 26.08 do not apply to a taxing unit to  
25 which this section applies.

26            (c) In a formula provided by this chapter for the  
27 calculation of the rollback tax rate of the taxing unit, 1.08 shall

1 be substituted for 1.05.

2 (d) If the governing body of the taxing unit adopts a tax  
3 rate that exceeds the rollback tax rate calculated as provided by  
4 this chapter, the qualified voters of the taxing unit by petition  
5 may require that an election be held to determine whether to reduce  
6 the tax rate adopted for the current year to the rollback tax rate  
7 calculated as provided by this chapter.

8 (e) A petition is valid only if:

9 (1) it states that it is intended to require an  
10 election in the taxing unit on the question of reducing the tax rate  
11 for the current year;

12 (2) it is signed by a number of registered voters of  
13 the district equal to at least 10 percent of the number of  
14 registered voters of the taxing unit according to the most recent  
15 official list of registered voters; and

16 (3) it is submitted to the governing body on or before  
17 the 90th day after the date on which the governing body adopted the  
18 tax rate for the current year.

19 (f) Not later than the 20th day after the day a petition is  
20 submitted, the governing body shall determine whether the petition  
21 is valid and pass a resolution stating its finding. If the  
22 governing body fails to act within the time allowed, the petition is  
23 treated as if it had been found valid.

24 (g) If the governing body finds that the petition is valid  
25 (or fails to act within the time allowed), it shall order that an  
26 election be held in the taxing unit on a date not less than 30 or  
27 more than 90 days after the last day on which it could have acted to

1 approve or disapprove the petition. A state law requiring local  
2 elections to be held on a specified date does not apply to the  
3 election unless a specified date falls within the time permitted by  
4 this section. At the election, the ballots shall be prepared to  
5 permit voting for or against the proposition: "Reducing the tax  
6 rate in (name of taxing unit) for the current year from (the rate  
7 adopted) to (the rollback tax rate calculated as provided by this  
8 chapter)."

9 (h) If a majority of the qualified voters voting on the  
10 question in the election favor the proposition, the tax rate for the  
11 taxing unit for the current year is the rollback tax rate calculated  
12 as provided by this chapter; otherwise, the tax rate for the current  
13 year is the one adopted by the governing body.

14 (i) If the tax rate is reduced by an election called under  
15 this section after tax bills for the unit are mailed, the assessor  
16 for the taxing unit shall prepare and mail corrected tax bills. The  
17 collector shall include with the bill a brief explanation of the  
18 reason for and effect of the corrected bill. The date on which the  
19 taxes become delinquent for the year is extended by a number of days  
20 equal to the number of days between the date the first tax bills  
21 were sent and the date the corrected tax bills were sent.

22 (j) If a property owner pays taxes calculated using the  
23 higher tax rate when the rate is reduced by an election called under  
24 this section, the taxing unit shall refund the difference between  
25 the amount of taxes paid and the amount due under the reduced rate  
26 if the difference between the amount of taxes paid and the amount  
27 due under the reduced rate is \$1 or more. If the difference between

1 the amount of taxes paid and the amount due under the reduced rate  
2 is less than \$1, the taxing unit shall refund the difference on  
3 request of the taxpayer. An application for a refund of less than  
4 \$1 must be made within 90 days after the date the refund becomes due  
5 or the taxpayer forfeits the right to the refund.

6 (k) Section 33.08(b) applies to a tax bill sent under  
7 Subsection (i).

8 (l) Sections 31.12(a) and (b) apply to a refund due under  
9 Subsection (j). Liability for the refund arises on the date the  
10 election is canvassed.

11 SECTION 5. Section 49.236, Water Code, as added by Chapters  
12 248 and 335, Acts of the 78th Legislature, Regular Session, 2003, is  
13 reenacted and amended to read as follows:

14 Sec. 49.236. NOTICE OF TAX HEARING. (a) Before the board  
15 adopts an ad valorem tax rate for the district for debt service,  
16 operation and maintenance purposes, or contract purposes, the board  
17 shall give notice of each meeting of the board at which the adoption  
18 of a tax rate will be considered. The notice must:

19 (1) contain a statement in substantially the following  
20 form:

21 "NOTICE OF PUBLIC HEARING ON TAX RATE

22 "The (name of the district) will hold a public hearing on a  
23 proposed tax rate for the tax year (year of tax levy) on (date and  
24 time) at (meeting place). Your individual taxes may increase or  
25 decrease, depending on the change in the taxable value of your  
26 property in relation to the change in taxable value of all other  
27 property and the tax rate that is adopted.

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

4           (2) contain the following information:

5                   (A) the district's total adopted tax rate for the  
6 preceding year and the proposed tax rate, expressed as an amount per  
7 \$100;

8                   (B) the difference, expressed as an amount per  
9 \$100 and as a percent increase or decrease, as applicable, in the  
10 proposed tax rate compared to the adopted tax rate for the preceding  
11 year;

12                   (C) the average appraised value of a residence  
13 homestead in the district in the preceding year and in the current  
14 year; the district's total homestead exemption, other than an  
15 exemption available only to disabled persons or persons 65 years of  
16 age or older, applicable to that appraised value in each of those  
17 years; and the average taxable value of a residence homestead in the  
18 district in each of those years, disregarding any homestead  
19 exemption available only to disabled persons or persons 65 years of  
20 age or older;

21                   (D) the amount of tax that would have been  
22 imposed by the district in the preceding year on a residence  
23 homestead appraised at the average appraised value of a residence  
24 homestead in that year, disregarding any homestead exemption  
25 available only to disabled persons or persons 65 years of age or  
26 older;

27                   (E) the amount of tax that would be imposed by the

1 district in the current year on a residence homestead appraised at  
2 the average appraised value of a residence homestead in that year,  
3 disregarding any homestead exemption available only to disabled  
4 persons or persons 65 years of age or older, if the proposed tax  
5 rate is adopted; and

6 (F) the difference between the amounts of tax  
7 calculated under Paragraphs (D) and (E), expressed in dollars and  
8 cents and described as the annual percentage increase or decrease,  
9 as applicable, in the tax to be imposed by the district on the  
10 average residence homestead in the district in the current year if  
11 the proposed tax rate is adopted; and

12 (3) contain a statement in substantially the following  
13 form:

14 "NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

15 "If taxes on the average residence homestead increase by more  
16 than five [~~eight~~] percent, the qualified voters of the district by  
17 petition may require that an election be held to determine whether  
18 to reduce the operation and maintenance tax rate to the rollback tax  
19 rate under Section 49.236(d), Water Code."

20 (b) Notice of the hearing shall be:

21 (1) published at least once in a newspaper having  
22 general circulation in the district at least seven days before the  
23 date of the hearing; or

24 (2) mailed to each owner of taxable property in the  
25 district, at the address for notice shown on the most recently  
26 certified tax roll of the district, at least 10 days before the date  
27 of the hearing.

1 (c) The notice provided under this section may not be  
2 smaller than one-quarter page of a standard-size or tabloid-size  
3 newspaper of general circulation, and the headline on the notice  
4 must be in 18-point or larger type.

5 (d) If the governing body of a district adopts a combined  
6 debt service, operation and maintenance, and contract tax rate that  
7 would impose more than 1.05 [~~1.08~~] times the amount of tax imposed  
8 by the district in the preceding year on a residence homestead  
9 appraised at the average appraised value of a residence homestead  
10 in the district in that year, disregarding any homestead exemption  
11 available only to disabled persons or persons 65 years of age or  
12 older, the qualified voters of the district by petition may require  
13 that an election be held to determine whether [~~or not~~] to reduce the  
14 tax rate adopted for the current year to the rollback tax rate in  
15 accordance with the procedures provided by Section 26.07 [~~Sections~~  
16 ~~26.07(b)-(g) and 26.081~~], Tax Code. For purposes of Section 26.07,  
17 Tax Code, [~~Sections 26.07(b)-(g)~~] and this subsection, the rollback  
18 tax rate is the current year's debt service and contract tax rates  
19 plus the operation and maintenance tax rate that would impose 1.05  
20 [~~1.08~~] times the amount of the operation and maintenance tax  
21 imposed by the district in the preceding year on a residence  
22 homestead appraised at the average appraised value of a residence  
23 homestead in the district in that year, disregarding any homestead  
24 exemption available only to disabled persons or persons 65 years of  
25 age or older.

26 SECTION 6. The change in law made by this Act applies to the  
27 ad valorem tax rate of a taxing unit beginning with the 2006 tax

1 year. The tax rate for a tax year before the 2006 tax year is  
2 covered by the law in effect immediately before the effective date  
3 of this Act, and that law is continued in effect for that purpose.

4 SECTION 7. This Act takes effect January 1, 2006.