

By: Keffer of Eastland

H.B. No. 148

A BILL TO BE ENTITLED

AN ACT

relating to the limitation of ad valorem tax rates of school districts and other taxing units.

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

SECTION 1. Section 26.012, Tax Code, is amended by adding subdivisions (2-a) and (10-a) to read as follows:

(2-a) "Consumer price index" means the average over a calendar year of the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, or its successor in function, published monthly by the United States Bureau of Labor Statistics.

(10-a) "Inflation rate" means the amount, expressed in decimal form rounded to the nearest thousandth, computed by determining the percentage change in the consumer price index for the preceding calendar year as compared to the consumer price index for the calendar year preceding that calendar year.

SECTION 2. Section 26.04, Tax Code, is amended by adding Subsection (b-1) and amending Subsection (c) to read as follows:

(b-1) By August 1 or as soon thereafter as practicable, the comptroller shall determine the inflation rate for the current year and publish the rate in the Texas Register.

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

(1) "Effective tax rate" means a rate expressed in

1 dollars per \$100 of taxable value calculated according to the
2 following formula:

$$\begin{aligned}
& \text{EFFECTIVE TAX RATE} = \\
& \qquad \qquad \qquad (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) \\
& \qquad \qquad \qquad \text{-----} \\
& \qquad \qquad \qquad (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})
\end{aligned}$$

7 ; and

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

$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS} \\
\text{RATE} \times (1 + \text{INFLATION RATE}) [\text{1.08}]) + \text{CURRENT DEBT RATE}$$

13 SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are
14 amended to read as follows:

15 (a) In the first year in which an additional sales and use
16 tax is required to be collected, the effective tax rate and rollback
17 tax rate for the unit are calculated according to the following
18 formulas:

$$\begin{aligned}
& \text{EFFECTIVE TAX RATE} = \\
& \qquad \qquad \qquad (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) \\
& \qquad \qquad \qquad \text{-----} \\
& \qquad \qquad \qquad (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE}) \\
& \qquad \qquad \qquad - \text{SALES TAX GAIN RATE}
\end{aligned}$$

24 and

$$\begin{aligned}
& \text{ROLLBACK RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS} \\
& \text{RATE} \times (1 + \text{INFLATION RATE}) [\text{1.08}]) \\
& \qquad \qquad \qquad + \text{CURRENT DEBT RATE} - \text{SALES TAX GAIN RATE}
\end{aligned}$$

1 where "sales tax gain rate" means a number expressed in
 2 dollars per \$100 of taxable value, calculated by dividing the
 3 revenue that will be generated by the additional sales and use tax
 4 in the following year as calculated under Subsection (d) of this
 5 section by the current total value.

6 (b) Except as provided by Subsections (a) and (c) of this
 7 section, in a year in which a taxing unit imposes an additional
 8 sales and use tax the rollback tax rate for the unit is calculated
 9 according to the following formula, regardless of whether the unit
 10 levied a property tax in the preceding year:

11 ROLLBACK RATE =

12 [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE X (1 +
 13 INFLATION RATE) ~~[1.08]~~) /

14 (TOTAL CURRENT VALUE - NEW PROPERTY VALUE)] + (CURRENT
 15 DEBT RATE - SALES TAX REVENUE RATE)

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

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

1 EFFECTIVE TAX RATE =
 2 [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) / (CURRENT TOTAL
 3 VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS RATE
 4 and
 5 ROLLBACK TAX RATE =
 6 [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE X (1 +
 7 INFLATION RATE)~~[1.08]~~) /
 8 (TOTAL CURRENT VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT
 9 RATE

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

17 SECTION 4. Sections 26.08(i) and (k), Tax Code, are amended
 18 to read as follows:

19 (i) For purposes of this section, the rollback tax rate of a
 20 school district is the sum of:

21 (1) the tax rate that, applied to the current total
 22 value for the district, would impose taxes in an amount that, when
 23 added to state funds that would be distributed to the district under
 24 Chapter 42, Education Code, for the school year beginning in the
 25 current tax year using that tax rate, would provide the same amount
 26 of state funds distributed under Chapter 42 and maintenance and
 27 operations taxes of the district per student in weighted average

1 daily attendance for that school year that would have been
2 available to the district in the preceding year if the funding
3 elements for Chapters 41 and 42, Education Code, for the current
4 year had been in effect for the preceding year;

5 (2) the inflation rate [~~of \$0.06 per \$100 of taxable~~
6 ~~value~~]; and

7 (3) the district's current debt rate.

8 (k) For purposes of this section, for the 2003, 2004, 2005,
9 2006, 2007, or 2008 tax year, for a school district that is entitled
10 to state funds under Sections 1581.1015(d), (e), and (f) [~~Section~~
11 ~~4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article 3.50-9~~],
12 Insurance Code, the rollback tax rate of the district is the sum of:

13 (1) the tax rate that, applied to the current total
14 value for the district, would impose taxes in an amount that, when
15 added to state funds that would be distributed to the district under
16 Chapter 42, Education Code, for the school year beginning in the
17 current tax year using that tax rate, would provide the same amount
18 of state funds distributed under Chapter 42 and maintenance and
19 operations taxes of the district per student in weighted average
20 daily attendance for that school year that would have been
21 available to the district in the preceding year if the funding
22 elements for Chapters 41 and 42, Education Code, for the current
23 year had been in effect for the preceding year;

24 (2) the tax rate that, applied to the current total
25 value for the district, would impose taxes in the amount that, when
26 added to state funds that would be distributed to the district under
27 Chapter 42, Education Code, for the school year beginning in the

1 current tax year using that tax rate, permits the district to comply
2 with Section 1581.052 [~~3, Article 3.50-9~~], Insurance Code;

3 (3) the inflation rate [~~of \$0.06 per \$100 of taxable~~
4 ~~value~~]; and

5 (4) the district's current debt rate.

6 SECTION 5. Section 49.236, Water Code, as added by Chapters
7 248 and 335, Acts of the 78th Legislature, Regular Session, 2003, is
8 repealed.

9 SECTION 6. This Act applies beginning with the 2007 tax
10 year.

11 SECTION 7. This Act takes effect January 1, 2007.