

BILL ANALYSIS

Senate Research Center

H.B. 1006
By: Isett (Janek)
Finance
5/17/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Chapter 26 (Assessment), Tax Code, requires a taxing unit to comply with truth-in-taxation laws in adopting its tax rates. These laws serve to make taxpayers aware of tax rate proposals and to allow taxpayers, in certain cases, to roll back or limit a tax increase.

H.B. 1006 is intended to further empower and better inform local taxpayers and change the process by which higher appraisals automatically provide new tax revenue to taxing entities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.04(c), Tax Code, to redefine "rollback tax rate."

SECTION 2. Amends Sections 26.041(a), (b), and (c), Tax Code, to make conforming and nonsubstantive changes.

SECTION 3. Amends Chapter 26, Tax Code, by adding Section 26.046, as follows:

Sec. 26.046. ROLLBACK TAX RELIEF FOR UNFUNDED STATE MANDATE.
Defines "state mandate."

(b) Provides that, for purposes of this section, a state mandate is considered to be unfunded during any period for which the state has not provided, by legislative appropriation or otherwise, for the affected taxing unit to receive state or federal funds in an amount estimated to be sufficient to meet the cost of complying with or implementing the mandate. Provides that, if the legislature provides for funds by authorizing or requiring an affected taxing unit to collect a regulatory or user fee that the state will impose or that a taxing unit is authorized to impose on persons who engage in an activity that is the subject of or is directly connected to the subject of the state mandate, the anticipated revenue from the fee is considered for purposes of this section to be funds provided by the state to pay for the costs of the state mandate.

(c) Provides that this section does not apply to certain mandates, statutes, or decisions.

(d) Provides that the effective tax rate and the rollback tax rate for a taxing unit calculated under any other provision of this chapter are increased by the rate that, if applied to current total value, would impose an amount of taxes equal to the amount the taxing unit is required to spend to comply with or implement an unfunded state mandate in the budget year for which the taxes will be imposed. Authorizes, if the taxing unit is a county or a municipality, in the formula for calculating the rollback tax rate under any other provision of this chapter, the governing body of the taxing unit, at its option, to substitute the sum of 1 plus the consumer price index percentage change, if any, not to exceed eight percent, for 1.05. Provides that, for a county or municipality that elects to make the

substitution in the calculation of its rollback tax rate as authorized by this subsection, notwithstanding Section 26.07(b)(2), a petition authorized by Section 26.07(a) is valid only if it is signed by a number of registered voters of the county or municipality equal to at least 10 percent of the number of registered voters of the taxing unit according to the most recent official list of registered voters. Requires the state auditor, not later than July 1 of each year, to determine the consumer price index percentage change and publish that change in the Texas Register. Defines "consumer price index" and "consumer price index percentage change."

(e) Provides that, in each subsequent year that the taxing unit adopts a tax rate, if the amount the taxing unit is required to spend to comply with or implement the unfunded state mandate is greater than the amount required to be spent for the mandate in the preceding year, the effective tax rate and the rollback tax rate for the taxing unit are increased by the rate that, if applied to current total value, would impose an amount of taxes equal to the increase in the amount required to be spent to comply with or implement the mandate in that year.

(f) Requires a taxing unit to include a notice of an increase in the effective tax rate and the rollback tax rate made as provided by this section, including a description of and the estimated amount of the unfunded state mandate, in the information published under Sections 26.04 and 26.06 of this code, Section 44.004 (Notice of Budget and Tax Rate Meeting; Budget Adoption), Education Code, or Section 49.236 (Notice of Tax Hearing), Water Code.

(g) Requires the comptroller of public accounts (comptroller), on or before the September 1 following a regular session of the legislature and on or before the 90th day after the last day of a special session of the legislature, to publish a list of legislative mandates for which the legislature has not provided reimbursement as provided by Subsection (b) and that were enacted by the legislature during that legislative session. Requires the comptroller take certain actions relating to the list of legislative mandates by that same date.

(h) Requires the comptroller to deliver the list prepared under Subsection (g) to the secretary of state for publication in the Texas Register.

(i) Requires a taxing unit that believes it is subject to an unfunded state mandate that is not listed by the comptroller under Subsection (g) to apply in writing to the comptroller for a determination as to whether the taxing unit is subject to an unfunded state mandate. Requires the comptroller to make the determination as soon as practicable and send a copy of the determination to the chief executive officer of the taxing unit. Requires the comptroller, if the comptroller determines that an unfunded mandate exists, to add the unfunded mandate to the list published under Subsection (g) as soon as practicable and deliver a notice of the addition to the secretary of state for publication in the Texas Register.

SECTION 4. Amends Section 26.05, Tax Code, by amending Subsection (d) and adding Subsection (g), as follows:

(d) Makes changes to conform to the addition of Subsection (g).

(g) Provides that this subsection applies only to a county or municipality for which the total tax rate proposed for the current tax year would impose taxes for maintenance and operations in an amount of \$5 million or more when applied to the current total value for the county or municipality. Prohibits the governing body of the county or municipality from adopting a tax rate that exceeds 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 26.06 and 26.065. Requires the governing body of a county or municipality to which this subsection applies to reduce a tax rate set by law or by vote of the electorate to the effective tax rate and prohibits the governing body of a

county or municipality to which this subsection applies from adopting a higher rate unless it first complies with Section 26.06.

SECTION 5. Amends Section 26.06, Tax Code, by amending Subsections (b), (d), and (e) and adding Subsection (h), as follows:

(b) Prohibits the notice of a public hearing to be conducted by the governing body of a taxing unit other than a county or a municipality to which Section 26.05(g) applies from being smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. Sets forth and amends the text of the notice and the information required to be included in the notice. Makes conforming changes.

(d) Amends the text included in the notice described in this subsection and makes a conforming change.

(e) Requires the governing body of a county or a municipality to which Section 26.05(g) applies, if it does not adopt a tax rate that exceeds the effective tax rate by the 14th day, to give a new notice under Subsection (d) before it is authorized to adopt a rate that exceeds the effective tax rate. Makes a conforming change.

(h) Provides that this subsection applies only to a county or a municipality to which Section 26.05(g) applies. Provides that Subsections (b) and (d) govern the notice of the public hearing to be conducted by the governing body of the county or municipality and the notice of the meeting of the governing body to vote on the tax rate, except that the statement otherwise required by Subsection (b)(1) must be written in a certain form and the notice required by Subsection (d) must state certain information in a certain manner.

SECTION 6. Amends Section 26.065(d), Tax Code, to make a conforming change.

SECTION 7. Amends the heading to Section 26.07, Tax Code, to read as follows:

Sec. 26.07. ELECTION TO REPEAL INCREASE OF TAXING UNIT OTHER THAN SCHOOL DISTRICT.

SECTION 8. Amends Section 26.07(b), Tax Code, to provide that a petition [for an election to reduce an adopted tax rate] is only valid if it is signed by a number of registered voters of the taxing unit equal to at least 10 percent of the number of registered voters of the taxing unit who voted in the most recent gubernatorial election according to the most recent official list of registered voters.

SECTION 9. Amends Chapter 26, Tax Code, by adding Section 26.071, as follows:

Sec. 26.071. ELECTION TO REPEAL INCREASE OF TAX RATE IN CERTAIN TAXING UNITS. (a) Provides that this section applies only to a junior college district or a county or municipality that meets certain criteria.

(a-1) Provides that Sections 26.07 and 26.08 do not apply to a taxing unit to which this section applies.

(a-2) Requires, in a formula provided by this chapter for the calculation of the rollback tax rate of a county or municipality to which this section applies, 1.08 to be substituted for 1.05.

(b) Authorizes, if the governing body of a junior college district adopts a tax rate that exceeds the rollback tax rate calculated as provided by this chapter, the qualified voters of the district by petition to require that an election be held to determine whether to reduce the tax rate adopted for the current year to the rollback tax rate calculated as provided by this chapter.

(c) Sets forth the conditions under which a petition is valid.

(d) Requires the governing body, not later than the 20th day after the day a petition is submitted, to determine whether the petition is valid and pass a resolution stating its finding. Provides that, if the governing body fails to act within the time allowed, the petition is treated as if it had been found valid.

(e) Requires the governing body, if it finds that the petition is valid (or fails to act within the time allowed), to order that an election be held in the junior college district on a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition. Provides that a state law requiring local elections to be held on a specified date does not apply to the election unless a specified date falls within the time permitted by this section. Requires the ballots, at the election, to be prepared to permit voting for or against the proposition and sets forth appropriate language for the ballot.

(f) Provides that, if a majority of the qualified voters voting on the question in the election favor the proposition, the tax rate for the junior college district for the current year is the rollback tax rate calculated as provided by this chapter; otherwise, the tax rate for the current year is the one adopted by the governing body.

(g) Requires the assessor for the junior college district, if the tax rate is reduced by an election called under this section after tax bills for the unit are mailed, to prepare and mail corrected tax bills. Requires the collector to include with the bill a brief explanation of the reason for and effect of the corrected bill. Provides that the date on which the taxes become delinquent for the year is extended by a number of days equal to the number of days between the date the first tax bills were sent and the date the corrected tax bills were sent.

(h) Requires the junior college district, if a property owner pays taxes calculated using the higher tax rate when the rate is reduced by an election called under this section, to refund the difference between the amount of taxes paid and the amount due under the reduced rate if the difference between the amount of taxes paid and the amount due under the reduced rate is \$1 or more. Requires the junior college district, if the difference between the amount of taxes paid and the amount due under the reduced rate is less than \$1, to refund the difference on request of the taxpayer. Requires an application for a refund of less than \$1 to be made within 90 days after the date the refund becomes due or the taxpayer forfeits the right to the refund.

(i) Provides that Section 33.08(b) (relating to the governing body of a taxing unit's ability to make certain taxes delinquent) applies to a tax bill sent under Subsection (g).

(j) Provides that Sections 31.12(a) and (b) (relating to liability and refund) apply to a refund due under Subsection (h). Provides that liability for the refund arises on the date the election is canvassed.

SECTION 10. Amends Section 49.236, Water Code, as added by Chapters 248 and 335, Acts of the 78th Legislature, Regular Session, 2003, to make conforming changes.

SECTION 11. (a) Provides that the change in law made by this Act applies to the ad valorem tax rate of a taxing unit beginning with the 2005 tax year, except as provided by Subsection (b) of this section.

(b) Provides that if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2005 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 taxing unit beginning with the 2006 tax year, and the law in effect when the tax rate was adopted applies to the 2005 tax year with respect to that taxing unit.

SECTION 12. Effective date: upon passage or the 91st day after adjournment.