BILL ANALYSIS

BACKGROUND AND PURPOSE

Chapter 26 of the Property Tax Code requires a taxing unit to comply with truth-in-taxation laws in adopting their tax rates. These laws have two purposes: 1) to make taxpayers aware of tax rate proposals, and 2) to allow taxpayers, in certain cases, to roll back or limit a tax increase. The goal of C.S.H.B. 1006 is 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

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

In Section 26.04(c) of the Tax Code, the bill alters the formula for a taxing unit's rollback tax rate. The rollback tax rate is any rate equal to or greater than (Effective maintenance and operations (M&O) rate X 1.03) + current debt rate but not exceeding (Effective M&O rate X 1.05) + current debt rate. The bill provides for a "super rollback tax rate," which is any rate equal to or greater than (Effective maintenance and operations (M&O) rate X 1.05) + current debt rate. The bill makes conforming changes in Section 26.041 of the Tax Code and other sections of the Tax Code.

The bill prohibits a county or municipality, for which the total tax rate proposed for the current tax year would impose taxes in an amount of $5 million or more when applied to the current total value for the county or municipality, from adopting a tax rate that exceeds the effective tax rate 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 of the Tax Code. The bill requires such a governing body to reduce a tax rate set by law or by vote of the electorate to the effective tax rate and prohibits the body from adopting a higher rate unless it first complies with Section 26.06.

If such a county or municipality does not adopt a tax rate that exceeds the effective tax rate by the 14th day after holding a public hearing required by the bill, it must give new notice before it may adopt a rate that exceeds the effective tax rate. The bill sets forth the notice and hearing requirements for such counties or municipalities.

The bill authorizes voters of a taxing unit by rollback petition to require that a rollback election be held if the governing body of the taxing unit adopts a tax rate that exceeds the rollback tax rate or super rollback tax rate. If the governing body adopts a tax rate that exceeds the super rollback tax rate, the qualified voters of the taxing unit by super rollback petition may require that a super rollback election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The bill changes what is required in a rollback petition by requiring signatures that equal to at least 10 percent of the number of registered voters of the taxing unit who voted in the most recent gubernatorial election. The bill further requires that super rollback petition (1) state that it is intended to require an election in the taxing unit on the question of reducing the tax rate for the current year, (2) is signed by a number of registered voters of the taxing unit equal to at least 5 percent of the number of registered voters of the taxing unit who voted in the most recent gubernatorial election, and (3) is submitted to the governing body on or before the 90th day after the date on which the governing body adopted the tax rate for the current year.

The bill alters the notice requirements for a water district board that implements an ad valorem tax rate. The bill lowers the threshold the district may adopt a tax before voters may petition for a rate reduction from 1.08 times the amount of tax imposed by the district in the preceding year to 1.03 times the amount of tax imposed by the district in the preceding year.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect on August 29, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute differs from the original by changing the rollback tax rate to "any rate equal to or greater than (Effective maintenance and operations (M&O) rate X 1.03) + current debt rate but not exceeding (Effective M&O rate X 1.05) + current debt rate" and by adding the super rollback tax rate.

The substitute differs from the original bill by changing what is required in a rollback petition and by adding the requirements for a super rollback petition.

The substitute removes from the original bill provisions requiring automatic voter approval.

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