

BILL ANALYSIS

S.B. 18
By: Williams
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

S.B. 18 addresses state requirements for public notification when a taxing jurisdiction proposes increasing its property tax rate. Currently, a local government (other than a public school district) must publish notice in a newspaper and hold a public hearing before it may adopt a tax rate exceeding 103 percent of the rate necessary to generate the previous year's tax revenue using the current year's appraised value (the "effective tax rate").

S.B. 18 compels a taxing jurisdiction, if proposing any increase in the rate above the effective tax rate, to hold two public hearings in two separate weeks. This ensures property taxpayers have adequate notification and an opportunity to hold their elected officials to a higher level of accountability on the total amount of property taxes being assessed.

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

S.B. 18 requires the vote on the ordinance, resolution, or order setting an ad valorem tax rate that exceeds the effective tax rate to be a record vote. The bill sets forth the form by which a motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the effective tax rate must be made.

The bill sets forth certain notice requirements if the ordinance, resolution, or order sets a tax rate that, if applied to the total taxable value, will impose an amount of taxes to fund maintenance and operation (M&O) expenditures of the taxing unit that exceeds the amount of taxes imposed for that purpose in the preceding year.

The bill prohibits the governing body of a taxing unit other than a school district from adopting a tax rate that exceeds the lower of the rollback tax rate or effective tax rate until the governing body has held two public hearings on the proposed rate. The bill provides that the second hearing may not be held earlier than the third day after the date of the first hearing. The bill sets forth how the notice of the public hearing must read. If the taxing unit operates an Internet website, the bill requires the notice to be posted on the website. If the governing body does not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate by the 14th day after the second hearing, the governing body must give new notice before it may adopt a rate that exceeds the lower of the rollback tax rate or the effective tax rate. The bill sets forth what must be contained in an Internet notice posting.

The bills requires that a rollback election petition be signed by a number of registered voters of the taxing unit equal to at least 7% of the number of registered voters of the taxing unit if the tax rate adopted for the current tax year would impose taxes for M&O in an amount of at least \$5 million or 10% of the registered voters of the taxing unit if the tax rate adopted for the current tax year would impose taxes for M&O in an amount of less than \$5 million.

The bill requires that a tax bill: (1) for real property, state for the current tax year and each of the preceding 5 tax years:

- (A) the appraised value and taxable value of the property;

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(B) the total tax rate for the unit;
(C) the amount of taxes imposed on the property by the unit; and
(D) the difference, expressed as a percent increase or decrease, as applicable, in the amount of taxes imposed on the property by the unit compared to the amount imposed for the preceding tax year;

(2) for real property, state the differences, expressed as a percent increase or decrease, as applicable, in the following for the current tax year as compared to the fifth tax year before that tax year:

- (A) the appraised value and taxable value of the property;
 - (B) the total tax rate for the unit; and
 - (C) the amount of taxes imposed on the property by the unit; and
- (3) include any other information required by the comptroller.

The bill repeals the section of the Tax Code that requires the Comptroller to prescribe the language and format to be used in the part of the notice required by Subsection (b)(2) of Section 26.06 of the Tax Code and that requires conformity with that language and format.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.