

By: Laubenberg

H.B. No. 1881

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the calculation of the rollback tax rate of a taxing
3 unit other than a school district.

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

5 SECTION 1. Section 26.04(c), Tax Code, is amended to read as
6 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. Sections 26.041(a), (b), and (c), Tax Code, are
22 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 = $\frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})]}{1}$ - SALES TAX GAIN RATE

4 and

5
 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 = $\frac{[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times \text{1.05} [\text{1.08}]) / ((\text{TOTAL} [\text{TOTAL}] \text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE}))]}{1}$ +
 19
 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. Sections 49.236(a) and (d), Water Code, as added
20 by Chapter 335, Acts of the 78th Legislature, Regular Session,
21 2003, are amended to read as follows:

22 (a) Before the board adopts an ad valorem tax rate for the
23 district for debt service, operation and maintenance purposes, or
24 contract purposes, the board shall give notice of each meeting of
25 the board at which the adoption of a tax rate will be considered.
26 The notice must:

27 (1) contain a statement in substantially the following

1 form:

2 "NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

12 (2) contain the following information:

13 (A) the district's total adopted tax rate for the
14 preceding year and the proposed tax rate, expressed as an amount per
15 \$100;

16 (B) the difference, expressed as an amount per
17 \$100 and as a percent increase or decrease, as applicable, in the
18 proposed tax rate compared to the adopted tax rate for the preceding
19 year;

20 (C) the average appraised value of a residence
21 homestead in the district in the preceding year and in the current
22 year; the district's total homestead exemption, other than an
23 exemption available only to disabled persons or persons 65 years of
24 age or older, applicable to that appraised value in each of those
25 years; and the average taxable value of a residence homestead in the
26 district in each of those years, disregarding any homestead
27 exemption available only to disabled persons or persons 65 years of

1 age or older;

2 (D) the amount of tax that would have been
3 imposed by the district in the preceding year on a residence
4 homestead appraised at the average appraised value of a residence
5 homestead in that year, disregarding any homestead exemption
6 available only to disabled persons or persons 65 years of age or
7 older;

8 (E) the amount of tax that would be imposed by the
9 district in the current year on a residence homestead appraised at
10 the average appraised value of a residence homestead in that year,
11 disregarding any homestead exemption available only to disabled
12 persons or persons 65 years of age or older, if the proposed tax
13 rate is adopted; and

14 (F) the difference between the amounts of tax
15 calculated under Paragraphs (D) and (E), expressed in dollars and
16 cents and described as the annual percentage increase or decrease,
17 as applicable, in the tax to be imposed by the district on the
18 average residence homestead in the district in the current year if
19 the proposed tax rate is adopted; and

20 (3) contain a statement in substantially the following
21 form:

22 "NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

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

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

21 SECTION 4. Section 49.236, Water Code, as added by Chapter
22 248, Acts of the 78th Legislature, Regular Session, 2003, is
23 repealed.

24 SECTION 5. The changes in law made by this Act apply to the
25 adoption of an ad valorem tax rate by a taxing unit beginning with
26 the 2006 tax year.

27 SECTION 6. This Act takes effect January 1, 2006.