

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**March 30, 2005**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: SB18** by Williams (Relating to the adoption of an ad valorem tax rate by a taxing unit other than a school district.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would reduce the factor used for calculating a taxing unit's rollback tax rate to 1.05 from 1.08, for all taxing units except school districts.

In addition, the bill would change the effective tax rate calculation for taxing units other than school districts and water districts to eliminate the inclusion of lost property levy and new property value in the calculation.

The bill would change the effective tax rate calculation for taxing units, other than school districts and water districts, that impose an additional sales and use tax to reduce property taxes, to eliminate the inclusion of lost property levy and new property value in the calculation.

The bill would require the governing body of a taxing unit other than a school district and water district to hold a public hearing for any proposed property tax increase above the lower of the rollback rate or the effective tax rate. The bill would require a taxing unit other than a school district and water district to receive voter approval to adopt a tax rate that exceeded the rollback rate.

The bill would provide that if the water district's governing body proposes a tax rate that would increase taxes on the average homestead from the preceding year by more than five percent, an election would be called. If voters did not approve the increase, the taxing unit could not adopt a tax rate for the current year that exceeded the rollback rate. The amendment would also change the public notice requirements to conform to a mandatory rollback election.

The bill would repeal Section 49.236 of the Water Code, as added by Chapter 248, Acts of the 78th Legislature, Regular Session, 2003.

Since the bill would not apply to school districts, no fiscal impact to the State is anticipated.

**Local Government Impact**

Since the bill would reduce the maintenance and operation rollback rate and change the effective tax rate calculation, it may provide an incentive for the applicable taxing units to set future tax rates at a lower amount than the taxing units might approve under current law.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, SD, WP, DLBe