

BILL ANALYSIS

C.S.H.B. 1221
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Taxpayers are frustrated with high property taxes and are often unclear how their final tax bill is calculated. Rather than contacting the taxing entities who establish the tax rate, taxpayers contact the appraisal office to complain.

C.S.H.B. 1221 revises the procedures for notification by tax officials of property tax rates, rate calculation, tax increases, and certain other information related to property appraisals and taxes.

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

C.S.H.B. 1221 amends the Tax Code to remove from the information required to be included in the annual notice of a single-family residence's appraised value sent to a property owner by a chief appraiser the amount of tax that would be imposed on the property on the basis of the tax rate for the preceding year if the appraised value is greater than it was the preceding year. The bill changes the deadline by which a taxing unit's assessor is required to submit the appraisal roll and the collector is required to certify an estimate of the current year's collection rate to the taxing unit's governing body from August 1 or as soon thereafter as practicable to not later than the 21st day after the date the appraisal roll is certified to the assessor. The bill sets a deadline by which an officer or employee designated by a governing body of a taxing unit is required to calculate the effective tax rate, the same services tax rate, and the rollback tax rate at not later than the 30th day after the date the appraisal roll is certified to the assessor. The bill establishes the same services tax rate and provides the formula by which the rate is to be calculated.

C.S.H.B. 1221 changes the deadline by which a designated officer or employee is required to submit the tax rates to the governing body from August 7 or as soon thereafter as practicable to not later than the fifth day after the date the designated officer or employee completes the calculations of the tax. The bill clarifies that the designated officer or employee is required to provide to the chief appraiser in the form prescribed by the comptroller of public accounts the effective tax rate, the same services tax rate, the rollback tax rate, and an explanation of how they were calculated. The bill requires a designated officer, at least 14 days before the date of the first meeting of the governing body to consider the budget for the current tax year, to deliver by mail to each property owner in the unit or publish in a newspaper in the form prescribed by the comptroller the preceding year's tax rate, the same services tax rate, the tax rate required to fund the budget for the current tax year, and an explanation of their meaning and how they were calculated, rather than information on the effective tax rate, the rollback tax rate, and an explanation of how they were calculated. The bill adds to the information required to be delivered or published by the designated officer or employee a statement relating to how the tax liability of a parcel of taxable property can be derived and a statement that adoption by the governing body of a tax rate for the current year that is higher than the same services tax rate

will constitute an overall tax increase. The bill removes from the information required to be delivered or published by the designated officer or employee information relating to estimated unencumbered fund balances of the taxing unit remaining at the end of the current fiscal year, a schedule of the unit's debt obligations, the amount of anticipated additional sales and use tax revenue, a statement relating to the amount of an increase or decrease in the amount of taxes imposed based on the adoption of a tax rate relative to the effective tax rate, a schedule of adjustments relating to the transfer of a department, function, or activity between taxing units, and a schedule of spent revenue in a year following the year in which a taxing unit raised its rollback rate.. The bill defines "last year's maintenance and operations levy," "last year's maintenance and operations rate," and "same services tax rate."

C.S.H.B. 1221 provides the formulas for the calculation of the same services tax rate in the first year in which an additional sales and use tax is required to be collected by a taxing unit and in a year in which a taxing unit that has been imposing an additional sales and use tax ceases to impose the additional tax. The bill provides the formulas for the calculation of the same services tax rate in the first year in which additional sales and use tax is decreased by a taxing unit for purposes of revenue projections required to be made by the designated officer or employee.

C.S.H.B. 1221 changes the deadline by which a governing body is required to adopt a tax rate for the current tax year to before the later of September 30 or the 90th day, rather than the 60th day, after the date the certified appraisal roll is received by the taxing unit. The bill modifies the computation of one of the two components that together comprise the tax rate for a taxing unit other than a school district. The bill specifies that the provision establishing the tax rate for the taxing unit applies if the designated officer or employee does not provide the rate and schedule information to the chief appraiser by the date required due to circumstances beyond the designated officer's or employee's control, such as a natural disaster, rather than if the governing body does not adopt a tax rate before the required date.

C.S.H.B. 1221 clarifies that the governing body of a taxing unit is prohibited from adopting a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate calculated until the chief appraiser has delivered the required notice to property owners and the governing body has complied with requirements relating to a vote to consider a tax increase. The bill requires the governing body of a taxing unit, before giving notice of the public hearings on a proposed tax rate increase, to take a record vote on a proposal to place consideration of the increase on the agenda for the meeting at which the governing body will adopt the tax rate. The bill prescribes the form of the motion for the vote. The bill adds a statement relating to how the amount of taxes on a parcel of taxable property can be derived to the statements prescribed to be included in the notice of a public hearing on a tax increase.

C.S.H.B. 1221 makes conforming changes to include references to the same services tax rate in provisions listing other tax rates and to substitute references to same services tax rate for references to the effective tax rate in provisions prescribing the content of certain notices relating to property taxes. The bill makes its provisions applicable to a tax year beginning after the bill's effective date.

C.S.H.B. 1221 repeals Sections 26.044(c) and 26.441(c), Tax Code, requiring a taxing unit to include a description and amount of the state criminal justice mandate and of the enhanced indigent health care expenditures in the notice required to be delivered or published by the designated officer or employee.

EFFECTIVE DATE

January 1, 2010.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1221 differs from the original by adding definitions not included in the original for "last year's maintenance and operations levy" and "last year's maintenance and operations rate." The substitute differs from the original by establishing the same services tax rate and providing the formulas by which the rate is calculated.

C.S.H.B. 1221 differs from the original by changing the deadline by which notice of certain property tax information is delivered to each owner of property in the taxing unit from the 10th day after the date the chief appraiser receives information required to be provided to the appraiser by the designated officer or employee as in the original to at least 14 days before the date of the first meeting of the governing body to consider the budget for the current tax year. The substitute differs from the original by requiring the designated officer or employee to deliver the required information by mail to each property owner in the unit or to publish the information in a newspaper, whereas the original requires the chief appraiser to deliver a clear and understandable written notice containing the required information. The substitute differs from the original by removing information relating to estimated unencumbered fund balances of the taxing unit remaining at the end of the current fiscal year, a schedule of the unit's debt obligations, the amount of anticipated additional sales and use tax revenue, a statement relating to the amount of an increase or decrease in the amount of taxes imposed based on the adoption of a tax rate relative to the effective tax rate, a schedule of adjustments relating to the transfer of a department, function, or activity between taxing units, and a schedule of spent revenue in a year following the year in which a taxing unit raised its rollback rate from the information required to be included in the delivered or published notice, whereas the original requires that information to be provided by the designated officer or employee to the chief appraiser and to each owner of property in the taxing unit.

C.S.H.B. 1221 requires the delivered or published notice to include information relating to the preceding year's tax rate, the same services tax rate, the tax rate required to fund the budget for the current tax year, and an explanation of their meaning and how they were calculated, a statement relating to how the tax liability of a parcel of taxable property can be derived, and a statement that adoption by the governing body of a tax rate for the current year that is higher than the same services tax rate will constitute an overall tax increase, whereas the original requires the notice to include information relating to the taxing units in which the property is taxable, the appraised value of the property for the current year and any approved partial exemption for the current year, the amount of tax that would be imposed based on the effective and rollback tax rates provided to the chief appraiser, the same information required to be provided to the chief appraiser by the designated officer or employee except for rate and rate calculation information, an explanation of how a taxpayer may provide input on the adoption of a tax rate, and an explanation that the governing body of the taxing unit decides whether taxes will increase and the appraisal district only determines the value of property.

C.S.H.B. 1221 differs from the original by modifying the computation of one of the components used to determine the tax rate for a taxing unit other than a school district. The substitute differs from the original by adding a statement to the notice of a public hearing on a tax increase about how the taxes on a parcel of taxable property can be derived. The substitute repeals provisions not repealed by the original.

C.S.H.B. 1221 differs from the original by making conforming changes not included in the original relating to the establishment of the same services tax rate.