

BILL ANALYSIS

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S.B. 720
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texans pay more in property taxes than in any other tax, with levies totaling \$35.6 billion in 2006. City and county taxes account for roughly \$5.3 billion, or 15 percent each, while special districts amount to \$4 billion, or 11 percent, of the total. From 1982 to 2006, county and city taxes increased by 358 percent and 292 percent, respectively. Additionally, since 2005, the average annual tax growth in cities and counties has accelerated to roughly 11 to 12 percent, well above the 3/6 percent inflation increases in the municipal cost index and the 2.2 percent average annual Texas population growth. Current Texas law requires each taxing unit to calculate and publish a rollback tax rate. The rollback tax rate provides the taxing unit approximately the same amount of revenue it spent the previous year for day-to-day operations plus an extra eight percent cushion, and sufficient funds to pay its debts in the coming year. The rollback tax rate is commonly referred to as a revenue cap. Lowering the cap from eight percent to five percent will provide property taxpayers some relief from their overall tax burden by limiting the rate local taxing jurisdictions may set to raise revenue.

As proposed, S.B. 720 amends current law relating to the calculation of the ad valorem rollback tax rates of certain taxing units.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.04, Tax Code, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Requires an officer or employee designated by the governing body to calculate the effective tax rate and the rollback rate for the unit where those rates have a certain meaning. Redefines "rollback tax rate."

(c-1) Authorizes a designated officer or employee, notwithstanding any other provision of this section, to substitute "1.08" for "1.05" in the calculation of the rollback tax rate if:

- (1) any part of the taxing unit is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or
- (2) the governing body finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the taxing unit.

(c-2) Provides that a finding under Subsection (c-1)(2) is not valid unless the finding:

- (1) is in the form of a resolution adopted by the governing body of the taxing unit;
- (2) includes a description of the harm to residents of the taxing unit that would occur if the taxing unit were subject to a five percent rollback tax rate; and

(3) is approved by a record vote taken at a public meeting of the governing body.

SECTION 2. Amends Section 26.041, Tax Code, by amending Subsections (a)–(c) and adding Subsections (c-1) and (c-2), as follows:

(a)-(c) Makes conforming changes.

(c-1) Authorizes a designated officer or employee, notwithstanding any other provision of this section, to substitute "1.08" for "1.05" in the calculation of the rollback tax rate if:

(1) any part of the taxing unit is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or

(2) the governing body finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the taxing unit.

(c-2) Provides that a finding under Subsection (c-1)(2) is not valid unless the finding is in compliance with Section 26.04(c-2).

SECTION 3. Reenacts Section 49.236, Water Code, as added by Chapters 248 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, and amends it, as follows:

Sec. 49.236. NOTICE OF TAX HEARING. (a) Requires the governing body of a district (board), before the board adopts an ad valorem tax rate for the district for debt service, operation and maintenance purposes, or contract purposes, to give notice of each meeting of the board at which the adoption of a tax rate will be considered. Sets forth the required language and content of the notice.

(b)-(c) Makes no changes to these subsections.

(d) Authorizes the qualified voters of the district by petition, if the board adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05, rather than 1.08, times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, to require that an election be held to determine whether to reduce the tax rate adopted for the current year to the rollback tax rate in accordance with the procedures provided by Sections 26.07(b) (relating to the conditions of a valid petition to reduce the tax rate), (c) (relating to a date to determine whether a petition is valid), (d) (relating to ordering an election), (e) (relating to the tax rate after the election), (f) (relating to preparing and mailing corrected tax bills), and (g) (relating to a tax refund) and 26.081 (Petition Signatures), Tax Code. Provides that, for purposes of Sections 26.07(b)-(g) and this subsection, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.05, rather than 1.08, times the amount of the operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older. Makes a nonsubstantive change.

(e) Authorizes the board, notwithstanding any other provision of this section, to substitute "eight percent" for "five percent" in Subsection (a) and "1.08" for "1.05" in Subsection (d) if:

(1) any part of the district is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or

(2) the board finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the district.

(f) Provides that a finding under Subsection (e)(2) is not valid unless the finding is in compliance with Section 26.04(c-2), Tax Code.

SECTION 4. (a) Provides that the change in law made by this Act applies to the ad valorem tax rate of a taxing unit beginning with the 2011 tax year, except as provided by Subsection (b) of this section.

(b) Provides that, if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2011 tax year before the effective date of this Act, the change in law made by this Act applies to the ad valorem tax rate of that taxing unit beginning with the 2012 tax year, and the law in effect when the tax rate was adopted applies to the 2011 tax year with respect to that taxing unit.

SECTION 5. Effective date: upon passage or 91 days after adjournment.