

By: Huberty

H.B. No. 868

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 26.012, Tax Code, is amended by adding  
6 Subdivisions (2-a) and (10-a) to read as follows:

7 (2-a) "Consumer price index" means the index that the  
8 comptroller considers to most accurately report changes in the  
9 purchasing power of the dollar for consumers in this state.

10 (10-a) "Inflation rate" means the amount, expressed in  
11 decimal form rounded to the nearest thousandth, computed by  
12 determining the percentage change in the consumer price index for  
13 the most recent 12-month period for which the index can be  
14 determined as compared to the consumer price index for the 12-month  
15 period preceding that period.

16 SECTION 2. Chapter 26, Tax Code, is amended by adding  
17 Section 26.013 to read as follows:

18 Sec. 26.013. INFLATION RATE. By July 1 or as soon  
19 thereafter as practicable, the comptroller shall determine the  
20 inflation rate for the current year and publish that rate in the  
21 Texas Register.

22 SECTION 3. Section 26.04(c), Tax Code, is amended to read as  
23 follows:

24 (c) An officer or employee designated by the governing body

1 shall calculate the effective tax rate and the rollback tax rate for  
 2 the unit, where:

3 (1) "Effective tax rate" means a rate expressed in  
 4 dollars per \$100 of taxable value calculated according to the  
 5 following formula:

6 EFFECTIVE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
 7 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)

8 ; and

9 (2) "Rollback tax rate" means a rate expressed in  
 10 dollars per \$100 of taxable value calculated according to the  
 11 following formula:

12 ROLLBACK TAX RATE = [~~(~~EFFECTIVE MAINTENANCE AND OPERATIONS RATE  
 13 x (1 + LESSER OF INFLATION RATE OR 0.05 [~~1.08~~])] + CURRENT DEBT RATE

14 SECTION 4. Sections 26.041(a), (b), and (c), Tax Code, are  
 15 amended to read as follows:

16 (a) In the first year in which an additional sales and use  
 17 tax is required to be collected, the effective tax rate and rollback  
 18 tax rate for the unit are calculated according to the following  
 19 formulas:

20 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
 21 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] - SALES TAX GAIN RATE

22 and

23 ROLLBACK TAX RATE = [~~(~~EFFECTIVE MAINTENANCE AND OPERATIONS RATE  
 24 x (1 + LESSER OF INFLATION RATE OR 0.05 [~~1.08~~])] + CURRENT DEBT RATE  
 25 - SALES TAX GAIN RATE

26 where "sales tax gain rate" means a number expressed in dollars per  
 27 \$100 of taxable value, calculated by dividing the revenue that will

1 be generated by the additional sales and use tax in the following  
 2 year as calculated under Subsection (d) [~~of this section~~] by the  
 3 current total value.

4 (b) Except as provided by Subsections (a) and (c) [~~of this~~  
 5 ~~section~~], in a year in which a taxing unit imposes an additional  
 6 sales and use tax the rollback tax rate for the unit is calculated  
 7 according to the following formula, regardless of whether the unit  
 8 levied a property tax in the preceding year:

9 ROLLBACK TAX RATE =  $\frac{[\leftarrow] \text{LAST YEAR'S MAINTENANCE AND OPERATIONS}$   
 10  $\text{EXPENSE} \times (1 + \text{LESSER OF INFLATION RATE OR } 0.05 \text{ [1.08]})}{([\text{TOTAL}]$   
 11  $\text{CURRENT } \underline{\text{TOTAL VALUE}} - \text{NEW PROPERTY VALUE})] + (\text{CURRENT DEBT RATE} -$   
 12  $\text{SALES TAX REVENUE RATE})$

13 where "last year's maintenance and operations expense" means the  
 14 amount spent for maintenance and operations from property tax and  
 15 additional sales and use tax revenues in the preceding year, and  
 16 "sales tax revenue rate" means a number expressed in dollars per  
 17 \$100 of taxable value, calculated by dividing the revenue that will  
 18 be generated by the additional sales and use tax in the current year  
 19 as calculated under Subsection (d) [~~of this section~~] by the current  
 20 total value.

21 (c) In a year in which a taxing unit that has been imposing  
 22 an additional sales and use tax ceases to impose an additional sales  
 23 and use tax the effective tax rate and rollback tax rate for the  
 24 unit are calculated according to the following formulas:

25  $\text{EFFECTIVE TAX RATE} = \frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$   
 26  $(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] + \text{SALES TAX LOSS RATE}$

27 and

1 ROLLBACK TAX RATE =  $\frac{[\leftarrow] \text{LAST YEAR'S MAINTENANCE AND OPERATIONS}$   
2  $\text{EXPENSE} \times (1 + \text{LESSER OF INFLATION RATE OR } 0.05 \text{ [1.08]})}{([\text{TOTAL}]$   
3  $\text{CURRENT } \underline{\text{TOTAL}} \text{ VALUE} - \text{NEW PROPERTY VALUE})] + \text{CURRENT DEBT RATE}$

4 where "sales tax loss rate" means a number expressed in dollars per  
5 \$100 of taxable value, calculated by dividing the amount of sales  
6 and use tax revenue generated in the last four quarters for which  
7 the information is available by the current total value and "last  
8 year's maintenance and operations expense" means the amount spent  
9 for maintenance and operations from property tax and additional  
10 sales and use tax revenues in the preceding year.

11 SECTION 5. Section 49.236, Water Code, as added by Chapters  
12 248 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature,  
13 Regular Session, 2003, is reenacted and amended to read as follows:

14 Sec. 49.236. NOTICE OF TAX HEARING. (a) Before the board  
15 adopts an ad valorem tax rate for the district for debt service,  
16 operation and maintenance purposes, or contract purposes, the board  
17 shall give notice of each meeting of the board at which the adoption  
18 of a tax rate will be considered. The notice must:

19 (1) contain a statement in substantially the following  
20 form:

21 "NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

4           (2) contain the following information:

5                   (A) the district's total adopted tax rate for the  
6 preceding year and the proposed tax rate, expressed as an amount per  
7 \$100;

8                   (B) the difference, expressed as an amount per  
9 \$100 and as a percent increase or decrease, as applicable, in the  
10 proposed tax rate compared to the adopted tax rate for the preceding  
11 year;

12                   (C) the average appraised value of a residence  
13 homestead in the district in the preceding year and in the current  
14 year; the district's total homestead exemption, other than an  
15 exemption available only to disabled persons or persons 65 years of  
16 age or older, applicable to that appraised value in each of those  
17 years; and the average taxable value of a residence homestead in the  
18 district in each of those years, disregarding any homestead  
19 exemption available only to disabled persons or persons 65 years of  
20 age or older;

21                   (D) the amount of tax that would have been  
22 imposed by the district in the preceding year on a residence  
23 homestead appraised at the average appraised value of a residence  
24 homestead in that year, disregarding any homestead exemption  
25 available only to disabled persons or persons 65 years of age or  
26 older;

27                   (E) the amount of tax that would be imposed by the

1 district in the current year on a residence homestead appraised at  
2 the average appraised value of a residence homestead in that year,  
3 disregarding any homestead exemption available only to disabled  
4 persons or persons 65 years of age or older, if the proposed tax  
5 rate is adopted; and

6 (F) the difference between the amounts of tax  
7 calculated under Paragraphs (D) and (E), expressed in dollars and  
8 cents and described as the annual percentage increase or decrease,  
9 as applicable, in the tax to be imposed by the district on the  
10 average residence homestead in the district in the current year if  
11 the proposed tax rate is adopted; and

12 (3) contain a statement in substantially the following  
13 form:

14 "NOTICE OF TAXPAYERS' RIGHT TO  
15 ROLLBACK ELECTION

16 "If taxes on the average residence homestead increase by more  
17 than the lesser of the inflation rate or five ~~eight~~ percent, the  
18 qualified voters of the district by petition may require that an  
19 election be held to determine whether to reduce the operation and  
20 maintenance tax rate to the rollback tax rate under Section  
21 49.236(d), Water Code."

22 (b) Notice of the hearing shall be:

23 (1) published at least once in a newspaper having  
24 general circulation in the district at least seven days before the  
25 date of the hearing; or

26 (2) mailed to each owner of taxable property in the  
27 district, at the address for notice shown on the most recently

1 certified tax roll of the district, at least 10 days before the date  
2 of the hearing.

3 (c) The notice provided under this section may not be  
4 smaller than one-quarter page of a standard-size or tabloid-size  
5 newspaper of general circulation, and the headline on the notice  
6 must be in 18-point or larger type.

7 (d) If the governing body of a district adopts a combined  
8 debt service, operation and maintenance, and contract tax rate that  
9 would impose an amount of tax that exceeds by at least the lesser of  
10 the inflation rate as defined by Section 26.012, Tax Code, or five  
11 percent [~~more than 1.08 times~~] the amount of tax imposed by the  
12 district in the preceding year on a residence homestead appraised  
13 at the average appraised value of a residence homestead in the  
14 district in that year, disregarding any homestead exemption  
15 available only to disabled persons or persons 65 years of age or  
16 older, the qualified voters of the district by petition may require  
17 that an election be held to determine whether [~~or not~~] to reduce the  
18 tax rate adopted for the current year to the rollback tax rate in  
19 accordance with the procedures provided by Sections 26.07(b)-(g)  
20 and 26.081, Tax Code. For purposes of Sections 26.07(b)-(g) and  
21 this subsection, the rollback tax rate is the current year's debt  
22 service and contract tax rates plus the operation and maintenance  
23 tax rate that would impose an amount of tax that exceeds by the  
24 lesser of the inflation rate as defined by Section 26.012, Tax Code,  
25 or five percent [~~1.08 times~~] the amount of the operation and  
26 maintenance tax imposed by the district in the preceding year on a  
27 residence homestead appraised at the average appraised value of a

1 residence homestead in the district in that year, disregarding any  
2 homestead exemption available only to disabled persons or persons  
3 65 years of age or older.

4 SECTION 6. (a) The change in law made by this Act applies to  
5 the ad valorem tax rate of a taxing unit beginning with the 2011 tax  
6 year, except as provided by Subsection (b) of this section.

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

14 SECTION 7. This Act takes effect immediately if it receives  
15 a vote of two-thirds of all the members elected to each house, as  
16 provided by Section 39, Article III, Texas Constitution. If this  
17 Act does not receive the vote necessary for immediate effect, this  
18 Act takes effect September 1, 2011.