

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 19, 2011

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

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

IN RE: SB720 by Williams (Relating to the calculation of the ad valorem rollback tax rates of certain taxing units.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 26 of the Tax Code, regarding property taxation and assessment, to reduce the percentage by which the effective tax rate is increased in the rollback tax rate calculation for taxing units other than school districts from 8 percent to 5 percent. Local officials, however, would still be permitted to use 8 percent in the rollback tax rate calculation if the taxing unit is located in a disaster area or if they find that the higher rate is necessary to protect the health, safety, or property of persons residing in the taxing unit. The finding would be required to be made by the governing body of the taxing unit in a resolution describing the potential harm and approved by a record vote taken at a public meeting of the governing body.

The bill would make conforming changes in the Water Code dealing with public notices, hearings, and elections related to tax increases.

The bill's provision that would lower the rollback rate for taxing units other than school districts from 108 to 105 percent of the effective rate could create a cost to these taxing units by making it more difficult to increase rates by more than 105 percent of the effective rate. (Higher proposed tax rates could be subject to an election that might result in reducing the proposed rate to 105 percent of the effective rate.) Future proposed tax rates and the outcome of any elections cannot be predicted and the cost of the provision to units of local government cannot be estimated. The bill would not affect school districts and, therefore, there would be no cost to school districts or to the state through the operation of the school funding formula.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011. The bill would apply to 2011 tax rates unless a taxing unit has already adopted its 2011 tax rate before the effective date of the bill in which case it would apply for the taxing unit to the 2012 tax rate.

Local Government Impact

The bill's provision that would lower the rollback rate for taxing units other than school districts from 108 to 105 percent of the effective rate could create a cost to these taxing units by making it more difficult to increase rates by more than 105 percent of the effective rate. The bill would not affect school districts.

Source Agencies: 304 Comptroller of Public Accounts

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