

BILL ANALYSIS

C.S.H.B. 671
By: Ratliff
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law requires a school district to hold an election every time the district adopts a tax rate that exceeds the district's rollback tax rate. This requirement must be met even when a school district is attempting to increase the tax rate to a rate that is lower than a rate previously approved by the voters and also when a district is attempting to reduce the tax rate to a rate that is still above the rollback tax rate. There is concern that, due to the expense of conducting an election, this requirement creates an unnecessary financial burden on school districts and that the requirement reduces local control over the tax rate. Moreover, concerns have been raised that the requirement may provide a disincentive to reducing local tax rates. C.S.H.B. 671 seeks to address this situation by allowing a school district to adopt a tax rate without having to hold an election under certain circumstances.

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. 671 amends the Tax Code, for purposes of an election to ratify school taxes, to make the formula for calculating the rollback tax rate of a school district whose maintenance and operations (M&O) tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value contingent on whether the adopted tax rate of the district was approved at an election in the 2006 tax year or any subsequent year. The bill establishes the rollback tax rate of such a district for which the adopted tax rate was not approved in or after the 2006 tax year as the lesser of the following:

- the sum of the rate per \$100 of taxable value that is equal to the product of the state compression percentage for the current year and \$1.50, the rate of \$0.04 per \$100 of taxable value, and the district's current debt rate; or
- the sum of the effective M&O tax rate of the district, the rate per \$100 of taxable value that is equal to the product of the state compression percentage for the current year and \$0.06, and the district's current debt rate.

The bill establishes the rollback tax rate of such a district for which the adopted tax rate was approved in or after the 2006 tax year as the sum of the rate per \$100 of taxable value that is equal to the product of the state compression percentage for the current year and the maintenance and operations tax rate adopted by the district for the 2005 tax year, the rate of \$0.04 per \$100 of taxable value, the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election and the rollback tax rate of the district for that year, and the district's current debt rate.

C.S.H.B. 671 removes an outdated provision for the 2006 tax year relating to the calculation of the rollback tax rate. The bill's provisions apply to the property tax rate of a school district beginning with the 2013 tax year, except that the bill's provisions apply to the property tax rate

of a district beginning with the 2014 tax year if the governing body of the district adopted a property tax rate for the district for the 2013 tax year before the bill's effective date.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 671 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantive differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 26.08(n), Tax Code, is amended to read as follows:

(n) For purposes of this section, the rollback tax rate of a school district whose maintenance and operations tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value is the following rate, as applicable:

(1) if the adopted tax rate of the district was not approved at an election under this section in the 2006 tax year or any subsequent tax year [~~for the 2006 tax year, the sum of the rate that is equal to 88.67 percent of the maintenance and operations tax rate adopted by the district for the 2005 tax year, the rate of \$0.04 per \$100 of taxable value, and the district's current debt rate; and~~

~~[(2) for the 2007 and subsequent tax years],~~ the lesser of the following:

(A) the sum of the following:

(i) the rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 42.2516, Education Code, for the current year and \$1.50;

(ii) the rate of \$0.04 per \$100 of taxable value; and

(iii) [~~the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election under this section and the rollback tax rate of the district for that year; and~~

~~[(iv)]~~ the district's current debt rate; or

(B) the sum of the following:

(i) the effective maintenance and operations tax rate of the district as computed under Subsection (i) [~~or (k), as applicable~~];

(ii) the rate per \$100 of taxable value that is equal to the product of the state compression

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 26.08(n), Tax Code, is amended to read as follows:

(n) For purposes of this section, the rollback tax rate of a school district whose maintenance and operations tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value is the following rate, as applicable:

(1) if the adopted tax rate of the district was not approved at an election under this section in the 2006 tax year or any subsequent tax year [~~for the 2006 tax year, the sum of the rate that is equal to 88.67 percent of the maintenance and operations tax rate adopted by the district for the 2005 tax year, the rate of \$0.04 per \$100 of taxable value, and the district's current debt rate; and~~

~~[(2) for the 2007 and subsequent tax years],~~ the lesser of the following:

(A) the sum of the following:

(i) the rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 42.2516, Education Code, for the current year and \$1.50;

(ii) the rate of \$0.04 per \$100 of taxable value; and

(iii) [~~the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election under this section and the rollback tax rate of the district for that year; and~~

~~[(iv)]~~ the district's current debt rate; or

(B) the sum of the following:

(i) the effective maintenance and operations tax rate of the district as computed under Subsection (i) [~~or (k), as applicable~~];

(ii) the rate per \$100 of taxable value that is equal to the product of the state

percentage, as determined under Section 42.2516, Education Code, for the current year and \$0.06; and

(iii) the district's current debt rate; or

(2) if the adopted tax rate of the district was approved at an election under this section in the 2006 tax year or any subsequent tax year, the sum of the following:

(A) the rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 42.2516, Education Code, for the current year and \$1.50;

(B) the rate of \$0.04 per \$100 of taxable value;

(C) the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election under this section and the rollback tax rate of the district for that year; and

(D) the district's current debt rate.

SECTION 2. (a) The change in law made by this Act applies to the ad valorem tax rate of a school district beginning with the 2013 tax year, except as provided by Subsection (b) of this section.

(b) If the governing body of a school district adopted an ad valorem tax rate for the school district for the 2013 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 school district beginning with the 2014 tax year, and the law in effect when the tax rate was adopted applies to the 2013 tax year with respect to that school district.

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

compression percentage, as determined under Section 42.2516, Education Code, for the current year and \$0.06; and

(iii) the district's current debt rate; or

(2) if the adopted tax rate of the district was approved at an election under this section in the 2006 tax year or any subsequent tax year, the sum of the following:

(A) the rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 42.2516, Education Code, for the current year and the maintenance and operations tax rate adopted by the district for the 2005 tax year;

(B) the rate of \$0.04 per \$100 of taxable value;

(C) the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election under this section and the rollback tax rate of the district for that year; and

(D) the district's current debt rate.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.