

BILL ANALYSIS

Senate Research Center
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S.B. 102
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law allows taxing entities to raise their effective tax rate up to eight percent annually. If the city or county exceeds eight percent, the qualified voters of that entity can petition for a vote on the rate. Unfortunately, seven percent of the registered voters are required to petition if the effective tax rate is exceeded by more than \$5 million or 10 percent if the effective tax rate is exceeded by less than \$5 million.

As a result, when these taxing entities make the decision to exceed the rollback rate, current law would require almost 200,000 voters to petition in Harris County and around 100,000 in Dallas County or Tarrant County. However, this petition requirement does not apply to school districts, which must automatically seek voter approval of increases.

S.B. 102 increases transparency and accountability of local government by lowering the rollback rate from eight to five percent and removing the petition requirement for voter approval.

As proposed, S.B. 102 amends current law relating to the rollback tax rate of a taxing unit other than a school district and to voter approval of a proposed tax rate that exceeds the rollback tax rate.

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(c), Tax Code, to redefine "rollback tax rate" to change the factor by which the rate is calculated from 1.08 to 10.05.

SECTION 2. Amends Sections 26.041(a), (b), and (c), Tax Code, as follows:

- (a) Changes a reference to rollback rate to rollback tax rate. Sets forth the formula for calculating the rollback tax rate. Makes a nonsubstantive change.
- (b) Changes a reference to total current value to current total value. Makes conforming and nonsubstantive changes.
- (c) Makes conforming changes.

SECTION 3. Amends Section 26.07, Tax Code, as follows:

Sec. 26.07. New heading: ELECTION TO RATIFY TAX INCREASE OF TAXING UNIT OTHER THAN SCHOOL DISTRICT. (a) Prohibits the governing body of a taxing unit other than a school district from adopting a tax rate that exceeds the rollback tax rate calculated as provided by this chapter (Assessment) without voter approval as provided by this section. Requires the governing body, if proposing to adopt a tax rate that exceeds the rollback tax rate, to adopt the rate as a proposed tax rate and call an election to permit the qualified voters of the taxing unit to approve or disapprove the

proposed tax rate. Deletes existing text authorizing the qualified voters of the taxing unit by petition to require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate calculated as provided by this chapter if the governing body of a taxing unit other than a school district adopts a tax rate that exceeds the rollback tax rate calculated as provided by this chapter.

(b) Deletes existing text providing certain conditions under which a petition is valid. Redesignates existing Subsection (d) as Subsection (b). Requires the governing body to order that the election be held in the taxing unit on a date not less than 30 or more than 90 days after the day on which the governing body adopted the proposed tax rate. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election unless a date specified by that section falls within the time permitted by this section. Sets forth the language to be used on the ballots prepared to permit voting for or against the proposition. Requires that the ballot proposition include the proposed tax rate and the difference between that rate and the rollback tax rate in the appropriate places. Deletes existing text requiring the governing body, if it finds that the petition is valid (or fails to act within the time allowed), to order that an election be held in the taxing unit on a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition. Deletes existing text providing that a state law requiring local elections to be held on a specified date does not apply to the election unless a specified date falls within the time permitted by this section.

Deletes existing Subsection (c) requiring the governing body, not later than the 20th day after the day a petition is submitted, to determine whether or not the petition is valid and pass a resolution stating its finding; provides that the petition is treated as if it had been found valid if the governing body fails to act within the time allowed.

(c) Redesignates existing Subsection (e) as Subsection (c). Provides that if a majority of the votes cast in the election favor the proposition, the proposition is approved and the tax rate for the current year is the proposed tax rate that was adopted by the governing body. Deletes existing text providing that if a majority of the qualified voters voting on the question in the election favor the proposition, the tax rate for the taxing unit for the current year is the rollback tax rate calculated as provided by this chapter, otherwise, the tax rate for the current year is the one adopted by the governing body.

(d) Redesignates existing Subsection (f) as Subsection (d). Prohibits the governing body from adopting a tax rate for the taxing unit for the current year that exceeds the taxing unit's rollback tax rate if the proposition is not approved as provided by Subsection (c). Deletes existing text requiring the unit assessor to prepare and mail corrected tax bills if the tax rate is reduced by an election called under this section after tax bills are mailed for the unit. Deletes existing text providing that the date on which the taxes become delinquent for the year is extended by a number of days equal to the number of days between the date the first tax bills were sent and the date the corrected bills were sent.

Deletes existing Subsection (g) requiring the taxing unit to refund a certain amount under certain conditions and that an application for a refund of less than \$1 be made within a certain time period to avoid forfeiture of the right to the refund.

SECTION 4. Amends Sections 31.12(a) and (b), Tax Code, as follows:

(a) Provides that no interest is due on the amount refunded if the refund of a tax provided by Section 11.431(b) (relating to certain consequences of late application of homestead exemption), 26.15(f) (relating to requiring the taxing unit to refund a certain amount if a correction decreases the tax liability of the property owner after the tax has been paid),

31.11 (Refunds of Overpayments or Erroneous Payments), or 31.111 (Refunds of Duplicate Payments), rather than Section 11.431(b), 26.07(g), 26.15(f), 31.11, or 31.111, is paid on or before the 60th day after the date the liability for the refund arises.

(b) Deletes existing text providing that liability for a refund arises, for purposes of this section, if the refund is required by Section 26.07(g), on the date the results of the election to reduce the tax rate are certified.

SECTION 5. Amends Section 33.08(b), Tax Code, to delete Section 26.07(f) from the list of sections under which the governing body of the taxing unit or appraisal district, in the manner required by law for official action, is authorized to provide that taxes that become delinquent on or after July 1 incur an additional penalty to defray costs of collection.

SECTION 6. Amends Section 1101.254(f), Special District Local Laws Code, as effective April 1, 2013, as follows:

(f) Provides that this section does not affect the applicability of Section 26.07, Tax Code, to the district's tax rate, except that if district voters approve a tax rate increase under this section, Section 26.07, Tax Code, does not apply to that year's tax rate. Deletes existing text providing that this section does not affect any rights district voters may have to petition for an election under Section 26.07, Tax Code, except that if district voters approve a tax rate increase under this section, the voters may not petition for an election under Section 26.07, Tax Code, as to the tax rate for that year.

SECTION 7. 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) Sets forth the language required to be on a notice of tax hearing.

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

(d) Requires that an election, if the governing body of a district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05 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, be held to determine whether to ratify the tax rate adopted for the current year in accordance with the procedures provided by Section 26.07, Tax Code. Deletes existing text authorizing the qualified voters of that district by petition to require that an election be held to determine whether or not 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)-(g) and 26.081 (Petition Signatures), Tax Code, if the governing body of a district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more 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. Makes conforming changes.

SECTION 8. Repealer: Section 1063.255 (Petition and Order for Election to Reduce Tax Rate), Special District Local Laws Code.

SECTION 9. (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 2013 tax year, except as provided by Subsection (b) of this section.

(b) Provides that the change in law made by this Act applies to the ad valorem tax rate of that taxing unit beginning with the 2014 tax year if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2013 tax year before the effective date of this Act. Provides that the law in effect when the tax rate was adopted applies to the 2013 tax year with respect to that taxing unit.

SECTION 10. Effective date: upon passage or September 1, 2013.