

By: Williams

S.B. No. 144

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the calculation of the ad valorem rollback tax rates of
3 certain taxing units.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 26.04, Tax Code, is amended by amending
6 Subsection (c) and adding Subsections (c-1) and (c-2) to read as
7 follows:

8 (c) An officer or employee designated by the governing body
9 shall calculate the effective tax rate and the rollback tax rate for
10 the unit, where:

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

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

16 ; and

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

20 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
21 OPERATIONS RATE x 1.05 [~~1.08~~]) + CURRENT DEBT RATE

22 (c-1) Notwithstanding any other provision of this section,
23 the designated officer or employee may substitute "1.08" for "1.05"
24 in the calculation of the rollback tax rate if:

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

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

7 (c-2) A finding under Subsection (c-1)(2) is not valid
8 unless the finding:

9 (1) is in the form of a resolution adopted by the
10 governing body of the taxing unit;

11 (2) includes a description of the harm to residents of
12 the taxing unit that would occur if the taxing unit were subject to
13 a five percent rollback tax rate; and

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

16 SECTION 2. Section 26.041, Tax Code, is amended by amending
17 Subsections (a), (b), and (c) and adding Subsections (c-1) and
18 (c-2) to read as follows:

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

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

26 and

27 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND

1 OPERATIONS RATE x 1.05 [~~1.08~~]) + CURRENT DEBT RATE -

2 SALES TAX GAIN RATE

3 where "sales tax gain rate" means a number expressed in dollars per
4 \$100 of taxable value, calculated by dividing the revenue that will
5 be generated by the additional sales and use tax in the following
6 year as calculated under Subsection (d) [~~of this section~~] by the
7 current total value.

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

13 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND
14 OPERATIONS EXPENSE x 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT
15 TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE
16 - SALES TAX REVENUE RATE)

17 where "last year's maintenance and operations expense" means the
18 amount spent for maintenance and operations from property tax and
19 additional sales and use tax revenues in the preceding year, and
20 "sales tax revenue rate" means a number expressed in dollars per
21 \$100 of taxable value, calculated by dividing the revenue that will
22 be generated by the additional sales and use tax in the current year
23 as calculated under Subsection (d) [~~of this section~~] by the current
24 total value.

25 (c) In a year in which a taxing unit that has been imposing
26 an additional sales and use tax ceases to impose an additional sales
27 and use tax the effective tax rate and rollback tax rate for the

1 unit are calculated according to the following formulas:

2 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY
 3 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
 4 SALES TAX LOSS RATE

5 and

6 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND
 7 OPERATIONS EXPENSE x 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT
 8 TOTAL VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

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

16 (c-1) Notwithstanding any other provision of this section,
 17 the designated officer or employee may substitute "1.08" for "1.05"
 18 in the calculation of the rollback tax rate if:

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

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

25 (c-2) A finding under Subsection (c-1)(2) is not valid
 26 unless the finding is in compliance with Section 26.04(c-2).

27 SECTION 3. Section 49.236, Water Code, as added by Chapters

1 248 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature,
2 Regular Session, 2003, is reenacted and amended to read as follows:

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

8 (1) contain a statement in substantially the following
9 form:

10 "NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

20 (2) contain the following information:

21 (A) the district's total adopted tax rate for the
22 preceding year and the proposed tax rate, expressed as an amount per
23 \$100;

24 (B) the difference, expressed as an amount per
25 \$100 and as a percent increase or decrease, as applicable, in the
26 proposed tax rate compared to the adopted tax rate for the preceding
27 year;

1 (C) the average appraised value of a residence
2 homestead in the district in the preceding year and in the current
3 year; the district's total homestead exemption, other than an
4 exemption available only to disabled persons or persons 65 years of
5 age or older, applicable to that appraised value in each of those
6 years; and the average taxable value of a residence homestead in the
7 district in each of those years, disregarding any homestead
8 exemption available only to disabled persons or persons 65 years of
9 age or older;

10 (D) the amount of tax that would have been
11 imposed by the district in the preceding year on a residence
12 homestead appraised at the average appraised value of a residence
13 homestead in that year, disregarding any homestead exemption
14 available only to disabled persons or persons 65 years of age or
15 older;

16 (E) the amount of tax that would be imposed by the
17 district in the current year on a residence homestead appraised at
18 the average appraised value of a residence homestead in that year,
19 disregarding any homestead exemption available only to disabled
20 persons or persons 65 years of age or older, if the proposed tax
21 rate is adopted; and

22 (F) the difference between the amounts of tax
23 calculated under Paragraphs (D) and (E), expressed in dollars and
24 cents and described as the annual percentage increase or decrease,
25 as applicable, in the tax to be imposed by the district on the
26 average residence homestead in the district in the current year if
27 the proposed tax rate is adopted; and

1 (3) contain a statement in substantially the following
2 form:

3 "NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

4 "If taxes on the average residence homestead increase by more
5 than five [~~eight~~] percent, the qualified voters of the district by
6 petition may require that an election be held to determine whether
7 to reduce the operation and maintenance tax rate to the rollback tax
8 rate under Section 49.236(d), Water Code."

9 (b) Notice of the hearing shall be:

10 (1) published at least once in a newspaper having
11 general circulation in the district at least seven days before the
12 date of the hearing; or

13 (2) mailed to each owner of taxable property in the
14 district, at the address for notice shown on the most recently
15 certified tax roll of the district, at least 10 days before the date
16 of the hearing.

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

21 (d) If the governing body of a district adopts a combined
22 debt service, operation and maintenance, and contract tax rate that
23 would impose more than 1.05 [~~1.08~~] times the amount of tax imposed
24 by the district in the preceding year on a residence homestead
25 appraised at the average appraised value of a residence homestead
26 in the district in that year, disregarding any homestead exemption
27 available only to disabled persons or persons 65 years of age or

1 older, the qualified voters of the district by petition may require
2 that an election be held to determine whether [~~or not~~] to reduce the
3 tax rate adopted for the current year to the rollback tax rate in
4 accordance with the procedures provided by Sections 26.07(b)-(g)
5 and 26.081, Tax Code. For purposes of Sections 26.07(b)-(g) and
6 this subsection, the rollback tax rate is the current year's debt
7 service and contract tax rates plus the operation and maintenance
8 tax rate that would impose 1.05 [~~1.08~~] times the amount of the
9 operation and maintenance tax imposed by the district in the
10 preceding year on a residence homestead appraised at the average
11 appraised value of a residence homestead in the district in that
12 year, disregarding any homestead exemption available only to
13 disabled persons or persons 65 years of age or older.

14 (e) Notwithstanding any other provision of this section,
15 the board may substitute "eight percent" for "five percent" in
16 Subsection (a) and "1.08" for "1.05" in Subsection (d) if:

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

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

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

25 SECTION 4. (a) The change in law made by this Act applies
26 to the ad valorem tax rate of a taxing unit beginning with the 2013
27 tax year, except as provided by Subsection (b) of this section.

1 (b) If the governing body of a taxing unit adopted an ad
2 valorem tax rate for the taxing unit for the 2013 tax year before
3 the effective date of this Act, the change in law made by this Act
4 applies to the ad valorem tax rate of that taxing unit beginning
5 with the 2014 tax year, and the law in effect when the tax rate was
6 adopted applies to the 2013 tax year with respect to that taxing
7 unit.

8 SECTION 5. This Act takes effect immediately if it receives
9 a vote of two-thirds of all the members elected to each house, as
10 provided by Section 39, Article III, Texas Constitution. If this
11 Act does not receive the vote necessary for immediate effect, this
12 Act takes effect on the 91st day after the last day of the
13 legislative session.