

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 24, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB102 by Patrick (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.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Section 26.04 of the Tax Code to reduce the percentage by which the effective tax rate is increased in the rollback tax rate calculation from 8 percent to 5 percent. The bill would amend Section 26.07 of the Tax Code to provide that a taxing unit other than a school district may not adopt a tax rate that exceeds the rollback tax rate without voter approval. To adopt a tax rate that exceeds the rollback tax rate, the taxing unit must adopt the rate as a proposed rate and call an election to permit the qualified voters of the taxing unit to approve or disapprove the proposed tax rate. The ballot proposition would have to include the proposed tax rate and the difference between that rate and the rollback tax rate in the appropriate places. If the proposition is not approved by the voters, the taxing unit may not adopt a tax rate for the current year that exceeds the taxing unit's rollback tax rate. The bill strikes language that if a taxing unit adopts a tax rate that exceeds the rollback tax rate, qualified voters by petition may require that an election be held to determine whether to lower the rate to the rollback tax rate. The bill would amend Sections 31.12 and 33.08 of the Tax Code to remove language regarding a rollback election that reduces a tax rate under Section 26.07 of the Tax Code. The bill would amend Section 49.236 of the Water Code to reduce from 8 percent to 5 percent the percentage increase in the amount of taxes imposed by a water district on an average residence homestead for the rollback tax calculation and to require that if taxes increase more than 5 percent, an election must be held to determine whether to ratify the tax rate.

The bill would repeal Section 1063.255 and would amend Section 1101.254 of the Special District Local Laws Code to remove language relating to a voters' petition for a rollback election for certain hospital districts.

The bill's provision that would lower the rollback rate from 108 to 105 percent of the effective rate could create a cost to taxing units by making it more difficult to increase rates by more than 105 percent of the effective rate. If taxing units other than school districts propose a tax rate higher than the rollback rate the required election 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 does not amend Section 26.08 of the Tax Code regarding the rollback tax rate for school districts and, therefore, there would be no cost to school districts or to the state through the operation of the school funding formula.

This 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, 2013. The changes made by the bill would apply to a property tax rate of a taxing unit beginning with the 2013 tax year. However, if a governing body of a taxing unit adopted a property tax rate for the taxing unit for the 2013 tax year before the effective date of this bill, the change in law applies to the property tax rate of that taxing unit beginning with the 2014 tax year.

Local Government Impact

The bill's provision that would lower the rollback rate from 108 to 105 percent of the effective rate could create a cost to local taxing units by making it more difficult to increase rates by more than 105 percent of the effective rate. If taxing units other than school districts propose a tax rate higher than the rollback rate the required election might result in reducing the proposed rate to 105 percent of the effective rate. The bill does not amend Section 26.08 of the Tax Code regarding the rollback tax rate for school districts and, therefore, there would be no cost to school districts.

Source Agencies: 304 Comptroller of Public Accounts

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