

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: SB144 by Williams (Relating to the calculation of the ad valorem rollback tax rates of certain taxing units.), **As Introduced**

<p>No fiscal implication to the State is anticipated.</p>
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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 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 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 and qualified voters call for a rollback election, it 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 on the 91st day after the last day of this legislative session. 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 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 and qualified voters call for a rollback election, it 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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