

By: Bettencourt

S.B. No. 766

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of certain ad valorem tax rates of a taxing unit.

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

SECTION 1. Sections 26.04(c), (e), and (e-1), Tax Code, are amended to read as follows:

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

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

$$\text{EFFECTIVE TAX RATE} = \frac{\text{LAST YEAR'S LEVY}}{(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})} \left[\frac{(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY})}{(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})} \right]$$

; and

(2) "Rollback tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to:

(A) the following formula for a taxing unit other than a school district:

$$\text{ROLLBACK TAX RATE} = \frac{\text{EFFECTIVE TAX RATE} \times 1.08}{\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times 1.08} + \text{CURRENT DEBT RATE}$$

; or

1 (B) Section 26.08 for a school district.

2 (e) By August 7 or as soon thereafter as practicable, the
3 designated officer or employee shall submit the rates to the
4 governing body. The designated officer or employee [~~He~~] shall
5 deliver by mail to each property owner in the unit or publish in a
6 newspaper in the form prescribed by the comptroller:

7 (1) the effective tax rate, the rollback tax rate, and
8 an explanation of how they were calculated;

9 (2) the estimated amount of interest and sinking fund
10 balances and the estimated amount of maintenance and operation or
11 general fund balances remaining at the end of the current fiscal
12 year that are not encumbered with or by corresponding existing debt
13 obligation;

14 (3) a schedule of the unit's debt obligations showing:

15 (A) the amount of principal and interest that
16 will be paid to service the unit's debts in the next year from
17 property tax revenue, including payments of lawfully incurred
18 contractual obligations providing security for the payment of the
19 principal of and interest on bonds and other evidences of
20 indebtedness issued on behalf of the unit by another political
21 subdivision and, if the unit is created under Section 52, Article
22 III, or Section 59, Article XVI, Texas Constitution, payments on
23 debts that the unit anticipates to incur in the next calendar year;

24 (B) the amount by which taxes imposed for debt
25 are to be increased because of the unit's anticipated collection
26 rate; and

27 (C) the total of the amounts listed in Paragraphs

1 (A)-(B), less any amount collected in excess of the previous year's
2 anticipated collections certified as provided in Subsection (b);

3 (4) the amount of additional sales and use tax revenue
4 anticipated in calculations under Section [26.041](#); and

5 (5) a statement that the adoption of a tax rate equal
6 to the effective tax rate would result in an increase or decrease,
7 as applicable, in the amount of taxes imposed by the unit as
8 compared to last year's levy, and the amount of the increase or
9 decrease[+]

10 [~~(6) in the year that a taxing unit calculates an~~
11 ~~adjustment under Subsection (i) or (j), a schedule that includes~~
12 ~~the following elements:~~

13 [~~(A) the name of the unit discontinuing the~~
14 ~~department, function, or activity;~~

15 [~~(B) the amount of property tax revenue spent by~~
16 ~~the unit listed under Paragraph (A) to operate the discontinued~~
17 ~~department, function, or activity in the 12 months preceding the~~
18 ~~month in which the calculations required by this chapter are made;~~
19 ~~and~~

20 [~~(C) the name of the unit that operates a~~
21 ~~distinct department, function, or activity in all or a majority of~~
22 ~~the territory of a taxing unit that has discontinued operating the~~
23 ~~distinct department, function, or activity; and~~

24 [~~(7) in the year following the year in which a taxing~~
25 ~~unit raised its rollback rate as required by Subsection (j), a~~
26 ~~schedule that includes the following elements:~~

27 [~~(A) the amount of property tax revenue spent by~~

1 ~~the unit to operate the department, function, or activity for which~~
 2 ~~the taxing unit raised the rollback rate as required by Subsection~~
 3 ~~(j) for the 12 months preceding the month in which the calculations~~
 4 ~~required by this chapter are made, and~~

5 ~~[(B) the amount published by the unit in the~~
 6 ~~preceding tax year under Subdivision (6)(B)].~~

7 (e-1) The notice requirements imposed by Subsection (e)
 8 ~~[Subsections (e)(1)-(6)]~~ do not apply to a school district.

9 SECTION 2. Sections 26.041(a), (b), and (c), Tax Code, are
 10 amended to read as follows:

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

15
$$\text{EFFECTIVE TAX RATE} = \frac{[\text{LAST YEAR'S LEVY} / (\text{CURRENT TOTAL}$$

 16
$$\text{VALUE} - \text{NEW PROPERTY VALUE})] - \text{SALES TAX GAIN RATE}}{$$

 17 ~~$$\frac{(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY})}{(\text{CURRENT}$$~~
 18 ~~$$\text{TOTAL VALUE} - \text{NEW PROPERTY VALUE}) - \text{SALES TAX GAIN}$$~~
 19 ~~$$\text{RATE}]$$~~

20 and

21
$$\text{ROLLBACK TAX RATE} = \frac{(\text{EFFECTIVE TAX RATE} \times 1.08) - \text{SALES}$$

 22
$$\text{TAX GAIN RATE}}{$$

 23 ~~$$\frac{(\text{EFFECTIVE MAINTENANCE AND OPERATIONS}$$~~
 24 ~~$$\text{RATE} \times 1.08) + \text{CURRENT DEBT RATE} - \text{SALES TAX GAIN RATE}]$$~~

24 where "sales tax gain rate" means a number expressed in
 25 dollars per \$100 of taxable value, calculated by dividing the
 26 revenue that will be generated by the additional sales and use tax

1 in the following year as calculated under Subsection (d) [~~of this~~
2 ~~section~~] by the current total value.

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

$$8 \quad \text{ROLLBACK TAX RATE} = \frac{[(\text{LAST YEAR'S EXPENSE} \times 1.08) /}{9 \quad \frac{(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] - \text{SALES TAX}}{10 \quad \text{REVENUE RATE} [\frac{[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS}}{11 \quad \text{EXPENSE} \times 1.08) / (\text{TOTAL CURRENT VALUE} - \text{NEW PROPERTY}}{12 \quad \text{VALUE})] + (\text{CURRENT DEBT RATE} - \text{SALES TAX REVENUE RATE})]}$$

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

21 (c) In a year in which a taxing unit that has been imposing
22 an additional sales and use tax ceases to impose an additional sales
23 and use tax the effective tax rate and rollback tax rate for the
24 unit are calculated according to the following formulas:

$$25 \quad \text{EFFECTIVE TAX RATE} = \frac{[\text{LAST YEAR'S LEVY} / (\text{CURRENT TOTAL}}{26 \quad \text{VALUE} - \text{NEW PROPERTY VALUE})] + \text{SALES TAX LOSS RATE}}{27 \quad \frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT$$

1 ~~TOTAL VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS~~
 2 ~~RATE]~~

3 and

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

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

17 SECTION 3. Sections 26.044(a), (b), and (c), Tax Code, are
 18 amended to read as follows:

19 (a) The first time that a county adopts a tax rate after
 20 September 1, 1991, in which the state criminal justice mandate
 21 applies to the county, the effective maintenance and operation rate
 22 and effective tax rate for the county are [~~is~~] increased by the rate
 23 calculated according to the following formula:

24 (State Criminal Justice Mandate) / (Current Total
 25 Value - New Property Value)

26 (b) In the second and subsequent years that a county adopts

1 a tax rate, if the amount spent by the county for the state criminal
2 justice mandate increased over the previous year, the effective
3 maintenance and operation rate and effective tax rate for the
4 county are [~~is~~] increased by the rate calculated according to the
5 following formula:

6 (This Year's State Criminal Justice Mandate - Previous
7 Year's State Criminal Justice Mandate) / (Current
8 Total Value - New Property Value)

9 (c) The county shall include a notice of the increase in the
10 effective maintenance and operation rate and effective tax rate
11 provided by this section, including a description and amount of the
12 state criminal justice mandate, in the information published under
13 Section 26.04(e) and Section 26.06(b) [~~of this code~~].

14 SECTION 4. Sections 26.0441(a), (b), and (c), Tax Code, are
15 amended to read as follows:

16 (a) In the first tax year in which a taxing unit adopts a tax
17 rate after January 1, 2000, and in which the enhanced minimum
18 eligibility standards for indigent health care established under
19 Section 61.006, Health and Safety Code, apply to the taxing unit,
20 the effective maintenance and operations rate and effective tax
21 rate for the taxing unit are [~~is~~] increased by the rate computed
22 according to the following formula:

23 Amount of Increase = Enhanced Indigent Health Care
24 Expenditures / (Current Total Value - New Property
25 Value)

26 (b) In each subsequent tax year, if the taxing unit's
27 enhanced indigent health care expenses exceed the amount of those

1 expenses for the preceding year, the effective maintenance and
2 operations rate and effective tax rate for the taxing unit are [~~is~~]
3 increased by the rate computed according to the following formula:

4 Amount of Increase = (Current Tax Year's Enhanced
5 Indigent Health Care Expenditures - Preceding Tax
6 Year's Indigent Health Care Expenditures) / (Current
7 Total Value - New Property Value)

8 (c) The taxing unit shall include a notice of the increase
9 in its effective maintenance and operations rate and effective tax
10 rate provided by this section, including a brief description and
11 the amount of the enhanced indigent health care expenditures, in
12 the information published under Section 26.04(e) and, if
13 applicable, Section 26.06(b).

14 SECTION 5. Section 26.08(n), Tax Code, is amended to read as
15 follows:

16 (n) For purposes of this section, the rollback tax rate of a
17 school district [~~whose maintenance and operations tax rate for the~~
18 ~~2005 tax year was \$1.50 or less per \$100 of taxable value~~] is equal
19 to the amount computed by multiplying the effective tax rate of the
20 district by 1.04 [~~+~~

21 [~~(1) for the 2006 tax year, the sum of the rate that is~~
22 ~~equal to 88.67 percent of the maintenance and operations tax rate~~
23 ~~adopted by the district for the 2005 tax year, the rate of \$0.04 per~~
24 ~~\$100 of taxable value, and the district's current debt rate, and~~

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

27 [~~(A) the sum of the following:~~

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

5 ~~[(ii) the rate of \$0.04 per \$100 of taxable~~
6 ~~value;~~

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

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

13 ~~[(B) the sum of the following:~~

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

17 ~~[(ii) the rate per \$100 of taxable value~~
18 ~~that is equal to the product of the state compression percentage, as~~
19 ~~determined under Section 42.2516, Education Code, for the current~~
20 ~~year and \$0.06; and~~

21 ~~[(iii) the district's current debt rate].~~

22 SECTION 6. Section 42.2522(e), Education Code, is amended
23 to read as follows:

24 (e) The commissioner shall notify school districts as soon
25 as practicable as to the availability of funds under this section.

26 ~~[For purposes of computing a rollback tax rate under Section 26.08,~~
27 ~~Tax Code, a district shall adjust the district's tax rate limit to~~

1 ~~reflect assistance received under this section.]~~

2 SECTION 7. Section 45.261(e), Education Code, is amended to
3 read as follows:

4 (e) Any part of a school district's tax rate attributable to
5 producing revenue for purposes of Subsection (c)(1) is considered
6 part of the district's[+]

7 [~~(1) current debt rate for purposes of computing a~~
8 ~~rollback tax rate under Section 26.08, Tax Code; and~~

9 [~~(2)~~] interest and sinking fund tax rate.

10 SECTION 8. (a) The following provisions are repealed:

11 (1) Section 281.107(j), Health and Safety Code;

12 (2) Section 26.01(d), Tax Code;

13 (3) Sections 26.012(3), (4), (5), (10), and (15), Tax
14 Code;

15 (4) Section 26.03, Tax Code;

16 (5) Sections 26.04(i) and (j), Tax Code;

17 (6) Sections 26.08(e), (g), (h), (i), (i-1), (j), (o),
18 and (p), Tax Code; and

19 (7) Section 222.1071(1), Transportation Code.

20 (b) Section 57.29, Chapter 4 (S.B. 1), Acts of the 82nd
21 Legislature, 1st Called Session, 2011, which amended Subsection
22 (i), Section 26.08, Tax Code, is repealed.

23 SECTION 9. This Act applies to the ad valorem tax rate of a
24 taxing unit beginning with the 2016 tax year.

25 SECTION 10. This Act takes effect January 1, 2016.