

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 1, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB365** by Elkins (Relating to the calculation of the ad valorem rollback tax rates of certain taxing units.), **As Introduced**

No fiscal implication to the State is anticipated.

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 for taxing units other than school districts from 8 percent to 4 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.

The bill would require school districts and all other local taxing units to hold an automatic election to ratify a tax rate that exceeds the rollback rate. Currently, only school districts must hold the automatic election and other taxing units hold an election only if a specified percentage of registered voters petition for the election before the 90th day after the tax rate is adopted. Section 26.07, regarding tax rate rollback elections by petition, would be repealed.

The bill would make certain conforming changes in the Water Code with respect to public notices, hearings, and elections related to tax increases, but the bill is unclear because it places the Water District elections under both the automatic ratification election and the election by petition. The bill fails to delete Water Code references to the proposed-for-repeal Section 26.07 of the Tax Code regarding tax rate rollback elections by petition.

The bill's provision that would lower the rollback rate from 108 to 104 percent of the effective rate could create a cost to taxing units other than school districts by making it more difficult to increase rates by more than 104 percent of the effective rate. If these taxing units propose a tax rate higher than the rollback rate the automatic rollback election might result in reducing the proposed rate to 104 percent of the effective rate. Future proposed tax rates and the outcome of any elections cannot be predicted and the increase in cost attributable to the proposed provision to units of local government cannot be estimated. There would be no cost to school districts or to the state through the operation of the school funding formula.

The bill would take effect immediately upon enactment, assuming 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 2015 tax year. However, if a governing body of a taxing unit adopted a property tax rate for the taxing unit for the 2015 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 2016 tax year.

Local Government Impact

The bill's provision that would lower the rollback rate from 108 to 104 percent of the effective rate could create a cost to local taxing units other than school districts by making it more difficult to increase rates by more than 104 percent of the effective rate. If these taxing units propose a tax rate higher than the rollback rate the automatic rollback election might result in reducing the proposed rate to 104 percent of the effective rate. Future proposed tax rates and the outcome of any elections cannot be predicted and the increase in cost attributable to the proposed provision to units of local government cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, KK, SD, SJS