

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1965 by Paul (Relating to the calculation of the rollback tax rate of a taxing unit and 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 Chapter 26 of the Tax Code, regarding property taxation and assessment, to change the percentage by which the effective maintenance and operations tax rate is increased in the rollback tax rate calculation for taxing units other than school districts from 8 percent to the inflation rate.

The bill would require all 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 Section 26.07, regarding tax rate rollback elections by petition, would be repealed.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 and repeals in various parts of the Tax Code, Education Code, Health and Safety Code, Local Government Code, Special District Local Laws Code, and Water Code.

The bill's provision that would change the percentage by which the effective maintenance and operations tax rate is increased in the rollback tax rate calculation for taxing units other than school districts from 8 percent to the inflation rate could create a cost to taxing units other than school districts by making it more difficult to increase tax rates. The inflation rate is expected to remain below 8 percent in the near future. 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 a rate determined by multiplying the effective rate times 1 plus the inflation 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 January 1, 2016.

Local Government Impact

The bill's provision that would change the percentage by which the effective maintenance and operations tax rate is increased in the rollback tax rate calculation for taxing units other than

school districts from 8 percent to the inflation rate could create a cost to taxing units other than school districts by making it more difficult to increase tax rates. The inflation rate is expected to remain below 8 percent in the near future. 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 a rate determined by multiplying the effective rate times 1 plus the inflation rate.

Source Agencies: 304 Comptroller of Public Accounts

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