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FLOOR AMENDMENT NO.______ BY: Valoree Swanson

Amend H.B. No. 21 by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____. (a) The legislature finds that:

(1) the imposition of ad valorem taxes is an inherently inequitable means to generate revenue necessary to fund the provision of essential services to residents of this state;

(2) ad valorem taxes may increase annually without regard to the property owner's ability to pay;

(3) ad valorem taxes are perpetual and detrimental to private property rights as secured by the Texas Constitution;

(4) the use of ad valorem taxes as a means to finance the maintenance of public free schools has led directly to three decades of school finance litigation in which the Texas Supreme Court has referred to the system as "Byzantine" and has urged the legislature to "choose a new path" of revenue for public free schools;

(5) the use of ad valorem taxes by local governmental entities as a means to generate revenue to fund the provision of essential services places a disproportionate burden on those residents that own property to pay for services that are enjoyed by all residents; and

(6) the legislature has an obligation to ensure that local governmental entities provide essential services in a manner that is fair and fiscally responsible, and should encourage the use of a more equitable source of revenue, such as the sales tax, to fund the provision of those services.

(b) It is the intent of the legislature to abolish ad valorem taxes and to create a more equitable means of funding the provision of essential services to residents of this state by local governmental entities and of meeting the state's constitutional duty to make suitable provision for the support and maintenance of an efficient system of public free schools.

SECTION _____. (a) The comptroller of public accounts shall conduct a comprehensive study of alternative methods of taxation to replace local tax revenue that will be lost when ad valorem taxes are abolished.

(b) For each alternative method of taxation considered by the comptroller, the comptroller shall:

(1) consider whether political subdivisions that currently impose ad valorem taxes would have the authority to impose the proposed alternative tax;

(2) determine the average tax rate for the proposed alternative tax imposed by each type of political subdivision that would be necessary to generate the same amount of tax revenue as the amount of tax revenue lost as a result of the abolition of ad valorem taxes;

(3) determine, if appropriate, the effect that broadening the application of the proposed alternative tax at the local level would have on the tax rates identified under Subdivision (2) of this subsection;

(4) identify whether tax revenue generated by the proposed alternative tax would require redistribution to offset disparities in available local tax revenue as a result of the abolition of ad valorem taxes and, if so, evaluate the different mechanisms of redistribution available; and

(5) identify and examine any other issue that would need to be addressed to implement the abolition of ad valorem taxes.

(c) On request of the comptroller, a state agency or political subdivision shall provide information for and assistance in conducting the study under this section.

(d) Not later than December 1, 2018, the comptroller shall prepare and submit to the governor, lieutenant governor, speaker of the house of representatives, and members of the legislature a written report containing the results of the study and any recommendations for legislative or other action.

(e) This section expires September 1, 2019.

SECTION ____. (a) Title 1, Tax Code, is repealed.

(b) Notwithstanding any other law, this state or a political subdivision of this state may not impose an ad valorem tax. To the extent of a conflict, this section controls over a conflicting provision in a general or special law.

(c) The change in law made by this section does not affect tax liability accruing before the effective date of this section. That liability continues in effect as if this section had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

(d) This section takes effect January 1, 2022.