

BILL ANALYSIS

Senate Research Center
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S.B. 1426
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

During the interim, the Senate Select Committee on Property Tax Reform & Relief held hearings around the state and listened to almost 50 hours of invited and public testimony. In each of these hearings, it was clear that Texas taxpayers and property owners were concerned about their increasing property tax burden, as well as the lack of transparency and customer service in the Texas property tax system. Much of the discussion that went in to property tax legislation filed this session has centered around the rollback rate, and this legislation proposes to bring another level of transparency to that specific rate.

Currently, if the effective tax rate is higher than the rollback rate, then voters may petition for an election to "roll back" the effective tax rate. Under Texas law, when the rollback rate is calculated, new growth is allowed to be excluded. This results in a smaller base, which, in turn, may result in a rate that is smaller than it really is. The entire process is very complex. After hearing the frustrations of so many taxpayers, it is clear that there should be a process that would show the true tax rate.

This bill does not prohibit new growth from being excluded when calculating the rollback rate. Rather, it would require that the new rate be published along with the required rates. Doing so would provide another layer of transparency to an otherwise arcane process.

As proposed, S.B. 1426 amends current law relating to the calculation and dissemination of certain ad valorem tax rates.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.012, Tax Code, by adding Subdivisions (1-a) and (1-b), to define "adjusted effective tax rate" and "adjusted rollback tax rate."

SECTION 2. Amends Section 26.04, Tax Code, by adding Subsection (c-1) and amending Subsection (e), as follows:

(c-1) Requires the designated officer or employee, in addition to calculating the tax rates described by Subsection (c) (relating to requiring the officer or employee designated by the governing body to calculate the effective and rollback tax rates for the unit), to calculate the adjusted effective tax rate (AETR) and the adjusted rollback tax rate (ARTR) for the unit.

(e) Requires the designated officer or employee to deliver by mail to each property owner in the unit or publish in a newspaper in the form prescribed by the Texas comptroller of public accounts (comptroller) the AETR, the ARTR, and an explanation of how they were calculated, among certain items. Makes a nonsubstantive change.

SECTION 3. Amends Sections 140.010(a), (d), and (e), Local Government Code, to redefine "adjusted effective tax rate" and "adjusted rollback tax rate" and make nonsubstantive changes.

(d) Sets forth the content of the required notice for a county or municipality that proposes a property tax rate that does not exceed the lower of the effective tax rate or the rollback tax rate, including the AETR.

(e) Sets forth the content of the required notice for a county or municipality that proposes a property tax rate that exceeds the lower of the effective tax rate or the rollback tax rate, including the AETR and ARTR.

SECTION 4. (a) Provides that the change in law made by this Act applies to the ad valorem tax rate of a taxing unit beginning with the 2017 tax year, except as provided by Subsection (b) of this section.

(b) Provides that if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2017 tax year before the effective date of this Act, the change in law made by this Act applies to the ad valorem tax rate of that taxing unit beginning with the 2018 tax year, and the law in effect when the tax rate was adopted applies to the 2017 tax year with respect to that taxing unit.

SECTION 5. Effective date: upon passage or September 1, 2017.