

By: Canales

H.B. No. 345

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of the ad valorem rollback tax rate of a taxing unit.

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

SECTION 1. Section 26.012, Tax Code, is amended by adding Subdivisions (2-a) and (10-a) to read as follows:

(2-a) "Consumer price index" means the average over a calendar year of the index that the comptroller considers to most accurately report changes in the purchasing power of the dollar for consumers in this state.

(10-a) "Inflation rate" means the amount, expressed in decimal form rounded to the nearest thousandth, computed by determining the percentage change in the consumer price index for the preceding calendar year as compared to the consumer price index for the calendar year preceding that calendar year.

SECTION 2. Section 26.04, Tax Code, is amended by adding Subsections (b-1) and (c-1) and amending Subsection (c) to read as follows:

(b-1) By August 1 or as soon thereafter as practicable, the comptroller shall determine the inflation rate for the current year and publish the rate in the Texas Register.

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

4 EFFECTIVE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY
5 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)
6 ; and

7 (2) "Rollback tax rate" means a rate expressed in
8 dollars per \$100 of taxable value calculated according to the
9 following formula:

10 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
11 OPERATIONS RATE x 1.05 [~~1.08~~] + CURRENT DEBT RATE

12 (c-1) Notwithstanding any other provision of this section,
13 if the inflation rate exceeds five percent, the designated officer
14 or employee shall substitute the amount equal to the sum of one and
15 the lesser of the inflation rate or 0.08 for "1.05" in the
16 calculation of the rollback tax rate.

17 SECTION 3. Section 26.041, Tax Code, is amended by amending
18 Subsections (a), (b), and (c) and adding Subsection (c-1) to read as
19 follows:

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

24 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY
25 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] -
26 SALES TAX GAIN RATE

27 and

1 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
 2 OPERATIONS RATE x 1.05 [~~1.08~~]) + CURRENT DEBT RATE -
 3 SALES TAX GAIN RATE

4 where "sales tax gain rate" means a number expressed in dollars per
 5 \$100 of taxable value, calculated by dividing the revenue that will
 6 be generated by the additional sales and use tax in the following
 7 year as calculated under Subsection (d) [~~of this section~~] by the
 8 current total value.

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

14 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND
 15 OPERATIONS EXPENSE x 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT
 16 TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE
 17 - SALES TAX REVENUE RATE)

18 where "last year's maintenance and operations expense" means the
 19 amount spent for maintenance and operations from property tax and
 20 additional sales and use tax revenues in the preceding year, and
 21 "sales tax revenue rate" means a number expressed in dollars per
 22 \$100 of taxable value, calculated by dividing the revenue that will
 23 be generated by the additional sales and use tax in the current year
 24 as calculated under Subsection (d) [~~of this section~~] by the current
 25 total value.

26 (c) In a year in which a taxing unit that has been imposing
 27 an additional sales and use tax ceases to impose an additional sales

1 and use tax the effective tax rate and rollback tax rate for the
2 unit are calculated according to the following formulas:

3 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY
4 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
5 SALES TAX LOSS RATE

6 and

7 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND
8 OPERATIONS EXPENSE x 1.05 [~~1.08~~]) / (~~[TOTAL]~~ CURRENT
9 TOTAL VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

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

17 (c-1) Notwithstanding any other provision of this section,
18 if the inflation rate exceeds five percent, the designated officer
19 or employee shall substitute the amount equal to the sum of one and
20 the lesser of the inflation rate or 0.08 for "1.05" in the
21 calculation of the rollback tax rate.

22 SECTION 4. Section 8876.152(b), Special District Local Laws
23 Code, is amended to read as follows:

24 (b) Sections 49.236(a)(1) and (2) and (b) [Section 49.236],
25 Water Code, apply [as added by Chapter 248 (H.B. 1541), Acts of the
26 78th Legislature, Regular Session, 2003, applies] to the district.

27 SECTION 5. Section 49.236, Water Code, as added by Chapter

1 335 (S.B. 392), Acts of the 78th Legislature, Regular Session,
2 2003, is amended by amending Subsections (a) and (d) and adding
3 Subsection (e) to read as follows:

4 (a) Before the board adopts an ad valorem tax rate for the
5 district for debt service, operation and maintenance purposes, or
6 contract purposes, the board shall give notice of each meeting of
7 the board at which the adoption of a tax rate will be considered.
8 The notice must:

9 (1) contain a statement in substantially the following
10 form:

11 "NOTICE OF PUBLIC HEARING ON TAX RATE

12 "The (name of the district) will hold a public hearing on a
13 proposed tax rate for the tax year (year of tax levy) on (date and
14 time) at (meeting place). Your individual taxes may increase or
15 decrease, depending on the change in the taxable value of your
16 property in relation to the change in taxable value of all other
17 property and the tax rate that is adopted.

18 "(Names of all board members and, if a vote was taken, an
19 indication of how each voted on the proposed tax rate and an
20 indication of any absences.)";

21 (2) contain the following information:

22 (A) the district's total adopted tax rate for the
23 preceding year and the proposed tax rate, expressed as an amount per
24 \$100;

25 (B) the difference, expressed as an amount per
26 \$100 and as a percent increase or decrease, as applicable, in the
27 proposed tax rate compared to the adopted tax rate for the preceding

1 year;

2 (C) the average appraised value of a residence
3 homestead in the district in the preceding year and in the current
4 year; the district's total homestead exemption, other than an
5 exemption available only to disabled persons or persons 65 years of
6 age or older, applicable to that appraised value in each of those
7 years; and the average taxable value of a residence homestead in the
8 district in each of those years, disregarding any homestead
9 exemption available only to disabled persons or persons 65 years of
10 age or older;

11 (D) the amount of tax that would have been
12 imposed by the district in the preceding year on a residence
13 homestead appraised at the average appraised value of a residence
14 homestead in that year, disregarding any homestead exemption
15 available only to disabled persons or persons 65 years of age or
16 older;

17 (E) the amount of tax that would be imposed by the
18 district in the current year on a residence homestead appraised at
19 the average appraised value of a residence homestead in that year,
20 disregarding any homestead exemption available only to disabled
21 persons or persons 65 years of age or older, if the proposed tax
22 rate is adopted; ~~and~~

23 (F) the difference between the amounts of tax
24 calculated under Paragraphs (D) and (E), expressed in dollars and
25 cents and described as the annual percentage increase or decrease,
26 as applicable, in the tax to be imposed by the district on the
27 average residence homestead in the district in the current year if

1 the proposed tax rate is adopted; and

2 (G) if the proposed combined debt service,
3 operation and maintenance, and contract tax rate exceeds the
4 rollback tax rate, a description of the purpose of the proposed tax
5 increase; and

6 (3) contain a statement in substantially the following
7 form:

8 "NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

9 "If operation and maintenance taxes on the average residence
10 homestead increase by more than five ~~[eight]~~ percent, the qualified
11 voters of the district by petition may require that an election be
12 held to determine whether to reduce the ~~[operation and maintenance]~~
13 tax rate to the rollback tax rate under Section 49.236(d), Water
14 Code."

15 (d) If the governing body of a district adopts a combined
16 debt service, operation and maintenance, and contract tax rate that
17 exceeds the rollback tax rate ~~[would impose more than 1.08 times the~~
18 ~~amount of tax imposed by the district in the preceding year on a~~
19 ~~residence homestead appraised at the average appraised value of a~~
20 ~~residence homestead in the district in that year, disregarding any~~
21 ~~homestead exemption available only to disabled persons or persons~~
22 ~~65 years of age or older]~~, the qualified voters of the district by
23 petition may require that an election be held to determine whether
24 ~~[or not]~~ to reduce the tax rate adopted for the current year to the
25 rollback tax rate in accordance with the procedures provided by
26 Sections 26.07(b)-(g) and 26.081, Tax Code. For purposes of
27 Sections 26.07(b)-(g) and this section ~~[subsection]~~, the rollback

1 tax rate is the sum of the following tax rates:

2 (1) the current year's debt service tax rate;

3 (2) the current year's ~~and~~ contract tax rate; and

4 (3) ~~rates plus~~ the operation and maintenance tax
5 rate that would impose 1.05 ~~1.08~~ times the amount of the operation
6 and maintenance tax imposed by the district in the preceding year on
7 a residence homestead appraised at the average appraised value of a
8 residence homestead in the district in that year, disregarding any
9 homestead exemption available only to disabled persons or persons
10 65 years of age or older.

11 (e) Notwithstanding any other provision of this section, if
12 the inflation rate as determined by the comptroller under Section
13 26.04(b-1), Tax Code, exceeds five percent, the board shall
14 substitute "the lesser of the inflation rate or eight percent" for
15 "five percent" in Subsection (a) of this section and the amount
16 equal to the sum of one and the lesser of the inflation rate as
17 determined by the comptroller under Section 26.04(b-1), Tax Code,
18 or 0.08 for "1.05" in Subsection (d) of this section.

19 SECTION 6. The following provisions are repealed:

20 (1) Section 49.236, Water Code, as added by Chapter
21 248 (H.B. 1541), Acts of the 78th Legislature, Regular Session,
22 2003; and

23 (2) Section 49.2361, Water Code.

24 SECTION 7. (a) The change in law made by this Act applies to
25 the ad valorem tax rate of a taxing unit beginning with the 2017 tax
26 year, except as provided by Subsection (b) of this section.

27 (b) If the governing body of a taxing unit adopted an ad

1 valorem tax rate for the taxing unit for the 2017 tax year before
2 the effective date of this Act, the change in law made by this Act
3 applies to the ad valorem tax rate of that taxing unit beginning
4 with the 2018 tax year, and the law in effect when the tax rate was
5 adopted applies to the 2017 tax year with respect to that taxing
6 unit.

7 SECTION 8. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect on the 91st day after the last day of the
12 legislative session.