

By: Davis of Harris

H.B. No. 1147

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 Subsection (b-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) "Effective tax rate" means a rate expressed in

1 dollars per \$100 of taxable value calculated according to the
2 following formula:

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

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

9 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
10 OPERATIONS RATE x (1 + INFLATION RATE) [~~1.08~~]) +
11 CURRENT DEBT RATE

12 SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are
13 amended to read as follows:

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

18 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY
19 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] -
20 SALES TAX GAIN RATE

21 and

22 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
23 OPERATIONS RATE x (1 + INFLATION RATE) [~~1.08~~]) +
24 CURRENT DEBT RATE - SALES TAX GAIN RATE

25 where "sales tax gain rate" means a number expressed in dollars per
26 \$100 of taxable value, calculated by dividing the revenue that will
27 be generated by the additional sales and use tax in the following

1 year as calculated under Subsection (d) [~~of this section~~] by the
 2 current total value.

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

$$\begin{aligned}
 8 \quad & \text{ROLLBACK } \underline{\text{TAX}} \text{ RATE} = [(\text{LAST YEAR'S MAINTENANCE AND} \\
 9 \quad & \text{OPERATIONS EXPENSE} \times \underline{(1 + \text{INFLATION RATE})} \text{ [1.08])} / \\
 10 \quad & ((\text{TOTAL}] \text{ CURRENT } \underline{\text{TOTAL}} \text{ VALUE} - \text{NEW PROPERTY VALUE})] + \\
 11 \quad & (\text{CURRENT DEBT RATE} - \text{SALES TAX REVENUE RATE})
 \end{aligned}$$

12 where "last year's maintenance and operations expense" means the
 13 amount spent for maintenance and operations from property tax and
 14 additional sales and use tax revenues in the preceding year, and
 15 "sales tax revenue rate" means a number expressed in dollars per
 16 \$100 of taxable value, calculated by dividing the revenue that will
 17 be generated by the additional sales and use tax in the current year
 18 as calculated under Subsection (d) [~~of this section~~] by the current
 19 total value.

20 (c) In a year in which a taxing unit that has been imposing
 21 an additional sales and use tax ceases to impose an additional sales
 22 and use tax the effective tax rate and rollback tax rate for the
 23 unit are calculated according to the following formulas:

$$\begin{aligned}
 24 \quad & \text{EFFECTIVE TAX RATE} = [(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY} \\
 25 \quad & \text{LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] + \\
 26 \quad & \text{SALES TAX LOSS RATE}
 \end{aligned}$$

27 and

1 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND
2 OPERATIONS EXPENSE x (1 + INFLATION RATE) [~~1.08~~]) /
3 (~~[TOTAL]~~ CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
4 CURRENT DEBT RATE

5 where "sales tax loss rate" means a number expressed in dollars per
6 \$100 of taxable value, calculated by dividing the amount of sales
7 and use tax revenue generated in the last four quarters for which
8 the information is available by the current total value and "last
9 year's maintenance and operations expense" means the amount spent
10 for maintenance and operations from property tax and additional
11 sales and use tax revenues in the preceding year.

12 SECTION 4. Section [8876.152\(b\)](#), Special District Local Laws
13 Code, is amended to read as follows:

14 (b) Sections [49.236\(a\)\(1\)](#) and (2) and (b) [~~Section [49.236](#)],~~
15 Water Code, apply [~~as added by Chapter 248 (H.B. 1541), Acts of the~~
16 ~~78th Legislature, Regular Session, 2003, applies~~] to the district.

17 SECTION 5. Section [49.236](#), Water Code, as added by Chapter
18 335 (S.B. 392), Acts of the 78th Legislature, Regular Session,
19 2003, is amended by amending Subsections (a) and (d) and adding
20 Subsection (e) to read as follows:

21 (a) Before the board adopts an ad valorem tax rate for the
22 district for debt service, operation and maintenance purposes, or
23 contract purposes, the board shall give notice of each meeting of
24 the board at which the adoption of a tax rate will be considered.
25 The notice must:

26 (1) contain a statement in substantially the following
27 form:

1 "NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

11 (2) contain the following information:

12 (A) the district's total adopted tax rate for the
13 preceding year and the proposed tax rate, expressed as an amount per
14 \$100;

15 (B) the difference, expressed as an amount per
16 \$100 and as a percent increase or decrease, as applicable, in the
17 proposed tax rate compared to the adopted tax rate for the preceding
18 year;

19 (C) the average appraised value of a residence
20 homestead in the district in the preceding year and in the current
21 year; the district's total homestead exemption, other than an
22 exemption available only to disabled persons or persons 65 years of
23 age or older, applicable to that appraised value in each of those
24 years; and the average taxable value of a residence homestead in the
25 district in each of those years, disregarding any homestead
26 exemption available only to disabled persons or persons 65 years of
27 age or older;

1 (D) the amount of tax that would have been
2 imposed by the district in the preceding year on a residence
3 homestead appraised at the average appraised value of a residence
4 homestead in that year, disregarding any homestead exemption
5 available only to disabled persons or persons 65 years of age or
6 older;

7 (E) the amount of tax that would be imposed by the
8 district in the current year on a residence homestead appraised at
9 the average appraised value of a residence homestead in that year,
10 disregarding any homestead exemption available only to disabled
11 persons or persons 65 years of age or older, if the proposed tax
12 rate is adopted; ~~and~~

13 (F) the difference between the amounts of tax
14 calculated under Paragraphs (D) and (E), expressed in dollars and
15 cents and described as the annual percentage increase or decrease,
16 as applicable, in the tax to be imposed by the district on the
17 average residence homestead in the district in the current year if
18 the proposed tax rate is adopted; and

19 (G) if the proposed combined debt service,
20 operation and maintenance, and contract tax rate exceeds the
21 rollback tax rate, a description of the purpose of the proposed tax
22 increase; and

23 (3) contain a statement in substantially the following
24 form:

25 "NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

26 "If operation and maintenance taxes on the average residence
27 homestead increase by more than the inflation rate ~~[eight percent]~~,

1 the qualified voters of the district by petition may require that an
 2 election be held to determine whether to reduce the [~~operation and~~
 3 ~~maintenance~~] tax rate to the rollback tax rate under Section
 4 49.236(d), Water Code."

5 (d) If the governing body of a district adopts a combined
 6 debt service, operation and maintenance, and contract tax rate that
 7 exceeds the rollback tax rate [~~would impose more than 1.08 times the~~
 8 ~~amount of tax imposed by the district in the preceding year on a~~
 9 ~~residence homestead appraised at the average appraised value of a~~
 10 ~~residence homestead in the district in that year, disregarding any~~
 11 ~~homestead exemption available only to disabled persons or persons~~
 12 ~~65 years of age or older~~], the qualified voters of the district by
 13 petition may require that an election be held to determine whether
 14 [~~or not~~] to reduce the tax rate adopted for the current year to the
 15 rollback tax rate in accordance with the procedures provided by
 16 Sections 26.07(b)-(g) and 26.081, Tax Code. For purposes of
 17 Sections 26.07(b)-(g) and this section [~~subsection~~], the rollback
 18 tax rate is the sum of the following tax rates:

- 19 (1) the current year's debt service tax rate;
 20 (2) the current year's [~~and~~] contract tax rate; and
 21 (3) [~~rates plus~~] the operation and maintenance tax
 22 rate that would impose [~~1.08 times~~] the amount of the operation and
 23 maintenance tax imposed by the district in the preceding year on a
 24 residence homestead appraised at the average appraised value of a
 25 residence homestead in the district in that year, disregarding any
 26 homestead exemption available only to disabled persons or persons
 27 65 years of age or older, multiplied by the sum of one and the

1 inflation rate.

2 (e) In this section, "inflation rate" means the rate
3 determined by the comptroller and published in the Texas Register
4 as provided by Section 26.04(b-1), Tax Code.

5 SECTION 6. The following provisions are repealed:

6 (1) Section 49.236, Water Code, as added by Chapter
7 248 (H.B. 1541), Acts of the 78th Legislature, Regular Session,
8 2003; and

9 (2) Section 49.2361, Water Code.

10 SECTION 7. The change in law made by this Act applies to the
11 ad valorem tax rate of a taxing unit beginning with the 2018 tax
12 year.

13 SECTION 8. This Act takes effect January 1, 2018.