86R4288 SMH-F

By:  Paul H.B. No. 470

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of the ad valorem rollback tax rate of a taxing unit and voter approval of a proposed tax rate that exceeds the rollback tax rate.

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

SECTION 1.  Section 26.012, Tax Code, is amended by adding Subdivision (18) to read as follows:

(18)  "Small taxing unit" means a taxing unit, other than a school district, with a population of less than 40,000.

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

(c)  An officer or employee designated by the governing body shall calculate the effective tax rate and the rollback tax rate for the taxing unit, where:

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

EFFECTIVE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)

; and

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

(A)  for a small taxing unit:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

; or

(B)  for a taxing unit other than a small taxing unit:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.04) + CURRENT DEBT RATE

(c-1)  Notwithstanding any other provision of this section, the governing body of a taxing unit other than a small taxing unit may direct the designated officer or employee to calculate the rollback tax rate of the taxing unit according to the formula applicable to a small taxing unit if any part of the taxing unit is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States.

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

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

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

[~~and~~]

ROLLBACK TAX RATE FOR SMALL TAXING UNIT = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE - SALES TAX GAIN RATE

and

ROLLBACK TAX RATE FOR TAXING UNIT OTHER THAN SMALL TAXING UNIT = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.04) + CURRENT DEBT RATE - SALES TAX GAIN RATE

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

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

ROLLBACK TAX RATE FOR SMALL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.08) / ([~~TOTAL~~] CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

or

ROLLBACK TAX RATE FOR TAXING UNIT OTHER THAN SMALL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.04) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

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

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

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

[~~and~~]

ROLLBACK TAX RATE FOR SMALL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.08) / ([~~TOTAL~~] CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

and

ROLLBACK TAX RATE FOR TAXING UNIT OTHER THAN SMALL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.04) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

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

(c-1)  Notwithstanding any other provision of this section, the governing body of a taxing unit other than a small taxing unit may direct the designated officer or employee to calculate the rollback tax rate of the taxing unit according to the formula applicable to a small taxing unit if any part of the taxing unit is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States.

SECTION 4.  The heading to Section 26.043, Tax Code, is amended to read as follows:

Sec. 26.043.  ROLLBACK AND EFFECTIVE TAX RATES [~~RATE~~] IN CITY IMPOSING MASS TRANSIT SALES AND USE TAX.

SECTION 5.  The heading to Section 26.07, Tax Code, is amended to read as follows:

Sec. 26.07.  ELECTION TO REDUCE TAX RATE OF SMALL TAXING UNIT [~~REPEAL INCREASE~~].

SECTION 6.  Section 26.07(a), Tax Code, is amended to read as follows:

(a)  If the governing body of a small taxing unit [~~other than a school district~~] adopts a tax rate that exceeds the taxing unit's rollback tax rate calculated as provided by this chapter, the qualified voters of the taxing unit by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate calculated as provided by this chapter.

SECTION 7.  The heading to Section 26.08, Tax Code, is amended to read as follows:

Sec. 26.08.  ELECTION TO APPROVE TAX RATE OF TAXING UNIT OTHER THAN SMALL TAXING UNIT [~~RATIFY SCHOOL TAXES~~].

SECTION 8.  Section 26.08, Tax Code, is amended by amending Subsections (a), (b), (d), (d-1), (d-2), (e), and (h) and adding Subsection (r) to read as follows:

(a)  If the governing body of a taxing unit other than a small taxing unit [~~school district~~] adopts a tax rate that exceeds the taxing unit's [~~district's~~] rollback tax rate, the registered voters of the taxing unit [~~district~~] at an election held for that purpose must determine whether to approve the adopted tax rate. When increased expenditure of money by a taxing unit [~~school district~~] is necessary to respond to a disaster, including a tornado, hurricane, flood, or other calamity, but not including a drought, that has impacted the taxing unit [~~a school district~~] and the governor has requested federal disaster assistance for the area in which the taxing unit [~~school district~~] is located, an election is not required under this section to approve the tax rate adopted by the governing body for the year following the year in which the disaster occurs.

(b)  The governing body shall order that the election be held in the taxing unit [~~school district~~] on a date not less than 30 or more than 90 days after the day on which it adopted the tax rate. Section 41.001, Election Code, does not apply to the election unless a date specified by that section falls within the time permitted by this section. At the election, the ballots shall be prepared to permit voting for or against the proposition: "Approving the ad valorem tax rate of $\_\_\_\_\_ per $100 valuation in (name of taxing unit [~~school district~~]) for the current year, a rate that is $\_\_\_\_\_ higher per $100 valuation than the [~~school district~~] rollback tax rate of (name of taxing unit), for the purpose of (description of purpose of increase)." The ballot proposition must include the adopted tax rate and the difference between that rate and the rollback tax rate in the appropriate places.

(d)  If the proposition is not approved as provided by Subsection (c), the governing body may not adopt a tax rate for the taxing unit [~~school district~~] for the current year that exceeds the taxing unit's [~~school district's~~] rollback tax rate.

(d-1)  If, after tax bills for the taxing unit [~~school district~~] have been mailed, a proposition to approve the taxing unit's [~~school district's~~] adopted tax rate is not approved by the voters of the taxing unit [~~district~~] at an election held under this section, on subsequent adoption of a new tax rate by the governing body of the taxing unit [~~district~~], the assessor for the taxing unit [~~school~~] shall prepare and mail corrected tax bills. The assessor shall include with each bill a brief explanation of the reason for and effect of the corrected bill. The date on which the taxes become delinquent for the year is extended by a number of days equal to the number of days between the date the first tax bills were sent and the date the corrected tax bills were sent.

(d-2)  If a property owner pays taxes calculated using the originally adopted tax rate of the taxing unit [~~school district~~] and the proposition to approve the adopted tax rate is not approved by the voters, the taxing unit [~~school district~~] shall refund the difference between the amount of taxes paid and the amount due under the subsequently adopted rate if the difference between the amount of taxes paid and the amount due under the subsequent rate is $1 or more. If the difference between the amount of taxes paid and the amount due under the subsequent rate is less than $1, the taxing unit [~~school district~~] shall refund the difference on request of the taxpayer. An application for a refund of less than $1 must be made within 90 days after the date the refund becomes due or the taxpayer forfeits the right to the refund.

(e)  For purposes of this section, local tax funds dedicated to a junior college district under Section 45.105(e), Education Code, shall be eliminated from the calculation of the tax rate adopted by the governing body of a [~~the~~] school district. However, the funds dedicated to the junior college district are subject to Section 26.085.

(h)  For purposes of this section, increases in taxable values and tax levies occurring within a reinvestment zone designated under Chapter 311 [~~(Tax Increment Financing Act),~~] in which a school [~~the~~] district is a participant[~~,~~] shall be eliminated from the calculation of the tax rate adopted by the governing body of the school district.

(r)  Except as otherwise expressly provided by law, this section does not apply to a tax imposed by a taxing unit if a provision of an uncodified local or special law enacted by the 86th Legislature, Regular Session, 2019, or by an earlier legislature provides that Section 26.07 does not apply to a tax imposed by the taxing unit.

SECTION 9.  Section 26.16(d), Tax Code, is amended to read as follows:

(d)  The county assessor-collector shall post immediately below the table prescribed by Subsection (c) the following statement:

"The county is providing this table of property tax rate information as a service to the residents of the county. Each individual taxing unit is responsible for calculating the property tax rates listed in this table pertaining to that taxing unit and providing that information to the county.

"The adopted tax rate is the tax rate adopted by the governing body of a taxing unit.

"The maintenance and operations rate is the component of the adopted tax rate of a taxing unit that will impose the amount of taxes needed to fund maintenance and operation expenditures of the taxing unit for the following year.

"The debt rate is the component of the adopted tax rate of a taxing unit that will impose the amount of taxes needed to fund the taxing unit's debt service for the following year.

"The effective tax rate is the tax rate that would generate the same amount of revenue in the current tax year as was generated by a taxing unit's adopted tax rate in the preceding tax year from property that is taxable in both the current tax year and the preceding tax year.

"The effective maintenance and operations rate is the tax rate that would generate the same amount of revenue for maintenance and operations in the current tax year as was generated by a taxing unit's maintenance and operations rate in the preceding tax year from property that is taxable in both the current tax year and the preceding tax year.

"The rollback tax rate is the highest tax rate a taxing unit may adopt before requiring voter approval at an election. In the case of a small taxing unit [~~other than a school district~~], the voters by petition may require that a rollback election be held if the taxing unit adopts a tax rate in excess of the taxing unit's rollback tax rate. In the case of a taxing unit other than a small taxing unit [~~school district~~], an election will automatically be held if the taxing unit [~~district~~] wishes to adopt a tax rate in excess of the taxing unit's [~~district's~~] rollback tax rate."

SECTION 10.  Sections 31.12(a) and (b), Tax Code, are amended to read as follows:

(a)  If a refund of a tax provided by Section 11.431(b), 26.07(g), 26.08(d-2), 26.15(f), 31.11, 31.111, or 31.112 is paid on or before the 60th day after the date the liability for the refund arises, no interest is due on the amount refunded. If not paid on or before that 60th day, the amount of the tax to be refunded accrues interest at a rate of one percent for each month or part of a month that the refund is unpaid, beginning with the date on which the liability for the refund arises.

(b)  For purposes of this section, liability for a refund arises:

(1)  if the refund is required by Section 11.431(b), on the date the chief appraiser notifies the collector for the taxing unit of the approval of the late homestead exemption;

(2)  if the refund is required by Section 26.07(g), on the date the results of the election to reduce the tax rate are certified;

(3)  if the refund is required by Section 26.08(d-2), on the date the subsequent tax rate is adopted;

(4)  if the refund is required by Section 26.15(f):

(A)  for a correction to the tax roll made under Section 26.15(b), on the date the change in the tax roll is certified to the assessor for the taxing unit under Section 25.25; or

(B)  for a correction to the tax roll made under Section 26.15(c), on the date the change in the tax roll is ordered by the governing body of the taxing unit;

(5) [~~(4)~~]  if the refund is required by Section 31.11, on the date the auditor for the taxing unit determines that the payment was erroneous or excessive or, if the amount of the refund exceeds the applicable amount specified by Section 31.11(a), on the date the governing body of the taxing unit approves the refund;

(6) [~~(5)~~]  if the refund is required by Section 31.111, on the date the collector for the taxing unit determines that the payment was erroneous; or

(7) [~~(6)~~]  if the refund is required by Section 31.112, on the date required by Section 31.112(d) or (e), as applicable.

SECTION 11.  Section 33.08(b), Tax Code, is amended to read as follows:

(b)  The governing body of the taxing unit or appraisal district, in the manner required by law for official action, may provide that taxes that become delinquent on or after June 1 under Section 26.07(f), 26.08(d-1), 26.15(e), 31.03, 31.031, 31.032, 31.04, or 42.42 incur an additional penalty to defray costs of collection. The amount of the penalty may not exceed the amount of the compensation specified in the applicable contract with an attorney under Section 6.30 to be paid in connection with the collection of the delinquent taxes.

SECTION 12.  Section 130.016(b), Education Code, is amended to read as follows:

(b)  If the board of trustees of an independent school district that divests itself of the management, control, and operation of a junior college district under this section or under Section 130.017 [~~of this code~~] was authorized by [~~Subsection (e) of~~] Section 45.105(e) or under former Section 20.48(e) [~~20.48 of this code~~] to dedicate a portion of its tax levy to the junior college district before the divestment, the junior college district may levy an ad valorem tax from and after the divestment. In the first two years in which the junior college district levies an ad valorem tax, the tax rate adopted by the governing body may not exceed the rate that, if applied to the total taxable value submitted to the governing body under Section 26.04, Tax Code, would impose an amount equal to the amount of taxes of the school district dedicated to the junior college under [~~Subsection (e) of~~] Section 45.105(e) or former Section 20.48(e) [~~20.48 of this code~~] in the last dedication before the divestment. In subsequent years, the tax rate of the junior college district is subject to Section 26.07 or 26.08, Tax Code, as applicable.

SECTION 13.  Sections 281.124(d) and (e), Health and Safety Code, are amended to read as follows:

(d)  If a majority of the votes cast in the election favor the proposition, the tax rate for the specified tax year is the rate approved by the voters, and that rate is not subject to a rollback election under Section 26.07 or 26.08, Tax Code. The board shall adopt the tax rate as provided by Chapter 26, Tax Code, as applicable.

(e)  If the proposition is not approved as provided by Subsection (d) [~~(c)~~], the board may not adopt a tax rate for the district for the specified tax year that exceeds the rate that was not approved, and Section 26.07 or 26.08, Tax Code, as applicable, applies to the adopted rate if that rate exceeds the district's rollback tax rate.

SECTION 14.  Section 140.010, Local Government Code, is amended by amending Subsections (a), (e), (f), and (g) and adding Subsection (e-1) to read as follows:

(a)  In this section:

(1)  "Effective[~~, "effective~~] tax rate" and "rollback tax rate" mean the effective tax rate and rollback tax rate of a county or municipality, as applicable, as calculated under Chapter 26, Tax Code.

(2)  "Small taxing unit" has the meaning assigned by Section 26.012, Tax Code.

(e)  A county or municipality that is a small taxing unit and that proposes a property tax rate that exceeds the lower of the effective tax rate or the rollback tax rate shall provide the following notice:

"NOTICE OF (INSERT CURRENT TAX YEAR) TAX YEAR PROPOSED PROPERTY TAX RATE FOR (INSERT NAME OF COUNTY OR MUNICIPALITY)

"A tax rate of $\_\_\_\_\_ per $100 valuation has been proposed for adoption by the governing body of (insert name of county or municipality). This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate. The governing body of (insert name of county or municipality) proposes to use revenue attributable to the tax rate increase for the purpose of (description of purpose of increase).

PROPOSED TAX RATE $\_\_\_\_\_\_ per $100

PRECEDING YEAR'S TAX RATE $\_\_\_\_\_\_ per $100

EFFECTIVE TAX RATE $\_\_\_\_\_\_ per $100

ROLLBACK TAX RATE $\_\_\_\_\_\_ per $100

"The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for (insert name of county or municipality) from the same properties in both the (insert preceding tax year) tax year and the (insert current tax year) tax year.

"The rollback tax rate is the highest tax rate that (insert name of county or municipality) may adopt before the voters are entitled to petition for an election to limit the rate that may be approved to the rollback tax rate.

"YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

property tax amount = (rate) x (taxable value of your property) / 100

"For assistance or detailed information about tax calculations, please contact:

(insert name of county or municipal tax assessor-collector)

(insert name of county or municipality) tax assessor-collector

(insert address)

(insert telephone number)

(insert e-mail address)

(insert Internet website address, if applicable)

"You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: (insert date and time) at (insert location of meeting).

Second Hearing: (insert date and time) at (insert location of meeting)."

(e-1)  A county or municipality that is not a small taxing unit and that proposes a property tax rate that exceeds the lower of the effective tax rate or the rollback tax rate shall provide the following notice:

"NOTICE OF (INSERT CURRENT TAX YEAR) TAX YEAR PROPOSED PROPERTY TAX RATE FOR (INSERT NAME OF COUNTY OR MUNICIPALITY)

"A tax rate of $\_\_\_\_\_ per $100 valuation has been proposed for adoption by the governing body of (insert name of county or municipality). This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate. The governing body of (insert name of county or municipality) proposes to use revenue attributable to the tax rate increase for the purpose of (description of purpose of increase).

PROPOSED TAX RATE $\_\_\_\_\_\_ per $100

PRECEDING YEAR'S TAX RATE $\_\_\_\_\_\_ per $100

EFFECTIVE TAX RATE $\_\_\_\_\_\_ per $100

ROLLBACK TAX RATE $\_\_\_\_\_\_ per $100

"The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for (insert name of county or municipality) from the same properties in both the (insert preceding tax year) tax year and the (insert current tax year) tax year.

"The rollback tax rate is the highest tax rate that (insert name of county or municipality) may adopt before the (insert "county" or "city") is required to hold an election to limit the rate that may be approved to the rollback tax rate.

"YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

property tax amount = (rate) x (taxable value of your property) / 100

"For assistance or detailed information about tax calculations, please contact:

(insert name of county or municipal tax assessor-collector)

(insert name of county or municipality) tax assessor-collector

(insert address)

(insert telephone number)

(insert e-mail address)

(insert Internet website address, if applicable)

"You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: (insert date and time) at (insert location of meeting).

Second Hearing: (insert date and time) at (insert location of meeting)."

(f)  A county or municipality shall:

(1)  provide the notice required by Subsection (d), [~~or~~] (e), or (e-1), as applicable, not later than the later of September 1 or the 30th day after the first date that the taxing unit has received each applicable certified appraisal roll by:

(A)  publishing the notice in a newspaper having general circulation in:

(i)  the county, in the case of notice published by a county; or

(ii)  the county in which the municipality is located or primarily located, in the case of notice published by a municipality; or

(B)  mailing the notice to each property owner in:

(i)  the county, in the case of notice provided by a county; or

(ii)  the municipality, in the case of notice provided by a municipality; and

(2)  post the notice on the Internet website of the county or municipality, if applicable, beginning not later than the later of September 1 or the 30th day after the first date that the taxing unit has received each applicable certified appraisal roll and continuing until the county or municipality adopts a tax rate.

(g)  If the notice required by Subsection (d), [~~or~~] (e), or (e-1) is published in a newspaper:

(1)  the notice may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper; and

(2)  the headline on the notice must be in 24-point or larger type.

SECTION 15.  Section 1122.2522, Special District Local Laws Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a)  If in any year the board adopts a tax rate that exceeds the rollback tax rate calculated as provided by Chapter 26, Tax Code, and the district is a small taxing unit as defined by Section 26.012 of that code, the qualified voters of the district by petition may require that an election be held to determine whether or not to reduce the tax rate adopted by the board for that year to the rollback tax rate.

(a-1)  If in any year the board adopts a tax rate that exceeds the rollback tax rate calculated as provided by Chapter 26, Tax Code, and the district is not a small taxing unit as defined by Section 26.012 of that code, an election must be held to determine whether or not to approve the tax rate adopted by the board for that year.

SECTION 16.  Sections 3828.157 and 8876.152, Special District Local Laws Code, are amended to read as follows:

Sec. 3828.157.  INAPPLICABILITY OF CERTAIN TAX CODE PROVISIONS. Sections 26.04, 26.05, [~~and~~] 26.07, and 26.08, Tax Code, do not apply to a tax imposed under Section 3828.153 or 3828.156.

Sec. 8876.152.  APPLICABILITY OF CERTAIN TAX PROVISIONS. (a) Sections 26.04, 26.05, 26.06, [~~and~~] 26.07, and 26.08, Tax Code, do not apply to a tax imposed by the district.

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

SECTION 17.  Section 49.107(g), Water Code, is amended to read as follows:

(g)  Sections 26.04, 26.05, [~~and~~] 26.07, and 26.08, Tax Code, do not apply to a tax levied and collected under this section or an ad valorem tax levied and collected for the payment of the interest on and principal of bonds issued by a district.

SECTION 18.  Section 49.108(f), Water Code, is amended to read as follows:

(f)  Sections 26.04, 26.05, [~~and~~] 26.07, and 26.08, Tax Code, do not apply to a tax levied and collected for payments made under a contract approved in accordance with this section.

SECTION 19.  Section 49.236, Water Code, as added by Chapter 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, is amended by amending Subsections (a) and (d) and adding Subsections (e), (f), (g), (h), (i), (j), (k), (l), and (m) to read as follows:

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

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

"NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

(2)  contain the following information:

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

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

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

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

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

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

(G)  if the proposed combined debt service, operation and maintenance, and contract tax rate requires or authorizes an election in the district to approve the tax rate, a description of the purpose of the proposed tax increase; and

(3)  contain a statement in substantially the following form, as applicable:

(A)  if the district is not a small taxing unit:

"NOTICE OF VOTE ON TAX RATE [~~TAXPAYERS' RIGHT TO ROLLBACK ELECTION~~]

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

(B)  if the district is a small taxing unit:

"NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

"If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to approve the tax rate under Section 49.236(e), Water Code."

(d)  This subsection applies to a district only if the district is not a small taxing unit. If the board [~~governing body~~] of the [~~a~~] district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.04 [~~1.08~~] times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, [~~the qualified voters of the district by petition may require that~~] an election must be held to determine whether [~~or not~~] to approve [~~reduce~~] the tax rate adopted for the current year [~~to the rollback tax rate~~] in accordance with the procedures provided by Sections 26.08(b), (c), (d), (d-1), and (d-2) [~~26.07(b)-(g) and 26.081~~], Tax Code.

(e)  This subsection and Subsections (f)-(i) apply to a district only if the district is a small taxing unit. If the board of the district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.08 times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, the qualified voters of the district by petition may require that an election be held to determine whether to approve the tax rate adopted for the current year in accordance with the procedures provided by Subsections (f)-(i) of this section and Section 26.081, Tax Code.

(f)  A petition under Subsection (e) is valid only if:

(1)  it states that it is intended to require an election in the district on the question of approving the tax rate adopted for the current year;

(2)  it is signed by a number of registered voters of the district equal to at least:

(A)  seven percent of the number of registered voters of the district according to the most recent official list of registered voters if the tax rate adopted for the current tax year would impose taxes for operation and maintenance in an amount of at least $5 million; or

(B)  10 percent of the number of registered voters of the district according to the most recent official list of registered voters if the tax rate adopted for the current tax year would impose taxes for operation and maintenance in an amount of less than $5 million; and

(3)  it is submitted to the board on or before the 90th day after the date on which the board adopted the tax rate for the current year.

(g)  Not later than the 20th day after the day a petition is submitted, the board shall determine whether or not the petition is valid and pass a resolution stating its finding. If the board fails to act within the time allowed, the petition is treated as if it had been found valid.

(h)  If the board finds that the petition is valid (or fails to act within the time allowed), it shall order that an election be held in the district on a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition. A state law requiring local elections to be held on a specified date does not apply to the election unless a specified date falls within the time permitted by this subsection. At the election, the ballots shall be prepared to permit voting for or against the proposition: "Approving the ad valorem tax rate of $\_\_\_\_ per $100 valuation in (name of district) for the current year, a rate that is $\_\_\_\_ higher per $100 valuation than the district's rollback tax rate, for the purpose of (description of purpose of increase)." The ballot proposition must include the adopted tax rate and the difference between that rate and the rollback tax rate in the appropriate places.

(i)  Sections 26.08(c), (d), (d-1), and (d-2), Tax Code, apply to an election under Subsection (e) of this section in the same manner as those subsections apply to an election under Section 26.08, Tax Code.

(j)  For purposes of Subsection (d) [~~Sections 26.07(b)-(g) and this subsection~~], the rollback tax rate of a district is the sum of the following tax rates:

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

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

(3)  [~~rates plus~~] the operation and maintenance tax rate that would impose 1.04 [~~1.08~~] times the amount of the operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older.

(k)  For purposes of Subsection (e), the rollback tax rate of a district is the sum of the following tax rates:

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

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

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

(l)  Notwithstanding any other provision of this section, the board may substitute "eight percent" for "four percent" in Subsection (a)(3)(A) and "1.08" for "1.04" in Subsections (d) and (j) if any part of the district is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States.

(m)  In this section, "small taxing unit" has the meaning assigned by Section 26.012, Tax Code.

SECTION 20.  The following provisions are repealed:

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

(2)  Section 49.2361, Water Code.

SECTION 21.  This Act takes effect January 1, 2020.