

By: Shaheen

H.B. No. 913

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of the ad valorem rollback tax rate of a taxing unit other than a school district.

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

SECTION 1. Section 26.04(c), Tax Code, is amended 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 formula:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND
OPERATIONS RATE x 1.04 [~~1.08~~]) + CURRENT DEBT RATE

SECTION 2. Sections 26.041(a), (b), and (c), Tax Code, are amended 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

1 tax rate for the taxing unit are calculated according to the
 2 following formulas:

3 EFFECTIVE TAX RATE = $\frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY}$
 4 $\text{LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})]}{\text{SALES TAX GAIN RATE}}$ -
 5 SALES TAX GAIN RATE

6 and

7 ROLLBACK TAX RATE = $(\text{EFFECTIVE MAINTENANCE AND}$
 8 $\text{OPERATIONS RATE} \times \frac{1.04}{1.08} [1.08]) + \text{CURRENT DEBT RATE} -$
 9 SALES TAX GAIN RATE

10 where "sales tax gain rate" means a number expressed in dollars per
 11 \$100 of taxable value, calculated by dividing the revenue that will
 12 be generated by the additional sales and use tax in the following
 13 year as calculated under Subsection (d) [~~of this section~~] by the
 14 current total value.

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

20 ROLLBACK TAX RATE = $\frac{[(\text{LAST YEAR'S MAINTENANCE AND}$
 21 $\text{OPERATIONS EXPENSE} \times \frac{1.04}{1.08} [1.08]) / ((\text{TOTAL} \text{ CURRENT}$
 22 $\text{TOTAL VALUE} - \text{NEW PROPERTY VALUE})) + (\text{CURRENT DEBT RATE}$
 23 $- \text{SALES TAX REVENUE RATE})$

24 where "last year's maintenance and operations expense" means the
 25 amount spent for maintenance and operations from property tax and
 26 additional sales and use tax revenues in the preceding year, and
 27 "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 = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.04 ~~[1.08]~~) / (~~[TOTAL]~~ 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.

SECTION 3. Section [8876.152\(b\)](#), Special District Local Laws Code, is amended to read as follows:

(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 4. Sections 49.236(a) and (d), Water Code, as added by Chapter 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, are amended 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

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

the proposed tax rate is adopted; and

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

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

"NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

"If operation and maintenance 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 be held to determine whether to reduce the ~~[operation and maintenance]~~ tax rate to the rollback tax rate under Section 49.236(d), Water Code."

(d) If the governing body of a district adopts a combined debt service, operation and maintenance, and contract tax rate that exceeds the rollback tax rate ~~[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 ~~[or not]~~ to reduce the tax rate adopted for the current year to the rollback tax rate in accordance with the procedures provided by Sections 26.07(b)-(g) and 26.081, Tax Code. For purposes of 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 1.04 [~~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 SECTION 5. The following provisions are repealed:

12 (1) Section [49.236](#), Water Code, as added by Chapter
13 248 (H.B. 1541), Acts of the 78th Legislature, Regular Session,
14 2003; and

15 (2) Section [49.2361](#), Water Code.

16 SECTION 6. (a) The change in law made by this Act applies to
17 the ad valorem tax rate of a taxing unit beginning with the 2019 tax
18 year, except as provided by Subsection (b) of this section.

19 (b) If the governing body of a taxing unit adopted an ad
20 valorem tax rate for the taxing unit for the 2019 tax year before
21 the effective date of this Act, the change in law made by this Act
22 applies to the ad valorem tax rate of that taxing unit beginning
23 with the 2020 tax year, and the law in effect when the tax rate was
24 adopted applies to the 2019 tax year with respect to that taxing
25 unit.

26 SECTION 7. This Act takes effect immediately if it receives
27 a vote of two-thirds of all the members elected to each house, as

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1 provided by Section 39, Article III, Texas Constitution. If this
2 Act does not receive the vote necessary for immediate effect, this
3 Act takes effect on the 91st day after the last day of the
4 legislative session.