

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 22, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1869 by Burrows (Relating to the definition of debt for the purposes of calculating certain ad valorem tax rates of a taxing unit.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

This bill would amend Chapter 26 of the Tax Code, regarding property tax assessment, to restrict the definition of debt used in truth-in-taxation property tax rate calculations to debt that meets certain requirements specified in the bill. The bill provides definitions for designated infrastructure, refunding bonds and self-supporting debt.

Limiting the definition of debt could create a cost for taxing units depending on the amount and frequency they use debt obligations other than those provided in the bill. A taxing unit's debt rate is a key component in calculating the voter-approval tax rate, which is the calculated maximum tax rate a taxing unit may adopt without holding an election for voter approval and triggers certain notices and hearings for tax rate adoption. The bill's specified definition of debt could establish a lower voter-approval tax rate depending on the frequency a taxing unit utilizes debt obligations that would not fit the new definition. This could make it more difficult for taxing units to increase tax rates. The amount and frequency that taxing units would issue future debt obligations not specified in the bill is unknown. Consequently, the fiscal effect on taxing units cannot be estimated.

The bill would take effect September 1, 2021.

Local Government Impact

The more limited definition of debt in the bill could establish a lower voter-approval tax rate depending on the amount of debt a taxing unit uses debt obligations that would not fit this new definition. This could make it more difficult for taxing units to increase tax rates, which would reduce property tax revenue. As a result, ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, AF, BRI, SD, KK