

BILL ANALYSIS

H.B. 1
By: Meyer
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Local property taxes in Texas are rapidly rising and becoming increasingly unaffordable. This is evidenced by data from the comptroller of public accounts, which shows that local property tax levies increased nearly 300 percent between 1998 and 2021. H.B. 1 seeks to address this issue and provide property tax relief by reducing the maximum compressed tax rate for all school districts.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1 amends the Tax Code and Education Code to provide for a \$0.162 reduction in a public school district's maximum compressed tax rate (MCR) for the 2023-2024 school year. If a district's MCR after that reduction would be less than 90 percent of another district's MCR, the district's MCR is instead the value at which that rate would be equal to 90 percent of the other district's MCR. The bill provides that, during the 2023-2024 school year, certain references in state law to a district's maximum compressed tax rate or maximum compressed rate mean the MCR for the district as reduced by the bill for the 2023-2024 school year. The bill establishes that, for purposes of determining a district's MCR for the 2024-2025 school year, the value of the district's "PYMCR" is the MCR determined for the district for the preceding school year. For purposes of certain provisions regarding support of students enrolled in the Texas School for the Blind and Visually Impaired or the Texas School for the Deaf, a reference to state law regarding the calculation of a district's MCR includes these bill provisions providing for tax compression. These provisions take effect on the date on which the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, excepting certain appropriations to pay for school district property tax relief from the constitutional limitation on the rate of growth of appropriations takes effect, and expire September 1, 2025. If that constitutional amendment is not approved by the voters, these provisions have no effect.

H.B. 1, with respect to a school district that received an adjustment from the Texas Education Agency for the 2022-2023 school year to the amount of the district's local revenue levels the district would otherwise be required to reduce in order to ensure that the district's tier one revenue level remains at entitlement level under the Foundation School Program (FSP), entitles such a district to additional state aid for each school year in an amount equal to the amount of

that adjustment for the 2022-2023 school year less the difference, if the difference is greater than zero, between the following amounts:

- the amount to which the district is entitled under the FSP for the current school year; and
- the amount to which the district would be entitled under the FSP for the current school year if the district's MCR had not been reduced as part of the tax rate compression provided for by the bill.

These provisions take effect on the date on which the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, excepting certain appropriations to pay for school district property tax relief from the constitutional limitation on the rate of growth of appropriations takes effect. If that constitutional amendment is not approved by the voters, these provisions have no effect.

H.B. 1 requires the assessor for a school district to calculate the amount of tax imposed by the district on property for the 2023 tax year based on the tax rate adopted by the district's governing body and that rate less \$0.162. With respect to 2023 tax bills, the bill further provides the following:

- the assessor for a school district must mail the district's tax bills by December 15;
- if the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, excepting certain appropriations to pay for school district property tax relief from the constitutional limitation on the rate of growth of appropriations is approved by the voters, the assessor must prepare the tax bill using the amount of tax computed using the adopted tax rate less the \$0.162 and, if not, the assessor must prepare the tax bill using the amount of tax computed using the entire adopted tax rate; and
- in addition to the information required by law to be in a tax bill, a tax bill mailed by the assessor for a school district that includes only taxes imposed by taxing units other than the district or a separate statement accompanying the bill must include a statement in substantially the following form: "School district tax bills will be mailed later than usual this year, but not later than December 15th, to allow time to determine whether the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, excepting certain appropriations to pay for school district ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations is approved by the voters."

These provisions expire December 31, 2024.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.