

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 establishes 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 further 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 rate compression. These bill provisions take effect on the date on which the constitutional amendment proposed by the 88th Legislature, 2nd 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 bill provisions have no effect.

H.B. 1, with respect to a school district that received an adjustment from the Texas Education Agency (TEA) 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 the 2023-2024 and 2024-2025 school years in an amount

equal to the amount of that adjustment for the 2022-2023 school year less the difference, if 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, 2nd 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, 2026. If that constitutional amendment is not approved by the voters, these provisions have no effect.

H.B. 1 amends the Tax Code to require 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 following:

- the tax rate adopted by the district's governing body; and
- the district's adopted rate less \$0.162 or, if the district, rather than receiving the full \$0.162 rate reduction, had its MCR set instead at the value at which that rate would be equal to 90 percent of another district's MCR, as provided by the bill, less the amount of the tax reduction received by the district as determined by the commissioner of education.

The bill requires the assessor to then prepare the district's tax bills for the 2023 tax year based on the amount of tax imposed by the district for that tax year as calculated after factoring in that rate reduction and to mail the bills as provided by state law. If the constitutional amendment proposed by the 88th Legislature, 2nd 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 not approved by the voters, the assessor must prepare corrected tax bills using the amount of tax computed without factoring in the rate reduction and mail the corrected bills as soon as practicable after the election. The bill requires also that the assessor correct the district's tax roll for the 2023 tax year as necessary to reflect the results of that election. These provisions expire December 31, 2023.

H.B. 1 amends the Education Code to require TEA, as soon as practicable after the bill's effective date, to calculate and make available each school district's MCR in accordance with the tax rate compression provided by the bill and make available the information necessary for a school district assessor to calculate the tax imposed by the district on property for the 2023 tax year. For purposes of state law requiring TEA to post online certain information related to a reduction of the limitation on the taxes imposed on the residence homesteads of the elderly or disabled, the MCRs calculated by TEA are preliminary rates for the 2023 tax year. These provisions expire September 1, 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.