

By: Harrison

H.B. No. 187

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the calculation of certain ad valorem tax rates of a
3 taxing unit and the manner in which a proposed ad valorem tax rate
4 that exceeds the voter-approval tax rate is approved; making
5 conforming changes.

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

7 SECTION 1. Section 48.202(f), Education Code, is amended to
8 read as follows:

9 (f) For a school year in which the dollar amount guaranteed
10 level of state and local funds per weighted student per cent of tax
11 effort ("GL") under Subsection (a-1)(2) exceeds the dollar amount
12 guaranteed level of state and local funds per weighted student per
13 cent of tax effort ("GL") under Subsection (a-1)(2) for the
14 preceding school year, a school district shall reduce the
15 district's tax rate under Section 45.0032(b)(2) for the tax year
16 that corresponds to that school year to a rate that results in the
17 amount of state and local funds per weighted student per cent of tax
18 effort available to the district at the dollar amount guaranteed
19 level for the preceding school year. A school district is not
20 entitled to the amount equal to the increase of revenue described by
21 this subsection for the school year for which the district must
22 reduce the district's tax rate. For [~~Unless Section 26.042(e), Tax~~
23 ~~Code, applies to the district, for~~] a tax year in which a district
24 must reduce the district's tax rate under this subsection, the

1 district may not increase the district's maintenance and operations
2 tax rate to a rate that exceeds the maximum maintenance and
3 operations tax rate permitted under Section 45.003(d) or (f), as
4 applicable, minus the reduction of tax effort required under this
5 subsection. This subsection does not apply if the amount of state
6 funds appropriated for a school year specifically excludes the
7 amount necessary to provide the dollar amount guaranteed level of
8 state and local funds per weighted student per cent of tax effort
9 under Subsection (a-1)(2).

10 SECTION 2. Section 3828.157, Special District Local Laws
11 Code, is amended to read as follows:

12 Sec. 3828.157. INAPPLICABILITY OF CERTAIN TAX CODE
13 PROVISIONS. Sections 26.04, [~~26.042~~] 26.05, and 26.07, [~~and~~
14 ~~26.075~~] Tax Code, do not apply to a tax imposed under Section
15 3828.153 or 3828.156.

16 SECTION 3. Section 8876.152(a), Special District Local Laws
17 Code, is amended to read as follows:

18 (a) Sections 26.04, [~~26.042~~] 26.05, 26.06, 26.061, and
19 26.07, [~~and 26.075~~] Tax Code, do not apply to a tax imposed by the
20 district.

21 SECTION 4. Section 26.012(3), Tax Code, is amended to read
22 as follows:

23 (3) "Current debt service" means the minimum dollar
24 amount required to be expended for debt service for the current
25 year.

26 SECTION 5. Section 26.04(c), Tax Code, is amended to read as
27 follows:

(c) After the assessor for the taxing unit submits the appraisal roll for the taxing unit to the governing body of the taxing unit as required by Subsection (b), an officer or employee designated by the governing body shall calculate the no-new-revenue tax rate and the voter-approval tax rate for the taxing unit, where:

(1) "No-new-revenue tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to the following formula:

$$\text{NO-NEW-REVENUE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})$$

; and

(2) "Voter-approval tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to the following ~~[applicable]~~ formula:

~~[(A) for a special taxing unit:]~~

$$\text{VOTER-APPROVAL TAX RATE} = [\text{+}] \text{NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE} [\text{* 1.08}] + \text{CURRENT DEBT RATE}$$

~~[, or~~

~~[(B) for a taxing unit other than a special~~

~~taxing unit:]~~

$$[\text{VOTER-APPROVAL TAX RATE} = (\text{NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE} \times 1.035) + (\text{CURRENT DEBT RATE} + \text{UNUSED INCREMENT RATE})]$$

SECTION 6. 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 no-new-revenue tax rate and

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

3 NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY -
 4 LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW
 5 PROPERTY VALUE)] - SALES TAX GAIN RATE

6 and

7 VOTER-APPROVAL TAX RATE [~~FOR SPECIAL TAXING UNIT~~]
 8 = [(~~NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE~~ [~~* 1.08~~]) + [(~~CURRENT DEBT RATE - SALES TAX GAIN RATE~~ [~~+~~

10 [~~+~~

11 [~~VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER~~
 12 ~~THAN SPECIAL TAXING UNIT - (NO-NEW-REVENUE MAINTENANCE~~
 13 ~~AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +~~
 14 ~~UNUSED INCREMENT RATE - SALES TAX GAIN RATE)]~~

15 where "sales tax gain rate" means a number expressed in dollars per
 16 \$100 of taxable value, calculated by dividing the revenue that will
 17 be generated by the additional sales and use tax in the following
 18 year as calculated under Subsection (d) by the current total value.

19 (b) Except as provided by Subsections (a) and (c), in a year
 20 in which a taxing unit imposes an additional sales and use tax, the
 21 voter-approval tax rate for the taxing unit is calculated according
 22 to the following formula, regardless of whether the taxing unit
 23 levied a property tax in the preceding year:

24 VOTER-APPROVAL TAX RATE [~~FOR SPECIAL TAXING UNIT~~]
 25 = [(~~LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE~~
 26 [~~* 1.08~~]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)]
 27 + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

1 ~~[or~~
 2 ~~[VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN~~
 3 ~~SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND~~
 4 ~~OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -~~
 5 ~~NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED~~
 6 ~~INCREMENT RATE - SALES TAX REVENUE RATE)]~~

7 where "last year's maintenance and operations expense" means the
 8 amount spent for maintenance and operations from property tax and
 9 additional sales and use tax revenues in the preceding year, and
 10 "sales tax revenue 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 current year
 13 as calculated under Subsection (d) by the current total value.

14 (c) In a year in which a taxing unit that has been imposing
 15 an additional sales and use tax ceases to impose an additional sales
 16 and use tax, the no-new-revenue tax rate and voter-approval tax
 17 rate for the taxing unit are calculated according to the following
 18 formulas:

19 NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY -
 20 LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW
 21 PROPERTY VALUE)] + SALES TAX LOSS RATE

22 and

23 VOTER-APPROVAL TAX RATE ~~[FOR SPECIAL TAXING UNIT]~~
 24 = [[~~(~~LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE
 25 [~~x 1.08~~)] / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)]
 26 + CURRENT DEBT RATE

27 ~~[or~~

1 ~~[VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER~~
 2 ~~THAN SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE~~
 3 ~~AND OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE~~
 4 ~~= NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED~~
 5 ~~INCREMENT RATE)]~~

6 where "sales tax loss rate" means a number expressed in dollars per
 7 \$100 of taxable value, calculated by dividing the amount of sales
 8 and use tax revenue generated in the last four quarters for which
 9 the information is available by the current total value and "last
 10 year's maintenance and operations expense" means the amount spent
 11 for maintenance and operations from property tax and additional
 12 sales and use tax revenues in the preceding year.

13 SECTION 7. Section 26.07(b), Tax Code, is amended to read as
 14 follows:

15 (b) If the governing body of a ~~[special]~~ taxing unit ~~[or a~~
 16 ~~municipality with a population of 30,000 or more]~~ adopts a tax rate
 17 that exceeds the taxing unit's voter-approval tax rate, ~~[or the~~
 18 ~~governing body of a taxing unit other than a special taxing unit or~~
 19 ~~a municipality with a population of less than 30,000 regardless of~~
 20 ~~whether it is a special taxing unit adopts a tax rate that exceeds~~
 21 ~~the greater of the taxing unit's voter-approval tax rate or de~~
 22 ~~minimis rate,]~~ the registered voters of the taxing unit at an
 23 election held for that purpose must determine whether to approve
 24 the adopted tax rate.

25 SECTION 8. Sections 31.12(a) and (b), Tax Code, are amended
 26 to read as follows:

27 (a) If a refund of a tax provided by Section 11.431(b),

1 26.07(g), [~~26.075(k)~~], 26.15(f), 31.11, 31.111, or 31.112 is paid
2 on or before the 60th day after the date the liability for the
3 refund arises, no interest is due on the amount refunded. If not
4 paid on or before that 60th day, the amount of the tax to be refunded
5 accrues interest at a rate of one percent for each month or part of a
6 month that the refund is unpaid, beginning with the date on which
7 the liability for the refund arises.

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

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

13 (2) if the refund is required by Section 26.07(g) [~~ex~~
14 ~~26.075(k)~~], on the date the results of the election to approve [~~ex~~
15 ~~reduce~~] the tax rate [~~as applicable~~] are certified;

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

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

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

24 (4) if the refund is required by Section 31.11, on the
25 date the auditor for the taxing unit determines that the payment was
26 erroneous or excessive or, if the amount of the refund exceeds the
27 applicable amount specified by Section 31.11(a), on the date the

1 governing body of the taxing unit approves the refund;

2 (5) if the refund is required by Section 31.111, on the
3 date the collector for the taxing unit determines that the payment
4 was erroneous; or

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

7 SECTION 9. Section 33.08(b), Tax Code, is amended to read as
8 follows:

9 (b) The governing body of the taxing unit or appraisal
10 district, in the manner required by law for official action, may
11 provide that taxes that become delinquent on or after June 1 under
12 Section [~~26.075(j)~~,] 26.15(e), 31.03, 31.031, 31.032, 31.033,
13 31.04, or 42.42 incur an additional penalty to defray costs of
14 collection. The amount of the penalty may not exceed the amount of
15 the compensation specified in the applicable contract with an
16 attorney under Section 6.30 to be paid in connection with the
17 collection of the delinquent taxes.

18 SECTION 10. Section 49.057, Water Code, is amended by
19 amending Subsection (b) and adding Subsection (j) to read as
20 follows:

21 (b) The board shall adopt an annual budget. The board of a
22 developed district [~~as defined by Section 49.23602,~~] shall include
23 as an appendix to the budget the district's:

- 24 (1) audited financial statements;
25 (2) bond transcripts; and
26 (3) engineer's reports required by Section 49.106.

27 (j) In this section, "developed district" means a district

1 that has financed, completed, and issued bonds to pay for all land,
2 works, improvements, facilities, plants, equipment, and appliances
3 necessary to serve at least 95 percent of the projected build-out of
4 the district in accordance with the purposes for its creation or the
5 purposes authorized by the constitution, this code, or any other
6 law.

7 SECTION 11. Section 49.107(g), Water Code, is amended to
8 read as follows:

9 (g) Sections 26.04, [~~26.042,~~] 26.05, 26.061, and 26.07,
10 [~~and 26.075,~~] Tax Code, do not apply to a tax levied and collected
11 under this section or an ad valorem tax levied and collected for the
12 payment of the interest on and principal of bonds issued by a
13 district.

14 SECTION 12. Section 49.108(f), Water Code, is amended to
15 read as follows:

16 (f) Sections 26.04, [~~26.042,~~] 26.05, 26.061, and 26.07,
17 [~~and 26.075,~~] Tax Code, do not apply to a tax levied and collected
18 for payments made under a contract approved in accordance with this
19 section.

20 SECTION 13. Section 49.236(a), Water Code, is amended to
21 read as follows:

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

27 (1) contain a statement in substantially the following

1 form:

2 "NOTICE OF PUBLIC HEARING ON TAX RATE

3 "The (name of the district) will hold a public hearing on a
4 proposed tax rate for the tax year (year of tax levy) on (date and
5 time) at (meeting place). Your individual taxes may increase at a
6 greater or lesser rate, or even decrease, depending on the tax rate
7 that is adopted and on the change in the taxable value of your
8 property in relation to the change in taxable value of all other
9 property. The change in the taxable value of your property in
10 relation to the change in the taxable value of all other property
11 determines the distribution of the tax burden among all property
12 owners.

13 "Visit Texas.gov/PropertyTaxes to find a link to your local
14 property tax database on which you can easily access information
15 regarding your property taxes, including information about
16 proposed tax rates and scheduled public hearings of each entity
17 that taxes your property.

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

21 (2) contain the following information:

22 (A) the district's total adopted tax rate for the
23 preceding year and the proposed tax rate, expressed as an amount per
24 \$100;

25 (B) the difference, expressed as an amount per
26 \$100 and as a percent increase or decrease, as applicable, in the
27 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;

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

1 the proposed tax rate is adopted; and

2 (G) if the proposed combined debt service,
3 operation and maintenance, and contract tax rate requires [~~or~~
4 ~~authorizes~~] an election to approve [~~or reduce~~] the tax rate, [~~as~~
5 ~~applicable,~~] a description of the purpose of the proposed tax
6 increase;

7 (3) contain a statement in substantially the following
8 form[~~, as applicable.~~

9 [~~(A) if the district is a district described by~~
10 ~~Section 49.23601~~]:

11 "NOTICE OF VOTE ON TAX RATE

12 "If the district adopts a combined debt service, operation
13 and maintenance, and contract tax rate that would result in the
14 taxes on the average residence homestead increasing from the
15 preceding year [~~by more than eight percent~~], an election must be
16 held to determine whether to approve the operation and maintenance
17 tax rate under Section 49.23601, Water Code.";

18 [~~(B) if the district is a district described by~~
19 ~~Section 49.23602.~~

20 [~~"NOTICE OF VOTE ON TAX RATE~~

21 [~~"If the district adopts a combined debt service, operation~~
22 ~~and maintenance, and contract tax rate that would result in the~~
23 ~~taxes on the average residence homestead increasing by more than~~
24 ~~3.5 percent, an election must be held to determine whether to~~
25 ~~approve the operation and maintenance tax rate under Section~~
26 ~~49.23602, Water Code."], or~~

27 [~~(C) if the district is a district described by~~

1 ~~Section 49.23603:~~

2 ~~["NOTICE OF TAXPAYERS' RIGHT TO ELECTION TO REDUCE TAX RATE~~

3 ~~["If the district adopts a combined debt service, operation~~
4 ~~and maintenance, and contract tax rate that would result in the~~
5 ~~taxes on the average residence homestead increasing by more than~~
6 ~~eight percent, the qualified voters of the district by petition may~~
7 ~~require that an election be held to determine whether to reduce the~~
8 ~~operation and maintenance tax rate to the voter-approval tax rate~~
9 ~~under Section 49.23603, Water Code."],] and~~

10 (4) include the following statement: "The 86th Texas
11 Legislature modified the manner in which the voter-approval tax
12 rate is calculated to limit the rate of growth of property taxes in
13 the state."

14 SECTION 14. The heading to Section 49.23601, Water Code, is
15 amended to read as follows:

16 Sec. 49.23601. AUTOMATIC ELECTION TO APPROVE TAX RATE [~~FOR~~
17 ~~LOW TAX RATE DISTRICTS~~].

18 SECTION 15. Sections 49.23601(a) and (c), Water Code, are
19 amended to read as follows:

20 (a) In this section, "voter-approval tax rate" means the
21 rate equal to the sum of the following tax rates for the district:

- 22 (1) the current year's debt service tax rate;
- 23 (2) the current year's contract tax rate; and
- 24 (3) the operation and maintenance tax rate that would
25 impose [~~1.08 times~~] the amount of [~~the~~] operation and maintenance
26 tax imposed by the district in the preceding year on a residence
27 homestead appraised at the average appraised value of a residence

1 homestead in the district in that year, disregarding any homestead
2 exemption available only to disabled persons or persons 65 years of
3 age or older.

4 (c) If the board of a district adopts a combined debt
5 service, contract, and operation and maintenance tax rate that
6 would impose more than [~~1.08 times~~] the amount of tax imposed by the
7 district in the preceding year on a residence homestead appraised
8 at the average appraised value of a residence homestead in the
9 district in that year, disregarding any homestead exemption
10 available only to disabled persons or persons 65 years of age or
11 older, an election must be held in accordance with the procedures
12 provided by Sections 26.07(c)-(g), Tax Code, to determine whether
13 to approve the adopted tax rate. If the adopted tax rate is not
14 approved at the election, the district's tax rate is the
15 voter-approval tax rate.

16 SECTION 16. The following provisions are repealed:

- 17 (1) Section 45.0032(d), Education Code;
- 18 (2) Section 120.007(d), Local Government Code;
- 19 (3) Sections 26.012(8-a) and (19), Tax Code;
- 20 (4) Section 26.013, Tax Code;
- 21 (5) Section 26.042, Tax Code;
- 22 (6) Section 26.0501(c), Tax Code;
- 23 (7) Section 26.063, Tax Code;
- 24 (8) Section 26.075, Tax Code;
- 25 (9) Section 49.23601(b), Water Code;
- 26 (10) Section 49.23602, Water Code; and
- 27 (11) Section 49.23603, Water Code.

1 SECTION 17. This Act applies only to ad valorem taxes
2 imposed for an ad valorem tax year that begins on or after the
3 effective date of this Act.

4 SECTION 18. This Act takes effect January 1, 2025.