**BILL ANALYSIS**

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| Senate Research Center | S.B. 976 |
| 88R2462 CJC/TJB-D | By: Middleton; Bettencourt |
|  | Local Government |
|  | 4/26/2023 |
|  | As Filed |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Despite legislation enacted by the 86th Texas Legislature in 2019 to overhaul the state's property tax system and give taxpayers more control over property tax increases by reducing the voter-approval tax rate multiplier from 8 percent to 3.5 percent, taxpayers located in jurisdictions with smaller populations have failed to realize the benefits of a lowered voter-approval tax rate due to taxing jurisdictions' use of the de minimis tax rate. Moreover, while the voter-approval tax rate only limits the increase of the maintenance and operations portion of the tax rate, it does not lower the debt portion of the tax rate. Taxing units can issue non-voter-approved debt, such as certificates of obligation and tax anticipation notes, to avoid submitting tax increases to the voters for certain purposes.

S.B. 976 attempts to address the concerns of homestead property taxpayers who have reached out concerning the changes made by the 86th legislature surrounding voter-approval tax. Homestead property taxpayers in larger jurisdictions, which are unable to utilize the de minimis tax rate, have seen the tax bills for average homesteads decrease in the most recent tax year. However, taxpayers living in smaller jurisdictions that utilize the de minimis tax rate have seen homestead tax bills continue to increase in some circumstances.

S.B. 976 seeks to set a level playing field for all Texas property taxpayers by eliminating the de minimis tax rate, bringing all local taxing jurisdictions in line to a uniform 3.5 percent voter-approval tax rate while also changing the definition of a voter-approval rate. The bill provides that only voter-approved forms of debt issuance are included in a debt tax rate calculation by shifting non-voter-approved forms of debt issuances to a taxing unit's maintenance and operations tax rate, which is subject to a 3.5 percent growth limitation before triggering a tax ratification election.

As proposed, S.B. 976 amends current law relating to the procedure for the adoption of an ad valorem tax rate by a taxing unit.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 3828.157, Special District Local Laws Code, as follows:

Sec. 3828.157. INAPPLICABILITY OF CERTAIN TAX CODE PROVISIONS. Deletes existing text providing that Section 26.075 (Petition Election to Reduce Tax Rate of Taxing Unit Other Than School District), Tax Code, does not apply to a tax imposed under certain statutes.

SECTION 2. Amends Section 8876.152(a), Special District Local Laws Code, to delete existing text providing that Section 26.075, Tax Code, does not apply to a tax imposed by the Reeves County Groundwater Conservation District.

SECTION 3. Amends Section 26.012(7), Tax Code, to redefine "debt."

SECTION 4. Amends Section 26.07(b), Tax Code, as follows:

(b) Requires the registered voters of a taxing unit, if the governing body of the taxing unit adopts a tax rate that exceeds the taxing unit's voter-approval tax rate, to determine whether to approve the adopted tax rate at an election held for that purpose. Deletes existing text requiring the registered voters of a special taxing unit, if the governing body of the taxing unit or a municipality with a population of 30,000 or more adopts a tax rate that exceeds the taxing unit's voter-approval tax rate, or the governing body of a taxing unit other than a special taxing unit or a municipality with a population of less than 30,000 regardless of whether it is a special taxing unit adopts a tax rate that exceeds the greater of the taxing unit's voter-approval tax rate or de minimis rate, to determine whether to approve the adopted tax rate at an election held for that purpose.

SECTION 5. Amends Sections 31.12(a) and (b), Tax Code, as follows:

(a) Deletes existing text providing that no interest is due on the amount refunded if a refund of a tax provided by Section 26.075(k) (relating to requiring that the taxing unit refund the difference between the amount of taxes paid and the amount due in certain circumstances) is paid on or before the 60th day after the date the liability for the refund arises.

(b) Makes conforming changes to this subsection.

SECTION 6. Amends Section 33.08(b), Tax Code, as follows:

(b) Deletes existing text authorizing the governing body of the taxing unit or appraisal district, in the manner required by law for official action, to provide that taxes that become delinquent on or after June 1 under Section 26.075(j) (relating to requiring the assessor for the taxing unit to prepare and mail corrected tax bills in certain circumstances) incur an additional penalty to defray costs of collection

SECTION 7. Amends Section 49.107(g), Water Code, as follows:

(g) Deletes existing text providing that Section 26.075, Tax Code, does not apply to a tax levied and collected under Section 49.107 (Operation and Maintenance Tax) or an ad valorem tax levied and collected for the payment of the interest on and principal of bonds issued by a district.

SECTION 8. Amends Section 49.108(f), Water Code, as follows:

(f) Deletes existing text providing that Section 26.075, Tax Code, does not apply to a tax levied and collected for payments made under a contract approved in accordance with Section 49.108 (Contract Elections).

SECTION 9. Amends Section 49.23603, Water Code, by amending Subsection (c) and adding Subsections (d), (e), (f), (g), (h), (i), (j), and (k), as follows:

(c) Authorizes the qualified voters of a district by petition, if the board of the district (board) adopts a combined debt service, contract, and operation and maintenance tax rate that 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, to require that an election be held to determine whether to reduce the tax rate adopted for the current year to the voter-approval tax rate in accordance with the procedures provided by Section 49.23603 (Petition Election to Reduce Tax Rate for Certain Districts) and Section 26.081 (Petition Signatures), rather than by Sections 26.075 and 26.081, Tax Code.

(d) Provides that a petition is valid only if the petition:

(1) states that it is intended to require an election in the district on the question of reducing the district's adopted tax rate for the current tax year;

(2) is signed by a number of registered voters of the district equal to at least three percent of the registered voters of the district determined according to the most recent list of those voters; and

(3) is submitted to the board not later than the 90th day after the date on which the board adopts the tax rate for the current tax year.

(e) Requires the board, not later than the 20th day after the date on which a petition is submitted, to determine whether the petition is valid and by resolution to state the board's determination. Provides that the petition, if the board fails to make the determination in the time and manner required by this subsection, is considered to be valid for the purposes of this section.

(f) Requires the board, if the board determines that the petition is valid or fails to make the determination in the time and manner required by Subsection (e), to order that an election be held in the district on the next uniform election date that allows sufficient time to comply with the requirements of other law.

(g) Requires that the ballots, at the election, be prepared to permit voting for or against a certain proposition. Sets forth the language required to be included in the proposition.

(h) Provides that the tax rate for the current tax year, if a majority of the votes cast in the election favor the proposition, is the voter-approval tax rate.

(i) Provides that the tax rate for the district for the current tax year, if the proposition is not approved as provided by Subsection (h), is the tax rate adopted by the district's board for the current tax year.

(j) Requires the assessor for the district, if the tax rate is reduced by an election held under this section after tax bills for the district have been mailed, to prepare and mail corrected tax bills. Requires the assessor to include with the bill a brief explanation of the reason for and effect of the corrected bill. Provides that the date on which the taxes become delinquent for the tax year is extended by a number of days equal to the number of days between the date the first tax bills were sent and the date the corrected tax bills were sent.

(k) Requires the district, if a property owner pays taxes calculated using the higher tax rate when the tax rate is reduced by an election held under this section, to refund the difference between the amount of taxes paid and the amount due under the reduced tax rate if the difference between the amount of taxes paid and the amount due under the reduced tax rate is $1 or more. Requires the district, if the difference between the amount of taxes paid and the amount due under the reduced rate is less than $1, to refund the difference on request of the taxpayer. Requires that an application for a refund of less than $1 be made within 90 days after the date the refund becomes due or the taxpayer forfeits the right to the refund.

SECTION 10. Repealers: Sections 26.012(8-a) (relating to defining "de minimis rate") and (9) (relating to defining "designated infrastructure"), Tax Code

Repealers: Sections 26.012(18-a) (relating to defining "refunding bond") and (18-b) (relating to defining "self-supporting debt"), Tax Code.

Repealers: Sections 26.063 (Alternative Provisions for Tax Rate Notice When De Minimis Rate Exceeds Voter-Approval Tax Rate) and Section 26.075 (Petition Election to Reduce Tax Rate of Taxing Unit Other Than School District), Tax Code.

SECTION 11. Makes application of Section 26.012(7), Tax Code, as amended by this Act, prospective.

SECTION 12. Provides that this Act applies only to ad valorem taxes imposed for an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 13. Effective date: January 1, 2024.