

BILL ANALYSIS

C.S.H.B. 4456
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Legislature revised the calculations for public school districts and other types of local governments to determine applicable tax rates with the enactment of S.B. 2 and H.B. 3 in 2019. Both bills independently amended provisions in the Tax Code, and H.B. 3 removed the definition for the no-new-revenue maintenance and operations (M&O) tax rate. Current law requires school districts to calculate this tax rate as part of the truth-in-taxation process but does not provide a clear definition of what the rate is or how school districts are supposed to calculate it. The no-new-revenue M&O rate is intended to show the tax rate that a school district must impose to generate the same local tax revenue and state aid as the previous year on the current year's tax base. However, the no-new-revenue calculation in current law does not account for the portion of school district revenue that is from state aid, resulting in the current expression of the no-new-revenue M&O tax rate inaccurately reflecting the tax rate a school district must impose to maintain the same year-over-year level of funding for the district. Additionally, all taxing units, including school districts, are required to use the comptroller of public accounts forms for calculating tax rates, but changes to the tax rate calculation process for school districts, including the introduction of the maximum compressed tax rate and additional compression efforts, have caused confusion among school district tax assessors and taxpayers alike. C.S.H.B. 4456 seeks to improve the quality of information provided to taxpayers and clarify the process for determining a school district's no-new-revenue tax rate by reference to the rate calculation in the Education Code.

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

C.S.H.B. 4456 amends the Tax Code to remove the requirement that the comptroller of public accounts prescribe tax rate calculation forms to be used by the designated officer or employee of each public school district to calculate and submit the no-new-revenue tax rate and the voter-approval tax rate for the district and submit the rate to maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year.

C.S.H.B. 4456 specifies that the no-new-revenue maintenance and operations rate for a school district is a rate calculated in accordance with Education Code provisions relating to the rate to maintain the same level of maintenance and operations revenue as compared to the prior year.

The bill changes a school district's tax rate that triggers the requirement for a record vote of an ordinance, resolution, or order proposing the tax rate, with at least 60 percent of the governing body's members voting in favor, from a tax rate that exceeds the sum of the district's current debt rate and the district's no-new-revenue maintenance and operations tax rate determined by statutory provisions relating to an automatic election with respect to the district's enrichment tax with a tax rate that exceeds the rate calculated under Education Code provisions relating to the rate to maintain the same level of maintenance and operations revenue as compared to the prior year. The bill removes the specification that the tax rate an appraisal district must include in its database on property-tax-related information that would maintain the same amount of state and local revenue per student that the school district received in the school year beginning in the preceding tax year is based on weighted students. The bill's provisions apply to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2024.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4456 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute and introduced both contain a provision regarding the no-new-revenue maintenance and operations rate for a school district, but the substitute revises that provision by omitting the specification that the rate is expressed in dollars per \$100 of taxable value, which appeared in the introduced.

Whereas the introduced removed the specification that a district's no-new-revenue maintenance and operations tax rate is determined by statutory provisions relating to the automatic election to approve a district's tax rate with respect to the enrichment tax, the substitute changes the district's property tax rate that triggers the requirement for a record vote of an ordinance, resolution, or order proposing the tax rate, with at least 60 percent of the governing body's members voting in favor, by reference to Education Code provisions relating to the rate to maintain the same level of maintenance and operations revenue as compared to the prior year.

The substitute includes a provision providing for the applicability of its provisions to a property tax year that begins on or after the bill's effective date, which did not appear in the introduced.