

BILL ANALYSIS

Senate Research Center
88R4576 SHH-F

S.B. 977
By: Bettencourt; Middleton
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2019, the 86th Texas Legislature enacted legislation overhauling the state's property tax system. One goal of this legislation was to give taxpayers more control over property tax increases by reducing the voter-approval tax rate multiplier from 8 percent to 3.5 percent. However, the voter-approval tax rate only limits the increase of the maintenance and operations portion of the tax rate, not the debt portion of the tax rate. Taxing units are able to 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. 977 seeks to provide for increased input from taxpayers on the debt issued by a taxing unit by revising the definition of "debt" for purposes of calculating property tax rates. 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. 977 amends current law relating to the definition of debt for the purposes of calculating certain ad valorem tax rates of 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 26.012(7), Tax Code, to redefine "debt."

SECTION 2. Repealers: Sections 26.012(9) (relating to defining "designated infrastructure") and (18-a) (relating to defining "refunding bond"), Tax Code.

Repealer: Section 26.0012(18-b) (relating to defining "self-supporting debt"), Tax Code.

SECTION 3. Provides that the changes in law made by this Act apply only to a bond, warrant, certificate of obligation, or other evidence of indebtedness for which the ordinance, order, or resolution authorizing the issuance is adopted by the governing body of a taxing unit on or after the effective date of this Act and for which the taxing unit has not entered into a binding agreement before the effective date of this Act that contemplates the issuance of the debt. Provides that the changes in law made by this Act do not apply to a bond, warrant, certificate of obligation, or other evidence of indebtedness for which the ordinance, order, or resolution authorizing the issuance was adopted by the governing body of a taxing unit before the effective date of this Act or for which the taxing unit has entered into a binding agreement before the effective date of this Act that contemplates the issuance of such debt, and the former law is continued in effect for that purpose. Defines "binding agreement."

SECTION 4. Effective date: September 1, 2023.