

BILL ANALYSIS

Senate Research Center
88R4679 CJC-D

S.B. 978
By: Bettencourt; Middleton
Local Government
4/25/2023
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, 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.

Homestead property taxpayers in larger jurisdictions, which are unable to utilize the de minimis tax rate, have seen the tax bills on average homesteads decrease in the most recent tax year. However, taxpayers living in smaller jurisdictions that utilize the de minimis tax rate have seen their homestead tax bills continue to increase in some circumstances.

S.B. 978 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.

As proposed, S.B. 978 amends current law relating to the repeal of provisions providing for the calculation and effect of a de minimis ad valorem tax rate.

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. Makes a nonsubstantive change.

SECTION 2. Amends Section 8876.152(a), Special District Local Laws Code, as follows:

(a) Deletes existing text providing that Section 26.075, Tax Code, does not apply to a tax imposed by the district. Makes a nonsubstantive change.

SECTION 3. 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 the taxing unit, if the governing body of a special 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 4. 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 the taxing unit to refund the difference between the amount of taxes paid and the amount due under the reduced tax rate 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 5. 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).

SECTION 6. 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 7. 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 8. 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) Deletes existing text authorizing the qualified voters of the district, if the board of a district (board) adopts a combined debt service, contract, and operation and maintenance tax rate that would impose a certain amount of tax, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, by petition 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 certain statutes, including Section 26.075, 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 9. Repealer: Section 26.012(8-a) (relating to defining "de minimis rate"), Tax Code.

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

SECTION 10. Makes application of this Act prospective.

SECTION 11. Effective date: January 1, 2024.