

BILL ANALYSIS

S.B. 1999
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In 2019 the Texas Legislature passed S.B. 2, the Texas Property Tax Reform and Transparency Act of 2019, which made sweeping overhauls to the property tax system. Part of S.B. 2 created the unused increment rate, which allows taxing units to "bank" additional increment "pennies" that can be levied for three years.

The unused increment rate was created to incentivize taxing units to exercise fiscal restraint when setting a tax rate by providing this mechanism for taxing units to "bank" additional levy authority in exchange for setting lower tax rates. However, the unused increment rate has created some confusion among taxing unit officials and taxpayers, both in its calculation and its levy. Further, the unused increment rate creates shocks for some taxpayers, when a "penny" of taxation that was banked in prior tax years is levied on sometimes increased property values.

S.B. 1999 seeks to simplify the unused increment rate by converting the rate to a dollar amount yield that a taxing unit may carry forward.

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

S.B. 1999 amends the Tax Code to update the formula used to calculate a taxing unit's unused increment rate for property tax purposes as follows:

- removes the current formula, which is the sum of the year one voter-approval tax rate less the year one actual tax rate, the year two voter-approval tax rate less the year two actual tax rate, and the year three voter-approval tax rate less the year three actual tax rate; and
- sets out a new formula, which is the sum of the year one foregone revenue amount, year two foregone revenue amount, and year three foregone revenue amount divided by the current total value.

For purposes of this new formula, S.B. 1999 defines the following terms:

- "foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula:
 - the voter-approval tax rate less the actual tax rate, then multiplied by the preceding total value; and

- "preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"Current total value," as used in the Property Tax Code, means the total taxable value of property listed on the appraisal roll for the current year, including all appraisal roll supplements and corrections as of the date of the calculation, less the taxable value of property exempted for the current tax year for the first time as pollution control property or as an energy storage system in a nonattainment area, except that:

- the current total value for a public school district excludes:
 - the total value of homesteads that qualify for the limitation on the increase in the amount of school district property taxes imposed on the residence homestead of a disabled individual or an individual 65 years of age or older; and
 - new property value of property that is subject to an agreement entered into under the Texas Economic Development Act; and
- the current total value for a county, municipality, or junior college district excludes the total value of homesteads that qualify for a tax limitation on the total amount of taxes that may be imposed by the county, municipality, or junior college district on the residence homestead of a disabled individual or an individual 65 years of age or older.

EFFECTIVE DATE

January 1, 2024.