

By: Middleton

S.B. No. 1324

A BILL TO BE ENTITLED

AN ACT

relating to the effect of an election at which the voters fail to approve or vote to reduce the ad valorem tax rate adopted by the governing body of a taxing unit.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 26.06(b-1), Tax Code, is amended to read as follows:

(b-1) If the proposed tax rate exceeds the no-new-revenue tax rate and the voter-approval tax rate of the taxing unit, the notice must contain a statement in the following form:

"NOTICE OF PUBLIC HEARING ON TAX INCREASE

"PROPOSED TAX RATE \$_____ per \$100

"NO-NEW-REVENUE TAX RATE \$_____ per \$100

"VOTER-APPROVAL TAX RATE \$_____ per \$100

"The no-new-revenue tax rate is the tax rate for the (current tax year) tax year that will raise the same amount of property tax revenue for (name of taxing unit) from the same properties in both the (preceding tax year) tax year and the (current tax year) tax year.

"The voter-approval tax rate is the highest tax rate that (name of taxing unit) may adopt without holding an election to seek voter approval of the rate.

"The proposed tax rate is greater than the no-new-revenue tax rate. This means that (name of taxing unit) is proposing to

1 increase property taxes for the (current tax year) tax year.

2 "A public hearing on the proposed tax rate will be held on
3 (date and time) at (meeting place).

4 "The proposed tax rate is also greater than the
5 voter-approval tax rate. If (name of taxing unit) adopts the
6 proposed tax rate, (name of taxing unit) is required to hold an
7 election so that the voters may accept or reject the proposed tax
8 rate. If a majority of the voters reject the proposed tax rate, the
9 tax rate of the (name of taxing unit) will be the lesser of the
10 no-new-revenue tax rate or voter-approval tax rate. The election
11 will be held on (date of election). You may contact the (name of
12 office responsible for administering the election) for information
13 about voting locations. The hours of voting on election day are
14 (voting hours).

15 "Your taxes owed under any of the tax rates mentioned above
16 can be calculated as follows:

17 "Property tax amount = tax rate x taxable value of your
18 property / 100

19 "(Names of all members of the governing body, showing how
20 each voted on the proposal to consider the tax increase or, if one
21 or more were absent, indicating the absences.)

22 "Visit Texas.gov/PropertyTaxes to find a link to your local
23 property tax database on which you can easily access information
24 regarding your property taxes, including information about
25 proposed tax rates and scheduled public hearings of each entity
26 that taxes your property.

27 "The 86th Texas Legislature modified the manner in which the

1 voter-approval tax rate is calculated to limit the rate of growth of
2 property taxes in the state."

3 SECTION 2. Sections 26.063(b) and (c), Tax Code, are
4 amended to read as follows:

5 (b) This subsection applies only to a taxing unit that is
6 required to hold an election under Section 26.07. In the notice
7 required to be provided by the taxing unit under Section 26.06(b-1)
8 or (b-3), as applicable, the taxing unit shall:

9 (1) add the following to the end of the list of rates
10 included in the notice:

11 "DE MINIMIS RATE \$_____ per \$100";

12 (2) substitute the following for the definition of
13 "voter-approval tax rate": "The voter-approval tax rate is the
14 highest tax rate that (name of taxing unit) may adopt without
15 holding an election to seek voter approval of the rate, unless the
16 de minimis rate for (name of taxing unit) exceeds the
17 voter-approval tax rate for (name of taxing unit).";

18 (3) add the following definition of "de minimis
19 rate": "The de minimis rate is the rate equal to the sum of the
20 no-new-revenue maintenance and operations rate for (name of taxing
21 unit), the rate that will raise \$500,000, and the current debt rate
22 for (name of taxing unit)."; and

23 (4) substitute the following for the provision that
24 provides notice that an election is required: "The proposed tax
25 rate is greater than the voter-approval tax rate and the de minimis
26 rate. If (name of taxing unit) adopts the proposed tax rate, (name
27 of taxing unit) is required to hold an election so that the voters

may accept or reject the proposed tax rate. If a majority of the voters reject the proposed tax rate, the tax rate of the (name of taxing unit) will be the lesser of the no-new-revenue tax rate or voter-approval tax rate of the (name of taxing unit). The election will be held on (date of election). You may contact the (name of office responsible for administering the election) for information about voting locations. The hours of voting on election day are (voting hours).".

(c) This subsection applies only to a taxing unit for which the qualified voters of the taxing unit may petition to hold an election under Section 26.075. In the notice required to be provided by the taxing unit under Section 26.06(b-1) or (b-3), as applicable, the taxing unit shall:

(1) add the following to the end of the list of rates included in the notice:

"DE MINIMIS RATE \$_____ per \$100";

(2) substitute the following for the definition of "voter-approval tax rate": "The voter-approval tax rate is the highest tax rate that (name of taxing unit) may adopt without holding an election to seek voter approval of the rate, unless the de minimis rate for (name of taxing unit) exceeds the voter-approval tax rate for (name of taxing unit).";

(3) add the following definition of "de minimis rate": "The de minimis rate is the rate equal to the sum of the no-new-revenue maintenance and operations rate for (name of taxing unit), the rate that will raise \$500,000, and the current debt rate for (name of taxing unit)."; and

1 (4) substitute the following for the provision that
 2 provides notice that an election is required: "The proposed tax
 3 rate is greater than the voter-approval tax rate but not greater
 4 than the de minimis rate. However, the proposed tax rate exceeds
 5 the rate that allows voters to petition for an election under
 6 Section 26.075, Tax Code. If (name of taxing unit) adopts the
 7 proposed tax rate, the qualified voters of the (name of taxing unit)
 8 may petition the (name of taxing unit) to require an election to be
 9 held to determine whether to reduce the proposed tax rate. If a
 10 majority of the voters reject the proposed tax rate, the tax rate of
 11 the (name of taxing unit) will be the lesser of the no-new-revenue
 12 tax rate or voter-approval tax rate of the (name of taxing unit).".

13 SECTION 3. Sections 26.07(e) and (g), Tax Code, are amended
 14 to read as follows:

15 (e) If the proposition is not approved as provided by
 16 Subsection (d), the taxing unit's tax rate for the current tax year
 17 is the lesser of the taxing unit's no-new-revenue tax rate or
 18 voter-approval tax rate.

19 (g) If a property owner pays taxes calculated using the
 20 originally adopted tax rate of the taxing unit and the proposition
 21 to approve the adopted tax rate is not approved by voters, the
 22 taxing unit shall refund the difference between the amount of taxes
 23 paid and the amount due under the no-new-revenue tax rate or
 24 voter-approval tax rate, as applicable, if the difference between
 25 the amount of taxes paid and the amount due under the applicable
 26 ~~[voter-approval]~~ tax rate is \$1 or more. If the difference between
 27 the amount of taxes paid and the amount due under the applicable

1 ~~[voter-approval]~~ tax rate is less than \$1, the taxing unit shall
2 refund the difference on request of the taxpayer. An application
3 for a refund of less than \$1 must be made within 90 days after the
4 date the refund becomes due or the taxpayer forfeits the right to
5 the refund.

6 SECTION 4. Sections 26.075(c), (g), and (h), Tax Code, are
7 amended to read as follows:

8 (c) The qualified voters of a taxing unit by petition may
9 require that an election be held to determine whether to reduce the
10 tax rate adopted by the governing body of the taxing unit for the
11 current tax year to the lesser of the taxing unit's no-new-revenue
12 tax rate or voter-approval tax rate.

13 (g) At the election, the ballots shall be prepared to permit
14 voting for or against the proposition: "Reducing the tax rate in
15 (name of taxing unit) for the current year from (insert tax rate
16 adopted for current year) to (insert lesser of no-new-revenue tax
17 rate or voter-approval tax rate)."

18 (h) If a majority of the votes cast in the election favor the
19 proposition, the tax rate for the current tax year is the lesser of
20 the taxing unit's no-new-revenue tax rate or voter-approval tax
21 rate.

22 SECTION 5. Section 26.08(d), Tax Code, is amended to read as
23 follows:

24 (d) If the proposition is not approved as provided by
25 Subsection (c), the governing body may not adopt a tax rate for the
26 school district for the current year that exceeds the lesser of the
27 school district's no-new-revenue tax rate or voter-approval tax

1 rate.

2 SECTION 6. Section [49.236](#)(a), Water Code, is amended to
3 read as follows:

4 (a) Before the board adopts an ad valorem tax rate for the
5 district for debt service, operation and maintenance purposes, or
6 contract purposes, the board shall give notice of each meeting of
7 the board at which the adoption of a tax rate will be considered.
8 The notice must:

9 (1) contain a statement in substantially the following
10 form:

11 "NOTICE OF PUBLIC HEARING ON TAX RATE

12 "The (name of the district) will hold a public hearing on a
13 proposed tax rate for the tax year (year of tax levy) on (date and
14 time) at (meeting place). Your individual taxes may increase at a
15 greater or lesser rate, or even decrease, depending on the tax rate
16 that is adopted and on the change in the taxable value of your
17 property in relation to the change in taxable value of all other
18 property. The change in the taxable value of your property in
19 relation to the change in the taxable value of all other property
20 determines the distribution of the tax burden among all property
21 owners.

22 "Visit Texas.gov/PropertyTaxes to find a link to your local
23 property tax database on which you can easily access information
24 regarding your property taxes, including information about
25 proposed tax rates and scheduled public hearings of each entity
26 that taxes your property.

27 "(Names of all board members and, if a vote was taken, an

1 indication of how each voted on the proposed tax rate and an
2 indication of any absences.)";

3 (2) contain the following information:

4 (A) the district's total adopted tax rate for the
5 preceding year and the proposed tax rate, expressed as an amount per
6 \$100;

7 (B) the difference, expressed as an amount per
8 \$100 and as a percent increase or decrease, as applicable, in the
9 proposed tax rate compared to the adopted tax rate for the preceding
10 year;

11 (C) the average appraised value of a residence
12 homestead in the district in the preceding year and in the current
13 year; the district's total homestead exemption, other than an
14 exemption available only to disabled persons or persons 65 years of
15 age or older, applicable to that appraised value in each of those
16 years; and the average taxable value of a residence homestead in the
17 district in each of those years, disregarding any homestead
18 exemption available only to disabled persons or persons 65 years of
19 age or older;

20 (D) the amount of tax that would have been
21 imposed by the district in the preceding year on a residence
22 homestead appraised at the average appraised value of a residence
23 homestead in that year, disregarding any homestead exemption
24 available only to disabled persons or persons 65 years of age or
25 older;

26 (E) the amount of tax that would be imposed by the
27 district in the current year on a residence homestead appraised at

1 the average appraised value of a residence homestead in that year,
2 disregarding any homestead exemption available only to disabled
3 persons or persons 65 years of age or older, if the proposed tax
4 rate is adopted;

5 (F) the difference between the amounts of tax
6 calculated under Paragraphs (D) and (E), expressed in dollars and
7 cents and described as the annual percentage increase or decrease,
8 as applicable, in the tax to be imposed by the district on the
9 average residence homestead in the district in the current year if
10 the proposed tax rate is adopted; and

11 (G) if the proposed combined debt service,
12 operation and maintenance, and contract tax rate requires or
13 authorizes an election to approve or reduce the tax rate, as
14 applicable, a description of the purpose of the proposed tax
15 increase;

16 (3) contain a statement in substantially the following
17 form, as applicable:

18 (A) if the district is a district described by
19 Section [49.23601](#):

20 "NOTICE OF VOTE ON TAX RATE

21 "If the district adopts a combined debt service, operation
22 and maintenance, and contract tax rate that would result in the
23 taxes on the average residence homestead increasing by more than
24 eight percent, an election must be held to determine whether to
25 approve the operation and maintenance tax rate under Section
26 [49.23601](#), Water Code.";

27 (B) if the district is a district described by

Section 49.23602:

"NOTICE OF VOTE ON TAX RATE

"If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than 3.5 percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23602, Water Code."; or

(C) if the district is a district described by Section 49.23603:

"NOTICE OF TAXPAYERS' RIGHT TO ELECTION TO REDUCE TAX RATE

"If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate [~~to the voter approval tax rate~~] under Section 49.23603, Water Code."; and

(4) include the following statement: "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.".

SECTION 7. Sections 49.23601(a) and (c), Water Code, are amended to read as follows:

(a) In this section:

(1) "No-new-revenue tax rate" has the meaning assigned by Section 26.04(c), Tax Code.

1 (2) "Voter-approval [~~," "voter-approval]~~ tax rate"
2 means the rate equal to the sum of the following tax rates for the
3 district:

4 (A) [~~(1)~~] the current year's debt service tax
5 rate;

6 (B) [~~(2)~~] the current year's contract tax rate;
7 and

8 (C) [~~(3)~~] the operation and maintenance tax rate
9 that would impose 1.08 times the amount of the operation and
10 maintenance tax imposed by the district in the preceding year on a
11 residence homestead appraised at the average appraised value of a
12 residence homestead in the district in that year, disregarding any
13 homestead exemption available only to disabled persons or persons
14 65 years of age or older.

15 (c) If the board of a district adopts a combined debt
16 service, contract, and operation and maintenance tax rate that
17 would impose more than 1.08 times the amount of tax imposed by the
18 district in the preceding year on a residence homestead appraised
19 at the average appraised value of a residence homestead in the
20 district in that year, disregarding any homestead exemption
21 available only to disabled persons or persons 65 years of age or
22 older, an election must be held in accordance with the procedures
23 provided by Sections [26.07](#)(c)-(g), Tax Code, to determine whether
24 to approve the adopted tax rate. If the adopted tax rate is not
25 approved at the election, the district's tax rate is the lesser of
26 the district's no-new-revenue tax rate or voter-approval tax rate.

27 SECTION 8. Section [49.23602](#)(a), Water Code, is amended by

adding Subdivision (2-a) to read as follows:

(2-a) "No-new-revenue tax rate" has the meaning assigned by Section 26.04(c), Tax Code.

SECTION 9. Section 49.23602(c), Water Code, is amended to read as follows:

(c) If the board of a district adopts a combined debt service, contract, and operation and maintenance tax rate that exceeds the district's mandatory tax election rate, an election must be held in accordance with the procedures provided by Sections 26.07(c)-(g), Tax Code, to determine whether to approve the adopted tax rate. If the adopted tax rate is not approved at the election, the district's tax rate is the lesser of the district's no-new-revenue tax rate or voter-approval tax rate.

SECTION 10. Sections 49.23603(a) and (c), Water Code, are amended to read as follows:

(a) In this section:

(1) "No-new-revenue tax rate" has the meaning assigned by Section 26.04(c), Tax Code.

(2) "Voter-approval [,"voter-approval"] tax rate" means the rate equal to the sum of the following tax rates for the district:

(A) [(1)] the current year's debt service tax rate;

(B) [(2)] the current year's contract tax rate;
and

(C) [(3)] the operation and maintenance tax rate that would impose 1.08 times the amount of the operation and

1 maintenance tax imposed by the district in the preceding year on a
2 residence homestead appraised at the average appraised value of a
3 residence homestead in the district in that year, disregarding any
4 homestead exemption available only to disabled persons or persons
5 65 years of age or older.

6 (c) If the board of a district adopts a combined debt
7 service, contract, and operation and maintenance tax rate that
8 would impose more than 1.08 times the amount of tax imposed by the
9 district in the preceding year on a residence homestead appraised
10 at the average appraised value of a residence homestead in the
11 district in that year, disregarding any homestead exemption
12 available only to disabled persons or persons 65 years of age or
13 older, the qualified voters of the district by petition may require
14 that an election be held to determine whether to reduce the tax rate
15 adopted for the current year to the lesser of the district's
16 no-new-revenue tax rate or voter-approval tax rate in accordance
17 with the procedures provided by Sections [26.075](#) and [26.081](#), Tax
18 Code.

19 SECTION 11. The change in law made by this Act applies to
20 the ad valorem tax rate of a taxing unit beginning with the 2024 tax
21 year.

22 SECTION 12. This Act takes effect January 1, 2024.