

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 26, 2023

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB978 by Bettencourt (Relating to the repeal of provisions providing for the calculation and effect of a de minimis ad valorem tax rate.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 26 (Assessment) of the Tax Code to repeal provisions providing for the calculation and effect of the de minimis rate.

The bill would amend Chapter 49 (Provisions Applicable to All Districts) of the Water Code to add procedures and requirements for the filing of a petition to require an election to reduce the district's adopted tax rate for the current tax year to the voter-approval tax rate. The bill would direct the assessor to mail corrected tax bills if the rate is reduced after the tax bills have been mailed and to refund overpayments. The bill would extend the delinquency date by the number of days between the mailing of the original and corrected tax bills.

The bill would repeal Sections 26.012(8-a) (Definitions), Section 26.063 (Alternate Provisions for Tax Rate Notice When De Minimis Rate Exceeds Voter-Approval Tax Rate), and Section 26.075 (Petition Election to Reduce Tax Rate of Taxing Unit Other Than School District) of the Tax Code and make conforming changes in the Tax Code, Water Code and Special District Local Laws Code.

The bill would repeal the de minimis rate, which is the rate at which the taxing unit would bring in an additional \$500,000 of property tax revenue plus the taxing unit's no-new-revenue maintenance and operations tax rate and debt rate, and provisions related to the de minimis rate, including alternative tax rate notice requirements and the ability for voters in certain taxing units to petition for an election if the adopted tax rate exceeds the voter-approval tax rate but does not exceed the de minimis rate. The changes in the bill do not apply to school districts or certain water districts.

As such, the bill would require a taxing unit that adopts a tax rate above the taxing unit's voter-approval tax rate to hold an election to approve the tax rate. This may increase the number of voter-approval tax rate elections. However, it is unknown how many taxing units currently subject to the alternative notice and petition requirements would adopt a tax rate above the voter-approval tax rate or what the outcome of the required elections might be, as such the fiscal impact to units of local government cannot be determined.

Local Government Impact

Passage of the bill would repeal the de minimis rate. As a result, the number of voter-approval tax rate elections could increase. It is unknown how many taxing units currently subject to the alternative notice and petition requirements would adopt a tax rate above the voter-approval tax rate or what the outcome of the required elections might be, as such the fiscal impact to units of local government cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

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