By: Hickland   H.B. No. 158

A BILL TO BE ENTITLED

1   AN ACT

2   relating to the repeal of provisions providing for the calculation

3   of an unused increment rate and the use of that rate in calculating

4   certain other ad valorem tax rates.

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

6   SECTION 1.   Section 26.04(c), Tax Code, is amended to read as

7   follows:

8   (c) After the assessor for the taxing unit submits the

9   appraisal roll for the taxing unit to the governing body of the

10 taxing unit as required by Subsection (b), an officer or employee

11 designated by the governing body shall calculate the no-new-revenue

12 tax rate and the voter-approval tax rate for the taxing unit, where:

13   (1) "No-new-revenue tax rate" means a rate expressed

14 in dollars per $100 of taxable value calculated according to the

15 following formula:

16   NO-NEW-REVENUE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY

17 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)

18   ; and

19   (2) "Voter-approval tax rate" means a rate expressed

20 in dollars per $100 of taxable value calculated according to the

21 following applicable formula:

22   (A) for a special taxing unit:

23   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE AND

24 OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

1   ; or

2   (B)   for a taxing unit other than a special taxing

3   unit:

4   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE AND

5   OPERATIONS RATE x 1.035) + [+]CURRENT DEBT RATE [+ UNUSED INCREMENT

6   RATE)]

7   SECTION 2.   Sections 26.041(a), (b), and (c), Tax Code, are

8   amended to read as follows:

9   (a)   In the first year in which an additional sales and use

10   tax is required to be collected, the no-new-revenue tax rate and

11   voter-approval tax rate for the taxing unit are calculated

12   according to the following formulas:

13   NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY

14   LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] - SALES TAX GAIN

15   RATE

16   and

17   VOTER-APPROVAL   TAX   RATE   FOR   SPECIAL   TAXING   UNIT   =

18   (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x 1.08) + (CURRENT

19   DEBT RATE - SALES TAX GAIN RATE)

20   or

21   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN SPECIAL

22   TAXING UNIT = (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x

23   1.035) + (CURRENT DEBT RATE [+ UNUSED INCREMENT RATE] - SALES TAX

24   GAIN RATE)

25   where "sales tax gain rate" means a number expressed in dollars per

26   $100 of taxable value, calculated by dividing the revenue that will

27   be generated by the additional sales and use tax in the following

1 year as calculated under Subsection (d) by the current total value.

2   (b) Except as provided by Subsections (a) and (c), in a year

3 in which a taxing unit imposes an additional sales and use tax, the

4 voter-approval tax rate for the taxing unit is calculated according

5 to the following formula, regardless of whether the taxing unit

6 levied a property tax in the preceding year:

7   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT = [(LAST

8 YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.08) / (CURRENT TOTAL

9 VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE - SALES TAX

10 REVENUE RATE)

11 or

12   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN SPECIAL

13 TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x

14 1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT

15 RATE [+ UNUSED INCREMENT RATE] - SALES TAX REVENUE RATE)

16 where "last year's maintenance and operations expense" means the

17 amount spent for maintenance and operations from property tax and

18 additional sales and use tax revenues in the preceding year, and

19 "sales tax revenue rate" means a number expressed in dollars per

20 $100 of taxable value, calculated by dividing the revenue that will

21 be generated by the additional sales and use tax in the current year

22 as calculated under Subsection (d) by the current total value.

23   (c) In a year in which a taxing unit that has been imposing

24 an additional sales and use tax ceases to impose an additional sales

25 and use tax, the no-new-revenue tax rate and voter-approval tax

26 rate for the taxing unit are calculated according to the following

27 formulas:

1   NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY

2   LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS

3   RATE

4   and

5   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT = [(LAST

6   YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.08) / (CURRENT TOTAL

7   VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

8   or

9   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN SPECIAL

10   TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x

11   1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + [+]CURRENT

12   DEBT RATE [+ UNUSED INCREMENT RATE)]

13   where "sales tax loss rate" means a number expressed in dollars per

14   $100 of taxable value, calculated by dividing the amount of sales

15   and use tax revenue generated in the last four quarters for which

16   the information is available by the current total value and "last

17   year's maintenance and operations expense" means the amount spent

18   for maintenance and operations from property tax and additional

19   sales and use tax revenues in the preceding year.

20   SECTION 3. Section 26.042(a-2), Tax Code, as added by H.B.

21   30, Acts of the 89th Legislature, Regular Session, 2025, and

22   effective January 1, 2026, is amended to read as follows:

23   (a-2) The voter-approval tax rate the governing body of the

24   taxing unit may direct the designated officer or employee to

25   calculate under Subsection (a) is equal to the lesser of:

26   (1) the voter-approval tax rate calculated in the

27   manner provided for a special taxing unit; or

4

1   (2) the voter-approval tax rate calculated according

2 to the following formula:

3   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE AND

4 OPERATIONS RATE X 1.035) + (CURRENT DEBT RATE + [~~UNUSED INCREMENT~~

5 ~~RATE +~~] DISASTER RELIEF RATE)

6   SECTION 4. Sections 49.23602(a)(2) and (4), Water Code, are

7 amended to read as follows:

8   (2) "Mandatory tax election rate" means [~~the rate~~

9 ~~equal to the sum of the following tax rates for the district:~~

10   [~~(A)~~] the rate that would impose 1.035 times the

11 amount of tax imposed by the district in the preceding year on a

12 residence homestead appraised at the average appraised value of a

13 residence homestead in the district in that year, disregarding any

14 homestead exemption available only to disabled persons or persons

15 65 years of age or older[~~, and~~

16   [~~(B) the unused increment rate~~].

17   (4) "Voter-approval tax rate" means the rate equal to

18 the sum of the following tax rates for the district:

19   (A) the current year's debt service tax rate;

20   (B) the current year's contract tax rate; and

21   (C) the operation and maintenance tax rate that

22 would impose 1.035 times the amount of the operation and

23 maintenance tax imposed by the district in the preceding year on a

24 residence homestead appraised at the average appraised value of a

25 residence homestead in the district in that year, disregarding any

26 homestead exemption available only to disabled persons or persons

27 65 years of age or older[~~, and~~

1   [(D)   the unused increment rate].

2   SECTION 5.   The following provisions are repealed:

3   (1)   Section 120.007(d), Local Government Code;

4   (2)   Section 26.013, Tax Code;

5   (3)   Section 26.0501(c), Tax Code; and

6   (4)   Section 49.23602(a)(3), Water Code.

7   SECTION 6.   This Act applies only to ad valorem taxes imposed

8   for an ad valorem tax year that begins on or after the effective

9   date of this Act.

10   SECTION 7.   This Act takes effect January 1, 2026.