By: Hickland

A BILL TO BE ENTITLED

1   AN ACT

2 relating to the calculation of certain ad valorem tax rates of a

3 taxing unit and the manner in which a proposed ad valorem tax rate

4 that exceeds the voter-approval tax rate is approved; making

5 conforming changes.

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

7   SECTION 1. Section 26.013, Tax Code, is amended by adding

8 Subsection (c) to read as follows:

9   (c) This subsection applies only to a junior college

10 district, a hospital district, or a taxing unit, other than a school

11 district, for which the maintenance and operations tax rate

12 proposed for the current tax year is 2.5 cents or less per $100 of

13 taxable value. Notwithstanding Subsection (b)(2), for each tax

14 year before the 2026 tax year, the foregone revenue amount of a

15 taxing unit to which this subsection applies is considered to be

16 zero. This subsection expires December 31, 2028.

17   SECTION 2. Section 26.04(c), Tax Code, is amended to read as

18 follows:

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

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

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

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

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

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

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

2 following formula:

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

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

5   ; and

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

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

8 following [applicable] formula:

9   [(A) for a special taxing unit:

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

11 OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

12   [; or

13   [(B) for a taxing unit other than a special

14 taxing unit:]

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

16 OPERATIONS RATE x 1.025 [1.035]) + (CURRENT DEBT RATE + UNUSED

17 INCREMENT RATE)

18   SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are

19 amended to read as follows:

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

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

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

23 according to the following formulas:

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

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

26 RATE

27 and

1   [VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =

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

3   DEBT RATE - SALES TAX GAIN RATE)

4   [or]

5   VOTER-APPROVAL TAX RATE [FOR TAXING UNIT OTHER THAN SPECIAL

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

7   1.025 [1.035]) + (CURRENT DEBT RATE + UNUSED INCREMENT RATE - SALES

8   TAX GAIN RATE)

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

10   $100 of taxable value, calculated by dividing the revenue that will

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

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

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

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

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

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

17   levied a property tax in the preceding year:

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

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

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

21   REVENUE RATE)

22   [or]

23   VOTER-APPROVAL TAX RATE [FOR TAXING UNIT OTHER THAN SPECIAL

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

25   1.025 [1.035]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +

26   (CURRENT DEBT RATE + UNUSED INCREMENT RATE - SALES TAX REVENUE RATE)

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

1 amount spent for maintenance and operations from property tax and

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

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

4 $100 of taxable value, calculated by dividing the revenue that will

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

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

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

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

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

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

11 formulas:

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

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

14 RATE

15 and

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

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

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

19 [or]

20   VOTER-APPROVAL TAX RATE [FOR TAXING UNIT OTHER THAN SPECIAL

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

22 1.025 [1.035]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +

23 (CURRENT DEBT RATE + UNUSED INCREMENT RATE)

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

25 $100 of taxable value, calculated by dividing the amount of sales

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

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

1 year's maintenance and operations expense" means the amount spent
2 for maintenance and operations from property tax and additional
3 sales and use tax revenues in the preceding year.

4 SECTION 4. Section 26.042(a), Tax Code, as amended by H.B.
5 30, Acts of the 89th Legislature, Regular Session, 2025, and
6 effective January 1, 2026, is amended to read as follows:

7 (a) Notwithstanding Sections 26.04 and 26.041, the
8 governing body of a taxing unit other than a school district [or a
9 special taxing unit] may direct the designated officer or employee
10 to calculate the voter-approval tax rate of the taxing unit in the
11 manner provided by Subsection (a-2) if any part of the taxing unit
12 is located in an area declared a disaster area during the current
13 tax year by the governor or by the president of the United States
14 and at least one person is granted an exemption under Section 11.35
15 for property located in the taxing unit. The designated officer or
16 employee shall continue calculating the voter-approval tax rate in
17 the manner provided by this subsection until the earlier of:

18 (1) the first tax year in which the total taxable value
19 of property taxable by the taxing unit as shown on the appraisal
20 roll for the taxing unit submitted by the assessor for the taxing
21 unit to the governing body exceeds the total taxable value of
22 property taxable by the taxing unit on January 1 of the tax year in
23 which the disaster occurred; or

24 (2) the third tax year after the tax year in which the
25 disaster occurred.

26 SECTION 5. Section 26.042(a-2), Tax Code, as added by H.B.
27 30, Acts of the 89th Legislature, Regular Session, 2025, and

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

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

3 taxing unit may direct the designated officer or employee to

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

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

6 to the following formula:

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

8 OPERATIONS RATE X 1.08) + CURRENT DEBT RATE [in the manner provided

9 for a special taxing unit]

10   ; or

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

12 to the following formula:

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

14 OPERATIONS RATE X 1.025 [1.035]) + (CURRENT DEBT RATE + UNUSED

15 INCREMENT RATE + DISASTER RELIEF RATE)

16   SECTION 6. Section 26.042(c), Tax Code, is amended to read

17 as follows:

18   (c) For   purposes   of   Subsection   (b),   "adjusted

19 voter-approval tax rate" means the voter-approval tax rate a taxing

20 unit would have calculated in the last year for which Subsection (a)

21 applied to the taxing unit if in each tax year Subsection (a)

22 applied to the taxing unit the taxing unit adopted a tax rate equal

23 to the greater of:

24   (1) the tax rate actually adopted by the taxing unit

25 for that tax year, if that tax rate was approved by the voters at an

26 election held under Section 26.07; or

27   (2) the taxing unit's voter-approval tax rate for that

1 tax year, calculated in the manner provided by Section 26.04 [for a

2 taxing unit other than a special taxing unit].

3   SECTION 7. Section 26.063(a), Tax Code, is amended to read

4 as follows:

5   (a) This section applies only to a taxing unit:

6   (1) other than [that is:

7   [(A) a taxing unit other than a special taxing

8 unit; or

9   [(B)] a municipality with a population of [less

10 than] 30,000 or more [, regardless of whether it is a special taxing

11 unit];

12   (2) that is required to provide notice under Section

13 26.06(b-1) or (b-3); and

14   (3) for which the de minimis rate exceeds the

15 voter-approval tax rate.

16   SECTION 8. Section 26.07(b), Tax Code, is amended to read as

17 follows:

18   (b) If the governing body of a [special taxing unit or a]

19 municipality with a population of 30,000 or more adopts a tax rate

20 that exceeds the taxing unit's voter-approval tax rate, or the

21 governing body of a taxing unit other than a [special taxing unit or

22 a] municipality with a population of [less than] 30,000 or more

23 [regardless of whether it is a special taxing unit] adopts a tax

24 rate that exceeds the greater of the taxing unit's voter-approval

25 tax rate or de minimis rate, the registered voters of the taxing

26 unit at an election held for that purpose must determine whether to

27 approve the adopted tax rate.

1 SECTION 9. Sections 26.075(a) and (b), Tax Code, are

2 amended to read as follows:

3   (a) This section applies only to a taxing unit other than:

4   (1) [a special taxing unit,

5   [(2)] a school district; or

6   (2) [(3)] a municipality with a population of 30,000

7 or more.

8   (b) This section applies to a taxing unit only in a tax year

9 in which the taxing unit's:

10   (1) de minimis rate exceeds the taxing unit's

11 voter-approval tax rate; and

12   (2) adopted tax rate is:

13   (A) equal to or lower than the taxing unit's de

14 minimis rate; and

15   (B) greater than the [greater of the] taxing

16 unit's[:

17   [(i)] voter-approval tax rate [calculated

18 as if the taxing unit were a special taxing unit; or

19   [(ii) voter-approval tax rate].

20   SECTION 10. Section 49.057, Water Code, is amended by

21 amending Subsection (b) and adding Subsection (j) to read as

22 follows:

23   (b) The board shall adopt an annual budget. The board of a

24 developed district[, as defined by Section 49.23602,] shall include

25 as an appendix to the budget the district's:

26   (1) audited financial statements;

27   (2) bond transcripts; and

1   (3) engineer's reports required by Section 49.106.

2   (j) In this section, "developed district" means a district

3 that has financed, completed, and issued bonds to pay for all land,

4 works, improvements, facilities, plants, equipment, and appliances

5 necessary to serve at least 95 percent of the projected build-out of

6 the district in accordance with the purposes for its creation or the

7 purposes authorized by the constitution, this code, or any other

8 law.

9   SECTION 11. Section 49.236(a), Water Code, is amended to

10 read as follows:

11   (a) Before the board adopts an ad valorem tax rate for the

12 district for debt service, operation and maintenance purposes, or

13 contract purposes, the board shall give notice of each meeting of

14 the board at which the adoption of a tax rate will be considered.

15 The notice must:

16   (1) contain a statement in substantially the following

17 form:

18   "NOTICE OF PUBLIC HEARING ON TAX RATE

19   "The (name of the district) will hold a public hearing on a

20 proposed tax rate for the tax year (year of tax levy) on (date and

21 time) at (meeting place). Your individual taxes may increase at a

22 greater or lesser rate, or even decrease, depending on the tax rate

23 that is adopted and on the change in the taxable value of your

24 property in relation to the change in taxable value of all other

25 property. The change in the taxable value of your property in

26 relation to the change in the taxable value of all other property

27 determines the distribution of the tax burden among all property

1 owners.

2 "Visit Texas.gov/PropertyTaxes to find a link to your local
3 property tax database on which you can easily access information
4 regarding your property taxes, including information about
5 proposed tax rates and scheduled public hearings of each entity
6 that taxes your property.

7 "(Names of all board members and, if a vote was taken, an
8 indication of how each voted on the proposed tax rate and an
9 indication of any absences.)";

10   (2) contain the following information:

11   (A) the district's total adopted tax rate for the
12 preceding year and the proposed tax rate, expressed as an amount per
13 $100;

14   (B) the difference, expressed as an amount per
15 $100 and as a percent increase or decrease, as applicable, in the
16 proposed tax rate compared to the adopted tax rate for the preceding
17 year;

18   (C) the average appraised value of a residence
19 homestead in the district in the preceding year and in the current
20 year; the district's total homestead exemption, other than an
21 exemption available only to disabled persons or persons 65 years of
22 age or older, applicable to that appraised value in each of those
23 years; and the average taxable value of a residence homestead in the
24 district in each of those years, disregarding any homestead
25 exemption available only to disabled persons or persons 65 years of
26 age or older;

27   (D) the amount of tax that would have been

1 imposed by the district in the preceding year on a residence

2 homestead appraised at the average appraised value of a residence

3 homestead in that year, disregarding any homestead exemption

4 available only to disabled persons or persons 65 years of age or

5 older;

6 (E) the amount of tax that would be imposed by the

7 district in the current year on a residence homestead appraised at

8 the average appraised value of a residence homestead in that year,

9 disregarding any homestead exemption available only to disabled

10 persons or persons 65 years of age or older, if the proposed tax

11 rate is adopted;

12 (F) the difference between the amounts of tax

13 calculated under Paragraphs (D) and (E), expressed in dollars and

14 cents and described as the annual percentage increase or decrease,

15 as applicable, in the tax to be imposed by the district on the

16 average residence homestead in the district in the current year if

17 the proposed tax rate is adopted; and

18 (G) if the proposed combined debt service,

19 operation and maintenance, and contract tax rate requires [or

20 authorizes] an election to approve [or reduce] the tax rate, [as

21 applicable,] a description of the purpose of the proposed tax

22 increase;

23 (3) contain a statement in substantially the following

24 form[, as applicable:

25 [(A) if the district is a district described by

26 Section 49.23601]:

27 "NOTICE OF VOTE ON TAX RATE

1   "If the district adopts a combined debt service, operation

2 and maintenance, and contract tax rate that would result in the

3 taxes on the average residence homestead increasing by more than

4 2.5 [eight] percent, an election must be held to determine whether

5 to approve the operation and maintenance tax rate under Section

6 49.23601, Water Code.";

7   [(B) if the district is a district described by

8 Section 49.23602:

9   ["NOTICE OF VOTE ON TAX RATE

10   ["If the district adopts a combined debt service, operation

11 and maintenance, and contract tax rate that would result in the

12 taxes on the average residence homestead increasing by more than

13 3.5 percent, an election must be held to determine whether to

14 approve the operation and maintenance tax rate under Section

15 49.23602, Water Code."; or

16   [(C) if the district is a district described by

17 Section 49.23603:

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

19   ["If the district adopts a combined debt service, operation

20 and maintenance, and contract tax rate that would result in the

21 taxes on the average residence homestead increasing by more than

22 eight percent, the qualified voters of the district by petition may

23 require that an election be held to determine whether to reduce the

24 operation and maintenance tax rate to the voter-approval tax rate

25 under Section 49.23603, Water Code.";] and

26   (4) include the following statement: "The 86th Texas

27 Legislature modified the manner in which the voter-approval tax

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

3   SECTION 12. The heading to Section 49.23601, Water Code, is
4 amended to read as follows:

5   Sec. 49.23601. AUTOMATIC ELECTION TO APPROVE TAX RATE [FOR
6 LOW TAX RATE DISTRICTS].

7   SECTION 13. Sections 49.23601(a) and (c), Water Code, are
8 amended to read as follows:

9   (a) In this section, "voter-approval tax rate" means the
10 rate equal to the sum of the following tax rates for the district:

11   (1) the current year's debt service tax rate;

12   (2) the current year's contract tax rate; and

13   (3) the operation and maintenance tax rate that would
14 impose 1.025 [1.08] times the amount of [the] operation and
15 maintenance tax imposed by the district in the preceding year on a
16 residence homestead appraised at the average appraised value of a
17 residence homestead in the district in that year, disregarding any
18 homestead exemption available only to disabled persons or persons
19 65 years of age or older.

20   (c) If the board of a district adopts a combined debt
21 service, contract, and operation and maintenance tax rate that
22 would impose more than 1.025 [1.08] times the amount of tax imposed
23 by the district in the preceding year on a residence homestead
24 appraised at the average appraised value of a residence homestead
25 in the district in that year, disregarding any homestead exemption
26 available only to disabled persons or persons 65 years of age or
27 older, an election must be held in accordance with the procedures

1 provided by Sections 26.07(c)-(g), Tax Code, to determine whether

2 to approve the adopted tax rate. If the adopted tax rate is not

3 approved at the election, the district's tax rate is the

4 voter-approval tax rate.

5   SECTION 14. The following provisions are repealed:

6   (1) Section 26.012(19), Tax Code;

7   (2) Section 49.23601(b), Water Code;

8   (3) Section 49.23602, Water Code; and

9   (4) Section 49.23603, Water Code.

10   SECTION 15. This Act applies only to ad valorem taxes

11 imposed for an ad valorem tax year that begins on or after the

12 effective date of this Act.

13   SECTION 16. This Act takes effect January 1, 2026.