By: LaHood

H.B. No. 299

A BILL TO BE ENTITLED

1   AN ACT

2 relating to a limit on political subdivision expenditures and the

3 adoption of ad valorem tax rates.

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

5   ARTICLE 1. LIMIT ON ANNUAL EXPENDITURES

6   SECTION 1.01. Chapter 140, Local Government Code, is

7 amended by adding Section 140.015 to read as follows:

8   Sec. 140.015. LIMIT ON ANNUAL EXPENDITURES. (a) In this

9 section:

10   (1) "Consumer price index" means the average over a

11 calendar year of the index a political subdivision making a

12 calculation under Subsection (d) considers to most accurately

13 report changes in the purchasing power of the dollar for consumers

14 in this state.

15   (2) "Disaster relief cost" means the total amount of a

16 political subdivision's share of the cost associated with the

17 following services provided during a disaster declared by the

18 president of the United States or the governor during the current

19 calendar year:

20   (A) the removal of debris or wreckage in the

21 political subdivision, as determined by an estimate:

22   (i) if the disaster is declared by the

23 president of the United States, made under 42 U.S.C. Section 5173;

24 or

1   (ii) if the disaster is declared by the

2 governor but not by the president of the United States, made by the

3 political subdivision using, to the extent practicable, the methods

4 used to make a federal estimate under 42 U.S.C. Section 5173; and

5   (B) essential assistance as determined by:

6   (i) if the disaster was declared by the

7 president of the United States, a federal estimate; or

8   (ii) if the disaster was declared by the

9 governor but not by the president of the United States, an estimate

10 made by the political subdivision using, to the extent practicable,

11 the methods used to make a federal estimate described by

12 Subparagraph (i).

13   (3) "Inflation rate" means the amount, expressed in

14 decimal form rounded to the nearest thousandth, computed by

15 determining the percentage change in the consumer price index

16 applicable to the political subdivision making a calculation under

17 Subsection (d) for the preceding calendar year as compared to the

18 consumer price index for the calendar year preceding that calendar

19 year.

20   (4) "Political subdivision" means a county,

21 municipality, school district, junior college district, hospital

22 district, other special district, or other subdivision of state

23 government.

24   (5) "Population growth rate" means the rate of growth

25 of a political subdivision's population during the preceding

26 calendar year, expressed in decimal form rounded to the nearest

27 thousandth, determined by the political subdivision using the most

1 recent population estimates available from the United States Census

2 Bureau or, if the United States Census Bureau does not publish

3 population estimates for the political subdivision, other reliable

4 data sources or estimation methods determined by the political

5 subdivision.

6   (b) This section applies only to a political subdivision

7 that is authorized by law to impose an ad valorem tax or issue

8 bonds.

9   (c) Except as provided by Subsection (e), a political

10 subdivision's total expenditures from all available sources of

11 revenue in a fiscal year may not exceed the greater of:

12   (1) the political subdivision's total expenditures

13 from all available sources of revenue in the preceding fiscal year;

14 or

15   (2) an amount determined by multiplying:

16   (A) the political subdivision's total

17 expenditures from all available sources of revenue in the preceding

18 fiscal year; and

19   (B) the sum of one and the rate most recently

20 determined by the political subdivision under Subsection (d).

21   (d) Not later than January 31 of each year, a political

22 subdivision shall calculate and post on an Internet website

23 maintained by the political subdivision a rate equal to the product

24 of the population growth rate and the inflation rate using a form

25 prescribed by the comptroller.

26   (e) A political subdivision's total expenditures from all

27 available sources of local revenue in a fiscal year may exceed the

1 amount described by Subsection (c) if at least two-thirds of the

2 political subdivision's voters approve the additional expenditures

3 for that fiscal year at an election called for that purpose and held

4 on a uniform election date.

5   (f) For purposes of this section:

6   (1) a grant, donation, or gift is not considered an

7 available source of revenue; and

8   (2) a disaster relief cost is not considered an

9 expenditure.

10   (g) The attorney general may bring an action in Travis

11 County or a county in which a political subdivision is wholly or

12 partially located to enforce this section.

13   (h) In an action under Subsection (g), the attorney general

14 may seek:

15   (1) injunctive relief to prohibit the political

16 subdivision from violating this section;

17   (2) a writ of mandamus compelling the political

18 subdivision to comply with this section; or

19   (3) a declaratory judgment determining the rights and

20 obligations of the political subdivision under this section.

21   (i) A registered voter of a political subdivision may bring

22 an action against the political subdivision in a county in which the

23 political subdivision is wholly or partly located for a violation

24 of this section.

25   (j) In an action under Subsection (i), a registered voter of

26 a political subdivision may seek injunctive relief to prohibit the

27 political subdivision from violating this section.

1   (k) A court may award court costs and reasonable and
2 necessary attorney's fees to the prevailing party in an action
3 under Subsection (i).
4   ARTICLE 2. ADOPTION OF AD VALOREM TAX RATES
5   SECTION 2.01. Sections 281.124(d) and (f), Health and
6 Safety Code, are amended to read as follows:
7   (d) If at least two-thirds [a majority] of the registered
8 voters in the district cast a vote in [votes cast in the election]
9 favor of the proposition, the tax rate for the specified tax year is
10 the rate approved by the voters, and that rate is not subject to
11 Section 26.07, Tax Code. The board shall adopt the tax rate as
12 provided by Chapter 26, Tax Code.
13   (f) Notwithstanding any other law, if at least two-thirds [a
14 majority] of the registered voters in the district cast a vote in
15 [votes cast in the election] favor of the proposition, a governing
16 body with approval authority over the district's budget or tax rate
17 may not disapprove the tax rate approved by the voters or disapprove
18 the budget based solely on the tax rate approved by the voters.
19   SECTION 2.02. Section 1101.254(f), Special District Local
20 Laws Code, is amended to read as follows:
21   (f) This section does not affect the applicability of
22 Section 26.07, Tax Code, to the district's tax rate, except that if
23 at least two-thirds of the registered voters in the district
24 [voters] approve a tax rate increase under this section, Section
25 26.07, Tax Code, does not apply to the tax rate for that year.
26   SECTION 2.03. Section 3828.157, Special District Local Laws
27 Code, is amended to read as follows:

1   Sec. 3828.157.   INAPPLICABILITY   OF   CERTAIN   TAX   CODE

2 PROVISIONS.   Sections   26.04,   [26.042,]   26.05,   and   26.07,   [and

3 26.075,] Tax Code, do not apply to a tax imposed under Section

4 3828.153 or 3828.156.

5   SECTION 2.04.   Section 8876.152(a), Special District Local

6 Laws Code, is amended to read as follows:

7   (a)   Sections   26.04,   [26.042,]   26.05,   26.06,   26.061,   and

8 26.07, [and 26.075,] Tax Code, do not apply to a tax imposed by the

9 district.

10   SECTION 2.05.   Section 26.04(c), Tax Code, is amended to

11 read as follows:

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

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

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

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

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

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

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

19 following formula:

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

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

22   ; and

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

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

25 following applicable formula:

26   (A)   for a special taxing unit:

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

1   OPERATIONS RATE x 1.06 [1.08]) + CURRENT DEBT RATE

2   ; or

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

4   unit:

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

6   OPERATIONS RATE x 1.02 [1.035]) + [(]CURRENT DEBT RATE [+ UNUSED

7   INCREMENT RATE)]

8   SECTION 2.06.   Sections 26.041(a), (b), and (c), Tax Code,

9   are amended to read as follows:

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

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

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

13   according to the following formulas:

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

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

16   RATE

17   and

18   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =

19   (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x 1.06 [1.08]) +

20   (CURRENT DEBT RATE - SALES TAX GAIN RATE)

21   or

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

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

24   1.02 [1.035]) + (CURRENT DEBT RATE [+ UNUSED INCREMENT RATE] - SALES

25   TAX GAIN RATE)

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

27   $100 of taxable value, calculated by dividing the revenue that will

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

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

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

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

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

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

7 levied a property tax in the preceding year:

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

9 YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.06 [1.08]) / (CURRENT

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

11 REVENUE RATE)

12 or

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

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

15 1.02 [1.035]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +

16 (CURRENT DEBT RATE [+ UNUSED INCREMENT RATE] - SALES TAX REVENUE

17 RATE)

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

19 amount spent for maintenance and operations from property tax and

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

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

22 $100 of taxable value, calculated by dividing the revenue that will

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

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

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

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

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

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

2 formulas:

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

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

5 RATE

6 and

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

8 YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.06 [1.08]) / (CURRENT

9 TOTAL VALUE - NEW PROPERTY VALUE)] + CURRENT DEBT RATE

10 or

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

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

13 1.02 [1.035]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +

14 [(]CURRENT DEBT RATE [+ UNUSED INCREMENT RATE)]

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

16 $100 of taxable value, calculated by dividing the amount of sales

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

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

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

20 for maintenance and operations from property tax and additional

21 sales and use tax revenues in the preceding year.

22   SECTION 2.07. Section 26.05, Tax Code, is amended by adding

23 Subsection (e-2) to read as follows:

24   (e-2) In addition to the relief provided by Subsection (e),

25 a person that owns taxable property in the taxing unit and that has

26 a reasonable belief that the taxing unit has not complied with the

27 requirements of this section or Section 26.04 may submit a

1 complaint to the attorney general. If the attorney general
2 determines that the taxing unit has not complied with the
3 requirements of this section or Section 26.04, the attorney general
4 may seek declaratory and injunctive relief, including by filing a
5 petition for a writ of mandamus, to compel the taxing unit to comply
6 with the requirements of this section or Section 26.04. An action
7 brought under this subsection must be filed in Travis County or a
8 county in which any part of the taxing unit is located.

9 SECTION 2.08. Sections 26.06(b-1) and (b-3), Tax Code, are
10 amended to read as follows:

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

14 "NOTICE OF PUBLIC HEARING ON TAX INCREASE

15 "PROPOSED TAX RATE $_____ per $100

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

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

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

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

26 "The proposed tax rate is greater than the no-new-revenue tax
27 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. Unless at least two-thirds [If a majority] of the registered

9 voters in the taxing unit accept [reject] the proposed tax rate, the

10 tax rate of the (name of taxing unit) will be the voter-approval tax

11 rate. The election will be held on (date of election). You may

12 contact the (name of office responsible for administering the

13 election) for information about voting locations. The hours of

14 voting on election day are (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   (b-3) If the proposed tax rate does not exceed the

4 no-new-revenue tax rate but exceeds the voter-approval tax rate of

5 the taxing unit, the notice must contain a statement in the

6 following form:

7   "NOTICE OF PUBLIC HEARING ON TAX RATE

8   "PROPOSED TAX RATE $_____ per $100

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

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

11   "The no-new-revenue tax rate is the tax rate for the (current

12 tax year) tax year that will raise the same amount of property tax

13 revenue for (name of taxing unit) from the same properties in both

14 the (preceding tax year) tax year and the (current tax year) tax

15 year.

16   "The voter-approval tax rate is the highest tax rate that

17 (name of taxing unit) may adopt without holding an election to seek

18 voter approval of the rate.

19   "The proposed tax rate is not greater than the no-new-revenue

20 tax rate. This means that (name of taxing unit) is not proposing to

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

22   "A public hearing on the proposed tax rate will be held on

23 (date and time) at (meeting place).

24   "The proposed tax rate is greater than the voter-approval tax

25 rate. If (name of taxing unit) adopts the proposed tax rate, (name

26 of taxing unit) is required to hold an election so that the voters

27 may accept or reject the proposed tax rate. Unless at least

1 two-thirds [If a majority] of the registered voters in the taxing

2 unit accept [reject] the proposed tax rate, the tax rate of the

3 (name of taxing unit) will be the voter-approval tax rate. The

4 election will be held on (date of election). You may contact the

5 (name of office responsible for administering the election) for

6 information about voting locations. The hours of voting on

7 election day are (voting hours).

8   "Your taxes owed under any of the tax rates mentioned above

9 can be calculated as follows:

10   "Property tax amount = tax rate x taxable value of your

11 property / 100

12   "(Names of all members of the governing body, showing how

13 each voted on the proposal to consider the tax rate or, if one or

14 more were absent, indicating the absences.)

15   "Visit Texas.gov/PropertyTaxes to find a link to your local

16 property tax database on which you can easily access information

17 regarding your property taxes, including information about

18 proposed tax rates and scheduled public hearings of each entity

19 that taxes your property.

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

21 voter-approval tax rate is calculated to limit the rate of growth of

22 property taxes in the state."

23   SECTION 2.09. Section 26.07(d), Tax Code, is amended to

24 read as follows:

25   (d) If at least two-thirds [a majority] of the registered

26 voters in the taxing unit cast a vote in [votes cast in the

27 election] favor of the proposition, the tax rate for the current

1 year is the rate that was adopted by the governing body.

2   SECTION 2.10. Sections 31.12(a) and (c), Tax Code, as

3 amended by S.B. 850, Acts of the 89th Legislature, Regular Session,

4 2025, as effective September 1, 2025, are amended to read as

5 follows:

6   (a) A refund of a tax provided by Section 11.35(j),

7 11.431(b), 11.436(b), 11.438(c), 11.439(b), 23.1243(d), 23.48(d),

8 23.60(d), 26.05(e), 26.07(g), [26.075(k),] 26.08(d-2), 26.1115(c),

9 26.112(b), 26.1125(b), 26.1127(b), 26.15(f), 31.061(e), 31.071(c),

10 31.11, 31.111, or 31.112(c)(3) must be paid not later than the 60th

11 day after the date the liability for the refund arises as determined

12 under this section.

13   (c) For purposes of this section, liability for a refund

14 arises:

15   (1) if the refund is required by Section 11.35(j), on

16 the date the collector for the taxing unit learns the refund is

17 required;

18   (2) if the refund is required by Section 11.431(b),

19 11.436(b), 11.438(c), or 11.439(b), on the date the chief appraiser

20 notifies the collector for the taxing unit of the approval of the

21 applicable exemption;

22   (3) if the refund is required by Section 23.1243(d),

23 on the date the chief appraiser notifies the collector for the

24 taxing unit of the amount of tax to be refunded;

25   (4) if the refund is required by Section 23.48(d),

26 23.60(d), 26.1115(c), 26.112(b), 26.1125(b), or 26.1127(b), on the

27 date the assessor notifies the collector for the taxing unit of the

1 decrease in the person's tax liability;

2   (5) if the refund is required by Section 26.05(e), on

3 the date the action to enjoin the collection of taxes imposed by the

4 taxing unit is finally determined;

5   (6) if the refund is required by Section 26.07(g)[, or

6 26.075(k),] or 26.08(d-2), on the date the assessor for the taxing

7 unit mails the corrected tax bills under Section 26.07(f)[,

8 26.075(j),] or 26.08(d-1), as applicable;

9   (7) if the refund is required by Section 26.15(f):

10   (A) for a correction to the tax roll made under

11 Section 26.15(b), on the date the change in the tax roll is

12 certified to the assessor for the taxing unit under Section 25.25;

13 or

14   (B) for a correction to the tax roll made under

15 Section 26.15(c), on the date the change in the tax roll is ordered

16 by the governing body of the taxing unit;

17   (8) if the refund is required by Section 31.061(e), on

18 the date the taxing unit determines that the amount credited under

19 Section 31.061(d) exceeds the amount due to the taxing unit;

20   (9) if the refund is required by Section 31.071(c), on

21 the date the challenge, protest, or appeal is finally determined;

22   (10) if the refund is required by Section 31.11, on the

23 date the auditor for the taxing unit determines that the payment was

24 erroneous or excessive;

25   (11) if the refund is required by Section 31.111, on

26 the date the collector for the taxing unit determines that the

27 payment was erroneous; or

1   (12) if the refund is required by Section

2 31.112(c)(3), on the date the agreement described by Section

3 31.112(c) is made.

4   SECTION 2.11. Section 33.08(b), Tax Code, is amended to

5 read as follows:

6   (b) The governing body of the taxing unit or appraisal

7 district, in the manner required by law for official action, may

8 provide that taxes that become delinquent on or after June 1 under

9 Section [26.075(j),] 26.15(e), 31.03, 31.031, 31.032, 31.033,

10 31.04, or 42.42 incur an additional penalty to defray costs of

11 collection. The amount of the penalty may not exceed the amount of

12 the compensation specified in the applicable contract with an

13 attorney under Section 6.30 to be paid in connection with the

14 collection of the delinquent taxes.

15   SECTION 2.12. Section 49.107(g), Water Code, is amended to

16 read as follows:

17   (g) Sections 26.04, [26.042,] 26.05, 26.061, and 26.07,

18 [and 26.075,] Tax Code, do not apply to a tax levied and collected

19 under this section or an ad valorem tax levied and collected for the

20 payment of the interest on and principal of bonds issued by a

21 district.

22   SECTION 2.13. Section 49.108(f), Water Code, is amended to

23 read as follows:

24   (f) Sections 26.04, [26.042,] 26.05, 26.061, and 26.07,

25 [and 26.075,] Tax Code, do not apply to a tax levied and collected

26 for payments made under a contract approved in accordance with this

27 section.

1   SECTION 2.14.   Section 49.236(a), Water Code, is amended to

2 read as follows:

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

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

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

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

7 The notice must:

8   (1) contain a statement in substantially the following

9 form:

10   "NOTICE OF PUBLIC HEARING ON TAX RATE

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

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

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

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

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

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

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

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

19 determines the distribution of the tax burden among all property

20 owners.

21   "Visit Texas.gov/PropertyTaxes to find a link to your local

22 property tax database on which you can easily access information

23 regarding your property taxes, including information about

24 proposed tax rates and scheduled public hearings of each entity

25 that taxes your property.

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

27 indication of how each voted on the proposed tax rate and an

1 indication of any absences.)";

2   (2) contain the following information:

3   (A) the district's total adopted tax rate for the

4 preceding year and the proposed tax rate, expressed as an amount per

5 $100;

6   (B) the difference, expressed as an amount per

7 $100 and as a percent increase or decrease, as applicable, in the

8 proposed tax rate compared to the adopted tax rate for the preceding

9 year;

10   (C) the average appraised value of a residence

11 homestead in the district in the preceding year and in the current

12 year; the district's total homestead exemption, other than an

13 exemption available only to disabled persons or persons 65 years of

14 age or older, applicable to that appraised value in each of those

15 years; and the average taxable value of a residence homestead in the

16 district in each of those years, disregarding any homestead

17 exemption available only to disabled persons or persons 65 years of

18 age or older;

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

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

21 homestead appraised at the average appraised value of a residence

22 homestead in that year, disregarding any homestead exemption

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

24 older;

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

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

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

18

1 disregarding any homestead exemption available only to disabled
2 persons or persons 65 years of age or older, if the proposed tax
3 rate is adopted;

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

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

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

17   (A) if the district is a district described by
18 Section 49.23601:

19   "NOTICE OF VOTE ON TAX RATE

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

26   (B) if the district is a district described by
27 Section 49.23602:

1   "NOTICE OF VOTE ON TAX RATE

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

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

4 taxes on the average residence homestead increasing by more than

5 two [3.5] percent, an election must be held to determine whether to

6 approve the operation and maintenance tax rate under Section

7 49.23602, Water Code."; or

8   (C) if the district is a district described by

9 Section 49.23603:

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

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

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

13 taxes on the average residence homestead increasing by more than

14 six [eight] percent, the qualified voters of the district by

15 petition may require that an election be held to determine whether

16 to reduce the operation and maintenance tax rate to the

17 voter-approval tax rate under Section 49.23603, Water Code."; and

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

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

20 rate is calculated to limit the rate of growth of property taxes in

21 the state.".

22   SECTION 2.15. Sections 49.23601(a) and (c), Water Code, are

23 amended to read as follows:

24   (a) In this section, "voter-approval tax rate" means the

25 rate equal to the sum of the following tax rates for the district:

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

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

20

1   (3) the operation and maintenance tax rate that would
2   impose 1.06 [1.08] times the amount of the operation and
3   maintenance tax imposed by the district in the preceding year on a
4   residence homestead appraised at the average appraised value of a
5   residence homestead in the district in that year, disregarding any
6   homestead exemption available only to disabled persons or persons
7   65 years of age or older.

8   (c) If the board of a district adopts a combined debt
9   service, contract, and operation and maintenance tax rate that
10   would impose more than 1.06 [1.08] times the amount of tax imposed
11   by the district in the preceding year on a residence homestead
12   appraised at the average appraised value of a residence homestead
13   in the district in that year, disregarding any homestead exemption
14   available only to disabled persons or persons 65 years of age or
15   older, an election must be held in accordance with the procedures
16   provided by Sections 26.07(c)-(g), Tax Code, to determine whether
17   to approve the adopted tax rate. If the adopted tax rate is not
18   approved at the election, the district's tax rate is the
19   voter-approval tax rate.

20   SECTION 2.16. Sections 49.23602(a)(2) and (4), Water Code,
21   are amended to read as follows:

22   (2) "Mandatory tax election rate" means the rate
23   [equal to the sum of the following tax rates for the district:

24   [(A) the rate] that would impose 1.02 [1.035]
25   times the amount of tax imposed by the district in the preceding
26   year on a residence homestead appraised at the average appraised
27   value of a residence homestead in the district in that year,

21

1 disregarding any homestead exemption available only to disabled

2 persons or persons 65 years of age or older[, and

3   [(B) the unused increment rate].

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

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

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

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

8   (C) the operation and maintenance tax rate that

9 would impose 1.02 [1.035] 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[, and

15   [(D) the unused increment rate].

16   SECTION 2.17. Sections 49.23603(a) and (c), Water Code, are

17 amended to read as follows:

18   (a) In this section, "voter-approval tax rate" means the

19 rate equal to the sum of the following tax rates for the district:

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

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

22   (3) the operation and maintenance tax rate that would

23 impose 1.06 [1.08] times the amount of the operation and

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

25 residence homestead appraised at the average appraised value of a

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

27 homestead exemption available only to disabled persons or persons

1 65 years of age or older.

2   (c) If the board of a district adopts a combined debt
3 service, contract, and operation and maintenance tax rate that
4 would impose more than 1.06 [1.08] times the amount of tax imposed
5 by the district in the preceding year on a residence homestead
6 appraised at the average appraised value of a residence homestead
7 in the district in that year, disregarding any homestead exemption
8 available only to disabled persons or persons 65 years of age or
9 older, the qualified voters of the district by petition may require
10 that an election be held to determine whether to reduce the tax rate
11 adopted for the current year to the voter-approval tax rate in
12 accordance with the procedures provided by Section [Sections 26.075
13 and] 26.081, Tax Code.

14   SECTION 2.18. The following provisions are repealed:

15   (1) Section 45.0032(d), Education Code;

16   (2) Section 120.007(d), Local Government Code;

17   (3) Section 26.012(8-a), Tax Code;

18   (4) Section 26.013, Tax Code;

19   (5) Section 26.042, Tax Code;

20   (6) Section 26.0501(c), Tax Code;

21   (7) Section 26.063, Tax Code;

22   (8) Section 26.075, Tax Code; and

23   (9) Section 49.23602(a)(3), Water Code.

24   ARTICLE 3. TRANSITION AND EFFECTIVE DATE

25   SECTION 3.01. Section 140.015, Local Government Code, as
26 added by this Act, applies only to a fiscal year of a political
27 subdivision that begins on or after December 1, 2025.

1   SECTION 3.02. As soon as practicable after the effective
2 date of this Act, the comptroller of public accounts shall
3 prescribe a form for the publication of the information required by
4 Section 140.015(d), Local Government Code, as added by this Act.

5   SECTION 3.03. The changes in law made by Article 2 of this
6 Act apply only to ad valorem taxes imposed for an ad valorem tax
7 year that begins on or after the effective date of this Act.

8   SECTION 3.04. This Act takes effect January 1, 2026.