

BILL ANALYSIS

Senate Research Center
89S20012 CJC-D

S.B. 10
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Finance
8/15/2025
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2019, the 86th Legislature passed S.B. 2, the Property Tax Reform and Relief Act of 2019, which reformed the property-tax appraisal and rate-setting process, improved access to information on the effects of proposed property tax rates, and reduced the voter-approval tax rate (previously referred to as the "rollback tax rate") for large taxing units from eight percent to 3.5 percent, requiring an automatic election if a taxing unit adopts a tax rate exceeding the 3.5 percent threshold.

In the same session, the legislature passed H.B. 3, which modernized school funding formulas and adjusted outdated and inefficient elements of the school finance system. H.B. 3 included adjustments to the calculation of the state compression percentage and maximum compressed tax rate, which generally limits independent school district (ISD) property tax levy-growth to 2.5 percent.

Since the enactment of S.B. 2 and H.B. 3 in 2019, concerns have been raised that city councils and county commissioners courts routinely seek to increase property tax rates in tax years that the legislature provides significant school district property tax relief.

From 2019 to 2025, municipal and county property tax levies increased at faster rates than ISD property tax levies, with virtually no change in the number of municipal and county entities levying property taxes. Property owners and taxpayers have noticed declines in their school district tax bills across Texas, but continue to raise concerns related to increases in their municipal and county property tax bills.

S.B. 10 seeks to address these concerns by reducing the voter-approval tax rate multiplier primarily for counties and municipalities with populations above 30,000 from 3.5 percent to 2.5 percent. S.B. 10 maintains the 3.5 percent multiplier for counties and municipalities with a population of less than 30,000.

As proposed, S.B. 10 amends current law relating to the calculation of the voter-approval tax rate for certain taxing units.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.04(c), Tax Code, to redefine "voter-approval tax rate."

SECTION 2. Amends Sections 26.041(a), (b), and (c), Tax Code, as follows:

- (a) Provides that, in the first year in which an additional sales and use tax is required to be collected, the no-new-revenue tax rate and voter-approval tax rate for the taxing unit are calculated according to certain formulas. Sets forth the formula for the voter-approval tax rate for a municipality or county with a population of less than 75,000 that is not a special taxing unit, and amends the voter-approval tax rate formula for a taxing unit other

than a special taxing unit or municipality or county with a population of less than 75,000 that is not a special taxing unit to decrease from 1.035 to 1.025 the constant multiplied by the no-new-revenue maintenance and operations rate.

(b) Provides that, except as provided by Subsections (a) and (c), in a year in which a taxing unit imposes an additional sales and use tax, the voter-approval tax rate for the taxing unit is calculated according to certain formulas, regardless of whether the taxing unit levied a property tax in the preceding year. Sets forth the formula for the voter-approval tax rate for a municipality or county with a population of less than 75,000 that is not a special taxing unit, and amends the voter-approval tax rate formula for a taxing unit other than special taxing unit or municipality or county with a population of less than 75,000 that is not a special taxing unit to decrease from 1.035 to 1.025 the constant multiplied by last year's maintenance and operations expense.

(c) Provides that, in a year in which a taxing unit that has been imposing an additional sales and use tax ceases to impose an additional sales and use tax, the no-new-revenue tax rate and voter-approval tax rate for the taxing unit are calculated according to certain formulas. Sets forth the formula for the voter-approval tax rate for a municipality or county with a population of less than 75,000 that is not a special taxing unit, and amends the voter-approval tax rate formula for a taxing unit other than special taxing unit or municipality or county with a population of less than 75,000 that is not a special taxing unit to decrease from 1.035 to 1.025 the constant multiplied by last year's maintenance and operations expense.

SECTION 3. Amends Section 26.042(a-2), Tax Code, as added by H.B. 30, Acts of the 89th Legislature, Regular Session, 2025, and effective January 1, 2026, as follows:

(a-2) Provides that the voter-approval tax rate the governing body of the taxing unit is authorized to direct the designated officer or employee to calculate under Subsection (a) (relating to authorizing the governing body of a taxing unit other than a school district or special taxing unit to direct the designated officer or employee to calculate the voter-approval tax rate of the taxing unit in the manner provided for a special taxing unit in certain circumstances) is equal to the lesser of certain amounts, including the voter-approval tax rate calculated according to certain applicable formulas.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2026.