

By: Isaac

H.B. No. 139

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of certain ad valorem tax rates of a taxing unit and the manner in which a proposed ad valorem tax rate that exceeds the voter-approval tax rate is approved; making conforming changes.

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

SECTION 1. Section 3828.157, Special District Local Laws Code, is amended to read as follows:

Sec. 3828.157. INAPPLICABILITY OF CERTAIN TAX CODE PROVISIONS. Sections 26.04, [~~26.042~~] 26.05, and 26.07, [~~and 26.075~~] Tax Code, do not apply to a tax imposed under Section 3828.153 or 3828.156.

SECTION 2. Section 8876.152(a), Special District Local Laws Code, is amended to read as follows:

(a) Sections 26.04, [~~26.042~~] 26.05, 26.06, 26.061, and 26.07, [~~and 26.075~~] Tax Code, do not apply to a tax imposed by the district.

SECTION 3. Section 26.04(c), Tax Code, is amended to read as follows:

(c) After the assessor for the taxing unit submits the appraisal roll for the taxing unit to the governing body of the taxing unit as required by Subsection (b), an officer or employee designated by the governing body shall calculate the no-new-revenue tax rate and the voter-approval tax rate for the taxing unit, where:

(1) "No-new-revenue tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to the following formula:

NO-NEW-REVENUE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)

; and

(2) "Voter-approval tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to the following ~~[applicable]~~ formula:

~~[(A) for a special taxing unit:]~~

VOTER-APPROVAL TAX RATE = ~~[~~NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE ~~[x 1.08]~~ + CURRENT DEBT RATE

~~[, or~~

~~[(B) for a taxing unit other than a special taxing unit:]~~

~~[VOTER-APPROVAL TAX RATE - (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE + UNUSED INCREMENT RATE)]~~

SECTION 4. Sections 26.041(a), (b), and (c), Tax Code, are amended to read as follows:

(a) 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 the following formulas:

NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] - SALES TAX GAIN RATE

1 and

2 VOTER-APPROVAL TAX RATE [~~FOR SPECIAL TAXING UNIT~~]
 3 = [~~(~~]NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE [~~*~~
 4 ~~1.08)~~] + [~~(~~]CURRENT DEBT RATE - SALES TAX GAIN RATE [~~)~~
 5 [~~or~~

6 [~~VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER~~
 7 ~~THAN SPECIAL TAXING UNIT = (NO-NEW-REVENUE MAINTENANCE~~
 8 ~~AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +~~
 9 ~~UNUSED INCREMENT RATE - SALES TAX GAIN RATE)~~]

10 where "sales tax gain rate" means a number expressed in dollars per
 11 \$100 of taxable value, calculated by dividing the revenue that will
 12 be generated by the additional sales and use tax in the following
 13 year as calculated under Subsection (d) by the current total value.

14 (b) Except as provided by Subsections (a) and (c), in a year
 15 in which a taxing unit imposes an additional sales and use tax, the
 16 voter-approval tax rate for the taxing unit is calculated according
 17 to the following formula, regardless of whether the taxing unit
 18 levied a property tax in the preceding year:

19 VOTER-APPROVAL TAX RATE [~~FOR SPECIAL TAXING UNIT~~]
 20 = [[~~(~~]LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE
 21 [~~*~~ ~~1.08)~~] / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)]
 22 + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

23 [~~or~~

24 [~~VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER~~
 25 ~~THAN SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE~~
 26 ~~AND OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE~~
 27 ~~- NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED~~

~~INCREMENT RATE - SALES TAX REVENUE RATE)]~~

where "last year's maintenance and operations expense" means the amount spent for maintenance and operations from property tax and additional sales and use tax revenues in the preceding year, and "sales tax revenue rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the revenue that will be generated by the additional sales and use tax in the current year as calculated under Subsection (d) by the current total value.

(c) 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 the following formulas:

NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY -
LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW
PROPERTY VALUE)] + SALES TAX LOSS RATE

and

VOTER-APPROVAL TAX RATE ~~[FOR SPECIAL TAXING UNIT]~~
= [(~~+~~) LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE
~~[x 1.08]~~] / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)]
+ CURRENT DEBT RATE

~~[or~~

~~[VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER
THAN SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE
AND OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE
- NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
INCREMENT RATE)]~~

where "sales tax loss rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the amount of sales and use tax revenue generated in the last four quarters for which the information is available by the current total value and "last year's maintenance and operations expense" means the amount spent for maintenance and operations from property tax and additional sales and use tax revenues in the preceding year.

SECTION 5. Section 26.07(b), Tax Code, is amended to read as follows:

(b) If the governing body of a ~~[special]~~ taxing unit ~~[or a municipality with a population of 30,000 or more]~~ adopts a tax rate that exceeds the taxing unit's voter-approval tax rate, ~~[or the governing body of a taxing unit other than a special taxing unit or a municipality with a population of less than 30,000 regardless of whether it is a special taxing unit adopts a tax rate that exceeds the greater of the taxing unit's voter-approval tax rate or de minimis rate,]~~ the registered voters of the taxing unit at an election held for that purpose must determine whether to approve the adopted tax rate.

SECTION 6. Sections 31.12(a) and (c), Tax Code, as amended by S.B. 850, Acts of the 89th Legislature, Regular Session, 2025, and effective September 1, 2025, are amended to read as follows:

(a) A refund of a tax provided by Section 11.35(j), 11.431(b), 11.436(b), 11.438(c), 11.439(b), 23.1243(d), 23.48(d), 23.60(d), 26.05(e), 26.07(g), ~~[26.075(k),]~~ 26.08(d-2), 26.1115(c), 26.112(b), 26.1125(b), 26.1127(b), 26.15(f), 31.061(e), 31.071(c), 31.11, 31.111, or 31.112(c)(3) must be paid not later than the 60th

1 day after the date the liability for the refund arises as determined
2 under this section.

3 (c) For purposes of this section, liability for a refund
4 arises:

5 (1) if the refund is required by Section 11.35(j), on
6 the date the collector for the taxing unit learns the refund is
7 required;

8 (2) if the refund is required by Section 11.431(b),
9 11.436(b), 11.438(c), or 11.439(b), on the date the chief appraiser
10 notifies the collector for the taxing unit of the approval of the
11 applicable exemption;

12 (3) if the refund is required by Section 23.1243(d),
13 on the date the chief appraiser notifies the collector for the
14 taxing unit of the amount of tax to be refunded;

15 (4) if the refund is required by Section 23.48(d),
16 23.60(d), 26.1115(c), 26.112(b), 26.1125(b), or 26.1127(b), on the
17 date the assessor notifies the collector for the taxing unit of the
18 decrease in the person's tax liability;

19 (5) if the refund is required by Section 26.05(e), on
20 the date the action to enjoin the collection of taxes imposed by the
21 taxing unit is finally determined;

22 (6) if the refund is required by Section 26.07(g) [~~26.075(k)~~]
23 ~~26.075(k)~~ or 26.08(d-2), on the date the assessor for the taxing
24 unit mails the corrected tax bills under Section 26.07(f) [~~26.075(j)~~]
25 ~~26.075(j)~~ or 26.08(d-1), as applicable;

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

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

1 Section 26.15(b), on the date the change in the tax roll is
2 certified to the assessor for the taxing unit under Section 25.25;
3 or

4 (B) for a correction to the tax roll made under
5 Section 26.15(c), on the date the change in the tax roll is ordered
6 by the governing body of the taxing unit;

7 (8) if the refund is required by Section 31.061(e), on
8 the date the taxing unit determines that the amount credited under
9 Section 31.061(d) exceeds the amount due to the taxing unit;

10 (9) if the refund is required by Section 31.071(c), on
11 the date the challenge, protest, or appeal is finally determined;

12 (10) if the refund is required by Section 31.11, on the
13 date the auditor for the taxing unit determines that the payment was
14 erroneous or excessive;

15 (11) if the refund is required by Section 31.111, on
16 the date the collector for the taxing unit determines that the
17 payment was erroneous; or

18 (12) if the refund is required by Section
19 31.112(c)(3), on the date the agreement described by Section
20 31.112(c) is made.

21 SECTION 7. Section 33.08(b), Tax Code, is amended to read as
22 follows:

23 (b) The governing body of the taxing unit or appraisal
24 district, in the manner required by law for official action, may
25 provide that taxes that become delinquent on or after June 1 under
26 Section [~~26.075(j)~~] 26.15(e), 31.03, 31.031, 31.032, 31.033,
27 31.04, or 42.42 incur an additional penalty to defray costs of

1 collection. The amount of the penalty may not exceed the amount of
2 the compensation specified in the applicable contract with an
3 attorney under Section 6.30 to be paid in connection with the
4 collection of the delinquent taxes.

5 SECTION 8. Section 49.057, Water Code, is amended by
6 amending Subsection (b) and adding Subsection (j) to read as
7 follows:

8 (b) The board shall adopt an annual budget. The board of a
9 developed district~~[, as defined by Section 49.23602,]~~ shall include
10 as an appendix to the budget the district's:

- 11 (1) audited financial statements;
- 12 (2) bond transcripts; and
- 13 (3) engineer's reports required by Section 49.106.

14 (j) In this section, "developed district" means a district
15 that has financed, completed, and issued bonds to pay for all land,
16 works, improvements, facilities, plants, equipment, and appliances
17 necessary to serve at least 95 percent of the projected build-out of
18 the district in accordance with the purposes for its creation or the
19 purposes authorized by the constitution, this code, or any other
20 law.

21 SECTION 9. Section 49.107(g), Water Code, is amended to
22 read as follows:

23 (g) Sections 26.04, ~~[26.042,]~~ 26.05, 26.061, and 26.07,
24 ~~[and 26.075,]~~ Tax Code, do not apply to a tax levied and collected
25 under this section or an ad valorem tax levied and collected for the
26 payment of the interest on and principal of bonds issued by a
27 district.

SECTION 10. Section 49.108(f), Water Code, is amended to read as follows:

(f) Sections 26.04, [~~26.042~~], 26.05, 26.061, and 26.07, [~~and 26.075~~], Tax Code, do not apply to a tax levied and collected for payments made under a contract approved in accordance with this section.

SECTION 11. Section 49.236(a), Water Code, is amended to read as follows:

(a) Before the board adopts an ad valorem tax rate for the district for debt service, operation and maintenance purposes, or contract purposes, the board shall give notice of each meeting of the board at which the adoption of a tax rate will be considered. The notice must:

(1) contain a statement in substantially the following form:

"NOTICE OF PUBLIC HEARING ON TAX RATE

"The (name of the district) will hold a public hearing on a proposed tax rate for the tax year (year of tax levy) on (date and time) at (meeting place). Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the tax rate that is adopted and on the change in the taxable value of your property in relation to the change in taxable value of all other property. The change in the taxable value of your property in relation to the change in the taxable value of all other property determines the distribution of the tax burden among all property owners.

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

1 property tax database on which you can easily access information
2 regarding your property taxes, including information about
3 proposed tax rates and scheduled public hearings of each entity
4 that taxes your property.

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

8 (2) contain the following information:

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

12 (B) the difference, expressed as an amount per
13 \$100 and as a percent increase or decrease, as applicable, in the
14 proposed tax rate compared to the adopted tax rate for the preceding
15 year;

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

25 (D) the amount of tax that would have been
26 imposed by the district in the preceding year on a residence
27 homestead appraised at the average appraised value of a residence

1 homestead in that year, disregarding any homestead exemption
2 available only to disabled persons or persons 65 years of age or
3 older;

4 (E) the amount of tax that would be imposed by the
5 district in the current year on a residence homestead appraised at
6 the average appraised value of a residence homestead in that year,
7 disregarding any homestead exemption available only to disabled
8 persons or persons 65 years of age or older, if the proposed tax
9 rate is adopted;

10 (F) the difference between the amounts of tax
11 calculated under Paragraphs (D) and (E), expressed in dollars and
12 cents and described as the annual percentage increase or decrease,
13 as applicable, in the tax to be imposed by the district on the
14 average residence homestead in the district in the current year if
15 the proposed tax rate is adopted; and

16 (G) if the proposed combined debt service,
17 operation and maintenance, and contract tax rate requires ~~or~~
18 ~~authorizes~~ an election to approve ~~or reduce~~ the tax rate, ~~as~~
19 ~~applicable,~~ a description of the purpose of the proposed tax
20 increase;

21 (3) contain a statement in substantially the following
22 form~~[, as applicable.]~~:

23 ~~[(A) if the district is a district described by~~
24 ~~Section 49.23601]:~~

25 "NOTICE OF VOTE ON TAX RATE

26 "If the district adopts a combined debt service, operation
27 and maintenance, and contract tax rate that would result in the

taxes on the average residence homestead increasing from the preceding year [~~by more than eight percent~~], an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23601, Water Code.";

~~[(B) if the district is a district described by Section 49.23602;~~

~~["NOTICE OF VOTE ON TAX RATE~~

~~["If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than 3.5 percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23602, Water Code."], or~~

~~[(C) if the district is a district described by Section 49.23603;~~

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

~~["If the district adopts a combined debt service, operation and maintenance, and contract tax rate that would result in the taxes on the average residence homestead increasing by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the voter-approval tax rate under Section 49.23603, Water Code."], and~~

(4) include the following statement: "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.".

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

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

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

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

- (1) the current year's debt service tax rate;
- (2) the current year's contract tax rate; and
- (3) the operation and maintenance tax rate that would impose [~~1.08 times~~] the amount of [~~the~~] operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older.

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

1 approved at the election, the district's tax rate is the
2 voter-approval tax rate.

3 SECTION 14. The following provisions are repealed:

- 4 (1) Section 45.0032(d), Education Code;
- 5 (2) Section 120.007(d), Local Government Code;
- 6 (3) Sections 26.012(8-a) and (19), Tax Code;
- 7 (4) Section 26.013, Tax Code;
- 8 (5) Section 26.042, Tax Code;
- 9 (6) Section 26.0501(c), Tax Code;
- 10 (7) Section 26.063, Tax Code;
- 11 (8) Section 26.075, Tax Code;
- 12 (9) Section 49.23601(b), Water Code;
- 13 (10) Section 49.23602, Water Code; and
- 14 (11) Section 49.23603, Water Code.

15 SECTION 15. This Act applies only to ad valorem taxes
16 imposed for an ad valorem tax year that begins on or after the
17 effective date of this Act.

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