

By: Hickland

H.B. No. 176

A BILL TO BE ENTITLED

AN ACT

relating to the repeal of provisions providing for the calculation of an unused increment rate and the use of that rate in calculating certain other ad valorem tax rates.

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

SECTION 1. 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 2. 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

and

VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT = (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x 1.08) + (CURRENT DEBT RATE - SALES TAX GAIN RATE)

or

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

where "sales tax gain 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 following

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

(b) 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 the following formula, regardless of whether the taxing unit levied a property tax in the preceding year:

$$\text{VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT} = [(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times 1.08) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] + (\text{CURRENT DEBT RATE} - \text{SALES TAX REVENUE RATE})$$

or

$$\text{VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN SPECIAL TAXING UNIT} = [(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times 1.035) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] + (\text{CURRENT DEBT RATE} [\text{+ UNUSED INCREMENT RATE}] - \text{SALES TAX REVENUE RATE})$$

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 3. 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, is amended to read as follows:

(a-2) The voter-approval tax rate the governing body of the
taxing unit may direct the designated officer or employee to
calculate under Subsection (a) is equal to the lesser of:

(1) the voter-approval tax rate calculated in the
manner provided for a special taxing unit; or

(2) the voter-approval tax rate calculated according to the following formula:

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

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

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

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

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

(4) "Voter-approval tax rate" means the rate equal to the sum of the following tax rates for the district:

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

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

(C) the operation and maintenance tax rate that would impose 1.035 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 [~~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.