

By: LaHood

H.B. No. 203

A BILL TO BE ENTITLED

AN ACT

relating to a limit on political subdivision expenditures and the adoption of ad valorem tax rates.

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

ARTICLE 1. LIMIT ON ANNUAL EXPENDITURES

SECTION 1.01. Chapter 140, Local Government Code, is amended by adding Section 140.015 to read as follows:

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

(1) "Consumer price index" means the average over a calendar year of the index a political subdivision making a calculation under Subsection (d) considers to most accurately report changes in the purchasing power of the dollar for consumers in this state.

(2) "Disaster relief cost" means the total amount of a political subdivision's share of the cost associated with the following services provided during a disaster declared by the president of the United States or the governor during the current calendar year:

(A) the removal of debris or wreckage in the political subdivision, as determined by an estimate:

(i) if the disaster is declared by the president of the United States, made under 42 U.S.C. Section 5173;

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

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:

VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.06 [~~1.08~~]) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

or

VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN SPECIAL TAXING UNIT = [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 1.02 [~~1.035~~]) / (CURRENT TOTAL VALUE - 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

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

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

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

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

"NOTICE OF PUBLIC HEARING ON TAX INCREASE

"PROPOSED TAX RATE \$_____ per \$100

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

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

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

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

"The proposed tax rate is greater than the no-new-revenue tax 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

voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state."

(b-3) If the proposed tax rate does not exceed the no-new-revenue tax rate but exceeds the voter-approval tax rate of the taxing unit, the notice must contain a statement in the following form:

"NOTICE OF PUBLIC HEARING ON TAX RATE

"PROPOSED TAX RATE \$_____ per \$100

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

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

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

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

"The proposed tax rate is not greater than the no-new-revenue tax rate. This means that (name of taxing unit) is not proposing to increase property taxes for the (current tax year) tax year.

"A public hearing on the proposed tax rate will be held on (date and time) at (meeting place).

"The proposed tax rate is greater than the voter-approval tax rate. If (name of taxing unit) adopts the proposed tax rate, (name of taxing unit) is required to hold an election so that the voters 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](https://www.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) [~~or~~
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.

SECTION 2.14. 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 property tax database on which you can easily access information regarding your property taxes, including information about proposed tax rates and scheduled public hearings of each entity that taxes your property.

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

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

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

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

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

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

"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 six ~~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 two [~~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 six [~~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 2.15. 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 1.06 [~~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 1.06 [~~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 approved at the election, the district's tax rate is the voter-approval tax rate.

SECTION 2.16. 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 1.02 [~~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 1.02 ~~[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~~

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

SECTION 2.17. Sections 49.23603(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 1.06 ~~[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 1.06 [~~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, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the tax rate adopted for the current year to the voter-approval tax rate in accordance with the procedures provided by Section [~~Sections 26.075 and~~] 26.081, Tax Code.

SECTION 2.18. The following provisions are repealed:

- (1) Section 45.0032(d), Education Code;
- (2) Section 120.007(d), Local Government Code;
- (3) Section 26.012(8-a), Tax Code;
- (4) Section 26.013, Tax Code;
- (5) Section 26.042, Tax Code;
- (6) Section 26.0501(c), Tax Code;
- (7) Section 26.063, Tax Code;
- (8) Section 26.075, Tax Code; and
- (9) Section 49.23602(a)(3), Water Code.

ARTICLE 3. TRANSITION AND EFFECTIVE DATE

SECTION 3.01. Section 140.015, Local Government Code, as added by this Act, applies only to a fiscal year of a political subdivision that begins on or after January 1, 2026.

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 February 1, 2026.