

BILL ANALYSIS

C.S.H.B. 3879
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that there are concerns regarding the transparency and accountability of how property taxes are used by local governments and that there have been instances in which local governments have significantly altered the scope, cost, or financing of these projects after the tax rates were approved. The bill author has further informed the committee that this lack of oversight can lead to taxpayer funds being used for purposes other than what was originally promised, undermining public trust and causing frustration among taxpayers. C.S.H.B. 3879 seeks to address the growing demand for stronger protections to ensure that tax revenue is used as promised and that taxpayers have a clear path to challenge any deviations from approved purposes by providing taxpayer relief when a taxing entity "materially deviates" from the purpose stated on the ballot.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3879 amends the Tax Code to entitle a person who owns taxable property to an injunction restraining the collection of property taxes by a taxing unit in which the property is taxable if the taxing unit has materially deviated from the purpose stated in the ballot for an automatic election to approve the tax rate of a taxing unit other than a public school district, in the order or resolution ordering the election, or in an order or resolution accompanying the ballot. The bill requires an action to enjoin the collection of taxes to be filed not later than the 15th day after the date the taxing unit adopts a tax rate. The bill does the following:

- establishes that a property owner who owns taxable property in the taxing unit is not required to pay the taxes imposed by a taxing unit on the owner's property while such an action is pending;
- entitles a property owner who pays the taxes and subsequently prevails in the action to a refund of the taxes paid;
- establishes that a property owner is not required to apply to the collector for the taxing unit to receive the refund; and
- entitles a property owner who files an action to enjoin the collection of taxes and subsequently prevails to reasonable attorney's fees and court costs.

C.S.H.B. 3879 defines "materially deviate" as making a significant change in carrying out the purpose stated to voters on a ballot proposition, stated in any order or resolution calling for an

election, or stated in resolutions adopted to accompany or supplement a ballot proposition, including the following:

- a significant change in purpose;
- a significant change in the financing structure for the purpose;
- an increase of more than 33 percent in actual or projected costs of the purpose;
- a significant reduction in scope or scale of the purpose;
- a legal determination, including a finding under Government Code provisions relating to the examination and registration of public securities and public security declaratory judgment actions, that the purpose stated on the ballot proposition or any order or resolution calling for an election required under statutory provisions relating to property tax assessment was not in conformity with law; or
- any other attempt to substantially impair the rights and expectations of the voters as they existed at the time of the election.

C.S.H.B. 3879 applies to an action filed by a property owner to enjoin the collection of property taxes for a material deviation from the purpose stated in the ballot for an election described by the bill in the order or resolution ordering the election, or in an order or resolution accompanying the ballot, only if the material deviation occurs on or after the bill's effective date.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3879 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Both the introduced and the substitute entitle a person who owns taxable property to an injunction restraining the collection of property taxes by a taxing unit in which the property is taxable if the taxing unit materially deviates from a certain stated purpose. The substitute changes that purpose from the purpose stated at the time the voters approved the property tax rate, as in the introduced, to a purpose stated in the ballot for an automatic election to approve the tax rate of a taxing unit other than a public school district, in the order or resolution ordering the election, or in an order or resolution accompanying the ballot.

The substitute includes a provision absent from the introduced requiring an action to enjoin the collection of taxes to be filed not later than the 15th day after the date the taxing unit adopts a tax rate.

Whereas the introduced established that a property owner is not required to pay the taxes imposed by a taxing unit on the owner's property while an injunction filed by a property owner is pending, the substitute establishes that a property owner who owns taxable property in the taxing unit is not required to pay those taxes while an action to enjoin the collection of taxes is pending.

Whereas the introduced entitled a property owner who pays the taxes and subsequently prevails in the injunction to a refund of the taxes paid, together with reasonable attorney's fees and court costs, the substitute entitles a property owner who pays the taxes, is the property owner who filed the action, and subsequently prevails in the action to a refund of the taxes paid. The substitute includes a provision absent from the introduced establishing that a property owner who files the action and subsequently prevails is entitled to reasonable attorney's fees and court costs.

The substitute omits the provisions from the introduced that did the following:

- prohibited an increase in a taxing unit's maintenance and operations tax revenue derived from an automatic election to approve the tax rate of a taxing unit other than a public school district from being used or transferred to a local government corporation to repay a public security in installment payments or otherwise;
- prohibited a municipality, county, or local government corporation from dedicating, pledging, or otherwise using revenue subject to annual appropriation and derived wholly or partly from property taxes from an election under statutory provisions relating to the submission of appraisal rolls to taxing units for payment of a public security, including revenue transferred to a local government corporation, to secure or make payments on a public security;
- established that the prohibition applies only to a public security issued on or after the bill's effective date; and
- defined "public security" by reference to the Public Security Procedures Act.

The substitute includes a provision absent from the introduced establishing that the bill's provisions apply to an action filed by a property owner to enjoin the collection of property taxes for a material deviation from the purpose stated in the ballot for an election described by the bill, in the order or resolution ordering the election, or in an order or resolution accompanying the ballot, only if the material deviation occurs on or after the bill's effective date.