

## **BILL ANALYSIS**

Senate Research Center  
89R12969 PRL-D

S.B. 2541  
By: Bettencourt  
Local Government  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The 86th Texas Legislature passed S.B. 2, The Property Tax Reform and Transparency Act of 2019, which made sweeping overhauls to the state's property tax system. Part of S.B. 2 created the unused increment rate, which allows taxing units to "bank" additional increment "pennies" that can be levied for three years. In 2023, the 88th Legislature modified the unused increment rate by converting the rate to a yield, in an attempt to create more transparency between taxing units utilizing increment and their taxpayers.

The unused increment rate was created to incentivize governing bodies of taxing units to exercise fiscal restraint when setting a tax rate, by providing a mechanism for taxing units to "bank" additional levy authority in exchange for setting lower tax rates. However, the unused increment rate has created some confusion amongst taxing unit officials and taxpayers, both in its calculation and its levy. Further, the unused increment rate creates shocks for some taxpayers, when a "penny" of taxation that was banked in prior tax years is levied on sometimes increased property values.

S.B. 2541 seeks to simplify the calculation of property tax rates for taxing units and taxpayers by repealing the unused increment rate

As proposed, S.B. 2541 amends current law 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.

### **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 delete existing text including the unused increment rate in the sum used to calculate the voter-approval tax rate for a taxing unit other than a special taxing unit.

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

(a) Deletes existing text including the unused increment rate in the sum used to calculate the voter-approval tax rate for a taxing unit other than a special taxing unit in a year in which a taxing unit imposes an additional sales and use tax, except as otherwise provided by certain provisions.

(b)-(c) Makes conforming changes to these subsections.

SECTION 3. Amends Sections 49.23602(a)(2) and (4), Water Code, to redefine "mandatory tax election rate" and "voter-approval tax rate."

SECTION 4. Repealer: Section 120.007(d) (relating to providing that the difference between the actual tax rate and voter-approval tax rate is considered to be zero in a certain tax year), Local Government Code.

Repealer: Section 26.013 (Unused Increment Tax Rate), Tax Code.

Repealer: Section 26.0501(c) (relating to providing that the difference between the municipality's actual tax rate and voter-approval tax rate is considered to be zero in a tax year in which a municipality is a defunding municipality), Tax Code.

Repealer: Section 49.23602(a)(3) (relating to defining "unused increment rate"), Water Code.

SECTION 5. Makes application of this Act prospective.

SECTION 6. Effective date: January 1, 2026.