

## **BILL ANALYSIS**

Senate Research Center  
89R25178 PRL-D

C.S.S.B. 2541  
By: Bettencourt  
Local Government  
4/25/2025  
Committee Report (Substituted)

### **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.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 2541 amends current law relating to the calculation of the unused increment rate of a taxing unit.

### **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 Sections 26.013(a)(3) and (4), Tax Code, to redefine "year 1" and "year 2."

SECTION 2. Amends Section 26.013(b), Tax Code, to redefine "unused increment rate."

SECTION 3. Repealer: Section 26.013(a)(5) (relating to defining "year 3"), Tax Code.

SECTION 4. Makes application of Section 26.013, Tax Code, as amended by this Act, prospective to January 1, 2027.

SECTION 5. Effective date: January 1, 2026.