By: Leo Wilson H.B. No. 5596

A BILL TO BE ENTITLED

Τ	AN ACT
2	relating to the calculation of the voter-approval tax rate for
3	certain municipalities that receive municipal hotel occupancy tax
4	revenue.
5	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
6	SECTION 1. Section 26.012, Tax Code, is amended by adding
7	Subdivisions (9-a), (16-a), and (16-b) to read as follows:
8	(9-a) "Eligible coastal municipality" means a
9	municipality described by Section 351.001(3)(A) that has created a
10	park board of trustees under Section 306.011, Local Government
11	Code.
12	(16-a) "Misspent hotel occupancy tax revenue" means an
13	amount equal to the amount of revenue received under Chapter 351 by
14	an eligible coastal municipality during the preceding tax year
15	that:
16	(A) was not distributed to the municipality's
17	park board of trustees under a contract or interlocal agreement
18	authorized by Chapter 351 to be spent for an allowable purpose
19	authorized by that chapter;
20	(B) was spent by the municipality for a purpose
21	not authorized by Chapter 351; or
22	(C) was spent by the municipality's park board of
23	trustees for a general municipal purpose not authorized by Chapter
24	351 under an agreement with the municipality.

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(16-b) "Misspent hotel occupancy tax revenue rate"
 1
    means the rate expressed in dollars per $100 of taxable value
 2
 3
    calculated according to the following formula:
 4
          MISSPENT HOTEL OCCUPANCY TAX REVENUE RATE = MISSPENT
          HOTEL OCCUPANCY TAX REVENUE / CURRENT TOTAL VALUE
 5
 6
          SECTION 2. Section 26.04(c), Tax Code, is amended to read as
    follows:
 7
 8
          (c)
               After the assessor for the taxing unit submits the
    appraisal roll for the taxing unit to the governing body of the
 9
    taxing unit as required by Subsection (b), an officer or employee
10
    designated by the governing body shall calculate the no-new-revenue
11
    tax rate and the voter-approval tax rate for the taxing unit, where:
12
                    "No-new-revenue tax rate" means a rate expressed
13
14
    in dollars per $100 of taxable value calculated according to the
15
    following formula:
16
          NO-NEW-REVENUE TAX RATE = (LAST YEAR'S LEVY - LOST
          PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
17
          VALUE)
18
19
          ; and
20
                    "Voter-approval tax rate" means a rate expressed
                (2)
21
    in dollars per $100 of taxable value calculated according to the
    following applicable formula:
22
23
                          for a special taxing unit:
24
          VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
25
          AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE
26
          ; [<del>or</del>]
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for an eligible coastal municipality:

(B)

H.B. No. 5596

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VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
 1
2
         AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
         UNUSED INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX
 3
         REVENUE RATE)
4
5
         ; or
6
                    (C) for a taxing unit other than a special taxing
7
   unit or eligible coastal municipality:
8
         VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
         AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
9
         UNUSED INCREMENT RATE)
10
         SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are
11
   amended to read as follows:
12
          (a) In the first year in which an additional sales and use
13
   tax is required to be collected, the no-new-revenue tax rate and
14
15
   voter-approval tax rate for the taxing unit are calculated
   according to the following formulas:
16
         NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST
17
         PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
18
         VALUE)] - SALES TAX GAIN RATE
19
   and
20
         VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
21
         (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
22
          1.08) + (CURRENT DEBT RATE - SALES TAX GAIN RATE)
23
24
         VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
25
26
         MUNICIPALITY = (NO-NEW-REVENUE MAINTENANCE
```

OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE + UNUSED

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INCREMENT RATE - SALES TAX GAIN RATE - MISSPENT HOTEL
 1
2
          OCCUPANCY TAX REVENUE RATE)
 3
   or
4
          VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
 5
          SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
          (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
6
          1.035) + (CURRENT DEBT RATE + UNUSED INCREMENT RATE -
7
          SALES TAX GAIN RATE)
8
   where "sales tax gain rate" means a number expressed in dollars per
9
10
   $100 of taxable value, calculated by dividing the revenue that will
   be generated by the additional sales and use tax in the following
11
   year as calculated under Subsection (d) by the current total value.
12
              Except as provided by Subsections (a) and (c), in a year
13
14
   in which a taxing unit imposes an additional sales and use tax, the
15
   voter-approval tax rate for the taxing unit is calculated according
   to the following formula, regardless of whether the taxing unit
16
17
   levied a property tax in the preceding year:
          VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
18
          [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
19
          1.08) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
20
          (CURRENT DEBT RATE - SALES TAX REVENUE RATE)
21
   or
2.2
23
          VOTER-APPROVAL
                          TAX RATE
                                       FOR
                                             ELIGIBLE
                                                        COASTAL
24
          MUNICIPALITY = [(LAST YEAR'S
                                              MAINTENANCE
          OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
25
          NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
26
```

INCREMENT RATE - SALES TAX REVENUE RATE - MISSPENT

2 or VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN 3 SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY = 4 [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 5 1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + 6 (CURRENT DEBT RATE + UNUSED INCREMENT RATE - SALES TAX 7 REVENUE RATE) 8 where "last year's maintenance and operations expense" means the 9 10 amount spent for maintenance and operations from property tax and 11 additional sales and use tax revenues in the preceding year, and 12 "sales tax revenue rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the revenue that will 13 14 be generated by the additional sales and use tax in the current year 15 as calculated under Subsection (d) by the current total value. 16 (c) In a year in which a taxing unit that has been imposing 17 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 18 19 rate for the taxing unit are calculated according to the following formulas: 20 NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY -21 LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW 22 PROPERTY VALUE)] + SALES TAX LOSS RATE 23 24 and VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT = 25 [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x 26 1.08) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + 27

HOTEL OCCUPANCY TAX REVENUE RATE)

H.B. No. 5596

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1
          CURRENT DEBT RATE
 2
   or
 3
          VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
          MUNICIPALITY = [(LAST YEAR'S MAINTENANCE
 4
 5
          OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
 6
          NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
          INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX REVENUE
 7
 8
          RATE)
 9
   or
          VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
10
          SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
11
          [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
12
          1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
13
          (CURRENT DEBT RATE + UNUSED INCREMENT RATE)
14
15
   where "sales tax loss rate" means a number expressed in dollars per
   $100 of taxable value, calculated by dividing the amount of sales
16
17
   and use tax revenue generated in the last four quarters for which
   the information is available by the current total value and "last
18
19
   year's maintenance and operations expense" means the amount spent
   for maintenance and operations from property tax and additional
20
   sales and use tax revenues in the preceding year.
21
          SECTION 4. This Act applies only to ad valorem taxes imposed
22
23
   for an ad valorem tax year that begins on or after the effective
24
   date of this Act.
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SECTION 5. This Act takes effect January 1, 2026.