

By: Leo Wilson

H.B. No. 5596

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of the voter-approval tax rate for certain municipalities that receive municipal hotel occupancy tax revenue.

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

SECTION 1. Section 26.012, Tax Code, is amended by adding Subdivisions (9-a), (16-a), and (16-b) to read as follows:

(9-a) "Eligible coastal municipality" means a municipality described by Section 351.001(3)(A) that has created a park board of trustees under Section 306.011, Local Government Code.

(16-a) "Misspent hotel occupancy tax revenue" means an amount equal to the amount of revenue received under Chapter 351 by an eligible coastal municipality during the preceding tax year that:

(A) was not distributed to the municipality's park board of trustees under a contract or interlocal agreement authorized by Chapter 351 to be spent for an allowable purpose authorized by that chapter;

(B) was spent by the municipality for a purpose not authorized by Chapter 351; or

(C) was spent by the municipality's park board of trustees for a general municipal purpose not authorized by Chapter 351 under an agreement with the municipality.

1 (16-b) "Misspent hotel occupancy tax revenue rate"
2 means the rate expressed in dollars per \$100 of taxable value
3 calculated according to the following formula:

4 MISSPENT HOTEL OCCUPANCY TAX REVENUE RATE = MISSPENT
5 HOTEL OCCUPANCY TAX REVENUE / CURRENT TOTAL VALUE

6 SECTION 2. Section 26.04(c), Tax Code, is amended to read as
7 follows:

8 (c) After the assessor for the taxing unit submits the
9 appraisal roll for the taxing unit to the governing body of the
10 taxing unit as required by Subsection (b), an officer or employee
11 designated by the governing body shall calculate the no-new-revenue
12 tax rate and the voter-approval tax rate for the taxing unit, where:

13 (1) "No-new-revenue tax rate" means a rate expressed
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
17 PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
18 VALUE)

19 ; and

20 (2) "Voter-approval tax rate" means a rate expressed
21 in dollars per \$100 of taxable value calculated according to the
22 following applicable formula:

23 (A) 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 ; ~~or~~

27 (B) for an eligible coastal municipality:

VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
UNUSED INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX
REVENUE RATE)
; or

(C) for a taxing unit other than a special taxing
unit or eligible coastal municipality:

VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
UNUSED INCREMENT RATE)

SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are
amended to read as follows:

(a) In the first year in which an additional sales and use
tax is required to be collected, the no-new-revenue tax rate and
voter-approval tax rate for the taxing unit are calculated
according to the following formulas:

NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST
PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
VALUE)] - SALES TAX GAIN RATE

and

VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
(NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
1.08) + (CURRENT DEBT RATE - SALES TAX GAIN RATE)

or

VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
MUNICIPALITY = (NO-NEW-REVENUE MAINTENANCE AND
OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE + UNUSED

INCREMENT RATE - SALES TAX GAIN RATE - MISSPENT HOTEL
OCCUPANCY TAX REVENUE RATE)

or

VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
(NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
1.035) + (CURRENT DEBT RATE + UNUSED INCREMENT RATE -
SALES TAX GAIN RATE)

where "sales tax gain 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 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
1.08) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
(CURRENT DEBT RATE - SALES TAX REVENUE RATE)

or

VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
MUNICIPALITY = [(LAST YEAR'S MAINTENANCE AND
OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
INCREMENT RATE - SALES TAX REVENUE RATE - MISSPENT

HOTEL OCCUPANCY TAX REVENUE RATE)

or

VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
[(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
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
rate for the taxing unit are calculated according to the following
formulas:

NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY -
LOST PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW
PROPERTY VALUE)] + SALES TAX LOSS RATE

and

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

CURRENT DEBT RATE

or

VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
MUNICIPALITY = [(LAST YEAR'S MAINTENANCE AND
OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX REVENUE
RATE)

or

VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
[(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
(CURRENT DEBT RATE + UNUSED INCREMENT RATE)

where "sales tax loss rate" means a number expressed in dollars per
\$100 of taxable value, calculated by dividing the amount of sales
and use tax revenue generated in the last four quarters for which
the information is available by the current total value and "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.

SECTION 4. This Act applies only to ad valorem taxes imposed
for an ad valorem tax year that begins on or after the effective
date of this Act.

SECTION 5. This Act takes effect January 1, 2026.