

AN ACT

relating to the penalty for noncompliance with certain audit requirements by a municipality.

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

SECTION 1. Chapter 103, Local Government Code, is amended by adding Section 103.005 to read as follows:

Sec. 103.005. ANNUAL AUDIT AND FILING OF FINANCIAL STATEMENT; PENALTY FOR NONCOMPLIANCE. (a) In this section:

(1) "No-new-revenue tax rate" means the no-new-revenue tax rate calculated under Chapter 26, Tax Code.

(2) "Tax year" has the meaning assigned by Section 1.04, Tax Code.

(b) A person may submit a complaint to the attorney general of a suspected violation of Section 103.001 or 103.003.

(c) Notwithstanding any other law, if the attorney general determines that a municipality has not had its records and accounts audited and an annual financial statement prepared based on the audit as required by Section 103.001 or has not filed the financial statement and the auditor's opinion on the statement in the office of the municipal secretary or clerk before the 180th day after the last day of the municipality's fiscal year as required by Section 103.003, the municipality may not adopt an ad valorem tax rate that exceeds the municipality's no-new-revenue tax rate:

(1) for the tax year that begins on or after the date

1 of the attorney general's determination; or

2 (2) for a subsequent tax year that begins before the
3 date the municipality has had an annual audit completed and
4 financial statement prepared or filed the financial statement and
5 auditor's opinion on the financial statement with the municipal
6 clerk, as applicable.

7 SECTION 2. This Act applies only to the adoption of an ad
8 valorem tax rate for a tax year that begins on or after the
9 effective date of this Act.

10 SECTION 3. This Act takes effect September 1, 2025.

S.B. No. 1851

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1851 passed the Senate on April 16, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1851 passed the House on May 10, 2025, by the following vote: Yeas 89, Nays 31, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor