

By: Hinojosa of Nueces

S.B. No. 2775

A BILL TO BE ENTITLED

AN ACT

relating to the calculation of certain ad valorem tax rates of a taxing unit and the manner in which a proposed ad valorem tax rate that exceeds the voter-approval tax rate is approved; making conforming changes.

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

SECTION 1. Section 48.202(f), Education Code, is amended to read as follows:

(f) For a school year in which the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") under Subsection (a-1)(2) exceeds the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") under Subsection (a-1)(2) for the preceding school year, a school district shall reduce the district's tax rate under Section 45.0032(b)(2) for the tax year that corresponds to that school year to a rate that results in the amount of state and local funds per weighted student per cent of tax effort available to the district at the dollar amount guaranteed level for the preceding school year. A school district is not entitled to the amount equal to the increase of revenue described by this subsection for the school year for which the district must reduce the district's tax rate. For ~~[Unless Section 26.042(e), Tax Code, applies to the district, for]~~ a tax year in which a district must reduce the district's tax rate under this subsection, the

1 district may not increase the district's maintenance and operations
2 tax rate to a rate that exceeds the maximum maintenance and
3 operations tax rate permitted under Section 45.003(d) or (f), as
4 applicable, minus the reduction of tax effort required under this
5 subsection. This subsection does not apply if the amount of state
6 funds appropriated for a school year specifically excludes the
7 amount necessary to provide the dollar amount guaranteed level of
8 state and local funds per weighted student per cent of tax effort
9 under Subsection (a-1)(2).

10 SECTION 2. Section 3828.157, Special District Local Laws
11 Code, is amended to read as follows:

12 Sec. 3828.157. INAPPLICABILITY OF CERTAIN TAX CODE
13 PROVISIONS. Sections 26.04, ~~[26.042]~~ 26.05, 26.07, and 26.075,
14 Tax Code, do not apply to a tax imposed under Section 3828.153 or
15 3828.156.

16 SECTION 3. Section 8876.152(a), Special District Local Laws
17 Code, is amended to read as follows:

18 (a) Sections 26.04, ~~[26.042]~~ 26.05, 26.06, 26.061, 26.07,
19 and 26.075, Tax Code, do not apply to a tax imposed by the district.

20 SECTION 4. Section 26.04(c), Tax Code, is amended to read as
21 follows:

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

27 (1) "No-new-revenue tax rate" means a rate expressed

1 in dollars per \$100 of taxable value calculated according to the
2 following formula:

3 NO-NEW-REVENUE TAX RATE = (LAST YEAR'S LEVY - LOST PROPERTY
4 LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)

5 ; and

6 (2) "Voter-approval tax rate" means a rate expressed
7 in dollars per \$100 of taxable value calculated according to the
8 following ~~[applicable]~~ formula:

9 ~~[(A) for a special taxing unit:]~~

10 VOTER-APPROVAL TAX RATE = [~~(~~]NO-NEW-REVENUE MAINTENANCE AND
11 OPERATIONS RATE [~~x 1.08~~] + CURRENT DEBT RATE

12 [~~, or~~

13 ~~[(B) for a taxing unit other than a special taxing~~
14 ~~unit:]~~

15 ~~[VOTER-APPROVAL TAX RATE - (NO-NEW-REVENUE MAINTENANCE AND~~
16 ~~OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE + UNUSED INCREMENT~~
17 ~~RATE)]~~

18 SECTION 5. Sections 26.041(a), (b), and (c), Tax Code, are
19 amended to read as follows:

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

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

27 and

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

~~[VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER
 THAN SPECIAL TAXING UNIT = (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
~~[* 1.08)~~] / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)]
 + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

~~[or
 [VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER
 THAN SPECIAL TAXING UNIT = [(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:

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

and

$$\begin{aligned} &\text{VOTER-APPROVAL TAX RATE } [\text{FOR SPECIAL TAXING UNIT}] \\ &= [(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \\ &\quad [\text{x } 1.08]) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})] \\ &\quad + \text{CURRENT DEBT RATE} \end{aligned}$$

[or

$$\begin{aligned} &[\text{VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER} \\ &\text{THAN SPECIAL TAXING UNIT} = [(\text{LAST YEAR'S MAINTENANCE} \\ &\text{AND OPERATIONS EXPENSE x } 1.035) / (\text{CURRENT TOTAL VALUE} \\ &\text{= NEW PROPERTY VALUE})] + (\text{CURRENT DEBT RATE} + \text{UNUSED} \\ &\text{INCREMENT RATE})] \end{aligned}$$

where "sales tax loss rate" means a number expressed in dollars per

1 \$100 of taxable value, calculated by dividing the amount of sales
2 and use tax revenue generated in the last four quarters for which
3 the information is available by the current total value and "last
4 year's maintenance and operations expense" means the amount spent
5 for maintenance and operations from property tax and additional
6 sales and use tax revenues in the preceding year.

7 SECTION 6. Section 26.063(a), Tax Code, is amended to read
8 as follows:

9 (a) This section applies only to a taxing unit:

10 (1) other than ~~[that is:~~
11 ~~[(A) a taxing unit other than a special taxing~~
12 ~~unit, or~~
13 ~~[(B)] a municipality with a population of [less~~
14 ~~than] 30,000 or more [regardless of whether it is a special taxing~~
15 ~~unit];~~

16 (2) that is required to provide notice under Section
17 26.06(b-1) or (b-3); and

18 (3) for which the de minimis rate exceeds the
19 voter-approval tax rate.

20 SECTION 7. Section 26.07(b), Tax Code, is amended to read as
21 follows:

22 (b) If the governing body of a ~~[special taxing unit or a]~~
23 municipality with a population of 30,000 or more adopts a tax rate
24 that exceeds the taxing unit's voter-approval tax rate, or the
25 governing body of a taxing unit other than a ~~[special taxing unit or~~
26 ~~a]~~ municipality with a population of ~~[less than]~~ 30,000 or more
27 ~~[regardless of whether it is a special taxing unit]~~ adopts a tax

1 rate that exceeds the greater of the taxing unit's voter-approval
2 tax rate or de minimis rate, the registered voters of the taxing
3 unit at an election held for that purpose must determine whether to
4 approve the adopted tax rate.

5 SECTION 8. Sections 26.075(a) and (b), Tax Code, are
6 amended to read as follows:

7 (a) This section applies only to a taxing unit other than:

8 (1) ~~[a special taxing unit;~~

9 ~~[(2)]~~ a school district; or

10 (2) ~~[(3)]~~ a municipality with a population of 30,000
11 or more.

12 (b) This section applies to a taxing unit only in a tax year
13 in which the taxing unit's:

14 (1) de minimis rate exceeds the taxing unit's
15 voter-approval tax rate; and

16 (2) adopted tax rate is:

17 (A) equal to or lower than the taxing unit's de
18 minimis rate; and

19 (B) greater than the ~~[greater of the]~~ taxing
20 unit's~~+~~

21 ~~[(i)] voter-approval tax rate [calculated~~
22 ~~as if the taxing unit were a special taxing unit; or~~

23 ~~[(ii) voter-approval tax rate].~~

24 SECTION 9. Section 49.107(g), Water Code, is amended to
25 read as follows:

26 (g) Sections 26.04, ~~[26.042]~~ 26.05, 26.061, 26.07, and
27 26.075, Tax Code, do not apply to a tax levied and collected under

1 this section or an ad valorem tax levied and collected for the
2 payment of the interest on and principal of bonds issued by a
3 district.

4 SECTION 10. Section 49.108(f), Water Code, is amended to
5 read as follows:

6 (f) Sections 26.04, [~~26.042~~], 26.05, 26.061, 26.07, and
7 26.075, Tax Code, do not apply to a tax levied and collected for
8 payments made under a contract approved in accordance with this
9 section.

10 SECTION 11. Section 49.23602(a)(3), Water Code, is amended
11 to read as follows:

12 (3) "Unused increment rate" has the meaning assigned
13 by Section 49.23604 [~~26.013, Tax Code~~].

14 SECTION 12. Subchapter H, Chapter 49, Water Code, is
15 amended by adding Section 49.23604 to read as follows:

16 Sec. 49.23604. UNUSED INCREMENT RATE. (a) In this section:

17 (1) "Actual tax rate" means a district's actual tax
18 rate used to levy taxes in the applicable preceding tax year.

19 (2) "Current total value" has the meaning assigned by
20 Section 26.012, Tax Code.

21 (3) "Foregone revenue amount" means the greater of:

22 (A) zero; or

23 (B) the amount expressed in dollars calculated
24 according to the following formula:

25 FOREGONE REVENUE AMOUNT = (VOTER-APPROVAL TAX RATE - ACTUAL
26 TAX RATE) x PRECEDING TOTAL VALUE

27 (4) "Preceding total value" means a district's current

total value in the applicable preceding tax year.

(5) "Voter-approval tax rate" means a district's voter-approval tax rate in the applicable preceding tax year, as adopted by the district during the applicable preceding tax year, less the unused increment rate for that preceding tax year.

(6) "Year 1" means the third tax year preceding the current tax year.

(7) "Year 2" means the second tax year preceding the current tax year.

(8) "Year 3" means the tax year preceding the current tax year.

(b) In Section 49.23602, "unused increment rate" means the greater of:

(1) zero; or

(2) the rate expressed in dollars per \$100 of taxable value calculated according to the following formula:

UNUSED INCREMENT RATE = (YEAR 1 FOREGONE REVENUE AMOUNT + YEAR 2 FOREGONE REVENUE AMOUNT + YEAR 3 FOREGONE REVENUE AMOUNT) / CURRENT TOTAL VALUE

SECTION 13. The following provisions are repealed:

- (1) Section 45.0032(d), Education Code;
- (2) Section 120.007(d), Local Government Code;
- (3) Section 26.012(19), Tax Code;
- (4) Section 26.013, Tax Code;
- (5) Section 26.042, Tax Code; and
- (6) Section 26.0501(c), Tax Code.

SECTION 14. This Act applies only to ad valorem taxes

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1 imposed for an ad valorem tax year that begins on or after the
2 effective date of this Act.

3 SECTION 15. This Act takes effect January 1, 2026.