

SUBJECT: Calculating effective tax rates

COMMITTEE: Ways and Means — favorable, with amendment

VOTE: 7 ayes — Craddick, Heflin, Holzheuser, Marchant, Oliveira, Place, Romo
0 nays
4 absent — Wolens, Finnell, Horn, T. Hunter

WITNESSES: (*On original version*)

For — Jim Bridgman, Texas Municipal League; George H. Moff

Against — Rovin Tyler, Tax Assessor/Collector Association

BACKGROUND: Chapter 26 of the Tax Code establishes the procedures for assessing ad valorem taxes. Taxing units set their tax rates and develop their budgets based on anticipated tax collection revenues. Sec. 25.25(d) of the Tax Code allows the property tax assessment to be corrected when the property owner appeals the assessment set by the appraisal district. Corrections to the tax rolls allowed under sec. 25.25(d) take place after a taxing unit has completed its tax and budget process.

DIGEST: HB 1537, as amended, would alter the way a taxing unit calculates effective tax rates by re-defining "last year's debt levy," "last year's levy" and "last year's total value" as not including corrections made pursuant to sec. 25.25(d) but including the amount of debt taxes refunded during the preceding year.

SUPPORTERS SAY: Cities and other taxing units should calculate their effective tax rates based on accurate projections. Currently, they factor in corrections made, but such corrections do not always accurately reflect the total tax rate. A much more realistic approach would be to calculate the amount of refunds given during the preceding year and not count the corrections made.

The committee amendment to HB 1537 addresses concerns that only those corrections made under subsec. (d) of sec. 25.25 should be left out of the calculation because only those corrections are refundable.

OPPONENTS SAY: No apparent opposition

NOTES:

The committee amendment would change the corrections not included in calculating these parts of the effective tax rate from all corrections made under sec. 25.25 to only those made under sec. 25.25(d).

The companion bill, SB 1010 by Brown, is pending in the Senate Finance Committee.