

BILL ANALYSIS

Senate Research Center
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S.B. 144
By: Williams
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current Texas law requires each taxing unit to calculate and publish a rollback tax rate. The rollback tax rate provides the taxing unit approximately the same amount of revenue it spent the previous year for day-to-day operations plus an extra eight percent cushion, and sufficient funds to pay its debts in the coming year. The rollback tax rate is commonly referred to as a revenue cap. Lowering the cap from eight percent to five percent will provide property taxpayers some relief from their overall tax burden by limiting the rate local taxing jurisdictions may set to raise revenue.

As proposed, S.B. 144 amends current law relating to the calculation of the ad valorem rollback tax rates of certain taxing units.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.04, Tax Code, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Redefines "rollback tax rate" to change the factor by which that rate is set from 1.08 to 1.05 and sets forth the formula to be used to calculate the rollback tax rate.

(c-1) Authorizes the designated officer or employee, notwithstanding any other provision of this section, to substitute "1.08" for "1.05" in the calculation of the rollback tax rate if:

- (1) any part of the taxing unit is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or
- (2) the governing body of the taxing unit finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the taxing unit.

(c-2) Provides that a finding under Subsection (c-1)(2) is not valid unless the finding:

- (1) is in the form of a resolution adopted by the governing body of the taxing unit;
- (2) includes a description of the harm to residents of the taxing unit that would occur if the taxing unit were subject to a five percent rollback tax rate; and
- (3) is approved by a record vote taken at a public meeting of the governing body.

SECTION 2. Amends Section 26.041, Tax Code, by amending Subsections (a), (b), and (c), and adding Subsections (c-1) and (c-2), as follows:

(a) Makes conforming and nonsubstantive changes.

(b) Makes conforming and nonsubstantive changes.

(c) Makes conforming and nonsubstantive changes.

(c-1) Authorizes designated officer or employee, notwithstanding any other provision of this section, to substitute "1.08" for "1.05" in the calculation of the rollback tax rate if:

(1) any part of the taxing unit is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or

(2) the governing body of the taxing unit finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the taxing unit.

(c-2) Provides that a finding under Subsection (c-1)(2) is not valid unless the finding is in compliance with Section 26.04(c-2).

SECTION 3. Reenacts and amends Section 49.236, Water Code, as added by Chapters 148 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, as follows:

Sec. 49.236. NOTICE OF TAX HEARING. (a) Requires the governing body of a district (board), before adopting an ad valorem tax rate for the district for debt service, operation and maintenance purposes, or contract purposes, to give notice of each meeting of the board at which the adoption of a tax rate will be considered. Sets forth required language of the notice. Makes conforming change.

(b) and (c) Makes no changes to these subsections.

(d) Authorizes the qualified voters of the district, if the governing body of a district adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05 times, rather than 1.08 times, the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, to require that an election be held to determine whether to reduce the tax rate adopted for the current year to the rollback tax rate in accordance with the procedures provided by Sections 26.07(b) (relating to a petition being valid only if it states it is intended to require an election on the question of reducing the tax rate for the year and it is signed by a certain number of registered voters), (c) (relating to the governing body being required to determine whether or not the petition is valid and passing a resolution stating its finding not later than the 20th day after the day the petition is summoned), (d) (relating to a governing body, upon finding that the petition is valid, ordering that an election be held not later 30 or more than 90 days after the last day the governing body could have acted to approve or disapprove the petition and providing certain conditions under which the election is to be conducted), (e) (relating to the tax rate being the rollback tax rate if a majority of the qualified voters voting on the question in the election favor the proposition and the tax rate being the one adopted by the governing body if a majority of voters do not favor the proposition), (f) (relating to the tax assessor for the taxing unit being required to prepare and mail corrected tax bills containing certain information and extending the date of delinquency by the number of days between the date the first bills were sent and the date the new bills were sent), and (g) (relating to a taxing unit refunding a taxpayer that overpays due to a change in rate and sets forth certain conditions under which that refund may be executed) and 26.081 (Petition Signatures), Tax Code. Makes conforming and nonsubstantive changes.

(e) Authorizes the, notwithstanding any other provision of this section, board to substitute "eight percent" for "five percent" in Subsection (a) and "1.08" for "1.05" in Subsection (d) if:

(1) any part of the district is located in an area declared a disaster area by the governor or the president of the United States during the current tax year; or

(2) the board finds that a higher tax rate is necessary to protect the health, safety, or property of persons residing in the district.

(f) Provides that a finding under Subsection (e)(2) is not valid unless the finding is in compliance with Section 26.04(c-2), Tax Code.

SECTION 4. (a) Provides that the change in law made by this Act applies to the ad valorem tax rate of a taxing unit beginning with the 2013 tax year, except as provided by Subsection (b) of this section.

(b) Provides that if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2013 tax year before the effective date of this Act, the change in law made by this Act applies to the ad valorem tax rate of that taxing unit beginning with the 2014 tax year, and the law in effect when the tax rate was adopted applies to the 2013 tax year with respect to that taxing unit.

SECTION 5. Effective date: upon passage or on the 91st day after the last day of the legislative session.