

By: Williams

S.B. No. 720

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the calculation of the ad valorem rollback tax rates of  
3 certain taxing units.

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

5 SECTION 1. Section 26.04, Tax Code, is amended by amending  
6 Subsection (c) and adding Subsections (c-1) and (c-2) to read as  
7 follows:

8 (c) An officer or employee designated by the governing body  
9 shall calculate the effective tax rate and the rollback tax rate for  
10 the unit, where:

11 (1) "Effective tax rate" means a rate expressed in  
12 dollars per \$100 of taxable value calculated according to the  
13 following formula:

14 
$$\text{EFFECTIVE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$$
  
15 
$$(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})$$

16 ; and

17 (2) "Rollback tax rate" means a rate expressed in  
18 dollars per \$100 of taxable value calculated according to the  
19 following formula:

20 
$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times$$
  
21 
$$\underline{1.05} [\del{1.08}]) + \text{CURRENT DEBT RATE}$$

22 (c-1) Notwithstanding any other provision of this section,  
23 the designated officer or employee may substitute "1.08" for "1.05"  
24 in the calculation of the rollback tax rate if:

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

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

7           (c-2) A finding under Subsection (c-1)(2) is not valid  
8 unless the finding:

9           (1) is in the form of a resolution adopted by the  
10 governing body of the taxing unit;

11           (2) includes a description of the harm to residents of  
12 the taxing unit that would occur if the taxing unit were subject to  
13 a five percent rollback tax rate; and

14           (3) is approved by a record vote taken at a public  
15 meeting of the governing body.

16           SECTION 2. Section 26.041, Tax Code, is amended by amending  
17 Subsections (a), (b), and (c) and adding Subsections (c-1) and  
18 (c-2) to read as follows:

19           (a) In the first year in which an additional sales and use  
20 tax is required to be collected, the effective tax rate and rollback  
21 tax rate for the unit are calculated according to the following  
22 formulas:

23 EFFECTIVE TAX RATE =  $\frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$   
24  $(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})]}{1} - \text{SALES TAX GAIN RATE}$

25 and

26 ROLLBACK TAX RATE =  $(\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times$   
27  $\underline{1.05} [\underline{1.08}]) + \text{CURRENT DEBT RATE} - \text{SALES TAX GAIN RATE}$

1 where "sales tax gain rate" means a number expressed in dollars per  
 2 \$100 of taxable value, calculated by dividing the revenue that will  
 3 be generated by the additional sales and use tax in the following  
 4 year as calculated under Subsection (d) [~~of this section~~] by the  
 5 current total value.

6 (b) Except as provided by Subsections (a) and (c) [~~of this~~  
 7 ~~section~~], in a year in which a taxing unit imposes an additional  
 8 sales and use tax the rollback tax rate for the unit is calculated  
 9 according to the following formula, regardless of whether the unit  
 10 levied a property tax in the preceding year:

11 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND OPERATIONS  
 12 EXPENSE x 1.05 [1.08]) / ((~~TOTAL~~) CURRENT TOTAL VALUE - NEW PROPERTY  
 13 VALUE)] + (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

14 where "last year's maintenance and operations expense" means the  
 15 amount spent for maintenance and operations from property tax and  
 16 additional sales and use tax revenues in the preceding year, and  
 17 "sales tax revenue rate" means a number expressed in dollars per  
 18 \$100 of taxable value, calculated by dividing the revenue that will  
 19 be generated by the additional sales and use tax in the current year  
 20 as calculated under Subsection (d) [~~of this section~~] by the current  
 21 total value.

22 (c) In a year in which a taxing unit that has been imposing  
 23 an additional sales and use tax ceases to impose an additional sales  
 24 and use tax the effective tax rate and rollback tax rate for the  
 25 unit are calculated according to the following formulas:

26 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
 27 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS RATE

1 and

2 ROLLBACK TAX RATE =  $\frac{[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS}$   
 3  $\text{EXPENSE} \times 1.05 [1.08]) / ((\text{TOTAL}] \text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY}$   
 4  $\text{VALUE})]}{1} + \text{CURRENT DEBT RATE}$

5 where "sales tax loss rate" means a number expressed in dollars per  
 6 \$100 of taxable value, calculated by dividing the amount of sales  
 7 and use tax revenue generated in the last four quarters for which  
 8 the information is available by the current total value and "last  
 9 year's maintenance and operations expense" means the amount spent  
 10 for maintenance and operations from property tax and additional  
 11 sales and use tax revenues in the preceding year.

12 (c-1) Notwithstanding any other provision of this section,  
 13 the designated officer or employee may substitute "1.08" for "1.05"  
 14 in the calculation of the rollback tax rate if:

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

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

21 (c-2) A finding under Subsection (c-1)(2) is not valid  
 22 unless the finding is in compliance with Section 26.04(c-2).

23 SECTION 3. Section 49.236, Water Code, as added by Chapters  
 24 248 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature,  
 25 Regular Session, 2003, is reenacted and amended to read as follows:

26 Sec. 49.236. NOTICE OF TAX HEARING. (a) Before the board  
 27 adopts an ad valorem tax rate for the district for debt service,

1 operation and maintenance purposes, or contract purposes, the board  
2 shall give notice of each meeting of the board at which the adoption  
3 of a tax rate will be considered. The notice must:

4 (1) contain a statement in substantially the following  
5 form:

6 "NOTICE OF PUBLIC HEARING ON TAX RATE

7 "The (name of the district) will hold a public hearing on a  
8 proposed tax rate for the tax year (year of tax levy) on (date and  
9 time) at (meeting place). Your individual taxes may increase or  
10 decrease, depending on the change in the taxable value of your  
11 property in relation to the change in taxable value of all other  
12 property and the tax rate that is adopted.

13 "(Names of all board members and, if a vote was taken, an  
14 indication of how each voted on the proposed tax rate and an  
15 indication of any absences.)";

16 (2) contain the following information:

17 (A) the district's total adopted tax rate for the  
18 preceding year and the proposed tax rate, expressed as an amount per  
19 \$100;

20 (B) the difference, expressed as an amount per  
21 \$100 and as a percent increase or decrease, as applicable, in the  
22 proposed tax rate compared to the adopted tax rate for the preceding  
23 year;

24 (C) the average appraised value of a residence  
25 homestead in the district in the preceding year and in the current  
26 year; the district's total homestead exemption, other than an  
27 exemption available only to disabled persons or persons 65 years of

1 age or older, applicable to that appraised value in each of those  
2 years; and the average taxable value of a residence homestead in the  
3 district in each of those years, disregarding any homestead  
4 exemption available only to disabled persons or persons 65 years of  
5 age or older;

6 (D) the amount of tax that would have been  
7 imposed by the district in the preceding year on a residence  
8 homestead appraised at the average appraised value of a residence  
9 homestead in that year, disregarding any homestead exemption  
10 available only to disabled persons or persons 65 years of age or  
11 older;

12 (E) the amount of tax that would be imposed by the  
13 district in the current year on a residence homestead appraised at  
14 the average appraised value of a residence homestead in that year,  
15 disregarding any homestead exemption available only to disabled  
16 persons or persons 65 years of age or older, if the proposed tax  
17 rate is adopted; and

18 (F) the difference between the amounts of tax  
19 calculated under Paragraphs (D) and (E), expressed in dollars and  
20 cents and described as the annual percentage increase or decrease,  
21 as applicable, in the tax to be imposed by the district on the  
22 average residence homestead in the district in the current year if  
23 the proposed tax rate is adopted; and

24 (3) contain a statement in substantially the following  
25 form:

"NOTICE OF TAXPAYERS' RIGHT TO

ROLLBACK ELECTION

"If taxes on the average residence homestead increase by more than five [~~eight~~] percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code."

(b) Notice of the hearing shall be:

(1) published at least once in a newspaper having general circulation in the district at least seven days before the date of the hearing; or

(2) mailed to each owner of taxable property in the district, at the address for notice shown on the most recently certified tax roll of the district, at least 10 days before the date of the hearing.

(c) The notice provided under this section may not be smaller than one-quarter page of a standard-size or tabloid-size newspaper of general circulation, and the headline on the notice must be in 18-point or larger type.

(d) 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 [~~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, the qualified voters of the district by petition may require

1 that an election be held to determine whether [~~or not~~] to reduce the  
2 tax rate adopted for the current year to the rollback tax rate in  
3 accordance with the procedures provided by Sections 26.07(b)-(g)  
4 and 26.081, Tax Code. For purposes of Sections 26.07(b)-(g) and  
5 this subsection, the rollback tax rate is the current year's debt  
6 service and contract tax rates plus the operation and maintenance  
7 tax rate that would impose 1.05 [~~1.08~~] times the amount of the  
8 operation and maintenance tax imposed by the district in the  
9 preceding year on a residence homestead appraised at the average  
10 appraised value of a residence homestead in the district in that  
11 year, disregarding any homestead exemption available only to  
12 disabled persons or persons 65 years of age or older.

13 (e) Notwithstanding any other provision of this section,  
14 the board may substitute "eight percent" for "five percent" in  
15 Subsection (a) and "1.08" for "1.05" in Subsection (d) if:

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

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

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

24 SECTION 4. (a) The change in law made by this Act applies  
25 to the ad valorem tax rate of a taxing unit beginning with the 2011  
26 tax year, except as provided by Subsection (b) of this section.

27 (b) If the governing body of a taxing unit adopted an ad



1 valorem tax rate for the taxing unit for the 2011 tax year before  
2 the effective date of this Act, the change in law made by this Act  
3 applies to the ad valorem tax rate of that taxing unit beginning  
4 with the 2012 tax year, and the law in effect when the tax rate was  
5 adopted applies to the 2011 tax year with respect to that taxing  
6 unit.

7         SECTION 5. This Act takes effect immediately if it receives  
8 a vote of two-thirds of all the members elected to each house, as  
9 provided by Section 39, Article III, Texas Constitution. If this  
10 Act does not receive the vote necessary for immediate effect, this  
11 Act takes effect on the 91st day after the last day of the  
12 legislative session.