

**C.S.S.B. 2 (Bettencourt) – Property Tax Reform:** this bill, known as the “Texas Taxpayer Transparency Act of 2019,” would make numerous changes to the process for adopting property tax rates. Of primary importance to cities, the bill would:

1. rename the “rollback” tax rate the “voter-approved” tax rate;
2. adjust the voter-approved tax rate in the following ways:
  - a. define “special taxing unit” as:
    - i. a taxing unit other than a school district for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value;
    - ii. a junior college district; or
    - iii. a hospital district;
  - b. maintain an eight percent voter-approved rate for all special taxing units;
  - c. for a taxing unit other than a special taxing unit, provide for a voter-approved rate of 3.5 percent;
  - d. for a taxing unit other than a special taxing unit, authorize the taxing unit to carry forward any unused increment between the adopted maintenance and operations tax rate and the voter-approved tax rate for up to five years;
  - e. adjust the voter-approved rate upwards for new revenue lost to local option homestead exemptions in the current year as compared to the previous year;
  - f. authorize a taxing unit other than a special taxing unit to temporarily use a voter-approved rate of eight percent if any part of the taxing unit is located in an area declared a disaster area by the governor or president of the United States; and
  - g. impose a two percent rollback rate for school districts.
3. require taxing units to calculate a “de minimis rate,” which is a rate that, when applied to a taxing unit’s current total value, will impose an amount of taxes equal to the de minimis amount. (Note: the de minimis amount is established at \$500,000 in 2020, and is adjusted by the comptroller to reflect the inflation rate in subsequent years);
4. require a mandatory election on the November uniform election date for all cities that exceed the voter-approved rate, whether that rate is 3.5 percent or eight percent (with exceptions for increased expenditures of money by a taxing unit necessary to respond to a disaster);
5. make numerous calendar changes to the property tax appraisal, collection, and rate-setting process in order to have property tax ratification elections on the November uniform election date; and
6. make the passage of S.B. 2 contingent upon the passage of H.B. 3, the public school finance reform bill.

Additionally – and more specifically – the bill would, among other things:

1. rename the “effective tax rate” and “effective maintenance and operations rate” the “no-new-revenue tax rate” and “no-new-revenue maintenance and operations rate,” respectively;
2. require the comptroller to appoint a property tax administration advisory board to make recommendations to the comptroller regarding state administration of property taxation and state oversight of appraisal districts;

3. require the comptroller to prescribe tax rate calculation forms to be used by the designated officer or employee of each taxing unit to calculate and submit the no-new-revenue tax rate and voter-approved tax rate for the taxing unit;
4. require the forms described in Section 3, above, to be in an electronic format and:
  - a. have blanks that can be filled in electronically;
  - b. be capable of being certified by the designated officer or employee after completion as accurately calculating the applicable tax rates and using values that are the same as the values shown in the taxing unit's certified appraisal roll; and
  - c. be capable of being submitted electronically to the chief appraiser of each appraisal district in which the taxing unit is located;
5. authorize the comptroller to revise the forms to reflect substantive changes if approved by the majority of the members of a committee appointed by the comptroller that equally represents taxpayers, taxing units, and assessors;
6. require the comptroller to prepare an annual list that includes the total tax rate imposed by each taxing unit in the state for the year in which the list is prepared that shall be sorted alphabetically according to:
  - a. the county or counties in which each taxing unit is located; and
  - b. the name of each taxing unit;
7. require the comptroller to publish on the comptroller's website the list required in Section 6, above, not later than January 1 of the following year;
8. prohibit an individual from serving on the appraisal district board of directors if the individual is an officer or employee of a taxing unit that participates in the district;
9. provide that a taxing unit may not reduce the amount of or repeal a property tax exemption for historic sites unless the taxing unit has delivered to the property owner written notice of its intent to reduce the amount of or repeal the exemption at least five years before doing so;
10. make numerous calendar changes to the property tax appraisal, collection, and rate-setting process in order to have property tax ratification elections on the November uniform election date, including among others:
  - a. providing that if by July 20<sup>th</sup> the appraisal review board for an appraisal district has not approved the appraisal records for the district, the chief appraiser shall prepare and certify to the assessor for each taxing unit participating in the district an estimate of the taxable value of property in that taxing unit;
  - b. requiring the comptroller to determine the de minimis amount for the current tax year by August 1<sup>st</sup> or as soon thereafter as practicable and publish that amount in the Texas Register;
  - c. by August 7<sup>th</sup> or as soon thereafter as practicable, requiring the designated officer or employee of a taxing unit to submit the rates to the governing body, publish the rates in a newspaper, post the rates in a prominent location on the taxing unit's website, and prepare and submit to the governing body a schedule of the taxing units debt obligations; and
  - d. requiring taxing units adopting a tax rate exceeding the voter-approved tax rate to do so not later than the 71<sup>st</sup> day before the next uniform election date that occurs in November of that year (instead of September 30<sup>th</sup> under current law) (NOTE: this would also require a city that adopts a tax rate exceeding the voter-approved

rate to adopt its budget before this mid-August date, as state law provides that property taxes may only be levied in accordance with the city budget);

11. amend current law to require a city that adopts a tax rate exceeding the lower of the no-new-revenue tax rate or voter-approved tax rate to only hold one public hearing on the tax rate;
12. provide that a taxing unit other than a special taxing unit may direct the designated officer or employee to calculate the voter-approved tax rate of the taxing unit in the manner provided for a special taxing unit if any part of the taxing unit is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States;
13. provide that the designated officer or employee shall continue calculating the voter-approved tax rate in the manner provided by Section 12, above, until the earlier of:
  - a. the second tax year in which the total taxable value of property taxable by the taxing unit as shown on the appraisal roll for the taxing unit submitted by the assessor for the taxing unit to the governing body exceeds the total taxable value of property taxable by the taxing unit on January 1 of the tax year in which the disaster occurred; or
  - b. the fifth tax year after the tax year in which the disaster occurred.
14. provide that the designated officer or employee shall use the tax rate calculation forms prescribed by the comptroller in calculating the no-new-revenue tax rate and the voter-approved tax rate;
15. provide that the designated officer or employee of a taxing unit may not submit the no-new-revenue tax rate and the voter-approved tax rate to the governing body of the taxing unit and the taxing unit may not adopt a tax rate until the designated officer or employee certifies on the tax rate calculation forms that the designated officer or employee has accurately calculated the tax rates and has used values that are the same as the values shown in the taxing unit's certified appraisal roll in performing the calculations;
16. provide that as soon as practicable after the designated officer or employee calculates the no-new-revenue tax rate and the voter-approved tax rate of the taxing unit, the designated officer or employee shall submit the tax rate calculation forms used in calculating the rates to the county assessor-collector for each county in which all or part of the territory of the taxing unit is located;
17. by August 7th or as soon as practicable, require the chief appraiser of each appraisal district to deliver by regular mail or email to each owner of property located in the appraisal district a notice that the estimated amount of taxes to be imposed on the owner's property by each taxing unit in which the property is located may be found in the property tax database maintained by the appraisal district;
18. require the governing body of a taxing unit to include as an appendix to the taxing unit's budget for a fiscal year the tax rate calculation forms used by the designated officer or employee of the taxing unit to calculate the no-new-revenue tax rate and the voter-approved tax rate of the taxing unit for the tax year in which the fiscal year begins;
19. authorize a property owner to seek an injunction prohibiting the taxing unit in which the property is taxable from adopting a tax rate if the assessor or designated officer or employee of the taxing unit, the tax notice officer of the applicable appraisal district, or the taxing unit, as applicable, has not complied with the statutory computation, publication, or posting requirements;

20. provide that it is a defense in an action for an injunction under Section 19, above, that the failure to comply was in good faith;
21. provide that a taxing unit must only hold one public hearing on a proposed tax rate that exceeds the lower of the voter-approved tax rate or the no-new-revenue tax rate (instead of the two public hearings required under current law);
22. prohibit the governing body of a taxing unit other than a school district from holding a public hearing on a proposed tax rate or a public meeting to adopt a tax rate until the fifth business day after the date the chief appraiser of each appraisal district in which the taxing unit participates has delivered its required notice and posted information on the property tax database;
23. prohibit the governing body of a taxing unit other than a school district from adopting a tax rate until the chief appraiser has complied with Section 22, above;
24. authorize a property owner to seek an injunction restraining the collection of taxes by a taxing unit in which the property is taxable if the taxing unit has not complied with truth-in-taxation requirements;
25. provide that it is a defense in an action for an injunction under Section 24, above, if the failure to comply was in good faith;
26. provide that an action to enjoin the collection of taxes must be filed not later than the 15th day after the date the taxing unit adopts a tax rate;
27. provide that a property owner is not required to pay the taxes imposed by a taxing unit on the owner's property while an action filed by the property owner to enjoin the collection of taxes imposed by the taxing unit on the owner's property is pending;
28. provide that, if a property owner pays the taxes and subsequently prevails in an action, the property owner is entitled to a refund of the taxes paid, together with reasonable attorney's fees and court costs and is not required to apply to the collector for the taxing unit to receive the refund;
29. prohibit the governing body of a taxing unit that imposes a sales tax for property tax relief from adopting certain components of the tax rate until the chief financial officer or the auditor for the taxing unit submits to the governing body of the taxing unit a written certification relating to the amount of sales tax for property tax relief revenue used to pay debt service;
30. require a taxing unit with a low tax levy that provides public notice of its proposed tax rate by publication in a newspaper to post notice of the proposed tax rate prominently on the home page of the Internet website maintained by the taxing unit;
31. require a taxing unit to provide one of four specific notices on the tax rate, depending on whether the taxing unit:
  - a. is proposing to adopt a tax rate that exceeds the no-new-revenue tax rate and the voter-approved tax rate of the taxing unit;
  - b. is proposing to adopt a tax rate that exceeds the no-new-revenue tax rate but does not exceed the voter-approved tax rate of the taxing unit;
  - c. is proposing to adopt a tax rate that does not exceed the no-new-revenue tax rate but exceeds the voter-approved tax rate of the taxing unit; or
  - d. is proposing to adopt a tax rate that does not exceed the lower of the no-new-revenue tax rate or voter-approved tax rate;
32. provide that if a taxing unit publishes notice of the public hearing on the tax rate in the newspaper, the taxing unit must also post the notice prominently on the home page of the

taxing unit's Internet website from the date the notice is first published until the public hearing is concluded;

33. provide that the governing body may vote on the proposed tax rate at the public hearing on the tax rate;
34. provide that a meeting to vote on the tax increase may not be held later than the seventh day after the date of the public hearing;
35. require notice of the tax rate to include a table that compares the taxes imposed on the average residence homestead in the preceding year to the taxes proposed to be imposed on the average residence homestead in the current year;
36. establish alternate provisions for tax rate notice if a taxing unit's de minimis rate exceeds the voter-approved tax rate;
37. provide that when an increased expenditure of money by a taxing unit is necessary to respond to a disaster, including a tornado, hurricane, flood, wildfire, or other calamity, but not a drought, that has impacted the taxing unit and the governor has declared any part of the area in which the taxing unit is located as a disaster area, an election is not required to approve the tax rate adopted by the governing body for the year following the year in which the disaster occurs;
38. provide that the order calling an election to seek voter approval of the tax rate in a taxing unit other than a school district may not be issued later than August 15<sup>th</sup>;
39. require the ballot language used in an election to seek voter approval of the tax rate to include the difference between the adopted tax rate, the voter-approved tax rate, and the taxing unit's tax rate for the preceding year;
40. require the county-assessor collector to post on the county's website for each taxing unit all or part of the territory of which is located in the county:
  - a. the tax rate calculation forms used by the designated officer or employee of each taxing unit to calculate the no-new-revenue and voter-approved tax rates of the taxing unit for the most recent five tax years beginning with the 2020 tax year;
  - b. the name and official contact information for each member of the governing body of the taxing unit; and
  - c. the tax rate calculation forms for the current tax year not later than August 1<sup>st</sup>;
41. require the chief appraiser of each appraisal district to create and maintain a property tax database that:
  - a. is identified by the name of the county in which the appraisal district is established instead of the name of the appraisal district;
  - b. contains information that is provided by designated officers or employees of the taxing units that are located in the appraisal district in the manner required by the comptroller;
  - c. is continuously updated as preliminary and revised data become available to and are provided by the designated officers or employees of taxing units;
  - d. is accessible to the public; and
  - e. is searchable by property address and owner;
42. require the property tax database to include, with respect to each property listed on the appraisal roll for the appraisal district:
  - a. the property's identification number;
  - b. the property's market value;
  - c. the property's taxable value;

- d. the name of the each taxing unit in which the property is located;
  - e. for each taxing unit other than a school district in which the property is located;
    - i. the no-new-revenue tax rate; and
    - ii. the voter-approved tax rate;
  - f. for each school district in which the property is located:
    - i. the tax rate to maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year; and
    - ii. the voter-approved tax rate;
  - g. the tax rate proposed by the governing body of each taxing unit in which the property is located;
  - h. for each taxing unit other than a school district in which the property is located, the taxes that would be imposed on the property if the unit adopted a tax rate equal to:
    - i. the no-new-revenue tax rate; and
    - ii. the proposed tax rate;
  - i. for each school district in which the property is located, the taxes that would be imposed on the property if the unit adopted a tax rate equal to:
    - i. the tax rate to maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year; and
    - ii. the proposed tax rate;
  - j. for each taxing unit other than a school district in which the property is located, the difference between the amount calculated for the no new taxes tax rate and the proposed tax rate;
  - k. for each school district in which the property is located, the difference between the amount calculated to maintain the same amount of state and local revenue per weighted student the district received in the school year beginning in the preceding year and the proposed tax rate;
  - l. the date and location of each public hearing, if applicable, on the proposed tax rate to be held by the governing body of each taxing unit in which the property is located;
  - m. the date and location of the public meeting in which the tax rate will be adopted to be held by the governing body of each taxing unit in which the property is located; and
  - n. for each taxing unit in which the property is located, an e-mail address at which the taxing unit is capable of receiving written comments regarding the proposed tax rate of the taxing unit;
43. require the property database to provide a link to the website used by each taxing unit in which the property is located to post the budget and tax rate information required by Section 47, below;
44. provide that the database must allow the property owner to electronically complete and submit to a taxing unit in which the owner's property is located a form on which the owner may provide the owner's opinion as to whether the tax rate proposed by the governing body of the taxing unit should be adopted;

45. require the officer or employee designated by the governing body of each taxing unit in which the property is located to calculate the no-new-revenue tax rate and the voter-approved tax rate for the taxing unit to electronically incorporate into the database:
  - a. the information described by Subsections e, f, g, l, and m of Section 42, above, as the information becomes available; and
  - b. the completed tax rate calculation forms at the same time the designated officer or employee submits the tax rates to the governing body of the taxing unit;
46. require each taxing unit to maintain an Internet website or have access to a generally accessible Internet website that may be used for the purposes of posting tax rate and budget information;
47. require each taxing unit to post on its Internet website the following information in a format prescribed by the comptroller:
  - a. the name of each member of the governing body of the taxing unit;
  - b. the mailing address, e-mail address, and telephone number of the taxing unit;
  - c. the official contact information for each member of the governing body of the taxing unit;
  - d. the taxing unit's budget for the preceding two years;
  - e. the taxing unit's proposed or adopted budget for the current year;
  - f. the change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage;
  - g. for a taxing unit other than a school district, the amount of property tax revenue budgeted for both maintenance and operations and debt service, respectively, for:
    - i. the preceding two years; and
    - ii. the current year;
  - h. the tax rate for both maintenance and operations and debt service, respectively, adopted by the taxing unit for the preceding two years;
  - i. the tax rate for both maintenance and operations and debt service, respectively, adopted by the taxing unit for current year; and
  - j. the most recent financial audit of the taxing unit;
48. eliminate the ability of a taxing unit to challenge before the appraisal review board the level of appraisals of any category of property in the appraisal district or in any territory in the appraisal district;
49. provide that the appraisal review board may not determine the appraised value of the property that is subject of a protest to be an amount greater than the appraised value of the property as shown in the appraisal records submitted to the board by the chief appraiser; and
50. require a select commission to review all state and local "tax preferences" and develop a review schedule under which tax preferences are reviewed once during each six-year period.