

CHAPTER 657

S.B. No. 1125

An Act relating to the calculation and adoption of property tax rates; giving private right of action; amending the Tax Code, as amended, by amending Subsections (c), (d), (e), and (g), Section 26.04; Subsection (a), Section 26.05; and Subsections (b) and (d), Section 26.06; and by adding Subsection (h) to Section 26.04; and Subsection (d) to Section 26.05.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Subsections (c) and (d), Section 26.04, Tax Code, as amended by Section 1, Chapter 400, Acts of the 68th Legislature, Regular Session, 1983, by Section 3, Chapter 987, Acts of the 68th Legislature, Regular Session, 1983, and by Section 1, Chapter 1001, Acts of the 68th Legislature, Regular Session, 1983, are amended to read as follows:

“(c) An officer or employee designated by the governing body shall subtract from the total amount of property taxes imposed by the unit in the preceding year:

“(1) the amount of taxes imposed in the preceding year to pay principal of and interest on debt of the unit and to pay lawfully incurred contractual obligations providing security for the payment of principal of and interest on bonds or other evidences of indebtedness issued on behalf of the unit by another political subdivision;

“(2) the amount of taxes imposed in the preceding year on property in territory that has ceased to be a part of the unit;

“(3) the amount of taxes imposed in the preceding year on taxable value that is exempt in the current year;

“(4) the amount of taxes imposed in the preceding year on taxable value that is not taxable in the current year because property appraised at market value in the preceding year is required by law to be appraised at less than market value in the current year; ~~and~~

“(5) the amount of taxes imposed in the preceding year pursuant to Subsection (d) of this section to recoup taxes lost in the year before as a result of an error or errors; ~~and~~ [-]

“(6) ~~(5)~~ the amount of taxes imposed in the preceding year dedicated to the use of a junior college district under Section 20.48(e), ~~[Texas]~~ Education Code.

“(d) The designated officer or employee shall calculate the tax rate that if applied to the total taxable value submitted to the governing body less the taxable value of new property would impose the amount of property taxes determined as provided by Subsection (c) of this section. He shall add to that rate:

“(1) the amount that, if applied to the total taxable value submitted to the governing body, will impose the amount of taxes needed to pay the principal of and interest on debt of the unit and to pay lawfully incurred contractual obligations providing security for the payment of principal of and interest on bonds or other evidences of indebtedness issued on behalf of the unit by another political subdivision; [-]

“(2) ~~if~~ ~~[H]~~ one or more errors on the appraisal roll for the previous year were discovered after adoption of the unit's tax rate and if those errors resulted in the loss of more than one percent of the total appraised value for the unit in that year, ~~[he may also add to that rate]~~ the amount that, if applied to the total taxable value, will raise the rate calculated under this section to what it would have been if the errors had not occurred plus the amount that will recoup the amount of taxes lost in the preceding year as a result of the errors; ~~and~~ [-]

“(3) ~~(d)~~ ~~The designated officer or employee shall calculate the tax rate that if applied to the total taxable value submitted to the governing body less the taxable value of new property would impose the amount of property taxes determined as provided by Subsection (c) of this section. He shall add to that rate the amount that, if applied to the total taxable value submitted to the governing body, will impose the amount of taxes needed to pay the principal of and interest on debt of the unit and to pay lawfully incurred contractual obligations providing security for the payment of principal of and interest on bonds or other evidences of indebtedness issued on behalf of the unit by another political subdivision. He shall also add to that rate]~~ the amount that, if applied to the total taxable value submitted to the governing body, would impose the amount of taxes needed for the governing body's dedication, if any, to a junior college under Section 20.48(e), ~~[Texas]~~ Education Code, for the current tax year.”

SECTION 2. Section 26.04, Tax Code, as amended, is amended by amending Subsections (e) and (g) and adding Subsection (h) to read as follows:

“(e) By August 7 or as soon thereafter as practicable, the designated officer or employee shall publicize:

“(1) the tax rate calculated as provided by this section and the calculations used to determine it in a manner designed to come to the attention of all owners of property in the unit and shall submit the rate to the governing body of the unit; ~~and~~

“(2) the estimated amount of interest and sinking fund balances and the estimated amount of maintenance and operation or general fund balances remaining at the end of the current fiscal year that are not encumbered with or by corresponding existing debt obligation, except that for a school district, estimated funds necessary for the operation of the district prior to the receipt of the first state education aid payment in the succeeding school year shall be subtracted from the estimated fund balances; *and*

“(3) *a schedule of the unit's debt obligations showing the amount of principal and interest that will be paid in the next year from property tax revenues, including payments of lawfully incurred contractual obligations providing security for the payment of the principal of and interest on bonds and other evidences of indebtedness issued on behalf of the unit by another political subdivision.*

“(g) In Subsections (c) and (d) of this section, ‘debt’ means *a bond, warrant, certificate of obligation, or other lawfully authorized evidence of indebtedness issued or assumed by the taxing unit that is:*

“(1) ~~[an obligation]~~ secured by a pledge of the unit's property taxes;

“(2) ~~[of the unit and]~~ not payable from revenues budgeted for current maintenance and operating expenses;

“(3) *payable in installments over a period longer than one year; and*

“(4) *payable solely from property tax revenues [; and includes bonds, warrants, certificates of indebtedness, and other lawfully authorized evidences of indebtedness issued or assumed by the unit].*

“(h) *A person who owns taxable property is entitled to 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 unit, as applicable, has not complied with the computation or publication requirements of this section and the failure to comply was not in good faith.*”

SECTION 3. Section 26.05, Tax Code, as amended, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:

“(a) By September 1 or as soon thereafter as practicable, the governing body of each taxing unit shall adopt a tax rate for the current tax year and shall notify the assessor for the unit of the rate adopted. *The tax rate consists of two components, each of which must be approved separately. The components are:*

“(1) *the rate that, if applied to the total taxable value, will impose the amount of taxes needed to pay the unit's debt service as described by Section 26.04(e)(3) of this code; and*

“(2) *the rate that, if applied to the total taxable value, will impose the amount of taxes needed to fund maintenance and operation expenditures of the unit for the next year.*”

“(d) *A person who owns taxable property is entitled to 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 the requirements of this section and the failure to comply was not in good faith. An action to enjoin the collection of taxes must be filed prior to the date a taxing unit delivers substantially all of its tax bills.*”

SECTION 4. Subsections (b) and (d), Section 26.06, Tax Code, as amended, are amended to read as follows:

“(b) The notice of a public hearing may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. The notice must be given in ~~[either of]~~ the following *form [forms as determined by the governing body]:*

“~~[(+)]~~ ‘NOTICE OF PUBLIC HEARING ON TAX INCREASE

“The (name of the taxing unit) will hold a public hearing on a proposal to increase total tax revenues from properties on the tax roll in (the preceding year) by (percentage of increase over the tax rate submitted pursuant to Section 26.04 of this code) percent. Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property.

“The public hearing will be held on (date and time) at (meeting place).

“(Names of all members of the governing body, showing how each voted on the proposal to consider the tax increase or, if one or more were absent, or indicating the absences.)’ [; ~~or~~

“~~[(2)]~~ ‘NOTICE OF PUBLIC HEARING ON TAX INCREASE

~~“[The (name of taxing unit) will hold a public hearing on a proposal to increase total property tax revenues from (the total amount of property taxes levied by the unit for the preceding year) in (the preceding year) to (the total amount of property taxes that would be levied by the unit for the current year based on the proposed tax rate) in (the year to which the proposed tax rate applies). Your individual taxes may increase at a greater or lesser rate, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property.~~

~~“[The public hearing will be held on (date and time) at (meeting place).~~

~~“[(Names of all members of the governing body, showing how each voted on the proposal to consider the tax increase or, if one or more were absent, indicating the absences).]”~~

~~“(d) At the public hearing the governing body shall announce the date, time, and place of the meeting at which it will vote on the proposed tax increase. After the hearing it shall give notice of the meeting at which it will vote on the tax rate and the notice shall be in the same form as prescribed by Subsections (b) and (c) of this section, except that it must *state the following* [be given in either of the following forms as determined by the governing body]:~~

~~“(4) ‘NOTICE OF VOTE ON TAX RATE~~

~~“The (name of the taxing unit) conducted a public hearing on a proposal to increase your property taxes by (percentage of increase over the rate submitted under Section 26.04 of this code) percent on (date and time public hearing was conducted).~~

~~“A public meeting to vote on the tax rate will be held on (date and time) at (meeting place).” [;~~

~~or~~

~~“(2) ‘NOTICE OF VOTE ON TAX RATE~~

~~“[The (name of taxing unit) conducted a public hearing on a proposal to increase your property taxes from (the total amount of property taxes levied by the unit for the preceding year) in (the preceding year) to (the total amount of property taxes that would be levied for the current year based on the proposed tax rate) in (year to which the proposed tax rate applies).~~

~~“[A public hearing to vote on the tax rate will be held on (date and time) at (meeting place).]”~~

SECTION 5. This Act does not apply to any matter that on the effective date of this Act:

- (1) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final judgment of a court of competent jurisdiction; or
- (2) has been held invalid by a final judgment of a court of competent jurisdiction.

SECTION 6. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on April 4, 1985, by the following vote: Yeas 31, Nays 0; Senate concurred in House amendment on May 27, 1985, by the following vote: Yeas 31, Nays 0; passed the House, with amendment, on May 25, 1985, by the following vote: Yeas 137, Nays 0, two present not voting.

Approved: June 14, 1985

Effective: Immediately