

CHAPTER 947

H.B. No. 1866

AN ACT

relating to the procedure for adoption of a property tax rate, providing a limitation on the use of taxes levied to pay debt, and the procedure for pledging taxes to pay debt.

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

SECTION 1. Section 26.01(c), Tax Code, is amended to read as follows:

(c) The chief appraiser shall prepare and certify to the assessor for each taxing unit a listing of those properties which are taxable by that unit but which are under protest and therefore not included on the appraisal roll approved by the appraisal review board and certified by the chief appraiser. This listing shall include the appraised market value, productivity value (if applicable), and taxable value as determined by the appraisal district and shall also include the market value, taxable value, and productivity value (if applicable) as claimed by the property owner filing the protest if available. *If the property owner does not claim a value and the appraised value of the property in the current year is equal to or less than its value in the preceding year, the listing shall include a reasonable estimate of the market value, taxable value, and productivity value (if applicable) that would be assigned to the property if the taxpayer's claim is upheld. If the property owner does not claim a value and the appraised value of the property is higher than its appraised value in the preceding year, the listing shall include the appraised market value, productivity value (if applicable) and taxable value of the property in the preceding year, except that if there is a reasonable likelihood that the appraisal review board will approve a lower appraised value for the property than its appraised value in the preceding year, the chief appraiser shall make a reasonable estimate of the taxable value that would be assigned to the property if the property owner's claim is upheld.* The ~~assessor for the~~ taxing unit shall use the lower value for calculations as prescribed in Sections ~~[Section]~~ 26.04 and 26.041 of this code.

SECTION 2. Chapter 26, Tax Code, is amended by adding Section 26.012 to read as follows:

Sec. 26.012. DEFINITIONS. In this chapter:

(1) "Additional sales and use tax" means an additional sales and use tax imposed by a city or county under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes) or the County Local Sales and Use Tax Act (Article 2353e, Vernon's Texas Civil Statutes).

(2) "Collection rate" means an estimate of the total amount of taxes to be levied in the current year and collected before July 1 of the next year, plus any additional taxes imposed under Chapter 23 of this code collected during the same period, plus the total amount of delinquent taxes levied in any preceding year that will be collected between July 1 of the current year and June 30 of the following year, expressed as a percentage of the total amount of taxes that will be levied in the current year.

(3) "Current debt" means debt service for the current year.

(4) "Current debt rate" means a rate expressed in dollars per \$100 of taxable value and calculated according to the following formula:

$$\text{CURRENT DEBT RATE} = \frac{\left[\frac{(\text{CURRENT DEBT SERVICE} - \text{EXCESS COLLECTIONS})}{(\text{CURRENT TOTAL VALUE} \times \text{COLLECTION RATE})} \right] + \text{CURRENT JUNIOR COLLEGE LEVY}}{\text{CURRENT TOTAL VALUE}}$$

(5) "Current junior college levy" means the amount of taxes the governing body proposes to dedicate in the current year to a junior college district under Section 20.48(e), Education Code.

(6) "Current total value" means the total taxable value of property listed on the appraisal roll for the current year, including all appraisal roll supplements and corrections as of the date of the calculation, except that the current total value for a school district excludes the total value of homesteads that qualify for a tax limitation as provided by Section 11.26 of this code.

(7) "Debt" means a bond, certificate of obligation, or other evidence of indebtedness owed by a taxing unit that is payable in installments over a period of more than one year, not budgeted for payment from maintenance and operations funds, and secured by a pledge of property taxes, or a payment made under contract to secure indebtedness of a similar nature issued by another political subdivision on behalf of the taxing unit.

(8) "Debt service" means the total amount expended or to be expended by a taxing unit from property tax revenues to pay principal of and interest on debts or other payments required by contract to secure the debts.

(9) "Effective maintenance and operations rate" means a rate expressed in dollars per \$100 of taxable value and calculated according to the following formula:

EFFECTIVE MAINTENANCE AND OPERATIONS RATE =

$$\frac{\left(\frac{\text{LAST YEAR'S LEVY}}{\text{CURRENT TOTAL VALUE}} \right) - \left(\frac{\text{LAST YEAR'S DEBT LEVY}}{\text{NEW PROPERTY VALUE}} \right) - \left(\frac{\text{LAST YEAR'S JUNIOR COLLEGE LEVY}}{\text{NEW PROPERTY VALUE}} \right)}{\text{NEW PROPERTY VALUE}}$$

(10) "Excess collections" means the amount, if any, by which debt taxes collected in the preceding year exceeded the amount anticipated in the preceding year's calculation of the rollback rate, as certified by the collector under Section 26.04(b) of this code.

(11) "Last year's debt levy" means the amount of taxes that would be generated by multiplying the total taxable value of property on the appraisal roll for the preceding year, including all appraisal roll supplements and corrections, as of the date of calculation, by the debt rate adopted by the governing body in the preceding year under Section 26.05(b)(1) of this code.

(12) "Last year's junior college levy" means the amount of taxes dedicated by the governing body in the preceding year for use of a junior college district under Section 20.48(e), Education Code.

(13) "Last year's levy" means the amount of taxes that would be generated by multiplying the total tax rate adopted by the governing body in the preceding year by the total taxable value of property on the appraisal roll for the preceding year, including all appraisal roll supplements and corrections as of the date of the calculation, except that last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26 of this code.

(14) "Last year's total value" means the total taxable value of property listed on the appraisal roll for the preceding year, including all appraisal roll supplements and corrections as of the date of the calculation, except that last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26 of this code.

(15) "Lost property levy" means the amount of taxes levied in the preceding year on property value that was taxable in the preceding year but is not taxable in the current year because the property is exempt in the current year, the property has qualified for special appraisal under Chapter 23 of this code in the current year, or

the property is located in territory that has ceased to be a part of the unit since the preceding year.

(16) *“Maintenance and operations” means any lawful purpose other than debt service for which a taxing unit may spend property tax revenues.*

(17) *“New property value” means the total taxable value of property added to the appraisal roll in the current year by annexation and improvements listed on the appraisal roll that were made after January 1 of the preceding tax year, including personal property located in new improvements that was brought into the unit after January 1 of the preceding tax year.*

SECTION 3. Section 26.04, Tax Code, is amended to read as follows:

Sec. 26.04. SUBMISSION OF ROLL TO GOVERNING BODY. (a) On receipt of the appraisal roll, the assessor for a taxing unit shall determine the total appraised value, the total assessed value, and the total taxable value of property taxable by the unit. He shall also determine, using information provided by the appraisal office, the appraised, assessed, and taxable value of *new* property ~~[added to the appraisal roll since the preceding tax year by annexation of territory and the appraised, assessed, and taxable value of the improvements on the roll that were made after January 1 of the preceding tax year. The sum of the taxable value of annexed property and the taxable value of improvements made after January 1 of the preceding tax year is the taxable value of new property].~~

(b) The assessor shall submit the appraisal roll for the unit showing the total appraised, assessed, and taxable values of all property and the total taxable value of new property to the governing body of the unit by August 1 or as soon thereafter as practicable. *By August 1, the taxing unit’s collector shall certify an estimate of the collection rate for the current year to the governing body. If the collector certified an anticipated collection rate in the preceding year and the actual collection rate in that year exceeded the anticipated rate, the collector shall also certify the amount of debt taxes collected in excess of the anticipated amount in the preceding year.*

(c) An officer or employee designated by the governing body shall *calculate the effective tax rate and the rollback tax rate for the unit, where* ~~[subtract from the total amount of property taxes imposed by the unit in the preceding year]:~~

(1) *“Effective tax rate” means a rate expressed in dollars per \$100 of taxable value calculated according to the following formula:*

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

~~[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]; and~~

(2) *“Rollback tax rate” means a rate expressed in dollars per \$100 of taxable value and calculated according to the following formula:*

$$ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE RATE \times 1.08) + CURRENT DEBT RATE$$

~~[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;~~

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

(d) *The effective tax rate for a county is the sum of the effective tax rates calculated for each type of tax the county levies and the rollback tax rate for a county is the sum of the rollback tax rates calculated for each type of tax the county levies* [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 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, 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) 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), Education Code, for the current tax year].~~

(e) By August 7 or as soon thereafter as practicable, the designated officer or employee shall *submit the rates to the governing body. He shall publish in a newspaper in the form prescribed by the State Property Tax Board* [publicize]:

~~(1) the effective tax rate, the rollback tax rate, and an explanation of how they were calculated [tax rate calculated as provided by this section and adjusted as provided by this chapter 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];~~

~~(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;~~

~~(3) a schedule of the unit's debt obligations showing:~~

~~(A) the amount of principal and interest that will be paid to service the unit's debts in the next year from property tax revenue, 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;~~

~~(B) the amount by which taxes imposed for debt are to be increased because of the unit's anticipated collection rate; and~~

~~(C) the total of the amounts listed in Paragraphs (A)-(B), less any amount collected in excess of the previous year's anticipated collections certified as provided in Subsection (b) of this section; and~~

~~(4) the amount of additional sales and use tax revenue anticipated in calculations under Section 26.041 of this code [a schedule of the unit's expenses in providing services required by the Indigent Health Care and Treatment Act (Article 4438f, Vernon's Texas Civil Statutes) showing the amount of required expense which will be~~

~~paid in the next year from property tax revenues, the amount of required expense paid in the preceding year from property tax revenues, and the amounts of state reimbursement, if any, received or expected for either year].~~

(f) If as a result of consolidation of taxing units a taxing unit includes territory that was in two or more taxing units in the preceding year, the amount of taxes imposed in each in the preceding year is combined for purposes of calculating the *effective and rollback tax rates* ~~[rate]~~ under this section.

(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) secured by a pledge of the unit's property taxes;~~
- ~~[(2) 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.~~

~~[(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 4. Section 26.041, Tax Code, is amended to read as follows:

Sec. 26.041. TAX RATE OF UNIT ~~[CITY]~~ IMPOSING ADDITIONAL SALES AND USE TAX. (a) *In a year in which a taxing unit has called an election on the question of whether to impose an additional sales and use tax in the following year, the officer or employee designated by the governing body to calculate the effective and rollback tax rates for the year may not do so until the outcome of the election is determined. In the event the election is determined in favor of the additional tax, the effective tax rate and rollback tax rate for the unit are calculated according to the following formulas:*

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

and

$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE RATE} \times 1.08) + \text{CURRENT DEBT RATE} - \text{SALES TAX GAIN RATE}$$

where "sales tax gain rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the revenue that will be generated by the additional sales and use tax in the following year as calculated under Subsection (d) of this section by the current total value. [In each tax year in which a city imposes an additional sales and use tax under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes), the officer or employee designated to make the calculations provided by Section 26.04 of this code for a city shall adjust the tax rate calculated under that section as provided by Subsection (b) or (c) of this section, as applicable. In a tax year to which this section applies, a reference in Section 26.05, 26.06, or 26.07 of this code to the tax rate calculated for the city under Section 26.04 of this code refers to that rate as adjusted under this section.]

(b) *Except as provided by Subsection (c) of this section, in a year in which a taxing unit imposes an additional sales and use tax the rollback tax rate for the unit is calculated according to the following formula, regardless of whether the unit levied a property tax in the preceding year:*

ROLLBACK RATE =

$$\left[\frac{(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times 1.08)}{(\text{TOTAL CURRENT VALUE} - \text{NEW PROPERTY VALUE})} \right] +$$

(CURRENT DEBT RATE - SALES TAX REVENUE RATE)

where "last year's maintenance and operations expense" means the amount spent for maintenance and operations from property tax and additional sales and use tax revenues in the preceding year, and "sales tax revenue rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the revenue that will be generated by the additional sales and use tax in the current year as calculated under Subsection (d) of this section by the current total value. [In each tax year in which a city imposes an additional sales and use tax under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes):

~~[(1) if the amount of additional tax to be imposed in the current year as determined under Subsection (e) of this section exceeds the amount of additional tax, if any, used for purposes of this section in the preceding year as determined under Subsection (e) in that year, the officer or employee shall subtract from the rate calculated for the city under Section 26.04 of this code the rate that, if applied to the total taxable value submitted to the governing body, would impose taxes equal to the amount by which the amount of additional tax to be imposed in the current year exceeds the amount of additional tax used in the preceding year; or~~

~~[(2) if the amount of additional tax to be imposed in the current year as determined under Subsection (e) of this section is less than the amount of additional tax, if any, used for purposes of this section in the preceding year as determined under Subsection (e) in that year, the officer or employee shall add to the rate calculated for the city under Section 26.04 of this code the rate that, if applied to the total taxable value submitted to the governing body, would impose taxes equal to the amount by which the amount of additional tax used in the preceding year exceeds the amount of additional tax to be imposed in the current year.]~~

(c) In a year in which a taxing unit that has been imposing an additional sales and use tax determines that it will not impose an additional sales and use tax in the following year the effective tax rate and rollback tax rate for the unit are calculated according to the following formulas:

EFFECTIVE TAX RATE =

$$\left[\frac{(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY})}{(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})} \right] +$$

SALES TAX LOSS RATE

and

ROLLBACK TAX RATE =

$$\left[\frac{(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times 1.08)}{(\text{TOTAL CURRENT VALUE} - \text{NEW PROPERTY VALUE})} \right] +$$

CURRENT DEBT RATE

where "sales tax loss rate" means a number expressed in dollars per \$100 of taxable value, calculated by dividing the amount of sales and use tax revenue generated in the last four quarters for which the information is available by the current total value and "last year's maintenance and operations expense" means the amount spent for

maintenance and operations from property tax and additional sales and use tax revenues in the preceding year.

(d) In order to determine the amount of additional [city] sales and use tax revenue for purposes of this section, the designated officer or employee shall use the [city] sales and use tax revenue for the last preceding four quarters for which the information is available as the basis for projecting the additional sales and use tax revenue for the current tax year. If the *unit* [city] did not impose *an additional* [a] sales and use tax [under the Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes)] for the last preceding four quarters, the designated officer or employee shall request the comptroller of public accounts to provide to the officer or employee a report showing the estimated amount of taxable sales and uses within the *unit* [city] for the previous four quarters as compiled by the comptroller, and the comptroller shall comply with the request. The [city] officer or employee shall prepare the estimate of the [city] additional sales and use tax revenue for the first year of the imposition of the tax by multiplying the amount reported by the comptroller by the *appropriate additional sales and use tax rate and by multiplying that product by .95*. [~~For the first, second, and third years in which a city imposes the additional sales and use tax, the officer or employee shall multiply the amount of revenue as otherwise determined under this subsection by nine-tenths.~~]

~~[(d) If during any one-year period the legislature enacts one or more amendments to Chapter 151, Tax Code, that result in an increase in the total taxable value of the sale, use, storage, and other consumption of all items subject to the state sales and use tax by 10 percent or more as determined by the comptroller, the comptroller shall provide for the adjustment of the revenue estimates made under Subsection (c) of this section taking into account the additional revenue estimated to be collected by the city under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes), because of the increase in the sales tax base.]~~

(e) ~~If a [A] city that imposes an additional sales and use tax [under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes), in a tax year qualifies in that tax year for the effective tax rate adjustment provided by this subsection if the city] receives payments under the terms of a contract executed before January 1, 1986, in which the city agrees not to annex certain property or a certain area and the owners or lessees of the property or of property in the area agree to pay at least annually to the city an amount determined by reference to all or a percentage of the property tax rate of the city and all or a part of the value of the property subject to the agreement or included in the area subject to the agreement, the[. The] governing body [of a qualifying city], by order adopted by a majority vote of the governing body, may direct the designated officer or employee to add to the *effective and rollback tax rates* [tax rate calculated under Section 26.04 of this code and adjusted under Subsection (b) of this section] the amount that, when applied to the total taxable value submitted to the governing body, would produce an amount of taxes equal to the difference between the total amount of payments for the tax year under contracts described by this subsection under the *rollback tax rate* calculated under *this section* [Section 26.04 and adjusted under Subsection (b) of this section] and the total amount of payments for the tax year that would have been obligated to the city if the city had not adopted an additional sales and use tax [under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes)].~~

~~(f) An estimate made by the comptroller under Subsection (d) of this section need not be adjusted to take into account any projection of additional revenue attributable to increases in the total value of items taxable under the state sales and use tax because of amendments of Chapter 151, Tax Code.~~

SECTION 5. Section 26.042, Tax Code, is repealed.

SECTION 6. Section 26.043, Tax Code, is amended to read as follows:

Sec. 26.043. EFFECTIVE TAX RATE IN CITY IMPOSING MASS TRANSIT SALES AND USE TAX. (a) In the *tax year in which a city has set an election on the question of whether to impose* [~~first tax year following the adoption of~~] a local sales and use tax under Section 8(a), Article 1118z, Revised Statutes, the officer or employee designated to make the calculations provided by Section 26.04 of this code *may not make those*

calculations until the outcome of the election is determined. If the election is determined in favor of the imposition of the tax, the representative shall subtract from the city's rollback and effective tax rates ~~[the rate calculated for the city under Section 26.04]~~ the amount that, if applied to the total taxable value submitted to the governing body, would impose an amount equal to the amount of property taxes *budgeted* ~~[imposed]~~ in the *current* ~~[preceding]~~ tax year ~~[that were used]~~ to pay for expenses related to mass transit services.

(b) In a tax year to which this section applies, a reference in Section *26.04(d)*, 26.05, 26.06, or 26.07 of this code to the *city's effective or rollback tax rate* ~~[calculated for the city under Section 26.04 of this code]~~ refers to that rate as adjusted under this section.

SECTION 7. Section 26.05, Tax Code, is amended to read as follows:

Sec. 26.05. TAX RATE. (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 *total* amount *published under Section 26.04(e)(3)(C) of this code, less any amount of additional sales and use tax revenue that will be used to pay debt service* ~~[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.

(b) A taxing unit may not impose property taxes in any year until the governing body has adopted a tax rate for that year, and the annual tax rate must be set by ordinance, resolution, or order, depending on the method prescribed by law for adoption of a law by the governing body. The vote on the ordinance, resolution, or order setting the tax rate must be separate from the vote adopting the budget.

(c) The governing body may not adopt a tax rate that exceeds the *lower of the rollback tax rate or 103 percent of the effective tax rate* calculated as provided by Section 26.04 of this code ~~[by more than three percent]~~ until it has held a public hearing on the proposed increase and has otherwise complied with Section 26.06 of this code. The governing body of a taxing unit shall reduce a tax rate set by law or by vote of the electorate to the *lower of the rollback tax rate or 103 percent of the effective tax rate* ~~[calculated as provided by Section 26.04 of this code]~~ and may not adopt a higher rate unless it first complies with Section 26.06 of this code.

(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.

(e) *Except as required by the law under which an obligation was created, the governing body may not apply any tax revenues generated by the rate described in Subsection (a)(1) of this section for any purpose other than the retirement of debt.*

SECTION 8. Subsections (b), (d), and (f) of Section 26.06, Tax Code, 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 the following form:

"NOTICE OF PUBLIC HEARING ON TAX RATE 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 *lower of the effective or rollback tax rates* ~~[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.)"

(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 rate 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:

"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 *lower of the effective tax rate or rollback tax rate* [~~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)."

~~[(f) If a proposal to increase taxes by the governing body of a taxing unit other than a school district includes an increase in property taxes to pay for services required by the Indigent Health Care and Treatment Act (S.B. 1, Acts of the 69th Legislature, 1st Called Session, 1985), the notices required by Subsections (b) and (d) of this section shall be modified as follows:~~

~~[(1) "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.~~

~~["(Percentage of increase over the tax rate required to levy amount needed for indigent health care services) percent of the increase will be used to pay for services required by the Texas Legislature in the Indigent Health Care and Treatment Act.~~

~~["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.~~

~~["(Percentage of increase over the tax rate required to levy amount needed for indigent health care services) percent of the increase will be used to pay for services required by the Texas Legislature in the Indigent Health Care and Treatment Act.~~

~~["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.)"~~

~~[(1) "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).~~

~~["(Percentage of increase over the tax rate required to levy amount needed for indigent health care services) percent of the increase will be used to pay for services required by the Texas Legislature in the Indigent Health Care and Treatment Act.~~

~~["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).~~

~~["(Percentage of increase over the tax rate required to levy amount needed for indigent health care services) percent of the increase will be used to pay for services required by the Texas Legislature in the Indigent Health Care and Treatment Act.~~

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

SECTION 9. Subsections (a), (d), (e), and (h) of Section 26.07, Tax Code, are amended to read as follows:

(a) If the governing body of a taxing unit other than a school district adopts a tax rate that exceeds the *rollback tax* rate calculated as provided by Section 26.04 of this code ~~[by more than eight percent]~~, the qualified voters of the taxing unit by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to ~~[a rate that exceeds]~~ the *rollback tax* rate calculated as provided by Section 26.04 of this code ~~[by only eight percent]~~.

(d) If the governing body finds that the petition is valid (or fails to act within the time allowed), it shall order that an election be held in the taxing unit on a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition. A state law requiring local elections to be held on a specified date does not apply to the election unless a specified date falls within the time permitted by this section. At the election, the ballots shall be prepared to permit voting for or against the proposition: "Reducing the tax rate in (name of taxing unit) for the current year from (the rate adopted) to (the ~~[rate that is only eight percent greater than the]~~ *rollback tax* rate calculated as provided by Section 26.04 of this code)."

(e) If a majority of the qualified voters voting on the question in the election favor the proposition, the tax rate for the taxing unit for the current year is the *rollback tax* ~~[rate that is eight percent greater than the]~~ rate calculated as provided by Section 26.04 of this code; otherwise, the tax rate for the current year is the one adopted by the governing body.

~~[(h) Notwithstanding Subsection (a) of this section, if in the first year after the effective date of this Act the governing body of a taxing unit other than a school district increases its tax rate to provide health care services that the governing body is required to provide to its residents under the Indigent Health Care and Treatment Act (S.B. 1, Acts of the 69th Legislature, 1st Called Session, 1985) the adopted tax rate that allows voters to seek to reduce the tax rate under this section must exceed the rate calculated under Section 26.04 of this code by eight percent plus that rate which, applied to the total taxable value submitted to the governing body, would impose taxes in an amount equal to the amount which the governing body would be required to pay out of property taxes to provide services required by the Indigent Health Care and Treatment Act less the amount the governing body paid out of property taxes to provide the equivalent services in the preceding year and less any state reimbursement which the governing body expects to receive pursuant to Subtitle D of Title 2 of the Indigent Health Care and Treatment Act.]~~

SECTION 10. Subsections (a) and (e) of Section 26.08, Tax Code, are amended to read as follows:

(a) If the governing body of a school district adopts a rate that exceeds the *rollback tax* rate calculated as provided by Section 26.04 of this code [~~by more than eight percent~~], the qualified voters of the district by petition may require that an election be held to determine whether or not to limit the tax rate the governing body may adopt for the following year. When increased expenditure of funds by a school district is necessary to respond to a disaster, such as a tornado, hurricane, flood, or other calamity (not including a drought) which has impacted a school district and the governor has requested federal disaster assistance for the area in which the school district is located, a petition is not valid under this section to repeal a tax increase adopted the next time the district adopts a tax rate after the date the disaster occurs.

(e) If a majority of the qualified voters voting on the question in the election favor the proposition, the governing body may not adopt a tax rate in the following year that exceeds the *rollback tax* rate calculated as provided by Section 26.04 of this code for that year [~~by more than eight percent~~], except that in *calculating the rollback tax rate the assessor shall use the following formula*: [~~making the calculation under Subsection (d) of Section 26.04 of this code, the assessor~~]

$$\text{ROLLBACK TAX RATE} = \left[\frac{\text{EFFECTIVE MAINTENANCE AND OPERATIONS}}{\text{RATE FOR ELECTION YEAR}} \times 1.08 \right] + \text{CURRENT DEBT RATE}$$

where "election year" denotes amounts used in calculating the rollback tax rate [~~shall use the amount of taxes determined as provided by Subsection (e) of Section 26.04 of this code~~] in the year in which the tax increase that initiated the referendum occurred rather than the year in which the calculation occurs.

SECTION 11. Section 25.19(b), Tax Code, is amended to read as follows:

(b) The chief appraiser shall separate real from personal property and include in the notice for each:

- (1) a list of the taxing units in which the property is taxable;
- (2) the appraised value of the property in the preceding year;
- (3) the assessed and taxable value of the property in the preceding year for each taxing unit taxing the property;
- (4) the appraised value of the property for the current year and the kind and amount of each partial exemption, if any, approved for the current year;
- (5) if the appraised value is greater than it was in the preceding year:

(A) the *effective* tax rate that would be announced pursuant to Section 26.04 of this code if the total values being submitted to the appraisal review board were to be approved by the board with an explanation that that rate would raise the same amount of revenue [~~for operating purposes~~] from property taxed in the preceding year as the unit raised for those purposes in the preceding year;

(B) the amount of tax that would be imposed on the property on the basis of the rate described by Paragraph (A) of this subdivision; and

(C) a statement that the governing body of the unit may not adopt a rate that will increase tax revenues for operating purposes from properties taxed in the preceding year without publishing notice in a newspaper that it is considering a tax increase and holding a hearing for taxpayers to discuss the tax increase;

(6) in italic typeface, the following statement: "The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials";

- (7) a brief explanation of the time and procedure for protesting the value;

- (8) the date and place the appraisal review board will begin hearing protests; and
- (9) a brief explanation that:

- (A) the governing body of each taxing unit decides whether or not taxes on the property will increase and the appraisal district only determines the value of the property; and

- (B) a taxpayer who objects to increasing taxes and government expenditures should complain to the governing bodies of the taxing units and only complaints about value should be presented to the appraisal office and the appraisal review board.

SECTION 12. A taxing unit that adopted an additional sales and use tax under Section 2A, Local Sales and Use Tax Act (Article 1066c, Vernon's Texas Civil Statutes), or the County Sales and Use Tax Act (Article 2353e, Vernon's Texas Civil Statutes) before the effective date of this Act shall calculate its 1988 effective and rollback tax rates according to the formulas set out in Section 26.041(a), Tax Code, as amended by this Act.

SECTION 3E. This Act takes effect January 1, 1988.

SECTION 13. 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.

Passed by the House on May 8, 1987, by a non-record vote; that the House refused to concur in Senate amendments to H.B. No. 1866 on May 27, 1987, and requested the appointment of a conference committee to consider the differences between the two houses; and that the House adopted the conference committee report on H.B. No. 1866 on June 1, 1987, by a non-record vote. Passed by the Senate, with amendments, on May 23, 1987, by the following vote: Yeas 30, Nays 0; at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; and that the Senate adopted the conference committee report on H.B. No. 1866 on May 31, 1987, by the following vote: Yeas 28, Nays 0, 1 present, not voting.

Approved June 20, 1987.

Effective Jan. 1, 1988.