

CHAPTER 988

S.B. No. 1420

AN ACT

relating to the procedures for adopting an ad valorem tax rate and to the use of certain ad valorem taxes.

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

SECTION 1. Section 26.04, Tax Code, is amended by amending Subsections (b), (d), (e), and (g) and adding Subsections (i) and (j) to read as follows:

(b) *By August 1 or as soon thereafter as possible:*

(1) *the [The] assessor shall submit to the governing body of the unit 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; and*

(2) *the collector for the unit shall certify to the governing body:*

(A) *the anticipated collection rate of the unit for the current year; and*

(B) *if the sum of the amount of taxes imposed in the preceding year that is collected before July 1 of the current year and the amount of delinquent taxes imposed in previous years, including any penalties and interest on those taxes, that is collected on or after July 1 of the preceding year and before July 1 of the current year exceeds the amount that the collector estimated would be collected in calculating the unit's anticipated collection rate for the preceding year, the amount calculated by multiplying the difference between those amounts by a fraction, the numerator of which is the rate component adopted by the governing body under Section 26.05(a)(1) of this code for the preceding year and the denominator of which is the total tax rate adopted for the preceding year [to the governing body of the unit by August 1 or as soon thereafter as practicable].*

(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 *required to be publicized under Subsection (e)(3)(C) of this section [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 publicize:

(1) the 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 in the next year from property tax revenues *to service the debt of the unit*, 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 of taxes to be imposed for debt service in addition to the amount described by Paragraph (A) of this subdivision calculated by dividing the amount described by Paragraph (A) by the unit's anticipated collection rate and subtracting from that quotient the amount described by Paragraph (A); and*

(C) *the amount calculated by:*

(i) *adding together the amounts described by Paragraphs (A) and (B) of this section; and*

(ii) *subtracting from that sum the amount collected on or after July 1 of the preceding year and before July 1 of the current year for debt service in excess of the amount that was anticipated to be collected for debt service, as certified to the governing body under Subsection (b)(2)(B) of this section in the preceding year; and*

(4) 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.

(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 or on behalf of 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.

(i) *For purposes of this section, the anticipated collection rate of a taxing unit is the percentage relationship that the total amount of estimated tax collections for the current year bears to the total amount of taxes imposed for the current year. The total amount of estimated tax collections for the current year is the sum of the collector's estimate of:*

(1) *the total amount of property taxes imposed in the current year that will be collected before July 1 of the following year, including any penalties and interest on those taxes that will be collected during that period; and*

(2) *the total amount of delinquent property taxes imposed in previous years that will be collected on or after July 1 of the current year and before July 1 of the following year, including any penalties and interest on those taxes that will be collected during that period.*

(j) *Subsections (b)(2)(B) and (e)(3)(C)(ii) of this section do not apply to a taxing unit in a tax year if the taxing unit did not impose ad valorem taxes in the preceding year.*

SECTION 2. Section 26.05, Tax Code, is amended by amending Subsection (a) and adding Subsection (e) 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)(C) 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.

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

SECTION 3. Subsections (b)(2)(B) and (e)(3)(C)(ii) of Section 26.04, Tax Code, as amended by this Act, do not apply to a taxing unit in the year in which this Act takes effect.

SECTION 4. This Act takes effect immediately if adopted by a vote of two-thirds of all members elected to each house of the legislature; otherwise, this Act takes effect January 1, 1988.

SECTION 5. 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 according to its terms, and it is so enacted.

Passed the Senate on April 30, 1987, by the following vote: Yeas 31, Nays 0. Passed the House on May 29, 1987, by the following vote: Yeas 147, Nays 0, one present not voting.

Approved June 18, 1987.

Effective June 18, 1987.