

SUBJECT: Requirements for the adoption and publication of property tax rates

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — D. Bonnen, Y. Davis, Bohac, Darby, Murphy, Raymond, Shine, Springer
3 nays — E. Johnson, Murr, Stephenson

SENATE VOTE: On final passage, March 21 — 18-12 (Garcia, Hinojosa, Lucio, Menéndez, Miles, Rodríguez, Seliger, Uresti, Watson, West, Whitmire, Zaffirini)

WITNESSES: For — Crystal Main, Over-Taxed Friends and Family of Crystal Main; James LeBas, Texas Apartment Association; John Otto, Texas Association of Realtors; Dale Craymer, Texas Taxpayers and Research Association; Michael Openshaw; (*Registered, but did not testify:* Adrian Acevedo, Anadarko Petroleum; Adam Cahn, Cahnman's Musings; Chris Hill, Collin County, Texas; Michael Sullivan, Empower Texans/Texans for Fiscal Responsibility; Eric Guerra, Clayton Hunt, James Lindsey, Ryan Simpson, and John Wilford, Libertarian Party of Texas; Annie Spilman, National Federation of Independent Business - Texas; Kyle Whatley, Republican Party of Texas; James Popp, Tax Equity Council; Scott Norman, Texas Association of Builders; Daniel Gonzalez and Julia Parenteau, Texas Association of Realtors; Crystal Ford, Texas Building Owners and Managers Association; Jim Sheer, Texas Retailers Association; Debbie Cartwright, Texas Taxpayers and Research Association; James LeBas, Texas Association of Manufacturers, Texas Oil and Gas Association; and 12 individuals)

Against — Kenneth Casaday, Austin Police Association; Gary Worley, Brown County Commissioners Court; Dick Lavine, Center for Public Policy Priorities; Jared Miller, City of Amarillo; Steve Adler, City of Austin; Bryan Grimes, City of Ballinger; Chris Watts, City of Denton; John Bruce, Shona Huffman, and Maher Maso, City of Frisco; Douglas Athas, City of Garland; Mark Lee, City of Garland Fire Department; Nin

Hulett, City of Granbury; Victor Conley and Jeff Spivey, City of Irving; Tracy Aaron, Clayton Chandler, Peter Phillis, and Joe Smolinski, City of Mansfield; Charles Cato and Stan Pickett, City of Mesquite; Susan Lang, City of Richmond; James Brandon, Laura Hill, and Sharen Jackson, City of Southlake; Juan Adame, Jennifer Brown, and Joe Zimmerman, City of Sugar Land; Aaron Smith, City of Whitehouse; Charley Wilkison, Combined Law Enforcement Associations of Texas; Jim Allison, County Judges and Commissioners Association of Texas; Wallace Hardgrove and David Stout, County of El Paso; Edward Dion, County of El Paso, Texas Association of County Auditors; Charles Reed, Dallas County Commissioners Court; Mary Horn, Denton County; Roger Harmon, Johnson County; Patti Jones and Bill McCay, Lubbock County; Barry Bondurant, Mansfield Fire Rescue; Craig Pardue, Midland County; Mark Mendez, Tarrant County; Donald Lee, Texas Conference of Urban Counties; John Carlton, Texas State Association of Fire and Emergency Districts; Ro'Vin Garrett, Tax Assessor-Collectors Association of Texas; Nicki Riley and Jessica Rio, Travis County; Robert Abbott, Travis County Emergency Services District No. 6/Lake Travis Fire Rescue; *(Registered, but did not testify)*: Joe Hamill, American Federation of State, County and Municipal Employees; Kara Mayfield, Association of Rural Counties in Texas; Andrew Romero, Austin Police Association; Anthony Marquardt, Austin-Travis County EMS Association; Paul Pape, Bastrop County; Jon Burrows, Bell County; Melissa Shannon, Bexar County Commissioners Court; Nathan Mendenhall, Bexar County Fire Marshall; Clay Huckaby, Buda Fire Department; James Oakley, Burnet County; Alex Dominguez, Cameron County; Byron Underwood, Cherokee County; Ernest Gonzalez, Cities of Eagle Pass and San Diego; Gary Hopper, City of Live Oak; Ed Drain, City of Amarillo; Eddie Solis, City of Arlington; Ed Van Eeno, City of Austin; Ben Crum, Suzanne De Leon, David Harris, John Jahanara, and Brock Ward, City of Balcones Heights; Julie Acevedo, City of Baytown, City of Round Rock; Tom Matzen, City of Bee Cave; Blu Kostelich, Jessica McEachern, and Steve Stanford, City of Bridgeport; Jackie Maynard, City of Bryan; Ricky Mantey and Jeremy Riley, City of Bryan Fire Department; Billy Cordell, Ken Freeman, and Ken Shetter, City of Burleson; Karl Mooney, City of College Station; Karen Hunt, City of Coppel; Tom Tagliabue, City of Corpus Christi; Curtistene McCowan,

City of DeSoto; Guadalupe Cuellar, City of El Paso; TJ Patterson, City of Fort Worth; Benjamin Brezina, Mark Piland, and Henry Hill, City of Frisco; Betsy Price, City of Fort Worth; Sally Bakko, City of Galveston; John Sullivan, City of Georgetown; Christy Martinez, City of Grand Prairie Police Department; Sharron Spencer, City of Grapevine; Jerry Bark and Paul Sims, City of Harker Heights; Lance Bracco and Adam Miles, City of Hewitt; Clay Caruthers, Clayton Fulton, Steve Moore, and Larry Kitchens, City of Hurst; Chris Hillman and Jon Weist, City of Irving; Joe Ayala, City of Jacinto City Police Department; Taylor Calvin, City of Laredo; Kelly Kuenstler and Chris Riley, City of Leon Valley; Luis Valdez, City of Leon Valley, Alamo Area Fire Chiefs Association; Ed Cimics, Mary Dennis, Christopher Everett, and Scott Wayman, City of Live Oak; Robert Floyd, City of Lubbock, City of Lufkin; Angela Hale, City of McKinney, McKinney and Frisco chambers of commerce; Donald Kerns, City of Menard; Mark Kerby, City of Mesquite; Jerry Wyatt, City of Missouri City; Harry LaRosiliere, James McCarley, Danny Pirozzo, and Brandi Youngkin, City of Plano; Mark Solomon, City of Richardson; Scott Campbell and Gary Johnson, City of Roanoke; Chris Whittaker, City of Rockdale; Mike Brodnax, City of Rowlett; Brian Funderburk, City of Rowlett, Texas; Troy Elliott, City of San Antonio; Alison Ortowski, City of Southlake; Michael Starr, City of Southlake; Rick Ramirez, City of Sugar Land; Brynn Myers and Traci Barnard, City of Temple; Joe Perez, Brant Shallenburger, and Scott Thompson, City of The Colony; Ashley Nystrom, City of Waco; Robert Wood, City of West Lake Hills; Dennis Borel, Coalition of Texans with Disabilities; Chris Jones and Arianna Smith, Combined Law Enforcement Associations of Texas; Jennifer Poteat, Community College Association of Texas Trustees; Jason Brinkley, Cooke County; Cary Roberts and Marc Hamlin, County and District Clerks Association of Texas; Kevin Burns, County of Wise; Theresa Daniel, Dallas County Commissioners Court; Frederick Frazier, Dallas Police Association; Robert Hebert, Fort Bend County; David Cook, Fort Worth Police Officers Association, Combined Law Enforcement Associations of Texas; Ken Clark, Galveston County; James Devlin, Hewitt Police Department/City of Hewitt; Jessica Anderson, Houston Police Department; Mitchell Davenport, Jack County; Eddie Arnold, Jefferson County; Bobby Gutierrez, Bill Gravell, Carlos Lopez, Phil

Montgomery, and Jama Pantel, Justices of the Peace and Constables Association of Texas; Bruce Wood, Kaufman County; Joseph Salvaggio, Leon Valley Police Department; Murray Agnew, Limestone County; Luis Lamas, City of Ingleside; Bill Kelly, City of Houston Mayor's Office; Mike Bradford, Midland County; Bob Langford and Mark Murphey, Montague County; Drew Campbell, North Texas Commission; Samuel Neal, Nueces County; Dennis Bailey, Rockwall County; Lorena Campos, San Antonio Chamber of Commerce; Charles Hood, San Antonio Fire Department; James Jones and William McManus, San Antonio Police Department; Trace Finley, San Patricio County Commissioners Court; Jennifer Henderson, Schleicher County; T. Michael O'Connor, Mark Roark, AJ Louderback, Micah Harmon, and Ricky Scaman, Sheriffs' Association of Texas; Greg Capers, Sheriffs' Association of Texas, San Jacinto County; Benny Glen Whitley, Tarrant County; Maureen Milligan, Teaching Hospitals of Texas; Katie Burrows, Temple College; Rene Lara, Texas AFL-CIO; Steven Johnson, Texas Association of Community Colleges; Ender Reed and Paul Sugg, Texas Association of Counties; Jeffrey Mincy, Texas EMS Alliance; Dudley Wait, Texas EMS Alliance, City of Schertz; Betty Wilkes, Texas Fire Chiefs Association; Christina Neely-Lopez, Texas Fire Marshals' Association; Don McBeath, Texas Organization of Rural and Community Hospitals; James McLaughlin, Texas Police Chiefs Association; Clay Avery, Texas State Association of Fire and Emergency Districts; Glenn Deshields, Texas State Association of Fire Fighters; Dwight Harris, Texas AFT; Anna Holmes and Kwame Walker, City of Dallas; Holly McPherson and Terry Henley, Texas Municipal League; Noel Johnson, Texas Municipal Police Association; Steve Floyd, Tom Green County; Eric Greaser, Town of Flower Mound, Texas; Stacy Suits, Travis County; Gerald Daugherty and Deece Eckstein, Travis County Commissioners Court; Peter Torgrimson, Travis County ESD 4; Grover Worsham, Trinity County; John Cannata, TSA; Gary Henderson, United Way of Denton County; Andrew Smith, University Health System; Woodrow Gossom, Wichita County; Lane Akin and Monte Shaw, Wise County; and 11 individuals)

On —Samuel Sheetz, Americans for Prosperity - Texas; James Quintero, Texas Public Policy Foundation; Peggy Venable; (*Registered, but did not*

testify: Sally Bakko, City of Galveston; William Jackson, Harris County; John Hawkins, Texas Hospital Association)

DIGEST:

CSSB 2 would require an appraisal district to maintain an online database with estimated tax burdens based on current-year rates from taxing units, change certain requirements for appraisal review boards (ARBs), create requirements on a taxing unit adopting a property tax rate, rename the effective tax rate the “no-new-revenue tax rate,” and make certain changes to required notices from the appraisal district and taxing units.

Appraisal district database. Each appraisal district would be required to maintain a property database that was regularly updated, accessible to the public, and searchable by property address and owner. The database would be required to include certain information on each property in the taxing unit, including proposed tax rates, the rollback tax rate, and applicable no-new-revenue tax rate for each taxing unit, estimated tax burdens under several of those rates, and information about public hearings on a proposed tax rate. For appraisal districts in counties with a population less than 120,000, the requirement to maintain the database would take effect beginning with the 2020 tax year. For larger appraisal districts, it would take effect beginning with the 2019 tax year.

Each taxing unit also would be required to post on its website certain information, such as the unit’s proposed and historical budgets, historical tax rates, and the most recent financial audit.

A taxing unit could not adopt a tax rate until the chief appraiser of each appraisal district covering the taxing district had complied with these provisions. A taxing unit also could not hold a public hearing on a proposed tax rate until the 14th day after complying with these provisions.

Appraisal review boards. The bill would provide that taxing units, after the 2017 tax year, no longer were entitled to challenge the appraised value of a category of property at an ARB hearing.

For appraisal districts in a county with a population of at least 1 million,

the ARB would be required to establish a special panel to conduct protest hearings on property that the district had appraised at a value of \$50 million or more that also was:

- commercial real or personal property;
- real or personal property of a utility;
- industrial or manufacturing real or personal property; or
- multifamily residential real property.

A property owner of a property meeting the above qualifications would be entitled, upon request, to a hearing of a special ARB panel for a protest filed on or after January 1, 2019.

Except in cases when too few members of the ARB qualify, special ARB panel members would have to have at least one of several credentials, such as a law degree or accreditation in property appraisal.

Tax rate adoption and reporting. The bill would require taxing districts to use an electronic form, prepared by the comptroller, to calculate and report to the comptroller the no-new-revenue tax rate and the rollback tax rate. School districts also would be required to use the form to calculate and report the rate to maintain the same amount of state and local revenue per weighted student that the district received in the previous school year. The comptroller would produce the form as soon as practicable after January 1, 2018.

Before a taxing unit other than a school district could adopt a tax rate, an officer or employee of a taxing unit would be required to certify that the tax rates reported on the form were properly calculated using values on the unit's certified tax rolls. While current law requires these rates to be either mailed to every property owner in the unit or published in a newspaper, this bill alternatively would allow the rates to be posted prominently on the homepage of the taxing unit's website.

The bill also would amend the procedures under which a taxpayer would be entitled to an injunction from the collection of taxes. A taxpayer would

have to file for an injunction within 15 days of the adoption of the tax rate and would not be required to pay the taxes imposed while the action was pending. This change would take effect January 1, 2019.

Notifications. The bill would remove an estimated amount of the tax due based on the previous year's tax rates from the notice of appraised value delivered by an appraisal district to a property owner. This change would take effect January 1, 2020.

The bill would require appraisal districts to send to every property owner, by email or regular mail by August 7 or as soon as practicable thereafter, a notice that contains a link to the appraisal district's online database where the estimated tax due to each taxing unit could be found. The comptroller could adopt rules on the format and delivery of the notice. For appraisal districts in counties with a population less than 120,000, these changes would take effect beginning with the 2020 tax year. For larger appraisal districts, these changes would take effect beginning with the 2019 tax year.

The bill also would change some required wording for notices of a public hearing on a tax increase and notices of taxpayers' right to a rollback election for various taxing units.

Except as otherwise provided, the bill would take effect January 1, 2018.

**SUPPORTERS
SAY:**

CSSB 2 is an opportunity for the Legislature to improve transparency and reduce confusion among taxpayers about where their tax revenue goes, without imposing an undue burden on taxing units and appraisal districts.

Appraisal review boards (ARBs). The bill would provide for the creation of a special ARB panel for high-value properties in high-population districts, which would have more stringent standards for its members than other ARB panels. This would ensure that any protests on properties with the greatest effect on the budget would be subject to the best standard of review possible, potentially reducing litigation as more cases would be resolved on the administrative level.

CSSB 2 would be justified in disallowing taxing units from protesting categories of appraisals because that mechanism is seldom used and rarely successful. Therefore, its elimination would not cause a significant unfair shift of the tax burden onto other property owners because it already has a limited impact.

Tax rate adoption and reporting. The mandates imposed by CSSB 2 would be slight but would provide a great deal of valuable information to taxpayers. Most taxing units and appraisal districts already maintain the necessary infrastructure, including a property database, and comply with at least some part of the new reporting requirements, so this would not impose a substantial burden on local governments.

While CSSB 2 could be strengthened, such as by changing the rollback rate, doing so could adversely impact taxing units. Ratings agencies have suggested that a lower rollback threshold could jeopardize bond ratings. Faster-growing cities, which need to raise more revenue due to sheer population growth, would more frequently trigger rollback elections, harming their ability to budget for the future. Additionally, lowering the threshold could cause some taxing entities to raise rates or keep them steady even in years when there was a surplus, in an effort to avoid a rollback election in a following year.

Notifications. Under current law, appraisal districts are required to notify property owners of their estimated tax due, using the previous year's tax rates. This has proven confusing on many levels because it creates an appearance that the appraisal district is responsible for setting the tax rates. Even though the notice says it is not a tax bill, it frequently is mistaken for one. CSSB 2 would eliminate this confusion, instead requiring another notice that would direct the taxpayer to a database that clearly laid out which taxing units were responsible for each part of the property tax burden.

Additionally, by changing the name of the effective tax rate to the "no-new-revenue rate," notices clearly would suggest to property owners the

significance of reporting the rate, allowing taxpayers to more clearly see whether or not the actual property tax rates, set by the taxing districts, had increased.

OPPONENTS
SAY:

Tax rate adoption and reporting. CSSB 2 unnecessarily would increase mandates on taxing units and appraisal districts. Current disclosures and notice requirements are more than sufficient to ensure that voters are informed about budgets and tax rates of the jurisdictions in which they reside so they can hold their locally elected officials accountable.

Appraisal review boards. CSSB 2 should not prohibit taxing units from protesting categories of appraisals, which is the only safeguard that currently exists against appraisals that are too low. This could drive down certain categories of appraisals as other property owners use low appraisals as comparables, unfairly shifting the tax burden onto other property owners.

OTHER
OPPONENTS
SAY:

Tax rate adoption and reporting. CSSB 2 should be significantly strengthened to lower the rollback rate and streamline voter petitions. Returning to the Senate-passed version of the bill by reducing the threshold for a rollback election from an 8 percent rate increase to a 5 percent rate increase would require more local governments to be accountable and reach out to voters in more frequent rollback elections.

NOTES:

According to the Legislative Budget Board's fiscal note, the bill would have an estimated negative impact of \$624,000 through fiscal 2018-19.

CSSB 2 differs from the Senate-passed bill in many ways. Notably, the committee substitute would not reduce the rollback tax rate from 8 percent to 5 percent or change provisions surrounding a voter petition for a rollback election.