What keeps you up at night?

Keeping up with legislative changes
Gov. Greg Abbott @GovAbbott · 3h
Hard-working Texans produced the largest state budget surplus in Texas history.

That money belongs to the taxpayers.

We should return it with the largest property tax cut in the history of the state of Texas.

#TXSOTS23 #txlege

Emergency Item

Emergency items in his State of the State Address

Abbott’s prepared remarks: Property taxes, ending covid, education freedom, "school safety, bail reform, border, "energy crisis"

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The Dallas Morning News

What you need to know about the big battle happening now over Texas property taxes

Watchdog Dave Lieber: The Texas House and Senate tax plans couldn't be more different

by Ryan Chandler
Posted: Mar 2, 2023 / 07:13 PM CST
Updated: Mar 2, 2023 / 07:13 PM CST
Money On Hand

- **$188.2 billion**: revenue available for general-purpose spending for 2024-25, 26.3% increase
- **$27.1 billion**: Rainy Day Fund balance at end of 2024-25, absent any legislative appropriation
- **$116.7 billion**: One tax spending limit (appropriations funded by tax revenue unless constitutionally dedicated); 12.33% allowable increase

Texas Budget

<table>
<thead>
<tr>
<th>MOF Type</th>
<th>2022–23</th>
<th>HB1 2024–25</th>
<th>Biennial Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue (GR) Funds</td>
<td>$130,403.6</td>
<td>$144,130.4</td>
<td>$13,726.8</td>
<td>10.53%</td>
</tr>
<tr>
<td>General Revenue–Dedicated Funds</td>
<td>$8,024.2</td>
<td>$6,833.7</td>
<td>($1,190.5)</td>
<td>(14.84%)</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$117,301.4</td>
<td>$102,286.3</td>
<td>($15,015.1)</td>
<td>(12.80%)</td>
</tr>
<tr>
<td>Other Funds</td>
<td>$47,567.1</td>
<td>$68,087.2</td>
<td>$20,520.1</td>
<td>43.14%</td>
</tr>
<tr>
<td>ALL FUNDS</td>
<td>$303,296.3</td>
<td>$321,337.6</td>
<td>$18,041.3</td>
<td>5.95%</td>
</tr>
</tbody>
</table>

Source: Legislative Budget Board
$17.6 billion for property tax relief
  o $12.3 billion above amounts required by current law, contingent upon legislation which has not yet passed
  o $5.3 billion for property tax rate compression under current law

(d) Out of amounts transferred in Subsection (c), in addition to amounts appropriated elsewhere in this Act, TEA is appropriated $12,294,800,000 from the Property Tax Relief Fund for the 2024-25 biennium to provide property tax relief, contingent on the enactment of SB 3 and SJR 3, or similar legislation relating to providing property tax relief through the public school finance system and **proposing a constitutional amendment to except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations** by the Eighty-eighth Legislature, and subsequent voter approval of the associated constitutional amendment proposed by the legislation.

(e) It is the intent of the Legislature that any property tax relief directed by Subsection (d) shall be structured so as to not exceed the limit provided under Texas Constitution, Article VIII, Section 22, Limitation on the Rate of Growth of Appropriations.
88th Regular Session

Property Tax Code Amendments
Assessment/Collection

Chapter 26
Assessment
School Districts
No-New-Revenue M&O

HB 3—striking definition of effective M&O rate

Rate to maintain

NNR calculated without the debt rate

VATR M&O Rate

Other calculation?

Comptroller 313 Form: Line 34-NNR M&O

HB 4456 by Rep. Cody Harris
Omar’s Spreadsheet

https://esc13.net/resources/state-aid-budget-template

Data Entry – SOF Tab

CDN number: first six digits- WITH dash

HB 4456 by Rep. Cody Harris

comptroller.texas.gov/taxes/property-tax/county-directory/
Sec. 5.07 Property Tax Forms and Records Systems

- Strikes requirements that Comptroller TNT worksheets provide for submission of the rate to maintain for school districts (Effective January 1, 2024)

Sec. 26.012 Definitions

- School districts’ no-new-revenue M&O is the M&O portion of the rate to maintain prescribed for the notice of public meeting to discuss the budget and the proposed tax rate (Effective January 1, 2024)
At the Hearing

Sec. 26.05 Tax Rate

• Proposing rate above rate to maintain (M&O plus debt) is trigger for school districts’ requirement for adopting rate with:
  • Record Vote
  • 60% approval threshold
  • Effective January 1, 2024

Eduction Code Sec. 44.004(c)(5)(A)(ii)

HB 4456 by Rep. Cody Harris

"THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A $100,000 HOME BY APPROXIMATELY $(Insert amount)."
Sec. 26.16 County Website

Current law
- Adopted tax rate
  - M&O rate
  - Debt rate
- No-new-revenue tax rate
- No-new-revenue M&O rate
- Voter-approval tax rate

Sec. 26.17 Database of Property-Tax-Related Information (Effective January 1, 2024)

- Current law has no-new-revenue rate for most taxing units, but for school districts it has been rate to maintain
- Rate to maintain for school districts; struck that it was “weighted”

[Review website table for ISDs Rate to Maintain]

Unused Increment

People When I Start

Talking About Unused Increment
Unused Increment

- Award taxing units that do not adopt all the way up to voter-approval tax rate
- Bank “unused” pennies – difference between adopted rate and VATR ("increment")
- Only can accrue for years starting in 2020

Unused Increment: Voter-Approval Tax Rate

<table>
<thead>
<tr>
<th>Taxing Units Other Than School Districts/Water Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Taxing Unit</strong></td>
</tr>
<tr>
<td>Cities 30,000 and over</td>
</tr>
<tr>
<td>Cities under 30,000</td>
</tr>
<tr>
<td>Special Districts</td>
</tr>
<tr>
<td>Counties</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Growth</strong></td>
</tr>
<tr>
<td>NNR M&amp;O * 1.035 plus unused increment</td>
</tr>
<tr>
<td>Greater of: De Minimis M&amp;O Rate:</td>
</tr>
<tr>
<td>NNR M&amp;O + $500k rate OR Voter-approval tax rate:</td>
</tr>
<tr>
<td>NNR M&amp;O * 1.035 plus unused increment</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
</tr>
<tr>
<td>PLUS debt rate</td>
</tr>
</tbody>
</table>

Potentially subject to petition for election if de minimis rate > voter-approval tax rate and if adopted rate is not > de minimis rate

SB 1999 by Sen. Bettencourt

1 Regardless whether special taxing unit (low proposed M&O tax rate) and then, the voter-approval tax rate M&O growth would be NNR M&O *1.08
2 Taxing units other than cities, counties, school districts (ex: emergency service districts, library districts, etc). For the table, this does not include special taxing units and water districts.
3 Unused increment is voter-approval rate MINUS actual rate summed for past three years (for past years starting with 2020)
## Unused Increment: Current Calculation

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>VATR</th>
<th>Unused increment</th>
<th>Rate used for tax bill</th>
<th>Accrued pennies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022: preceding tax year</td>
<td>voter-approval tax rate</td>
<td>MINUS Unused increment</td>
<td>MINUS actual tax rate</td>
<td>xx.xxxxx</td>
</tr>
<tr>
<td>2021: second tax year preceding current tax year</td>
<td>voter-approval tax rate</td>
<td>MINUS Unused increment</td>
<td>MINUS actual tax rate</td>
<td>xx.xxxxx</td>
</tr>
<tr>
<td>2020: third tax year preceding current tax year</td>
<td>voter-approval tax rate</td>
<td>MINUS Unused increment</td>
<td>MINUS actual tax rate</td>
<td>xx.xxxxx</td>
</tr>
</tbody>
</table>

= Sum 2022, 2021, and 2020

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## TNT Calculation

### Unused Increment Rate (not applicable to school districts)

**Unused Increment Rate**

The unused increment rate can be used to increase the voter-approval tax rate, depending upon the tax rates adopted by a city in the previous three years. The unused increment rate is the three year rolling sum of the difference between the actual tax rate and the voter-approval tax rate. A city has the ability to bank any unused amounts below the voter-approval tax rate to use up to three years. Conversely, if a city adopts the voter-approval tax rate all three years, the unused increment rate would be zero. School districts do not calculate an unused increment rate.

SB 1999 by Sen. Bettencourt

### Sec. 26.013 Unused Increment Rate

- Unused increment rate calculation modified to take into account current year values
- Replaces current calculation with any forgone revenue in the last three years divided by current year value
- Effective January 1, 2024
Sec. 26.013 Unused Increment Rate
• Foregone revenue is determined by the rate difference in past year’s adopted rate and voter-approval tax rate (without unused increment) applied to the current value of that particular year
• Foregone revenue has a floor of zero

### Foregone Revenue

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unused increment</td>
<td>.04</td>
<td>.02</td>
<td>.03</td>
<td>= 0.09</td>
</tr>
<tr>
<td>Taxable Value</td>
<td>1,000,000,000</td>
<td>1,150,000,000</td>
<td>1,322,500,000</td>
<td>1,520,875,000</td>
</tr>
<tr>
<td>Calculation</td>
<td>.04*1,000,000,000 /100</td>
<td>.02*1,150,000,000 /100</td>
<td>.03*1,322,500,000 /100</td>
<td></td>
</tr>
<tr>
<td>Foregone Revenue</td>
<td>400,000</td>
<td>230,000</td>
<td>396,750</td>
<td>1,026,750</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2024 Adjustment</th>
<th>Difference</th>
<th>2024 Revenue</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unused Increment</td>
<td>0.09</td>
<td></td>
<td>1,368,787.50</td>
<td></td>
</tr>
<tr>
<td>Foregone Revenue</td>
<td>1,026,750/1,520,875,000 *100</td>
<td>.09 - .067510479</td>
<td>1,368,787.50 - 1,026,750</td>
<td>342,037.50</td>
</tr>
</tbody>
</table>

SB 1999 by Sen. Bettencourt
Sec. 26.013 Unused Increment Rate
For unused increment purposes, “voter-approval tax rate” means:

• Voter-approval tax rate in the applicable preceding tax year, as adopted by the taxing unit during the applicable preceding tax year

MINUS

• Unused increment rate for that preceding tax year (Effective June 18, 2023)

Tax Code Chapter 32
Tax Liens and Personal Liability

Sec. 32.06 Property Tax Loans; Transfer of Tax Lien

• Updated references to federal law (Effective September 1, 2023)
• Owner may not waive or limit requirements imposed on a property tax lender in Tax Code Chapter 32, in addition to current prohibition on waiving requirements in Finance Code Chapter 351, regarding property tax lenders (Effective September 1, 2023)

BILL ANALYSIS

Senate Research Center
S.B. 1371
By: Johnson
Business & Commerce
6/6/2023
Enrolled

AUTHOR’S / SPONSOR’S STATEMENT OF INTENT

The Texas Office of Consumer Credit Commissioner (OCCL) seeks to modernize and achieve consistency of obsolete provisions of the Texas Finance Code by implementing technical statutory changes:

SB 1371 by Sen. Johnson

Sec. 33.03 Delinquent Tax Roll

• Indicate deferral/abatement status on delinquent tax roll (Effective January 1, 2024)
Sec. 34.01 Sale of Property
• Certain border counties, for tax foreclosure of real property that is presumed for residential use

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law prohibits subdividers of lots for residential use from selling them without meeting adequate water and sewer service requirements to ensure safe housing. To collect tax delinquencies without incurring the financial burden of installing water and sewer services, however, counties are allowed to sell lots without these services, as long as the buyer is properly notified of the need to meet water and sewage requirements to ensure the safety of the property for residential purposes. The sale is void without such notice.

The Local Government and the Tax Codes, however, are silent regarding sales by a taxing entity other than the county, such as an independent school or drainage district. Some of these entities have had their sales voided because they did not provide adequate notice to the buyer. Due to a lack of clarity on the relevant statutes, these entities were simply unaware of the notice requirement.

SB 59 by Sen. Zaffirini

Sec. 34.01 Sale of Property

Statement includes:
❖ sale being conducted according to statutory/judicial requirements
❖ buyer beware language
❖ lot of 5 acres or less is presumed for residential use in some cases
❖ if there is a lack of water/wastewater service, property may not qualify for residential use (Effective September 1, 2023)
Sec. 34.0101 Sale of Certain Property To Owner of Abutting Property

- Allows private sale of real property to owner of abutting property
- Option for taxing unit that requested tax warrant or ordered foreclosure sale
- Without other taxing units' permission

- Applies when:
  1. Floodway; or federally designated area of having at least two-tenths of one percent of annually flooding,
  2. landlocked from public road, or
  3. its shape/size means it cannot be used due to zoning/ordinances

Sec. 34.0101 Sale of Certain Property To Owner of Abutting Property

- Notice to each abutting property owner (if there is more than one)
- Offered first at public auction, but didn’t garner lesser of:
  - Market value (specified in warrant/judgement); or
  - Current minimum amounts
- Private sale also must meet above minimum sale amount (Effective September 1, 2023)
Sec. 33.43 Petition

• Currently petition initiating lawsuit to collect delinquent property includes that taxing unit is entitled to recover penalties and interest
• Adds tax sales under new Tax Code Section 34.0101, regarding sales to abutting property owners, to the list of tax sales:
   for which the sale date is the end date in which penalties and interest can accrue starting with the judgment date
• Effective September 1, 2023

Sec. 34.02 Distribution of Proceeds

• Adds tax sales under new Tax Code Section 34.0101, regarding sales to abutting property owners, to the list of tax sales:
   From which the proceeds shall be applied to amounts due in the order prescribed by law
   that if there are any excess proceeds, the excess proceeds must be fully paid to the clerk of the court issuing the warrant/order of sale (Effective September 1, 2023)
Sec. 34.03 Disposition of Excess Proceeds
• Excess proceeds can be used by clerk to pay for cost of postage (certified mail, return receipt requested) for when notice of those proceeds to former owner is required—$25 or more in excess proceeds (Effective September 1, 2023)

Sec. 34.015. Persons Eligible to Purchase Real Property
• County tax assessor-collectors post on website to form (or link to Comptroller form) for requesting statement of no delinquent taxes (Effective September 1, 2023)

Property Code Sec. 51.002 Sale of Real Property Under Contract Lien
• Adds date/time/location to the required information on notice of foreclosure sales for contract liens on county website page with posting of notice (Effective September 1, 2023)
Everything but the kitchen sink

Non-Tax Code TNT Provisions

Water Code Sec. 49.106 Bond Elections
Water district board may submit new bond authorization and refunding bond authorization in a single proposition at an election (Effective June 18, 2023)

HB 2815 by Rep. Jetton
Types of Water Districts

- **Low rate** - current year Operations and Maintenance (O&M) of 2.5¢ or less
- **Developed** - Financed, completed, and issued bonds to pay for at least 95 percent of projected build-out*
- **Developing** - not low rate nor developed

* This is to pay for all land, works, improvements, facilities, plants, equipment, and appliances necessary to serve at least 95 percent of projected build-out

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Non-Tax Code TNT Provisions

**SECTION 1: Voter-Approval Tax Rate**

VS

**SECTION 2: Mandatory Tax Election Rate**

HB 2815 by Rep. Jetton

**Water Code Sec. 49.23602 Automatic Election to Approve Tax Rate For Certain Developed Districts**

An election is not required if the adopted tax rate is less than or equal to the voter-approval tax rate (Effective June 18, 2023)
Non-Tax Code
TNT Provisions

Water Code Sec. 49.4521. Prescribed Notice to Purchasers

- Standardizes notice to purchasers of real property in water districts
- Title in 24 point, bold “NOTICE TO PURCHASER OF SPECIAL TAXING OR ASSESSMENT DISTRICT”

HB 2815 and HB 2816 by Rep. Jetton

Water Code Sec. 49.4521. Prescribed Notice to Purchasers

- Additional information:
  - Assessments, rate/amount or if none currently, projected rate/amount
  - Notice of any strategic partnership agreement with a city regarding annexation

HB 2815 and HB 2816 by Rep. Jetton
**Non-Tax Code TNT Provisions**

**Water Code Sec. 49.4521. Prescribed Notice to Purchasers**
- Existing notice included total of bonds and total of principal
- Now information on total approved and total principal broken down by:
  - Water, sewer and drainage facilities
  - Road facilities
  - Parks and recreational facilities
  - Additional facilities
- Effective June 18, 2023 (HB 2815) and September 1, 2023 (HB 2816)

**Water Code Sec. 49.453 Notice Form From District**
- Post or create process to post this notice to purchasers on website
- Website posting applies if district required to maintain website or have access to a generally accessible Internet website under Tax Code Section 26.18
- Effective June 18, 2023
Water Code Sec. 49.316 Division of District
- Water district board may divide district to create one/or more districts and may continue the district
- By governing body or petition (signed by owners of majority of assessed value of real property in the district)

May divide if not imposing property tax and never issued bonds
- New districts must hold election to obtain voter approval before imposing maintenance tax or issue bonds payable wholly or partly from property taxes
- District may continue to rely on confirmation, directors, bond, and tax elections held before division (Effective June 18, 2023)
Water Code Sec. 57.059 Qualifications for Directors

Modifications to qualifications for directors of levee improvement districts to:

- be at least 18 years old;
- own land subject to taxation in the district or be a qualified voter in the district; and
- if the director is elected, be a qualified voter of the precinct in the district from which the director is elected.

HB 2815 by Rep. Jetton

That’s All Folks!

tnthelp@lgbs.com