

Bills Passed for the 2019 Regular Session of the 86th Texas Legislature

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We have revised some bills and added more analysis since our June 2 edition. Be advised that this document is a fluid one, as we receive questions and see other items to include. Please be sure to check back weekly for updates. Changes and additions are highlighted in gray from the previous issue.

We also include when Governor Greg Abbott signs or vetoes any bills. The Governor has until Sunday, June 16, to sign, veto or let a bill become law without his signature. Bills signed by the Governor, with their effective dates, also are highlighted in gray.

Perdue Brandon organizes *Bills Passed* by subject matter. Each bill includes a summary and effective date. All references to section numbers are to the Texas Tax Code, unless otherwise indicated. Some bills are listed several times because they address multiple subjects. SB 2 on property tax reform is first; in this issue, parts of SB 2 are also shown in applicable sections. Please check Perdue Brandon’s website at www.pbfc.com for updates.

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OVERVIEW PROPERTY TAX REFORM

PROPERTY TAXES LIMITED TO 3.5% ANNUAL INCREASE FOR COUNTIES AND CITIES, UNLESS LOCAL VOTERS APPROVE HIGHER RATE; STATE LOWERS SCHOOL M&O TAXES, CAPPED WITH FUTURE 2.5% ANNUAL INCREASES

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236

and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

The Governor, House and Senate finally agreed May 23 to a version of SB 2, the Texas Property Tax Reform and Transparency Act of 2019, along with the school finance bill, HB 3, The Texas Plan. Both bills received passing votes May 26 and 27. HB 3 is detailed in the *School Finance* and *Truth-in-Taxation* sections.

HB 1, the \$251 billion two-year state budget, provides an additional \$11.5 billion for school funding, property tax relief and school tax recapture reduction. The budget reduces the school property taxes by an average of 7 cents for 2019 taxes and an additional compression for 2020 taxes.

Following are the key components of SB 2. These areas are also included in their appropriate sections of this issue, including *Property Tax Administration*, *Truth-in-Taxation* and others.

Comptroller Advisory Board

The Comptroller appoints a minimum six-member Property Tax Administration Advisory Board to improve the effectiveness and efficiency of the property tax system, best practices and complaint resolution. The Advisory Board will consist of representatives of property owners, appraisal districts, tax assessors, school districts and a person who has knowledge or experience with ratio studies. Any advice to the Comptroller provided by a member of the Board must be provided at a meeting called by the Comptroller. Government Code Chapter 2110 does not apply to the Advisory Board. Advisory Board members serve at the pleasure of the Comptroller.

The provision in Government Code Section 403.302 for the Comptroller's Property Value Study Advisory Committee is repealed.

Comptroller Property Value Study and MAP

SB 2 adds to the Comptroller's Property Value Study (PVS) of school district's local value and the methods and procedures (MAP) review of appraisal districts. The MAP looks to see if the appraisal district

complies with standards, procedures and methodology prescribed in any appraisal manual required by law to be prepared and issued by the Comptroller. The Comptroller may also use these in conducting audits under Section 5.13.

If the Comptroller determines in the PVS final values that a school district's local values are not valid, the Comptroller shall send notice to the board of directors of that school's appraisal district. The CAD board shall hold a public hearing to discuss the notice. If the school district's values are invalid for three consecutive years, the Comptroller shall conduct an additional review of the CAD and provide recommendations. The Comptroller may contract with a third party to assist in the additional review. If the CAD fails to comply with the recommendations and the Comptroller finds that the CAD board of directors failed to take remedial action to ensure substantial compliance before the first anniversary of the recommendations, the Comptroller shall notify the Texas Department of Licensing and Regulation (TDLR). Before February 1 of the year following the year in which TDLR was notified, TDLR will notify the CAD directors if the recommendations are substantially implemented. If not, within three months of the determination, the CAD board must consider whether the failure to implement the recommendations was under the current chief appraiser's control and whether the chief appraiser is able to perform the duties adequately.

CAD Administration

SB 2 adds Sections 6.054 that an individual may not be employed by the appraisal district if the individual is an officer or employee of a taxing unit that participates in the appraisal district.

An appraisal district director may transmit to the chief appraiser, without comment, a written complaint by a property owner or taxing unit about a specific property appraisal. This will not be considered an ex-parte communication.

A property owner may request that the appraisal district deliver information for a protest hearing in an electronic format.

New Section 1.086 provides that a homeowner may request in writing that the appraisal district send by email a change in value, the eligibility of property for an exemption or the grant, denial, cancellation or other change in homestead exemption status. The homeowner provides the email address, and the appraisal district is not required to mail that same notice. The homeowner's request stays in effect until revoked in writing by the homeowner. For an email notice, the chief appraiser must send an email to the address provided by the property owner confirming the owner's request to receive electronically. The chief appraiser posts a form for requesting email notices on the appraisal district's website.

New Section 6.16 requires the chief appraiser to maintain a list of individuals who have designated themselves as available to provide free assistance to a residential homestead owner, including the following: real estate broker, real estate sales agent, licensed or certified real estate appraisers or registered property tax consultant. The chief appraiser provides the list upon request from the homeowner. The list is organized by county; is to be posted on the appraisal district's website, if it maintains one; and provides the name, contact information and job title of each individual who will provide free assistance. To be designated a person to assist, the person completes a form prescribed by the chief appraiser.

The appraisal district shall appraise property in accordance with appraisal manuals required by law to be prepared and issued by the Texas Comptroller. In Section 23.01, appraisal methods and techniques included in the most recent versions of these are considered generally accepted appraisal methods and techniques: Appraisal of Real Estate published by the Appraisal Institute, Dictionary of Real Estate Appraisal published by the Appraisal Institute, Uniform Standards of Professional Appraisal Practice published by The Appraisal Foundation and a publication that includes information related to mass appraisal.

The Comptroller may consult with the Property Tax Administration Advisory Board in conducting the appraisal district review of standards, procedures and methodology, prescribed by appraisal manuals issued by the Comptroller.

SB 2 repeals the provision added to Section 42.23 in 2015 to provide that, when an appraisal district employee testifies to a real property value in an appeal of an ARB order, the court may give preference to an employee who is a state-licensed real estate appraiser. That provision was to go in effect January 1, 2020. This change is effective 9/1/2019.

Section 25.19 notices of appraised value do not include estimated taxes. Until January 1, 2022, for counties with less than 120,000 population, the notice does include 25.19(b)(5). The old (b)(5) was the estimated taxes, based on the preceding year's tax rates. The revised (b)(5) is the statement that the Texas Legislature does not set the amount of your local taxes. There may be a question as to which requirement is for the small county provision. The intent may be the estimated taxes, since counties with a population of 200,000 are not required to have some of the changes required by SB 2 ready until the 2021 tax rate adoption process. The population county, however, is different between the two provisions.

In counties with special panels, the Section 25.19 notice includes the right to a protest hearing before a special panel.

SB 2 adds two new appraisal district notices:

(1) Section 25.192, *Notice of Residence Homestead Exemption Eligibility*, for a residential property that has not qualified for a residence homestead in the current tax year. This notice is similar to current language in Section 25.19(b-2), which is repealed. If the address for the property owner and the home are the same, the chief appraiser sends the owner a notice that states in bold, 18-point type specific wording about the residence not currently allowed a residence homestead exemption, includes the exemption application form to complete, provides filing information and indicates that no fee is required. This notice is separate from any other notice sent by the chief appraiser. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

(2) Section 25.193, *Notice of Certain Canceled or Reduced Exemptions*, for a residential property's exemption status. This notice addresses the cancellation or reduction of an exemption for the current year. This notice is sent regardless of

information included with the Section 25.19 notice of appraised value and must be sent separately from any other notice sent to the owner. The notice is sent by April 1 if the property had qualified for an exemption pursuant to Section 11.13 and by May 1 if the residential property had not qualified for an exemption pursuant to Section 11.13, but had some other exemption on the property. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

SB 2 amends the historic site exemption in Tax Code 11.24. A taxing unit may not reduce the amount of or repeal an historic site exemption for a qualified property unless the unit delivers to the owner written notice of its intent to reduce the amount or repeal the exemption at least five year before doing so. This change applies to the reduction or repeal on or after January 1, 2020.

Exemption, Rendition and Appraisal Deadlines

Regulated utilities may request and must be granted an extension from April 30 to May 15 to deliver rendition statements and property reports to the chief appraiser. The chief appraiser may further extend the deadline an additional 15 days upon good cause in writing by the owner.

The late application for freeport exemption is the later of June 15 or, if applicable, 60 days after the date on which the chief appraiser delivers notice to the owner under Section 22.22.

If by July 20 the ARB has not approved the appraisal records, the chief appraiser shall prepare and certify by July 25 to the assessor for each taxing unit an estimate of the taxable value for the taxing unit.

Appraisal Review Board Training

The Comptroller's new ARB member training is to be at least eight hours and the advanced ARB training is four hours of classroom training and education.

The ARB training fee may not exceed \$50 for each person trained, including an individual other than an ARB member.

Arbitrator Training

New Section 5.043 requires the Comptroller to provide an arbitration manual and other materials in training arbitrators and make those materials freely available online. The manual shall be updated regularly and revised by written request. Revised language must be approved by unanimous agreement of a Comptroller committee composed of taxpayers and chief appraisers. The person requesting the revision must pay costs of mediation, if that is necessary. The Comptroller shall supervise at least a four-hour training program for arbitrators on property tax law, with an emphasis on requirements of equal and uniform appraisal of property. The training program may be provided online, with the Comptroller by rule prescribing the verification procedures. The Comptroller may contract with service providers for the arbitrator training, but not with a CAD, chief appraiser, CAD employee, CAD director, ARB member or a taxing unit. The Comptroller fee may not exceed \$50 per person. A person may not serve as an arbitrator or be renewed until completing the Comptroller training. The training may be online, and the Comptroller rule shall prescribe the verification that the training program was taken online and completed.

To qualify as an arbitrator, the person must complete the Comptroller's arbitrator training and be issued a certificate and complete the Comptroller's arbitrator training on property tax law. To be renewed as an arbitrator, the person must complete a revised training program on property tax law no later than 120 days after the date the program is available if the Comptroller substantially revises the program after the person is included in the registry.

To be eligible for appointment as an arbitrator, the arbitrator must reside in Texas. The requirement that the arbitrator reside in the county in which the property is located is removed, but the property owner may request that the Comptroller appoint an arbitrator who resides in the county. The Comptroller shall comply with the request if there is an available arbitrator in the county. The owner may not request a specific arbitrator.

SB 2 reduces the current five years to two years for an individual who has served as a tax agent, CAD officer, CAD employee or ARB member before the individual may be appointed as an arbitrator for a property in the county for which the individual served in the preceding two years.

ARB Survey

The Comptroller shall prepare an ARB survey for individuals to submit comments to the Comptroller regarding the ARB and instructions for submitting the survey. Individuals that may complete the survey include a property owner, owner's agent or a designated representative of the CAD in which a Chapter 41 protest or with a 25.25 motion was filed. The individual attends the hearing in person or by telephone conference call on the motion or protest. The survey allows the individual to submit comments and suggestions. The CAD provides the survey and instructions to each property owner or agent at or before each hearing. The individual submits the survey to the Comptroller, with only one survey for each motion or protest. The CAD may not accept the survey from the owner or agent. The CAD may not require the survey to be completed at the CAD office.

The Comptroller may receive the survey in person, by mail, by email or through a web page on the Comptroller's website. The Comptroller form must indicate the uniform resource locator (URL) address of the Comptroller-required web page. The CAD also includes the survey form with each ARB order. If a CAD provides the survey form to a property owner or agent at one hearing that day, the CAD is not required to provide another copy of the form to the owner or agent at another hearing on the same day. The survey must be submitted within 45 days after the survey is mailed with the determination order.

The Comptroller issues an annual report summarizing the surveys during the preceding year, but not disclosing the individual's identity. The Comptroller may adopt rules as necessary to implement the survey.

ARB Members Eligibility, Officers and Panels

The appraisal district board of directors determine if more than three ARB members are needed. In a county with one million population or more, the

directors shall increase the size of the ARB to manage the ARB duties, including special panels. For special panels, the local administrative law judge shall select qualified people to permit the ARB chair to fill the special panel positions.

Along with the current items prohibiting service on the ARB, a person may not serve as an ARB member if related within the third degree by blood or second degree by marriage to a current member of the ARB.

In counties (population of 120,000 or more) where the administrative law judge appoints the ARB, a person is not eligible to serve if the person has served for all or part of three previous terms as an ARB member or auxiliary ARB member. The population limit of more than 100,000 is removed.

The local administrative judge in the county in which the CAD is established selects the ARB chair and secretary, rather than the appraisal district's board of directors.

New Section 6.425 adds special ARB panels, in counties with one million population or more, to conduct protest hearings on commercial real and personal property, utility real and personal property, industrial and manufacturing real and personal property or multifamily residential real property. The minimum appraised value of the property for a special panel is \$50 million for tax year 2020, with this minimum value to be adjusted annually for inflation. By February 1, the Comptroller shall determine the minimum eligibility amount for the current tax year as adjusted to reflect the inflation rate and publish that amount in the Texas Register. The "inflation rate" uses the consumer price index for the preceding calendar year compared to the year preceding that year. The "consumer price index" means the index for all urban consumers (CPI-U), U.S. City Average, published by the Bureau of Labor Statistics, U.S. Department of Labor.

These three-member panels have ARB members that possess a specific education or background, including one of the following: law degree; MBA degree; licensed CPA; accredited senior appraiser by American Society of Appraisers; MAI appraiser; Certified Assessment Evaluator designation from IAAO; at least 10 years of property tax appraisal or

consulting experience; or licensed real estate broker or sales agent. The ARB chair may appoint a person who does not meet the qualifications if the administrative law judge does not appoint sufficient number of people to fill the positions and the person holds a bachelor's degree. An auxiliary ARB member may not hear taxpayer protests before a special panel unless that ARB member is eligible to be appointed to the special panel.

Special panels may conduct other hearings as assigned by the ARB chair.

The concurrence of a majority of the ARB or an ARB panel present at a meeting of the ARB or panel is sufficient for a recommendation, determination, decision or other action. A concurrence by more than a majority of the all the ARB members or all members of a panel may not be required.

ARB Notices and Requested Information

The protest form must permit a property owner to request a special panel to hear the protest if the property meets the new Section 6.425 requirements.

The ARB hearing notice must include the subject matter of the hearing, along with the date, time and place. The notice is required to be delivered 15 days before the first scheduled hearing, rather than a postponed hearing date. The notice must include a description of the subject matter of the hearing sufficient to identify the action being protested, such as determination of appraised value, denial of exemption, determination of qualification for special appraisal. The hearing notice contains a statement that the owner is entitled to a postponement of the hearing.

The chief appraiser may not charge a property owner or owner's agent for copies of the data, schedules, formulas and other information to be introduced at the protest hearing, regardless of the way the copies are prepared or delivered. The bill removes the \$15 and \$25 maximum charges for copies of this information. The chief appraiser may deliver the information requested by regular first class-mail or electronically as provided by the agreement with the property owner or owner's agent, or by referring the property owner or agent to the CAD's website on which the requested

information is readily available. The hearing notice must contain a statement in a conspicuous font that clearly indicates the owner or agent may on request receive the information by first-class mail.

ARB Hearings

SB 2 provides that a taxing unit may not challenge the level of appraisal of any category of property or in any territory in the district. That option is deleted from the items a taxing unit may challenge to the ARB.

The ARB shall postpone a hearing if the property owner's agent requests additional time. A hearing filed by a property owner's agent shall be set for a certain time and date. Current law only allows the property owner to request a postponement or have a certain time and date.

The ARB may schedule the hearings on all protests filed by a property owner or the owner's agent to be held consecutively. The hearing notice must state the date and time of the first hearing and the date of the last hearing and list the order in which the hearings are held. The order may not change without the agreement of the owner or owner's agent, the chief appraiser and the ARB. A rescheduled hearing may not be set to a date earlier than seven days after the date the last hearing was scheduled unless the parties agree.

The ARB must give priority in its schedule of protest hearings to a property owner over the age of 65, a disabled property owner or an owner who is military service member, military veteran or military spouse before scheduling a hearing filed by an agent of a property owner.

Special panels (for properties with \$50 million or more in appraised value and classified as commercial real and personal property, utility real and personal property, industrial and manufacturing real and personal property or multifamily residential real property) may hear other types of protest hearings. The ARB chair may assign a property not specifically listed to a special ARB panel, but only if the assignment to the special panel is requested or consented to by the property owner or owner's agent. The minimum value for 2020 is \$50 million. For each

succeeding year, the minimum value is adjusted to reflect the inflation rate. The Comptroller shall determine the minimum eligibility amount for the current tax year each January 1 and publish that amount in the *Texas Register*.

Protests assigned to special panels are randomly assigned. If a protest is scheduled for a particular panel, the protest may not be reassigned to another special panel without the consent of the owner or owner's agent, except for a change of panel members because of conflict of interest, illness or inability to continue that day's hearing. At the end of the special panel hearing, the ARB provides the owner or owner's agent the affidavits signed by the ARB members.

Information that was previously requested by a protesting party and not delivered at least 14 days before the scheduled or postponed hearing date may not be used or offered in any form as evidence in the hearing, including as a document or through argument or testimony.

By rule, the ARB shall provide for hearings on a Saturday or after 5 p.m. on a weekday. The ARB may not schedule a protest hearing on a weekday evening to begin after 7 p.m. or schedule a hearing on a Sunday.

ARB Decisions

If the recommendation of an ARB's special panel is not accepted by the ARB, the ARB may refer the matter for rehearing to another special panel or, if not sufficient members, the entire ARB may determine the protest.

The ARB may not determine the appraised value of a property in a protest to be greater than the appraised value as shown in the appraisal records submitted by the chief appraiser, except as requested and agreed to by the property owner. This limitation, however, does not apply to ARB orders determining that an exemption or entitlement to open-space land appraisal are denied.

The ARB shall determine the protest and send the certified mail no later than 30 days after the hearing date on the protest is concluded, if the ARB is for a

county with a population of less than four million. The ARB must send the determination no later than 45 days after the hearing, if the ARB is in a county with a population of four million or more.

SB 2 provides that the chief appraiser and property owner or owner's agent may file a joint motion with the ARB to an agreement, with the joint motion containing its terms. The ARB shall issue the agreed order within five days of filing the joint motion. The parties may provide that the agreed order is appealable.

The ARB includes a copy of the Comptroller's ARB survey form with the notice of determination.

District Court Appeal or Arbitration

New Section 42.081 provides that a taxing unit may not file a lawsuit to collect a delinquent tax on a property pending a district court appeal, unless the owner failed to comply with the required partial payment during the appeal process, set forth in Section 42.08.

SB 2 addresses contiguous properties owned by the property owner for binding arbitration by adding a definition. "Contiguous tracts of land" for binding arbitration means improved or unimproved tracts of land that are touching or share a common boundary, as determined in using appraisal district records or legal descriptions. This provision is also SB 1876.

SB 2 repeals the provision added to Section 42.23 in 2015 to provide that, when an appraisal district employee testifies to a real property value in an appeal of an ARB order, the court may give preference to an employee who is a state-licensed real estate appraiser. That provision was to go in effect January 1, 2020. This change is effective 9/1/2019.

Comptroller Tax Rate Calculation Forms and State Tax Rate List

The Comptroller shall prescribe electronic tax rate calculation forms for the no-new revenue (formerly, effective) tax rate and the voter-approval (formerly, rollback) tax rate to be used in the tax rate adoption process. School districts also submit the rate to maintain the same amount of state and local revenue

per weighted student in the preceding tax year. The forms shall provide for certification by the designated officer or employee who completes them, using values that are the same as those on the taxing unit's certified appraisal roll or certified estimate.

The Comptroller forms shall be capable of being electronically added into the property tax database maintained by each appraisal district under new Section 26.17 (discussed later) and submitted electronically to the county tax assessor-collector in which the taxing unit is located. The Comptroller shall use the forms posted on its website January 1, 2019, modified as necessary to comply with this new law. Any revision to the forms, other than statutory changes, must be approved by agreement of a majority of committee members selected by the Comptroller. If the Comptroller receives a written request for a change, the person requesting the revision shall pay the costs of mediation if it is required. A meeting of the committee is not subject to the Open Meetings Act.

The Comptroller's biennial report of values and tax rates shall include special districts. The Comptroller shall prescribe the format by which an appraisal district or taxing unit must submit information. The Comptroller shall collect and review in detail the information submitted that relates to each county, city and school district. The Comptroller shall collect and review the special district information.

The Comptroller revises the Section 5.091 statewide list of tax rate information posted on its website to include school districts. The Comptroller prescribes the manner and deadline to submit the tax rates. The Comptroller lists the rates alphabetically according to the county in which the taxing unit is located and publishes the list no later than January 1 of the following year.

The Comptroller shall comply with posting information as required by Section 5.091 no later than January 1, 2022, for a taxing unit located wholly or partly in a county with a population of 120,000 or more. For a county with a population of less than 120,000, the Comptroller must post by January 1, 2023. Tax Code Section 5.09 provisions for the Comptroller to post information applies only to

information submitted to the Comptroller for a tax year beginning on or after January 1, 2020.

Truth-in-Taxation Requirements – Rate Calculations

Beginning with the 2020 tax rate, SB 2 changes the Truth-in-Taxation calculations and notices. SB 2 changes do not impact the 2019 tax rate procedures for this summer in adopting the 2019 tax rates. School districts, however, will have changes to their 2019 tax rates, as explained in HB 3.

Current deadlines, including July 25 appraisal roll certification, are not changed. Beginning in 2020, however, if the ARB has not approved the appraisal records by July 20, then by July 25 the chief appraiser certifies an estimate of taxable values to the assessor for each taxing unit.

SB 2 changes the name of the effective tax rate to the no-new-revenue rate and the rollback tax rate to the voter-approval tax rate. The taxing unit's assessor shall calculate the no-new-revenue tax rate and the voter-approval tax rate using the certified estimate of taxable value, if the unit does not receive certified values. The designated officer or employee shall use the Comptroller tax rate calculation forms.

Beginning in 2020, the voter-approval rate for counties, cities and other taxing units (other than hospital districts and community college districts) is the tax rate that limits M&O (maintenance and operation) property tax revenue to not more than 3.5% above the preceding tax year's amount. To exceed the voter-approval rate requires an automatic voter election to ratify the higher rate. Current law provides for an 8% increase and a voter petition drive for the election.

Hospital districts, junior college districts and other "special taxing units" remain at the 8% increase. They would be subject to an automatic election if they adopted a tax rate that exceeds the voter-approval tax rate, with the 8% increase in M&O taxes.

In 2020, school districts will have a 2.5% limited increase, using state funding calculations and current property value growth.

SB 2 adds definitions in Tax Code 21.012, including: “De minimis rate” means the rate equal to the sum of a taxing unit’s no-new-revenue M&O rate, the rate that applied to current total value imposed a de minimis amount equal to \$500,000 and the taxing unit’s current debt rate.

“Special taxing unit” means a taxing unit, other than a school district, for which the M&O tax rate is 2.5 cents or less; a junior college district; or a hospital district.

The definition of “last year’s levy” changes to include the taxable value that has been appealed under Chapter 42 and is actively under review as of July 25.

New Section 26.013 provides for an “unused increment rate.” A taxing unit that did not use all of its revenue growth may “bank” that unused growth, as long as the taxing unit averaged below 3.5% over three years. By banking some revenue growth, the taxing unit could add to its 3.5% cap in a tough financial year. For the 2020 year, the unused increment rate is zero.

By August 1 or thereafter, the Comptroller shall determine the de minimis amount, adjusted for the inflation rate, for the current year and publish it in the Texas Register. For the 2020 tax year the de minimis amount is \$500,000.

In case of a disaster area declared by the Governor or President, a taxing unit in the disaster may increase the M&O rate by 8% until the earlier of the second tax year that total taxable values exceed the total values on January 1 of the year the disaster occurred or the third year after the tax year in which the disaster occurred. SB 2 adds “wildfire” to the types of disasters listed in Section 26.08.

Calculation steps in current law remain for transferring a distinct department, function or activity; additional sales tax; rate for state criminal justice mandate by a county; enhanced indigent health care; and pollution control requirements.

New calculation steps address a tax rate adjustment for county indigent defense compensation expenditures and for eligible county hospital expenditures.

In new Section 26.0442, counties that must pay for indigent criminal defense costs may add that increased cost to the voter-approval rate. The amount a county provides for appointed counsel for indigent individual in criminal or civil proceedings in the period beginning July 1 of the year preceding the tax year for which the tax is adopted and ending June 30 of the tax year for which the rate is adopted, less the amount of any state grants received by the county during that time period. If the county’s expenditures exceed the amount for the preceding tax year, the county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 5% of the preceding year’s indigent expense compensation expenditures. The county includes a notice of the increase in its published information.

In new Section 26.0443, a county or city may add increasing cost that exceeds the preceding tax year to the voter-approval rate. This step applies to an “eligible county hospital” which is located in an area not serviced by a hospital district and which is a hospital owned or leased by a county and operated under Health and Safety Code Chapter 263; or is owned or leased jointly by a city and a county and operated under Health and Safety Code Chapter 265. “Eligible county hospital expenditures” means the amount paid by a county or city in the period beginning July 1 of the preceding tax year and ending June 30 of the current tax year. If those expenditures exceed the amount for the preceding tax year, the city or county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 8% of the preceding tax year’s eligible expenditures.

The county or city includes a notice of the increase in its published information.

For the debt rate calculation, the anticipated collection rate is revised. If the anticipated collection rate for current debt taxes is lower than the lowest actual collection rate of the taxing unit for any of the preceding three years, the anticipated collection rate is equal to the lowest actual collection rate for any of the preceding three years. The anticipated collection rate may exceed 100%.

The designated officer or employee completes the calculation forms, using the values shown on the unit's certified appraisal roll or the certified estimate. The officer or employee submits the tax rate calculation forms to the county tax assessor-collector for each county in which the taxing unit is located.

Truth-in-Taxation Requirements – Database and Websites

By August 7 or as soon thereafter, the officer or employee submits the rates to the taxing unit's governing body. Except for a school district, a taxing unit's governing body may not adopt the tax rate until the designated officer or employee certifies these tax rates. The unit proposes a tax rate.

The designated officer or employee also posts the no-new revenue and voter-approval rates, how the rates were calculated and other property tax information (unencumbered fund balances, debt schedule, increased debt because of anticipated collection rate, excess debt collections, taxes if no-new revenue rate adopted) prominently on the home page of the unit's website. A school district is not required to include the debt schedule information. The website posting are in a form prescribed by the Comptroller. SB 2 removes the provision to publish the information in a newspaper or mail to each property owner.

The officer or employee of the taxing unit electronically enters the tax rate information into the appraisal district database and uploads the completed tax calculation forms.

New Section 26.17 requires the chief appraiser to create and maintain a property tax database that identifies the county (not the CAD) and contains information from the officers or employees of the taxing unit in the CAD. The chief appraiser will continuously update the preliminary and revised data and make the searchable data by property address and owner available to the public. The database shall contain this statement: "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the growth of property taxes in this state."

For each property listed on the appraisal roll, the new database includes the property's ID number; market

and taxable values; names of taxing units taxing the property; the no-new revenue tax rate and the voter-approval tax rate for each taxing unit; the school comparable rates for the school district; the proposed rate for each taxing unit; the taxes that would be imposed with the no-new-revenue rates (for the school, the comparable rate) and with the proposed tax rates, along with amount difference; the date, time and location for the public hearing on the proposed rate by a taxing unit; the date and location for adopting the tax rate by the taxing unit; the email address for the taxing unit to receive written comments about the proposed rate; and a link to each taxing unit's website. The website allows the property owner to electronically complete and submit to a taxing unit the owner's opinion on the taxing unit's proposed tax rate. The owner must provide the owner's name and contact information and the physical address of the owner's property in the taxing unit. The form is available at any time during the period between the proposed tax rate and the adopted tax rate. The taxing unit's designated officer uploads the tax rate calculation forms to the database. The chief appraiser makes the information available to the public within three days after being submitted/uploaded.

By August 7 or as soon thereafter as possible, the chief appraiser informs the property owners within the district that the estimated tax amounts imposed on the owner's property are on the property tax database maintained by the appraisal district. The chief appraiser delivers by regular mail or email to each property owner. The statements for this notice are set out in the Tax Code Section 26.04. The statements include: (1) directing a property owner to the website to access information related to actions taken or proposed by each taxing unit, to be in bold, capital letters in larger type than other statements; (2) providing a statement that an owner may request from the county tax assessor-collector (or from the person who assesses and collects taxes for the county) contact information for the tax assessor for each unit; and (3) the name, address and telephone number of the county tax assessor-collector (or person who assesses county taxes). The Comptroller adopts rules for the notice form, with the advice of the property tax administration advisory board. Notices for all types of taxing units are revised.

Smaller appraisal districts (under 200,000 population) and their taxing units will start some of SB 2 with 2020 tax rate adoption and some parts with the 2021 tax rate. Provisions delayed until the 2021 tax rate for CADs under 200,000 population are Section 26.04(e-2) is the chief appraiser's notice that the proposed rates are in the database; Section 26.05 (d-1) and (d-2) are the taxing unit prohibition on not holding a hearing or adopting a tax rate until the chief appraiser sends the notice; Section 26.17 is the new database developed by the chief appraiser; and Section 26.18 is the taxing unit posting information to its website. This one-year delay for smaller CADs gives time to implement these provisions.

Truth-in-Taxation Requirements – Rate Adoption and Timeline

Other than a school district, a taxing unit's governing body cannot adopt the tax rate until the chief appraiser delivers a new required notice to property owners; the designated officer or employee has entered the tax rate calculation information and forms into the property tax database required by new Section 26.17; and the taxing unit has posted on its website the required information in new Section 26.18.

If the taxing unit imposes an additional sales and use tax, the unit may not adopt the tax rate until the chief financial officer or auditor submits a written certification on the amount of the additional sales and use tax that will be used to pay debt has been deducted. The Comptroller prescribes the certification form.

All types of taxing units, other than school districts, use the same hearing notice process. The taxing unit's governing body holds one public hearing, not two hearings. The second hearing required by current law is deleted. The county and city notice in the Local Government Code Section 140.010 is repealed.

The hearing notice is published in a newspaper (or may be mailed to each property owner) at least five days before the hearing and posted prominently on the home page of the taxing unit's website. The hearing date is on a weekday and not a public holiday.

The language of the hearing notice varies, depending on the proposed tax rate; there are four versions. The

notice for a proposed tax rate that exceeds both the no-new revenue tax rate and the voter-approval tax rate contains different language. It shows how the elected officials voted on the tax increase or were absent. The notice includes language about holding an election to accept or reject the proposed tax rate. It adds that the 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

If the proposed rate exceeds the no-new-revenue tax rate but not the voter-approval tax rate, the notice includes the statement that the election is not required. If the proposed rate exceeds the voter-approval tax rate but not the no-new-revenue rate, then slightly different language is on the notice. The notice includes the statement that the election is required.

A new Section 26.061 adds the notice for a proposed tax rate that does not exceed either the no-new-revenue rate or the voter-approval tax rate. This notice sets the notice of meeting to adopt the proposed tax rate.

For these different versions of the hearing notice, new Section 26.062 requires at the end of the notice a statement comparing the taxes imposed on the average residence homestead for the current and preceding year, along with a specific table of five rows and four columns with required headings and information.

A taxing unit with a rate of 50 cent or less raising \$500,000 or less may continue to use a simpler process, but must now provide public notice of its proposed tax rate by posting notice on the home page of its website.

The governing body may vote on the proposed tax rate at the public hearing. If the governing body does not vote on the rate at the hearing, the governing body announces at the hearing the date, time and place of the meeting at which they will vote. The meeting to adopt the tax rate may not be later than seven days after the date of the public hearing. Previous law was between three to 14 days.

New Section 26.063 provides for alternate provisions for the tax rate notice when the de minimis rate exceeds the voter-approval tax rate. This provision applies to a taxing unit that is *not* a special taxing unit (M&O tax rate is 2.5 cents or less; a junior college district; a hospital district) and is not a city with a population of less than 30,000.

If the taxing unit is required to hold an election, the unit adds the de minimis rate to the notice and changes the language defining the voter-approval tax rate to defining the de minimis rate. The taxing units voters may petition to hold an election under new Section 26.075.

The taxing unit's governing body must adopt the tax rate before the later of September 30 or 60 days after the date the certified appraisal roll is received by the taxing unit with an exception. A taxing unit must adopt a tax rate that exceeds the voter-approval tax rate not later 71 days before the next uniform election date that occurs in November.

For a fiscal year that begins in 2020, a taxing unit may not adopt a budget or take any other action that has the effect of decreasing the total compensation to which a first responder employed by the unit was entitled in the preceding fiscal year first. SB 2 is not to be the excuse for cuts in public safety.

Truth-in-Taxation Requirements – Election and Injunction Action

SB 2 requires that voter-approval tax rate ratification elections under Section 26.07 be held on the November election date. Section 26.07 changes to an automatic election for a taxing unit, other than a school district, that adopts a tax rate that exceeds the voter-approval tax rate.

An automatic election also is required if the governing body of a special taxing unit or a city with a population of 30,000 or greater adopts a rate that exceeds the voter-approval rate, or the governing body of a taxing unit other than a special taxing unit or a city with less than 30,000 population adopts a tax rate that exceeds the greater of the voter-approval rate or de minimis rate.

An election is not required in case of a disaster area declared by the Governor or President for the year

following the year in which the disaster occurs, when increased expenditures are required by the taxing unit to respond to the disaster. Disaster also includes wildfires.

The taxing unit's governing body must adopt a tax rate that exceeds the voter-approval tax rate not later than 71 days before the next uniform election date prescribed by Section 41.001, Election Code, that occurs in November of that year. Calling of the election, therefore, may not be issued later sometime in mid-August, depending on that year's calendar. The ballot must include the adopted tax rate, the difference between that rate and the voter-approval tax rate and the preceding year's tax rate.

If voters do not approve the higher rate and tax bills have been mailed, then the assessor sends corrected tax bills with an explanation. The taxing unit refunds automatically the difference to those who have paid their taxes with 60 days. After that time, interest at 1% per month is due on the refund. Refunds of less than \$1 require an application within 90 days. The delinquency date is not extended under Section 26.07 automatic election held in November.

New Section 26.075 adds for a petition process by voters to reduce the adopted tax rate of a taxing unit. This petition process, however, does not apply to a school district, special taxing unit (M&O tax rate is 2.5 cents or less; a junior college district; a hospital district) or to a city with a population of 30,000 or more. Subject to the petition process, this taxing unit has a de minimis rate that exceeds the taxing unit's voter-approval tax rate. The taxing unit's governing body adopted a tax rate that is equal to or lower than the de minimis rate and greater than the greater of the taxing unit's voter-approval rate calculated as if the taxing unit were a special taxing unit or the voter-approval tax rate. Qualified voters by petition may require an election to determine whether to reduce the adopted tax rate to the voter-approval rate. At least 3% of the registered voters according to the most recent voter list must sign the petition and submit the petition no later than 90 days after tax rate adoption. The governing body has 20 days to determine a valid petition. If a valid petition, the election is called on the next uniform election date that allows for complying with election laws. If voters vote to reduce the tax rate, then the same procedures apply to tax bill

mailing, refunds, etc. In section 26.075, the delinquency date is extended by the number of days between the two mailings. Taxes that become delinquent after June 1 fall under the Section 33.08 notice for the attorney fees to collect the taxes. This new section also does not apply to a taxing unit if a provision of an uncodified local or special law enacted by the 86th Legislature or by an earlier legislature provides that Section 26.07 does not apply to that taxing unit.

Current Section 26.08 addressing school ratification election process does not change. The only addition was adding wildfire as a type of disaster that the school district is not required to hold an election in the tax year following the year of the disaster called by the Governor or President. This section was not changed to extend this period to more years as proposed.

A property owner may seek an injunction to stop the tax rate adoption if the assessor, the designated officer or employee, the chief appraiser or the taxing unit fails to follow the process of computation, publication or posting. A defense for an injunction was that the failure to comply was in good faith.

A property owner may seek an injunction to stop the collection of taxes if the taxing unit has not complied with Section 26.04. The injunction must be filed no later than 15 days after the taxing unit adopts the tax rate. A property owner is not required to pay the taxes while the action is pending. If the owner pays and prevails, the owner is entitled to an automatic refund, together with reasonable attorney's fees and court costs.

Taxing Unit Website

Section 26.16 now requires that each county shall maintain a website. The county tax assessor-collector shall post specific tax rates for five years for each taxing unit in the county. With these newly named rates, the county tax assessor-collector shall post the tax rate calculation forms certified by the designated officer or employee of each taxing unit for the most recent five tax years, beginning with the 2020 tax rate. The county tax assessor-collector also posts the name and contact information for each member of the taxing unit's governing body. By August 7 or

thereafter, the county tax assessor-collector shall post the website calculation forms for the current tax year.

SB 2 has a special provision requiring the taxing units to submit to the county tax assessor-collector the tax rate worksheets for tax years 2015-2019 for the county tax assessor-collector to post to the county's website. This special provision requires this to happen within 30 days after the special provision is effective, which is August 26, 2019, the 91st day after the last day of the legislative session. September 25, 2019 is the date for the county tax assessor-collector to have these worksheets posted to the county's website.

New Section 26.18 requires that each taxing unit shall maintain a website or have access to a generally accessible website used for posting tax rate and budget information. Each taxing unit shall post the name of each member of its governing body; mailing address, email address and phone number of the taxing unit; official contract information for each member of the governing body; the taxing unit's budget for the preceding two years; the taxing unit's proposed or adopted budget for the current year; the change in the budget by dollar amount and percentage; except for a school district, the M&O property tax budgeted for the preceding two years and current year; except for a school district, the debt property tax budgeted for the preceding two years and current year; the M&O tax rate for the preceding two years; except for a school district, the debt tax rate for the preceding two years; for a school district, the I&S tax rate adopted for the preceding two years; the M&O tax rate proposed for the current year; the debt or I&S tax rate proposed for the current year; and the most recent financial audit of the taxing unit.

A taxing unit shall include as an appendix to the taxing unit's budget the tax rate calculation forms used to calculate the no-new-revenue rate and the voter-approval tax rate for that fiscal year.

Health and Safety Code Section 281.107 includes the changes to the no-new-revenue rate and voter-approval rate. Special District Local Laws Code Sections 1101.254, 1122.2522, 3828.157 and 8876.152 also change for the new terms and provisions.

Water Code Districts

Water Code Section 49.057 requires that the board of a developed district shall include as an appendix to the district's budget the audited financial statements, bond transcripts and required engineer's reports. Tax Code Sections 26.04, 26.05, 26.061, 26.07 and new 27.075 do not apply to a tax levied and collected by a water district. The Notice of Public Hearing on Tax Rate changes and a new Notice of Vote on Tax Rate is added.

New Water Code Section 49.23601 adds an automatic election to approve the adopted tax rate for low tax rate districts (M&O rate of 2.5 cents or less) that exceed the voter-approval rate. The water district's voter approval rate is calculated with an M&O rate that would impose 1.08 times the preceding year's M&O taxes, plus the current year's debt rate and contract tax rate.

New Water Code Section 49.23602 adds an automatic election to approve the adopted tax rate for certain developed districts that exceed the voter-approval rate. A "developed district" is a district that has at least 95% of the project build out. The "mandatory tax election rate" is the rate equal to the tax rate that imposes 3.5% above the preceding tax year on the average appraised value of a residence homestead in the district and the unused increment rate. The voter-approval rate includes the current year's debt rate, current year's contract rate, the M&O tax rate that would impose 3.5% above the preceding year's M&O taxes on the average appraised value of a residence homestead and the unused increment rate. An automatic election is required to exceed the voter-approval rate. An election is not required to respond to a state or federal disaster in the district. After the disaster, the district board may continue to not call an election until the second tax year in which the total taxable value of property in the district exceeds the total taxable value on January 1 of the year of the disaster or the third year after the disaster.

New Water Code Section 49.23603 applies to a petition process by voters to reduce the water rate for certain districts that are not one of the two added above. These districts have an 8% increase on the M&O taxes imposed on the preceding tax year on the average appraised value residence homestead.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Appraisal District Administration

ELIGIBILITY FOR TDLR LICENSE REVISED FOR CRIMINAL CONVICTION

HB 1342 Leach; SB 1217 Alvarado

HB 1342 adds Occupations Code 51.357, 51.358, 53.003, 53.0231, 53.026 and amends 51.355, 51.4041, 53.021, 53.022, 53.023, 53.051, 53.104

SB 1217 adds Occupations Code 53.0231

These bills address eligibility for a Texas Department of Licensing and Regulation (TDLR) license and a person with a criminal conviction.

HB 1342 provides that a person has the opportunity for a license for gainful employment after conviction of an offense and discharge of the sentence. The TDLR's current provision of five years since committing offense is removed for an offense that did not directly relate to the duties of the licensed occupation. If the criminal conviction directly relates to the license occupation, TDLR may use factors to determine if the license is awarded. The person has 30 days to present relevant information to TDLR to have the opportunity to be examined for a license. HB 1342 also provides that a person whose license was revoked may apply for a new one before the first anniversary of revocation if the revocation was based solely on the person's failure to pay an administrative penalty and the person had paid the penalty in full or was paying under a payment plan in good standing.

SB 1217 adds that TDLR may not consider an arrest that did not result in a conviction or deferred adjudication in determining a person's fitness to perform the duties of the licensed occupation.

Proposed Effective: HB 1342 is effective 9/1/2019. SB 1217 is effective immediately on Governor's signature.

Status: HB 1342 sent to the Governor 5/26/19. SB 1217 sent to the Governor 5/25/19.

TDLR ADDRESSES CERTAIN COMPLAINTS
AND MAY CONTRACT FOR HELP WITH
REVIEW PROCESS

HB 2452 Goldman

Amends Occupations Code 51.252

HB 2452 provides that the Texas Department of Licensing and Regulation (TDLR) may accept, but is not required to investigate, a complaint that lacks sufficient information to identify the source or the name of the person who filed the complaint.

HB 2452 also adds that TDLR may contract with a qualified individual to assist with the complaint review process. The contracted individual is immune from liability and may not be subject to a suit for damages for any act arising from the performance of the individual's duties with TDLR.

Effective: 5/29/19, immediately on Governor's signature.

NEW LAW: HB 2452 signed by Governor 5/29/19.

HOME ADDRESS MAY BE CONFIDENTIAL
FOR VOLUNTEER OR PAID FIREFIGHTERS
AND EMS PERSONNEL

HB 2446 Swanson

Amends 25.025; adds Government Code 552.159 and amends 411.1235, 411.129, 419.909, 522.117, 552.1175

HB 2446 adds to the list of people that may request their home address be kept confidential in the county appraisal district's records to include a firefighter or volunteer firefighter or emergency medical services personnel, as defined by Health and Safety Code Section 773.003.

HB 2446 also adds to the Government Code that the work schedule or time sheet of these types of personnel are confidential and adds provisions dealing with access to criminal history record information for a person who seeks to conduct fire safety inspections and who may provide fire safety inspection training.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2446 sent to the Governor 5/29/19.

PERSONAL INFORMATION MAY BE OMITTED
FROM RECORDED PROPERTY RECORDS;
DEFINITION OF JUDGE REVISED FOR
CONFIDENTIAL HOME ADDRESS IN CAD
RECORDS

SB 73 Nelson

Amends 25.025; amends Property Code 11.008; amends Transportation Code 521.121

SB 73 adds to the types of items that may omit a person's social security number or Texas driver's license number to include any record recorded by a county clerk related to real property, including a mineral lease, mechanic's lien and release of a mechanic's lien. Current law states a deed or deed of trust.

SB 73 also revises Section 25.025 for the confidential home address information for a federal or state judge to remove the "as defined by Section 572.002, Government Code." The provision will apply to any federal or state judge and the judge's spouse. (This provision is also in SB 489.)

Effective: 9/1/2019.

NEW LAW: SB 73 signed by Governor 6/4/19.

DEFINITION CHANGED FOR FEDERAL OR
STATE JUDGE AND CONFIDENTIAL HOME
ADDRESS

SB 489 Zaffirini

Amends 25.025; adds Election Code 254.0313; amends Government Code 72.015; adds Local Government Code Chapter 159, Subchapter D, and amends 145.007; amends Property Code 11.008; amends Transportation Code 521.121

SB 489 removes the reference to the definition of a federal or state judge in Government Code Section 572.002 when applying the provision that a federal or state judge has the home address confidential in appraisal district records (also in SB 73).

SB 489 also adds Local Government Code Chapter 159D that the county clerk shall remove or redact the home address of the county attorney and spouse; state judge and spouse; or a candidate for the office of county attorney or state judge from any financial statement filed by the county attorney, state judge or candidate before the statement is made public. The county clerk removes or redacts on the written

request from the individual or on receipt of a notice from the Office of Court Administration of the county attorney's or state judge's qualifications for the office. On the written request of a municipal court judge or a candidate for municipal court judge, the city clerk or city secretary shall remove or redact the home address of the judge or candidate from a financial statement filed before the statement is made available to the public.

Effective: 9/1/2019.

NEW LAW: SB 489 signed by Governor 6/7/19.

STATEWIDE ELECTED OFFICIALS AND LEGISLATIVE MEMBERS MAY REQUEST HOME ADDRESS BE KEPT CONFIDENTIAL

SB 662 Campbell

Amends 25.025; amends Government Code 552.117, 552.1175

SB 662 adds to the list of people that may request their home address be kept confidential in the county appraisal district's records to include a state officer elected statewide or a member of the Texas Legislature. (This is also added in SB 1494.)

Proposed Effective: Immediately on Governor's signature.

Status: SB 662 sent to the Governor 5/25/19.

ADDITIONAL HOMEOWNERS MAY REQUEST HOME ADDRESS BE KEPT CONFIDENTIAL

SB 1494 Paxton

Amends 25.025; amends Government Code 552.117, 552.1175

SB 1494 adds to the list of people that may request their home address be kept confidential in the county appraisal district's records to include a current or former child protective services caseworker or investigator for the Department of Family and Protective Services, a current or former adult protective services caseworker or a current or former employee of a department contractor performing caseworker or investigator functions for the department.

SB 1494 also includes that a state officer elected statewide or a member of the Texas Legislature may request their home address be kept confidential in the county appraisal district's records (also as SB 662).

Proposed Effective: Immediately on Governor's signature.

Status: SB 1494 sent to the Governor 5/25/19.

COMPTROLLER MAY PERFORM LIMITED CAD REVIEW WHEN DECLARED DISASTER AREA

HB 3384 Shine

Amends 5.102

HB 3384 sets out that the Comptroller may conduct a limited-scope review of an appraisal district that is located in an area, wholly or partly, declared by the Governor to be a disaster area during a tax year in which the CAD is required to be reviewed. The MAP review is one that addresses the CAD's methods and procedures. The chief appraiser must request the limited-scope review, and the Comptroller determines that one of the following exists: the CAD building is destroyed or damaged for at least 30 days, the CAD's computer system is unusable for at least 30 days or the CAD does not have the resources due to extraordinary circumstances.

Effective: 6/7/19, immediately on Governor's signature.

NEW LAW: HB 3384 signed by Governor 6/7/19.

CAD BOARD OR ADMINISTRATIVE LAW JUDGE MAY REMOVE ARB MEMBER FOR REPEATED BIAS OR MISCONDUCT

HB 2179 Wray

Amends 6.41

HB 2179 provides that the appraisal district board of directors may remove an ARB member for evidence of repeated bias or misconduct. The bill removes the language of "clear and convincing" evidence. For larger appraisal districts in which the administrative law judge appoints the ARB members, a property owner, tax consultant or tax agent may communicate with the local administrative law judge about evidence of repeated bias or misconduct. See also *Appraisal Review Board*.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2179 sent to the Governor 5/26/19.

APPRAISAL NOTICE CONTAINS MORE INFORMATION

SB 2060 Menendez

Amends 25.19

SB 2060 adds that the chief appraiser shall include with the notice of appraised value a brief explanation about these available tax exemptions: disabled veteran, disabled veteran's surviving spouse or child, over-65 individual or surviving spouse, disabled individual or surviving spouse, surviving spouse of military member killed in action and surviving spouse of first responder killed in line of duty.

Proposed Effective: 1/1/2020.

Status: SB 2060 sent to the Governor 5/25/19.

CITY HAS ITS BOUNDARY MAP ACCESSIBLE TO PUBLIC AND ON CITY WEBSITE; HOME-RULE CITY PROVIDES NOTICE AND DIGITAL MAP AT NO CHARGE DURING ANNEXATION

SB 1303 Bettencourt

Adds Local Government Code 43.0635 and amends 41.001, 43.052, 43.0561, 43.063

SB 1303 requires a city to maintain a map with its boundaries and extraterritorial jurisdiction that is easily accessible to the public and on its website, if it has one. In addition to this requirement, a home-rule city shall create or contract for a digital map to be available without charge to the public and in a format widely used by common GIS software. A home-rule city shall give written notice to each property owner in an area to be annexed 90 days before the city adopts or amends its annexation plan. A property owner is the owner indicated in the appraisal district records, furnished by the appraisal district for each county in which the area to be annexed is located. The digital map shall be available no later than January 1, 2020.

Proposed Effective: 9/1/2019.

Status: SB 1303 sent to the Governor 5/25/19.

APPRAISAL DISTRICTS CREATE NEW DATABASE WITH PROPOSED TAX RATE INFORMATION, SEND NEW NOTICES AND OTHER TAX REFORM CHANGES

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091,

5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Property Tax Administration*.

Comptroller Advisory Board

The Comptroller appoints a minimum six-member Property Tax Administration Advisory Board to improve the effectiveness and efficiency of the property tax system, best practices and complaint resolution. The Advisory Board will consist of representatives of property owners, appraisal districts, tax assessors, school districts and a person who has knowledge or experience with ratio studies. Any advice to the Comptroller provided by a member of the Board must be provided at a meeting called by the Comptroller. Government Code Chapter 2110 does not apply to the Advisory Board. Advisory Board members serve at the pleasure of the Comptroller.

The provision in Government Code Section 403.302 for the Comptroller's Property Value Study Advisory Committee is repealed.

Comptroller Property Value Study and MAP

SB 2 adds to the Comptroller's Property Value Study (PVS) of school district's local value and the methods and procedures (MAP) review of appraisal districts. The MAP looks to see if the appraisal district complies with standards, procedures and methodology prescribed in any appraisal manual required by law to be prepared and issued by the

Comptroller. The Comptroller may also use these in conducting audits under Section 5.13.

If the Comptroller determines in the PVS final values that a school district's local values are not valid, the Comptroller shall send notice to the board of directors of that school's appraisal district. The CAD board shall hold a public hearing to discuss the notice. If the school district's values are invalid for three consecutive years, the Comptroller shall conduct an additional review of the CAD and provide recommendations. The Comptroller may contract with a third party to assist in the additional review. If the CAD fails to comply with the recommendations and the Comptroller finds that the CAD board of directors failed to take remedial action to ensure substantial compliance before the first anniversary of the recommendations, the Comptroller shall notify the Texas Department of Licensing and Regulation (TDLR). Before February 1 of the year following the year in which TDLR was notified, TDLR will notify the CAD directors if the recommendations are substantially implemented. If not, within three months of the determination, the CAD board must consider whether the failure to implement the recommendations was under the current chief appraiser's control and whether the chief appraiser is able to perform the duties adequately.

CAD Administration

SB 2 adds Sections 6.054 that an individual may not be employed by the appraisal district if the individual is an officer or employee of a taxing unit that participates in the appraisal district.

An appraisal district director may transmit to the chief appraiser, without comment, a written complaint by a property owner or taxing unit about a specific property appraisal. This will not be considered an ex-parte communication.

A property owner may request that the appraisal district deliver information for a protest hearing in an electronic format.

New Section 1.086 provides that a homeowner may request in writing that the appraisal district send by email a change in value, the eligibility of property for an exemption or the grant, denial, cancellation or

other change in homestead exemption status. The homeowner provides the email address, and the appraisal district is not required to mail that same notice. The homeowner's request stays in effect until revoked in writing by the homeowner. For an email notice, the chief appraiser must send an email to the address provided by the property owner confirming the owner's request to receive electronically. The chief appraiser posts a form for requesting email notices on the appraisal district's website.

New Section 6.16 requires the chief appraiser to maintain a list of individuals who have designated themselves as available to provide free assistance to a residential homestead owner, including the following: real estate broker, real estate sales agent, licensed or certified real estate appraisers or registered property tax consultant. The chief appraiser provides the list upon request from the homeowner. The list is organized by county; is to be posted on the appraisal district's website, if it maintains one; and provides the name, contact information and job title of each individual who will provide free assistance. To be designated a person to assist, the person completes a form prescribed by the chief appraiser.

The appraisal district shall appraise property in accordance with appraisal manuals required by law to be prepared and issued by the Texas Comptroller. In Section 23.01, appraisal methods and techniques included in the most recent versions of these are considered generally accepted appraisal methods and techniques: Appraisal of Real Estate published by the Appraisal Institute, Dictionary of Real Estate Appraisal published by the Appraisal Institute, Uniform Standards of Professional Appraisal Practice published by The Appraisal Foundation and a publication that includes information related to mass appraisal.

The Comptroller may consult with the Property Tax Administration Advisory Board in conducting the appraisal district review of standards, procedures and methodology, prescribed by appraisal manuals issued by the Comptroller.

SB 2 repeals the provision added to Section 42.23 in 2015 to provide that, when an appraisal district employee testifies to a real property value in an appeal

of an ARB order, the court may give preference to an employee who is a state-licensed real estate appraiser. That provision was to go in effect January 1, 2020. This change is effective 9/1/2019.

Section 25.19 notices of appraised value do not include estimated taxes. Until January 1, 2022, for counties with less than 120,000 population, the notice does include 25.19(b)(5). The old (b)(5) was the estimated taxes, based on the preceding year's tax rates. The revised (b)(5) is the statement that the Texas Legislature does not set the amount of your local taxes. There may be a question as to which requirement is for the small county provision. The intent may be the estimated taxes, since counties with a population of 200,000 are not required to have some of the changes required by SB 2 ready until the 2021 tax rate adoption process. The population county, however, is different between the two provisions.

In counties with special panels, the Section 25.19 notice includes the right to a protest hearing before a special panel.

SB 2 adds two new appraisal district notices:

(1) Section 25.192, *Notice of Residence Homestead Exemption Eligibility*, for a residential property that has not qualified for a residence homestead in the current tax year. This notice is similar to current language in Section 25.19(b-2), which is repealed. If the address for the property owner and the home are the same, the chief appraiser sends the owner a notice that states in bold, 18-point type specific wording about the residence not currently allowed a residence homestead exemption, includes the exemption application form to complete, provides filing information and indicates that no fee is required. This notice is separate from any other notice sent by the chief appraiser. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

(2) Section 25.193, *Notice of Certain Canceled or Reduced Exemptions*, for a residential property's exemption status. This notice addresses the cancellation or reduction of an exemption for the current year. This notice is sent regardless of information included with the Section 25.19 notice of appraised value and must be sent separately from any other notice sent to the owner. The notice is sent by April 1 if the property had qualified for an exemption

pursuant to Section 11.13 and by May 1 if the residential property had not qualified for an exemption pursuant to Section 11.13, but had some other exemption on the property. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

SB 2 amends the historic site exemption in Tax Code 11.24. A taxing unit may not reduce the amount of or repeal an historic site exemption for a qualified property unless the unit delivers to the owner written notice of its intent to reduce the amount or repeal the exemption at least five year before doing so. This change applies to the reduction or repeal on or after January 1, 2020.

Exemption, Rendition and Appraisal Deadlines

Regulated utilities may request and must be granted an extension from April 30 to May 15 to deliver rendition statements and property reports to the chief appraiser. The chief appraiser may further extend the deadline an additional 15 days upon good cause in writing by the owner.

The late application for freeport exemption is the later of June 15 or, if applicable, 60 days after the date on which the chief appraiser delivers notice to the owner under Section 22.22.

If by July 20 the ARB has not approved the appraisal records, the chief appraiser shall prepare and certify by July 25 to the assessor for each taxing unit an estimate of the taxable value for the taxing unit.

Truth-in-Taxation Requirements – Database and Websites

New Section 26.17 requires the chief appraiser to create and maintain a property tax database that identifies the county (not the CAD) and contains information from the officers or employees of the taxing unit in the CAD. The chief appraiser will continuously update the preliminary and revised data and make the searchable data by property address and owner available to the public. The database shall contain this statement: "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the growth of property taxes in this state."

For each property listed on the appraisal roll, the new database includes the property's ID number; market and taxable values; names of taxing units taxing the property; the no-new revenue tax rate and the voter-approval tax rate for each taxing unit; the school comparable rates for the school district; the proposed rate for each taxing unit; the taxes that would be imposed with the no-new-revenue rates (for the school, the comparable rate) and with the proposed tax rates, along with amount difference; the date, time and location for the public hearing on the proposed rate by a taxing unit; the date and location for adopting the tax rate by the taxing unit; the email address for the taxing unit to receive written comments about the proposed rate; and a link to each taxing unit's website. The website allows the property owner to electronically complete and submit to a taxing unit the owner's opinion on the taxing unit's proposed tax rate. The owner must provide the owner's name and contact information and the physical address of the owner's property in the taxing unit. The form is available at any time during the period between the proposed tax rate and the adopted tax rate. The taxing unit's designated officer uploads the tax rate calculation forms to the database. The chief appraiser makes the information available to the public within three days after being submitted/uploaded.

By August 7 or as soon thereafter as possible, the chief appraiser informs the property owners within the district that the estimated tax amounts imposed on the owner's property are on the property tax database maintained by the appraisal district. The chief appraiser delivers by regular mail or email to each property owner. The statements for this notice are set out in the Tax Code Section 26.04. The statements include: (1) directing a property owner to the website to access information related to actions taken or proposed by each taxing unit, to be in bold, capital letters in larger type than other statements; (2) providing a statement that an owner may request from the county tax assessor-collector (or from the person who assesses and collects taxes for the county) contact information for the tax assessor for each unit; and (3) the name, address and telephone number of the county tax assessor-collector (or person who assesses county taxes). The Comptroller adopts rules for the notice form, with the advice of the property tax

administration advisory board. Notices for all types of taxing units are revised.

Smaller appraisal districts (under 200,000 population) and their taxing units will start some of SB 2 with 2020 tax rate adoption and some parts with the 2021 tax rate. Provisions delayed until the 2021 tax rate for CADs under 200,000 population are Section 26.04(e-2) is the chief appraiser's notice that the proposed rates are in the database; Section 26.05 (d-1) and (d-2) are the taxing unit prohibition on not holding a hearing or adopting a tax rate until the chief appraiser sends the notice; Section 26.17 is the new database developed by the chief appraiser; and Section 26.18 is the taxing unit posting information to its website. This one-year delay for smaller CADs gives time to implement these provisions.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Appraisal and Renditions

DISABLED HOMEOWNER'S SURVIVING SPOUSE RETAINS SCHOOL TAX CEILING; PROPERTY VALUE DETERMINED BY PROTEST OR COURT APPEAL MAY NOT INCREASE IN FOLLOWING TAX YEAR UNLESS CLEAR AND CONVINCING EVIDENCE; NO FEE REQUIRED TO PROTEST TO ARB

HB 1313 King

Amends 11.26, 23.01, 41.41

HB 1313 provides that the surviving spouse of a disabled person receives the school tax limitation. Current law only addresses the surviving spouse of an over-65 homeowner. The change for the surviving spouse of a disabled homeowner who died before January 1, 2020 is calculated as if the surviving spouse was entitled to the limitation when the individual died. The surviving spouse is 55 years of age or older and the home was the surviving spouse's residence homestead and remains the residence homestead. The change applies only to the taxes imposed for a tax year that begins on or after the bill's effective date. (This amendment was the provisions of

HB 1062 and SB 2101, without the constitutional amendment.) See also *Exemptions*.

HB 1313 also provides that, for the next tax year, the chief appraiser may not increase the appraised value of a property that was determined by a protest or court appeal in the current year, unless the chief appraiser's increased value is reasonably supported by "clear and convincing" evidence when all the reliable and probative evidence in the record is considered as a whole. Current law requires "substantial" evidence.

HB 1313 also adds that an appraisal district or ARB may not require a property owner to pay a fee in connection with a protest by the owner to the ARB. (This was SB 597.) See also *Appraisal Review Board*. Proposed Effective: 1/1/2020.

Status: HB 1313 sent to the Governor 5/29/19.

DEADLINE CHANGED FOR APPLICATION REQUESTING ALLOCATION OF VALUE

HB 1815 Sanford

Amends 21.09

HB 1815 moves the deadline for an application requesting allocation of value from April 1 to May 1. Proposed Effective: 1/1/2020.

Status: HB 1815 sent to the Governor 5/24/19.

HOMESTEAD VALUE LIMITATION FOR REPLACEMENT STRUCTURE IN PLACE OF ONE RENDERED UNINHABITABLE REVISED FOR QUALIFIED DISASTER PROGRAM

SB 812 Lucio

Amends 23.23

SB 812 redefines "disaster recovery program" to mean a program administered by the General Land Office or by a political subdivision of this state that is funded with community development block grant disaster recovery money authorized by federal law. It removes the language to a specific federal program. This definition is used for the replacement structure for one that is rendered uninhabitable by a casualty or by wind or water damage. The change applies to the appraisal of a residence homestead for a tax year that begins on or after January 1, 2019.

Effective: 5/7/2019, immediately on Governor's signature.

NEW LAW: SB 812 signed by Governor 5/7/19.

APPRAISAL DISTRICTS FOLLOW COMPTROLLER MANUALS AND IMPLEMENT NEW DEADLINES

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Appraisal and Renditions*.

The appraisal district shall appraise property in accordance with appraisal manuals required by law to be prepared and issued by the Texas Comptroller. In Section 23.01, appraisal methods and techniques included in the most recent versions of these are considered generally accepted appraisal methods and techniques: Appraisal of Real Estate published by the Appraisal Institute, Dictionary of Real Estate Appraisal published by the Appraisal Institute, Uniform Standards of Professional Appraisal Practice published by The Appraisal Foundation and a publication that includes information related to mass appraisal.

The Comptroller may consult with the Property Tax Administration Advisory Board in conducting the appraisal district review of standards, procedures and methodology, prescribed by appraisal manuals issued by the Comptroller.

Section 25.19 notices of appraised value do not include estimated taxes. Until January 1, 2022, for counties with less than 120,000 population, the notice does include 25.19(b)(5). The old (b)(5) was the estimated taxes, based on the preceding year's tax rates. The revised (b)(5) is the statement that the Texas Legislature does not set the amount of your local taxes. There may be a question as to which requirement is for the small county provision. The intent may be the estimated taxes, since counties with a population of 200,000 are not required to have some of the changes required by SB 2 ready until the 2021 tax rate adoption process. The population county, however, is different between the two provisions.

Regulated utilities may request and must be granted an extension from April 30 to May 15 to deliver rendition statements and property reports to the chief appraiser. The chief appraiser may further extend the deadline an additional 15 days upon good cause in writing by the owner.

The late application for freeport exemption is the later of June 15 or, if applicable, 60 days after the date on which the chief appraiser delivers notice to the owner under Section 22.22.

If by July 20 the ARB has not approved the appraisal records, the chief appraiser shall prepare and certify by July 25 to the assessor for each taxing unit an estimate of the taxable value for the taxing unit. Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Exemptions

QUALIFIED PROPERTY DAMAGED BY A DISASTER RECEIVES TEMPORARY EXEMPTION

HB 492, HJR 34 Shine

Adds 11.35; amends 11.42, 11.43, 11.45, 26.012, 41.03, 41.41, 41.44; repeals 23.02; Government Coe 403.302; amends Tex. Const. Art. 8, Sec. 2

HB 492 and HJR 34 constitutional amendment add a temporary exemption for qualified property damaged by a disaster. A person who qualifies for the

exemption must apply no later than 105 days after the date the Governor declares the area to be a disaster area.

A person, however, is not entitled to the exemption if the Governor first declares territory in a taxing unit to be a disaster area on or after the date a taxing unit adopts a tax rate for that year, unless the taxing unit's governing body adopts the temporary exemption. The governing body specifies the disaster and must adopt no later than 60 days after the Governor declares a disaster area. The governing body has seven days to notify the chief appraiser, tax assessor-collector and Comptroller. The person applies for the exemption within 45 days of the governing body adopting the exemption, and the chief appraiser may extend the deadline for good cause.

Qualified property in the disaster area includes tangible personal property used to produce income and an improvement to real property or a manufactured home located in the disaster area and has at least 15% damage, as determined by the chief appraiser. The tangible personal property is part of a rendition statement or report required by Section 22.01 for taxable situs in the disaster area. The owner is entitled to a partial exemption, based on the percentage of damage.

On receipt of an application for the exemption, the chief appraiser shall determine the qualified property and assign a damage assessment rating of Level 1 through Level 4, based on the Federal Emergency Management Agency, the county emergency management authority or any other source the chief appraiser considers appropriate. Level 1 exemption is 15%, which is minimal damage of at least 15% to less than 30%. Level II exemption is 30%, which is damage of at least 30% to less than 60%, including nonstructural damage and a waterline of less than 18 inches above the floor. Level III exemption is 60%, which is damage of at least 60% but is not a total loss, including significant structural damage and a waterline of at least 18 inches above the floor. Level IV is a 100% exemption, which is a total loss, meaning repair is not feasible. If the property qualifies after the first of the tax year, the exemption is prorated, based on the number of days remaining after the Governor declared the disaster divided by 365 days. The tax assessor sends a tax bill with the

exemption or a corrected bill if tax bills have been mailed. If taxes have been paid, the tax collector sends a refund, but no interest is due on the amount refunded.

The exemption expires on the qualified property on January 1 of the first tax year in which the property is reappraised under Tax Code Section 25.18. The Section 26.02 provision for requesting a disaster reappraisal by a taxing unit is repealed.

The chief appraiser delivers a written notice to the owner about the approval, denial or modification for the exemption, stating the damage assessment rating assigned and including procedures for protesting the determination. A person may protest to the ARB, but a taxing unit may not challenge to the ARB the granting of this exemption. The person may appeal the to the ARB no later than 30 days after the owner receives the chief appraiser's notice.

This temporary exemption is not considered in calculating the "lost property levy" in the effective and rollback tax rates. The Comptroller adjusts a school district's taxable value finding to include this exemption.

Proposed Effective: 1/1/2020, if voters approve constitutional amendment November 5, 2019. The exemption applies to a tax year that begins on or after this effective date.

Status: HB 492 sent to the Governor 5/29/19. HJR 34 filed with Secretary of State for November 5 ballot.

RESIDENCE HOMESTEAD EXEMPTION MAY EXTEND UP TO FIVE YEARS FOR HOMESTEAD UNINHABITABLE IN AREA GOVERNOR DECLARED DISASTER

SB 443 Hancock

Amends 11.135

SB 443 provides that a homeowner may receive the homestead exemptions for no more than five years on a home rendered uninhabitable or unusable as a result of a disaster in an area the Governor has declared a disaster. The deadline for active construction is to be within five years of the disaster. For any other disaster, the homeowner receives the homestead exemptions for no more than two years on the uninhabitable home. Current law provides that the

homeowner receives the exemption for two years if active construction or preparation work started within one year of the disaster and the homeowner does not establish a different principal residence.

Effective: 6/4/2019, immediately on Governor's signature.

NEW LAW: SB 443 signed by Governor 6/4/19.

ELIGIBLE HOMEOWNER MAY RECEIVE BOTH OVER-65 AND DISABLED EXEMPTIONS BY DIFFERENT TAXING UNITS

HB 2441 Wray

Amends 11.13

HB 2441 adds that an eligible disabled person who is also 65 or older may receive both a disabled and an elderly residence homestead exemption in the same year if the person receives the exemptions with respect to taxes levied by different taxing units. This clarifies current law that a disabled person who is also 65 years old may not receive both types of exemptions from the same taxing unit in the same year, if that taxing unit adopted both.

Effective: 1/1/2020.

NEW LAW: HB 2441 signed by Governor 6/5/19.

DISABLED HOMEOWNER'S SURVIVING SPOUSE RETAINS SCHOOL TAX CEILING

HB 1313 King

Amends 11.26, 23.01, 41.41

HB 1313 provides that the surviving spouse of a disabled person receives the school tax limitation. Current law only addresses the surviving spouse of an over-65 homeowner. The change for the surviving spouse of a disabled homeowner who died before January 1, 2020 is calculated as if the surviving spouse was entitled to the limitation when the individual died. The surviving spouse is 55 years of age or older and the home was the surviving spouse's residence homestead and remains the residence homestead. The change applies only to the taxes imposed for a tax year that begins on or after the bill's effective date. (This amendment was the provisions of HB 1062 and SB 2101, without the constitutional amendment.) See also *Appraisal and Renditions* and *Appraisal Review Board*.

Proposed Effective: 1/1/2020.

Status: HB 1313 sent to the Governor 5/29/19.

COMPTROLLER PUBLISHES PAMPHLET TO ASSIST HEIR PROPERTY OWNERS IN APPLICATION PROCESS FOR HOMESTEAD EXEMPTIONS

SB 1943 Watson

Adds 5.061, 11.49 and amends 1.04, 11.13, 11.26, 11.261, 11.41, 11.43, 33.06, 33.065

SB 1943 requires the Comptroller to publish an electronic pamphlet to assist heir property owners in applying for homestead exemptions. Available no later than January 1, 2020, the Comptroller pamphlet includes a list of the residence homestead exemptions that may be available to an owner, the process for applying, necessary documents to submit with the application, a list of organizations able to provide free legal assistance from the State Bar of Texas and a general description of the process by which an owner records the owner's interest in heir property in the county deed records.

"Heir property" and "heir property owner" are new definitions to Tax Code Chapter 1. "Heir property" means real property owned by one or more individuals, at least one of whom claims the property as the individual's homestead and acquired by the owner or owners by will, transfer of death deed or intestacy, regardless of whether the interest are recorded in the county's real property records. The applicant for the homestead exemptions may be an heir property owner. An heir property owner who qualifies heir property as the owner's residence homestead is considered the sole owner of the property for the tax limitation provisions. With the exemption application, the heir property owner shall include an affidavit establishing ownership, a copy of the death certificate of the prior owner, a copy of the most recent utility bill for the property and a citation of any court record related to the applicant's ownership of the property, if available. The grant or denial of a homestead exemption does not affect the legal title of the property and does not operate to transfer property title. The heir property owner is also considered the sole owner for tax deferral provisions. SB 1943 addresses disputes between heirs or multiple people living in the home. The appraisal district, chief appraiser or ARB may not be made party to a proceeding to adjudicate property ownership.

Proposed Effective: 9/1/2019.

Status: SB 1943 sent to the Governor 5/25/19.

PUBLIC FACILITY CORPORATION RECEIVES TAX EXEMPT STATUS ON CERTAIN MULTIFAMILY RESIDENTIAL DEVELOPMENT

SB 1861 Menendez

Amends Local Government Code 303.021, 303.042

SB 1861 provides that the exemption for a leasehold in a public facility corporation's property applies to the corporation's multifamily residential development if it meets Local Government Code Section 303.042 requirements or accomplishes a sponsor's governmental purpose. The sponsor of the corporation is considered the user of the public facility.

Proposed Effective: Immediately on Governor's signature.

Status: SB 1861 sent to the Governor 5/25/19.

PRECIOUS METALS HELD IN COMMERCIAL DEPOSITORY EXEMPT

HB 2859, HJR 95 Capriglione

Adds 11.141 and amends 11.42, 11.43; adds Tex. Const. Art. 8, Sec. 1-p

HB 2859 and HJR 95 constitutional amendment add an exemption for precious metals that are held in a commercial depository of the state, regardless of whether the precious metal is held or used by the person for the production of income. A commercial depository is a depository that is primarily engaged in the business of providing precious metals storage to the general public and maintains sufficient insurance to cover precious metal deposited in the depository. No application for the exemption is required. The property receives the exemption immediately upon qualification. The exemption applies to the 2020 tax year and thereafter.

Effective: 1/1/2020, if voters approve constitutional amendment November 5, 2019.

ELECTION: HB 2859 signed by Governor 6/5/19. HJR 95 filed with Secretary of State for November 5 ballot.

NURSERY STOCK WEATHER PROTECTION
UNIT EXEMPT IMPLEMENT OF HUSBANDRY

HB 1526 Bell

Amends 11.161

HB 1526 adds that a nursery stock protection unit, as defined by Agriculture Code Section 71.041, is considered an implement of husbandry to be exempt from property taxes. These units are currently exempt since the Section 71.041 definition states that the unit is an implement of husbandry for Tex. Const. Article 8, Section 19a. This bill provides the language to connect Section 11.161 to the Agriculture Code.

Effective: 1/1/2020.

NEW LAW: HB 1526 signed by Governor 6/2/19.

LEASED MOTOR VEHICLES NOT USED TO
PRODUCE INCOME EXPANDED FOR OTHER
LESSEES

SB 58 Zaffirini

Amends 11.252

SB 58 expands the exemption for motor vehicles leased for personal use to motor vehicles leased for use "other than production of income." The current exemption is for leased motor vehicles that are used for 50% or more miles for non-income producing purposes. This exemption would include the following leased vehicles: leased to the state or to a political subdivision or leased to a non-profit 501(c)(3) organization that uses the vehicle exclusively for religious, educational or charitable purposes and would be an exempt vehicle if owned by the organization. The lessee is an individual. Comptroller revises the form filed by a motor vehicle lessee for these changes. The form that the vehicle owner is required to have available for the chief appraiser's inspection or copying may include an electronic image of the Comptroller completed form or a certified copy of the form.

Proposed Effective: 9/1/2019.

Status: SB 58 sent to the Governor 5/26/19.

LEASEHOLD IN TEXAMERICAS CENTER
GRANTED PROPERTY TAX EXEMPTION

SB 579 Hughes

Adds Special District Local Laws Code 3503.1541

SB 579 sets out that a leasehold or other possessory interest granted to a person by the authority or

nonprofit corporation holding title for property owned by the TexAmericas Center (in Bowie County) and held for a public purpose is exempt from taxation under Section 11.11. Section 25.07 does not apply as a taxable leasehold.

Effective: 1/1/2020.

NEW LAW: SB 579 signed by Governor 5/31/19.

APPRAISAL DISTRICT SENDS NEW NOTICES
ON EXEMPTION CHANGES, EXTENDS THE
FREEPORT EXEMPTION DEADLINE AND
REVISES THE HISTORIC EXEMPTION

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Exemptions*.

New Section 1.086 provides that a homeowner may request in writing that the appraisal district send by email a change in value, the eligibility of property for an exemption or the grant, denial, cancellation or other change in homestead exemption status. The homeowner provides the email address, and the appraisal district is not required to mail that same notice. The homeowner's request stays in effect until revoked in writing by the homeowner. For an email notice, the chief appraiser must send an email to the address provided by the property owner confirming the owner's request to receive electronically. The

chief appraiser posts a form for requesting email notices on the appraisal district's website.

SB 2 adds two new appraisal district notices:

(1) Section 25.192, *Notice of Residence Homestead Exemption Eligibility*, for a residential property that has not qualified for a residence homestead in the current tax year. This notice is similar to current language in Section 25.19(b-2), which is repealed. If the address for the property owner and the home are the same, the chief appraiser sends the owner a notice that states in bold, 18-point type specific wording about the residence not currently allowed a residence homestead exemption, includes the exemption application form to complete, provides filing information and indicates that no fee is required. This notice is separate from any other notice sent by the chief appraiser. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

(2) Section 25.193, *Notice of Certain Canceled or Reduced Exemptions*, for a residential property's exemption status. This notice addresses the cancellation or reduction of an exemption for the current year. This notice is sent regardless of information included with the Section 25.19 notice of appraised value and must be sent separately from any other notice sent to the owner. The notice is sent by April 1 if the property had qualified for an exemption pursuant to Section 11.13 and by May 1 if the residential property had not qualified for an exemption pursuant to Section 11.13, but had some other exemption on the property. If the owner has requested email notices, the notice must be sent separately from any other notices sent to the owner by the chief appraiser.

SB 2 amends the historic site exemption in Tax Code 11.24. A taxing unit may not reduce the amount of or repeal an historic site exemption for a qualified property unless the unit delivers to the owner written notice of its intent to reduce the amount or repeal the exemption at least five year before doing so. This change applies to the reduction or repeal on or after January 1, 2020.

The late application for freeport exemption is the later of June 15 or, if applicable, 60 days after the date on which the chief appraiser delivers notice to the owner under Section 22.22.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Special Valuation

INTEREST RATE AND NUMBER OF YEARS REDUCED FOR SPECIAL ROLLBACK TAX BILL

HB 1743 King

Amends 23.55, 23.76

HB 1743 reduces the number of years for a rollback tax bill for changing land to a non-agricultural use from five years to three years and lowers the interest rate imposed on a rollback tax bill from 7% to 5%.

HB 1743 also reduces the number of years for a rollback tax bill for changing timber land to a non-timber use from five years to three years and lowers the interest rate imposed on a rollback tax bill from 7% to 5%.

Proposed Effective: 9/1/2019.

Status: HB 1743 sent to the Governor 5/22/19.

TIMBERLAND APPRAISAL CONTINUES FOR OTHER USES OF QUALIFIED TIMBERLAND

HB 1409 Ashby

Adds 23.765, 23.9808 and amends 23.72, 23.9802

HB 1409 adds that timberland appraisal includes a portion of the land used as a road, right-of-way, buffer area or firebreak. That portion would qualify for timberland appraisal. Land that is leased for oil and gas operations with Railroad Commission authority does not lose its eligibility for timberland appraisal on the land on which oil and gas operations are not being conducted.

Effective: 9/1/2019

NEW LAW: HB 1409 signed by Governor 5/16/19.

LAND IN TEMPORARY TICK QUARANTINE CONTINUES TO RECEIVE OPEN-SPACE LAND VALUE

HB 3348 Guillen

Adds 23.426, 23.526

HB 3348 adds that qualified agricultural land and qualified open-space land continue to be eligible for

special agricultural appraisal during a temporary cessation of agricultural or open-space use due to a quarantine for ticks. The Texas Animal Health Commission establishes the temporary quarantine at any time during the tax year and the land is appraised primarily for raising livestock. The landowner must notify the chief appraiser in writing within 30 days that the land is designated as a tick eradication area and must notify the chief appraiser 30 days after the land is released from quarantine by the Commission. Effective: 5/21/2019, immediately on Governor's signature.

NEW LAW: HB 3348 signed by Governor 5/21/19.

LAND USED AS ECOLOGICAL LAB MUST MEET FIVE-YEAR REQUIREMENT

HB 639 Springer

Amends 23.51

HB 639 adds that land used as an ecological laboratory by a public or private university must be used principally in that manner by the college or university for five of the preceding seven years. The effective date applies for tax year 2021 and thereafter, with exceptions. If the land qualified for use as an ecological laboratory in the 2014 to 2020 tax years, then the change in law applies to a tax year that begins on January 1, 2027. For the 2021 to 2026 tax years, the qualification of land on its use as ecological laboratory is governed by the law that existed before January 1, 2021.

Effective: 1/1/2021.

NEW LAW: HB 639 signed by Governor 6/2/19.

LAND SECURED WITH HOME EQUITY LOAN MAY RECEIVE AGRICULTURAL USE VALUATION

HB 1254 Murphy

Amends 23.42 and repeals 23.42(a-1)

HB 1254 repeals the provision that a landowner who secures land with a home equity loan may not designate the land for agricultural use appraisal. This Tax Code section addresses the "old ag-use" provision which requires that the owner's primary occupation and source of income is agriculture. The repeal matches the constitutional amendment passed after the last legislative session.

Effective: 1/1/2020.

NEW LAW: HB 1254 signed by Governor 5/7/19.

Appraisal Review Board (ARB)

NO FEE ALLOWED TO PROTEST TO ARB

HB 1313 King

Amends 11.26, 23.01, 41.41

HB 1313 adds that an appraisal district or ARB may not require a property owner to pay a fee in connection with a protest by the owner to the ARB. (This was SB 597.) See also *Appraisal and Renditions* and *Exemptions*.

Proposed Effective: 1/1/2020.

Status: HB 1313 sent to the Governor 5/29/19.

CAD BOARD OR ADMINISTRATIVE LAW JUDGE MAY REMOVE ARB MEMBER FOR REPEATED BIAS OR MISCONDUCT

HB 2179 Wray

Amends 6.41

HB 2179 provides that the appraisal district board of directors may remove an ARB member for evidence of repeated bias or misconduct. HB 2179 removes the language of "clear and convincing" evidence. For larger appraisal districts in which the administrative law judge appoints the ARB members, a property owner, tax consultant or tax agent may communicate with the local administrative law judge about evidence of repeated bias or misconduct. See also *Appraisal District Administration*.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2179 sent to the Governor 5/26/19.

ARB HEARING NOTICE DELIVERED BY CERTIFIED MAIL OR BY EMAIL ON REQUEST

HB 1060 Bell

Amends 1.085, 41.46

HB 1060 provides that a property owner need not enter into an electronic agreement to be entitled to electronic delivery of the ARB hearing notice. A property owner may request delivery of the ARB hearing notice by certified mail, and the ARB may require the owner to pay the postage cost. The ARB shall deliver the ARB hearing notice to the property owner who requests that it be delivered by email and supplies a valid email address.

Proposed Effective: 9/1/2019.

Status: HB 1060 sent to the Governor 5/24/19.

ARB MAY CORRECT APPRAISAL ROLL FOR UNEQUAL OR EXCESSIVE APPRAISAL

HB 2159 Meyer

Amends 25.25

HB 2159 adds that, on the motion of a property owner or the chief appraiser prior to the time that taxes become delinquent, the ARB may correct an error regarding the unequal appraisal or excessive market value of a property. If the ARB changes the value, the property owner must pay a 10% penalty on the corrected tax amount for filing late for the change.

Section 25.25 also includes that an error resulting in an incorrect value for an owner's residence homestead may be corrected by the ARB if the incorrect value exceeds more than one-fourth of the correct appraised value. The one-third provisions under current law would apply to properties that did not qualify as the owner's homestead under Section 11.13. This change applies to a motion to correct the appraisal roll on or after the bill's effective date. (This provision was also added to SB 449.)

Proposed Effective: Immediately on Governor's signature.

Status: HB 2159 sent to the Governor 5/29/19.

JOINT MOTION MAY REQUEST ARB ISSUE AN AGREED ORDER

SB 2531 Creighton

Amends 41.47

SB 2531 provides that the chief appraiser and property owner, or owner's agent, may file a joint motion requesting that the ARB issue an agreed order when the two parties have agreed to disposing of a protest. This process is referred to as top-line method of resolving disputes. The ARB chair shall issue the agreed order within five days after the joint motion is filed with the ARB. If the ARB chair is unable to do so in five days, the ARB shall issue the agreed order not later than 30 days after the joint motion is filed. The chief appraiser and property owner, or owner's agent, may provide in the joint motion that the agreed order is appealable in the same manner as any other ARB order.

Proposed Effective: 1/1/2020.

Status: SB 2531 sent to the Governor 5/25/19.

APPRAISAL REVIEW BOARD CHANGES IN ELIGIBILITY, SURVEYS, DECISIONS AND SPECIAL PANEL

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Appraisal Review Board*.

Appraisal Review Board Training

The Comptroller's new ARB member training is to be at least eight hours and the advanced ARB training is four hours of classroom training and education.

The ARB training fee may not exceed \$50 for each person trained, including an individual other than an ARB member.

ARB Survey

The Comptroller shall prepare an ARB survey for individuals to submit comments to the Comptroller regarding the ARB and instructions for submitting the survey. Individuals that may complete the survey include a property owner, owner's agent or a designated representative of the CAD in which a Chapter 41 protest or with a 25.25 motion was filed. The individual attends the hearing in person or by telephone conference call on the motion or protest. The survey allows the individual to submit comments

and suggestions. The CAD provides the survey and instructions to each property owner or agent at or before each hearing. The individual submits the survey to the Comptroller, with only one survey for each motion or protest. The CAD may not accept the survey from the owner or agent. The CAD may not require the survey to be completed at the CAD office.

The Comptroller may receive the survey in person, by mail, by email or through a web page on the Comptroller's website. The Comptroller form must indicate the uniform resource locator (URL) address of the Comptroller-required web page. The CAD also includes the survey form with each ARB order. If a CAD provides the survey form to a property owner or agent at one hearing that day, the CAD is not required to provide another copy of the form to the owner or agent at another hearing on the same day. The survey must be submitted within 45 days after the survey is mailed with the determination order.

The Comptroller issues an annual report summarizing the surveys during the preceding year, but not disclosing the individual's identity. The Comptroller may adopt rules as necessary to implement the survey.

ARB Members Eligibility, Officers and Panels

The appraisal district board of directors determine if more than three ARB members are needed. In a county with one million population or more, the directors shall increase the size of the ARB to manage the ARB duties, including special panels. For special panels, the local administrative law judge shall select qualified people to permit the ARB chair to fill the special panel positions.

Along with the current items prohibiting service on the ARB, a person may not serve as an ARB member if related within the third degree by blood or second degree by marriage to a current member of the ARB.

In counties (population of 120,000 or more) where the administrative law judge appoints the ARB, a person is not eligible to serve if the person has served for all or part of three previous terms as an ARB member or auxiliary ARB member. The population limit of more than 100,000 is removed.

The local administrative judge in the county in which the CAD is established selects the ARB chair and secretary, rather than the appraisal district's board of directors.

New Section 6.425 adds special ARB panels, in counties with one million population or more, to conduct protest hearings on commercial real and personal property, utility real and personal property, industrial and manufacturing real and personal property or multifamily residential real property. The minimum appraised value of the property for a special panel is \$50 million for tax year 2020, with this minimum value to be adjusted annually for inflation. By February 1, the Comptroller shall determine the minimum eligibility amount for the current tax year as adjusted to reflect the inflation rate and publish that amount in the Texas Register. The "inflation rate" uses the consumer price index for the preceding calendar year compared to the year preceding that year. The "consumer price index" means the index for all urban consumers (CPI-U), U.S. City Average, published by the Bureau of Labor Statistics, U.S. Department of Labor.

These three-member panels have ARB members that possess a specific education or background, including one of the following: law degree; MBA degree; licensed CPA; accredited senior appraiser by American Society of Appraisers; MAI appraiser; Certified Assessment Evaluator designation from IAAO; at least 10 years of property tax appraisal or consulting experience; or licensed real estate broker or sales agent. The ARB chair may appoint a person who does not meet the qualifications if the administrative law judge does not appoint sufficient number of people to fill the positions and the person holds a bachelor's degree. An auxiliary ARB member may not hear taxpayer protests before a special panel unless that ARB member is eligible to be appointed to the special panel.

Special panels may conduct other hearings as assigned by the ARB chair.

The concurrence of a majority of the ARB or an ARB panel present at a meeting of the ARB or panel is sufficient for a recommendation, determination, decision or other action. A concurrence by more than

a majority of the all the ARB members or all members of a panel may not be required.

ARB Notices and Requested Information

The protest form must permit a property owner to request a special panel to hear the protest if the property meets the new Section 6.425 requirements.

The ARB hearing notice must include the subject matter of the hearing, along with the date, time and place. The notice is required to be delivered 15 days before the first scheduled hearing, rather than a postponed hearing date. The notice must include a description of the subject matter of the hearing sufficient to identify the action being protested, such as determination of appraised value, denial of exemption, determination of qualification for special appraisal. The hearing notice contains a statement that the owner is entitled to a postponement of the hearing.

The chief appraiser may not charge a property owner or owner's agent for copies of the data, schedules, formulas and other information to be introduced at the protest hearing, regardless of the way the copies are prepared or delivered. The bill removes the \$15 and \$25 maximum charges for copies of this information. The chief appraiser may deliver the information requested by regular first class-mail or electronically as provided by the agreement with the property owner or owner's agent, or by referring the property owner or agent to the CAD's website on which the requested information is readily available. The hearing notice must contain a statement in a conspicuous font that clearly indicates the owner or agent may on request receive the information by first-class mail.

ARB Hearings

SB 2 provides that a taxing unit may not challenge the level of appraisal of any category of property or in any territory in the district. That option is deleted from the items a taxing unit may challenge to the ARB.

The ARB shall postpone a hearing if the property owner's agent requests additional time. A hearing filed by a property owner's agent shall be set for a certain time and date. Current law only allows the

property owner to request a postponement or have a certain time and date.

The ARB may schedule the hearings on all protests filed by a property owner or the owner's agent to be held consecutively. The hearing notice must state the date and time of the first hearing and the date of the last hearing and list the order in which the hearings are held. The order may not change without the agreement of the owner or owner's agent, the chief appraiser and the ARB. A rescheduled hearing may not be set to a date earlier than seven days after the date the last hearing was scheduled unless the parties agree.

The ARB must give priority in its schedule of protest hearings to a property owner over the age of 65, a disabled property owner or an owner who is military service member, military veteran or military spouse before scheduling a hearing filed by an agent of a property owner.

Special panels (for properties with \$50 million or more in appraised value and classified as commercial real and personal property, utility real and personal property, industrial and manufacturing real and personal property or multifamily residential real property) may hear other types of protest hearings. The ARB chair may assign a property not specifically listed to a special ARB panel, but only if the assignment to the special panel is requested or consented to by the property owner or owner's agent. The minimum value for 2020 is \$50 million. For each succeeding year, the minimum value is adjusted to reflect the inflation rate. The Comptroller shall determine the minimum eligibility amount for the current tax year each January 1 and publish that amount in the *Texas Register*.

Protests assigned to special panels are randomly assigned. If a protest is scheduled for a particular panel, the protest may not be reassigned to another special panel without the consent of the owner or owner's agent, except for a change of panel members because of conflict of interest, illness or inability to continue that day's hearing. At the end of the special panel hearing, the ARB provides the owner or owner's agent the affidavits signed by the ARB members.

Information that was previously requested by a protesting party and not delivered at least 14 days before the scheduled or postponed hearing date may not be used or offered in any form as evidence in the hearing, including as a document or through argument or testimony.

By rule, the ARB shall provide for hearings on a Saturday or after 5 p.m. on a weekday. The ARB may not schedule a protest hearing on a weekday evening to begin after 7 p.m. or schedule a hearing on a Sunday.

ARB Decisions

If the recommendation of an ARB's special panel is not accepted by the ARB, the ARB may refer the matter for rehearing to another special panel or, if not sufficient members, the entire ARB may determine the protest.

The ARB may not determine the appraised value of a property in a protest to be greater than the appraised value as shown in the appraisal records submitted by the chief appraiser, except as requested and agreed to by the property owner. This limitation, however, does not apply to ARB orders determining that an exemption or entitlement to open-space land appraisal are denied.

The ARB shall determine the protest and send the certified mail no later than 30 days after the hearing date on the protest is concluded, if the ARB is for a county with a population of less than four million. The ARB must send the determination no later than 45 days after the hearing, if the ARB is in a county with a population of four million or more.

SB 2 provides that the chief appraiser and property owner or owner's agent may file a joint motion with the ARB to an agreement, with the joint motion containing its terms. The ARB shall issue the agreed order within five days of filing the joint motion. The parties may provide that the agreed order is appealable.

The ARB includes a copy of the Comptroller's ARB survey form with the notice of determination.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Appraisal District Litigation

DISTRICT COURT GRANTED MORE AUTHORITY TO DETERMINE TAX APPEALS

HB 380 Geren

Adds 42.231 and amends 42.01

HB 380 adds that the property owner may appeal to district court a motion filed under Section 25.25 for a correction, for Section 41.411 no-notice appeal or for a refund under Section 23.1243, without being one that required the ARB's determination. The owner may appeal the ARB decision that the ARB lacked jurisdiction to determine a protest or a motion filed by an owner under Section 25.25 because the owner failed to comply with a requirement of Section 25.25 or Chapter 41C. If the court determines that the ARB did have jurisdiction, the court determines the final determination of the protest. If the property owner failed to exhaust the owner's administrative remedies, the court may remand the action to the ARB with instructions to allow the owner to cure the owner's failure, in lieu of dismissing the appeal.

Effective: 9/1/2019, applying to appeals filed on or after effective date.

NEW LAW: HB 380 signed by Governor 5/24/19.

SUPPLEMENTAL TAX BILL AFTER COURT APPEAL OF ARB DETERMINATION HAS ITS OWN DELINQUENCY DATE

HB 861 Anchia

Amends 42.42

HB 861 changes the application of penalties and interest after the court's final determination of an ARB appeal in which additional taxes are due by the property owner. If the additional taxes on a supplemental bill are not paid by the delinquency date for the additional taxes, the property owner is liable for penalties and interest on the supplemental bill. Current law uses the delinquency date of the original tax bill for the property's supplemental tax bill.

Effective: 9/1/2019.

NEW LAW: HB 861 signed by Governor 5/28/19.

DEADLINE TO REQUEST BINDING ARBITRATION EXTENDED TO 60 DAYS

HB 1802 Bohac

Amends 41A.03 and 41A.05

HB 1802 extends the deadline for a property owner to file with the appraisal district to appeal an ARB order to binding arbitration to be no later than 60 days after the date the owner receives the ARB order. Current law is 45 days. If there is a defect in a binding arbitration request to the Comptroller, the Comptroller delivers written notice to the applicant regarding the application defect and grants the applicant 15 days to cure the problem.

Effective: 5/17/19, on Governor's signature.

NEW LAW: HB 1802 signed by Governor 5/17/19.

BINDING ARBITRATION ADDRESSED FOR DEFINING CONTIGUOUS PROPERTIES

SB 1876 Fallon

Amends 41A.03

SB 1876 addresses contiguous properties owned by the property owner for binding arbitration by adding a definition. "Contiguous tracts" for binding arbitration means improved or unimproved tracts of land that are touching or share a common boundary, as determined in using appraisal district records or legal descriptions.

Proposed Effective: Immediately on Governor's signature.

Status: SB 1876 sent to the Governor 5/25/19.

ALTERNATIVE APPEAL PROCESS FOR ARB DETERMINATIONS SET OUT FOR ATASCOSA COUNTY

HB 994 Guillen

Adds Chapter 42, Subchapter B-1

HB 994 provides an alternative process of appealing an ARB determination applies to Atascosa County (population of less than 45,500, shares a border with a county that has a population of 1.5 million, is within 200 miles of an international border and has the Atascosa River flow through it). As an alternative to filing a lawsuit in district court, an Atascosa County property owner may appeal an ARB decision to a justice court. The appeal relates to excessive appraisal on the owner's residence homestead and the value determined by the ARB stated in the ARB order is

\$500,000 or less. This provision applies to the appeal of an order of an ARB without regard to whether the order was issued before the effective date of HB 994.

This alternative process provision expires September 1, 2025. When it expires, the Office of Court Administration (OCA) shall conduct a study of its effectiveness in increasing court efficiency and improving property owners' ability to exercise their appeal rights. By December 1, 2026, the OCA shall report its findings to the Legislature.

Proposed Effective: 9/1/2019.

Status: HB 994 sent to the Governor 5/29/19.

PROPERTY TAXES LIMITED TO 3.5% ANNUAL INCREASE FOR COUNTIES AND CITIES, UNLESS LOCAL VOTERS APPROVE HIGHER RATE; STATE LOWERS SCHOOL M&O TAXES, CAPPED WITH FUTURE 2.5% ANNUAL INCREASES

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Appraisal District Litigation*.

Arbitrator Training

New Section 5.043 requires the Comptroller to provide an arbitration manual and other materials in training arbitrators and make those materials freely

available online. The manual shall be updated regularly and revised by written request. Revised language must be approved by unanimous agreement of a Comptroller committee composed of taxpayers and chief appraisers. The person requesting the revision must pay costs of mediation, if that is necessary. The Comptroller shall supervise at least a four-hour training program for arbitrators on property tax law, with an emphasis on requirements of equal and uniform appraisal of property. The training program may be provided online, with the Comptroller by rule prescribing the verification procedures. The Comptroller may contract with service providers for the arbitrator training, but not with a CAD, chief appraiser, CAD employee, CAD director, ARB member or a taxing unit. The Comptroller fee may not exceed \$50 per person. A person may not serve as an arbitrator or be renewed until completing the Comptroller training. The training may be online, and the Comptroller rule shall prescribe the verification that the training program was taken online and completed.

To qualify as an arbitrator, the person must complete the Comptroller's arbitrator training and be issued a certificate and complete the Comptroller's arbitrator training on property tax law. To be renewed as an arbitrator, the person must complete a revised training program on property tax law no later than 120 days after the date the program is available if the Comptroller substantially revises the program after the person is included in the registry.

To be eligible for appointment as an arbitrator, the arbitrator must reside in Texas. The requirement that the arbitrator reside in the county in which the property is located is removed, but the property owner may request that the Comptroller appoint an arbitrator who resides in the county. The Comptroller shall comply with the request if there is an available arbitrator in the county. The owner may not request a specific arbitrator.

SB 2 reduces the current five years to two years for an individual who has served as a tax agent, CAD officer, CAD employee or ARB member before the individual may be appointed as an arbitrator for a property in the county for which the individual served in the preceding two years.

District Court Appeal or Arbitration

New Section 42.081 provides that a taxing unit may not file a lawsuit to collect a delinquent tax on a property pending a district court appeal, unless the owner failed to comply with the required partial payment during the appeal process, set forth in Section 42.08.

SB 2 addresses contiguous properties owned by the property owner for binding arbitration by adding a definition. "Contiguous tracts of land" for binding arbitration means improved or unimproved tracts of land that are touching or share a common boundary, as determined in using appraisal district records or legal descriptions. This provision is also SB 1876.

SB 2 repeals the provision added to Section 42.23 in 2015 to provide that, when an appraisal district employee testifies to a real property value in an appeal of an ARB order, the court may give preference to an employee who is a state-licensed real estate appraiser. That provision was to go in effect January 1, 2020. This change is effective 9/1/2019.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Assessment & Truth-in-Taxation

HOUSE SCHOOL FINANCE PLAN CHANGES SCHOOL ROLLBACK RATE AND RATE ADOPTION

HB 3 Huberty

Adds 26.151 and amends 21.01, 21.02, 25.25, 26.08, 311.013, 312.002, 312.210, 313.027; amends many Education Code sections and repeals others; amends Government Code sections

The Governor and Legislature agreed to "The Texas Plan" for school finance reform, property tax relief, recapture reduction and education reform. See *School Finance* section for the key components and more analysis. This section details the changes required for the school tax rate in *Truth-in-Taxation* provisions.

HB 3 lowers school M&O tax rates and includes these specific property tax provisions:

1) Changes the name of the rollback rate to be the voter-approval rate and the effective rate to be the no-new-revenue rate, effective January 1, 2020.

2) Changes how the school district's voter-approval rate is calculated, beginning with the 2019 tax rate. A school district is required to calculate the district's voter-approval tax rate as set out in HB 3, regardless of whether the district has already calculated that rate or adopted a tax rate for the 2019 tax year before September 1, 2019.

2019 rollback tax rate is the sum of the following:

- (A) rate per \$100 of taxable value equal to the product of the state compression percentage, as determined under Education Code Section 48.255 for the 2019 tax year and \$1.00 = \$0.93; plus
- (B) greater of:
 - (i) district's M&O rate for 2018 tax year, less sum of:
 - (a) \$1.00; and
 - (b) any amount by which the district is required to reduce the district's enrichment tax rate (copper penny compression) under Education Code Section 48.202(f), in the 2019 tax year; or
 - (ii) rate of \$0.04 per \$100 of taxable value; and
- (C) district's current debt rate.

2020 and subsequent tax years, the voter-approval rate is the sum of the following:

- (A) rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Education Code Section 48.255 for the current year and \$1.00 (this is the lesser of the state's compression percentage \$0.9165 or the variable district compressed rate, explained in #12 below);
- (B) greater of:
 - (i) district's enrichment tax rate for preceding tax year, less any amount by which the district is required to reduce the district's enrichment tax rate under Education Code Section 48.202(f) in the current tax year; or
 - (ii) rate of \$0.05 per \$100 of taxable value; and
- (C) district's current debt rate.

For the 2020 tax year, a school district shall substitute "\$0.04" for "\$0.05" if the school board does not adopt by unanimous vote for that tax year a M&O tax rate at least equal to the sum of the rate described and the rate of \$0.05 per \$100 of taxable value.

3) Restricts that the school board may not increase the M&O tax rate to create an M&O surplus for the purpose of paying the district's debt service. A property owner in the school district is entitled to an injunction restraining the collection of taxes if the district adopts a M&O tax rate in violation of this. The injunction action must be filed before the date the school tax bills are substantially delivered.

4) States that the district's M&O tax rate that exceeds the voter-approval tax rate, excluding the current debt rate, for the preceding year is not considered in determining the district's Tier 1 M&O tax rate or the enrichment tax rate for the current tax year. The voter-approval tax rate adopted applies only for the year for which the rate is adopted.

5) Revises the *Notice of Public Meeting to Discuss Budget and Proposed Tax Rate* for references to Chapter 48, for name change to the voter-approval rate and for including a statement that the school district may not increase the M&O tax rate to create a M&O surplus to pay the district's debt service.

6) Requires an efficiency audit of the fiscal management, efficiency and utilization of resources before the school district conducts a tax ratification election (TRE). Effective January 1, 2020, a school district chooses an independent auditor to conduct the efficiency audit, following the Legislative Budget Board's guidelines. The auditor must complete the audit within three months of being selected. The school board holds an open meeting to discuss the audit findings and post the audit results on the district's website at least 30 days before the TRE. An efficiency audit is not required for a TRE for two years following a disaster declared by the Governor.

7) Requires that a TRE be held on the next uniform election date that occurs, which would be November, and changes the TRE ballot language in Section 26.08. The ballot language reads: "Ratifying the ad valorem tax rate of ___ (insert adopted tax rate) in (name of school district) for the current year, a rate

that will result in an increase of ____ (insert percentage increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional \$ ____ (insert dollar amount of increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year).”

8) Restricts a school district with a 2019 M&O rate that is equal to or exceeds \$0.97 from holding a 2019 tax ratification election (TRE), unless the school district in its strategic plan adopted before January 1, 2019 in a school board public meeting proposed a tax rate calling for a 2019 TRE. The M&O tax rate is the rate proposed in the plan minus the amount by which the district is required to compress the enrichment rate.

The other exception is for a school district that is responding to a disaster and falls under new Section 26.08(a-1). When increased expenditure by a school district is necessary to respond to the declared disaster, a ratification election is not required to approve the adopted tax rate for the year following the year in which the disaster occurs. The adopted tax rate applies only in the year adopted. If a district adopts a tax rate following a declared disaster, the amount by which that rate exceeds the district’s voter-approval tax rate for that tax year may not be considered when calculating the district’s voter-approval tax rate for the tax year following the year in which the district adopts the rate.

9) Provides that, for the 2019 tax year, a school district that took action to comply with publication requirements under Education Code Section 44.004 before HB 3’s effective date may amend the district’s previously published notice to comply with changes made to the district’s permissible and proposed tax rates by posting those changes on the district’s Internet website. A school district that complied with the law in effect at the time of the district’s original publication may hold the district’s scheduled public hearing as originally published.

10) Maintains the \$0.17 cap for M&O rates to allow for more M&O capacity. For an election to increase the M&O cap, the ballot language includes the statement, “THIS IS A PROPERTY TAX INCREASE.”

11) Uses current property values in the state funding formulas, rather than the preceding values certified from the Comptroller. More information will be coming from the Comptroller’s office.

12) Evaluates the differences between all school districts’ maximum compressed rates to determine that not more than 10% variance between any two districts. If a school district has a maximum compressed rate that is less than 90% of another district’s maximum rate, the maximum compressed rate is calculated until the Education Agency determines that the difference between the rates is not more than 10%. For the 2020-2021 school year (the 2020 tax rate), a school district must receive approval from the Education Agency before adopting a M&O tax rate. The district submits a statement detailing loss of funds from a decline in maximum basic allotment, the proposed tax effort and the amount of funding it will generate, evidence that the proposed additional tax effort had been previously authorized by voters before the 2005 tax year and any other information required by the Commissioner. The Agency’s approval expires at the end of each tax year. The Commissioner shall reduce state aid or adjust the limit on local revenue that is not in compliance with this new provision.

Effective September 1, 2020, if taxable values grow greater than 2.5%, the funding formula restricts the Tier 1 tax levy to no more than 2.5% than the prior year. To calculate each school district’s Tier 1 tax rate, the Texas Education Agency also must work receiving local current year appraisal data to calculate these rates and then report to school districts. School districts then start the tax rate adoption process.

12) Addresses Chapter 313 agreements and the exclusion of the property value under an agreement. The Comptroller provides information to the Education Commissioner. A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district’s taxable value of property for the preceding

tax year. This, however, does not apply to agreement made after May 1, 2009 that the Comptroller recommended should be disapproved. This changes removes the Chapter 313 from the Comptroller's Property Value Study and has it reported as a separate adjustment.

13) Reimburses school districts for interest that districts must pay when issuing a tax refund under Section 42.43 in the state fiscal year ending August 31, 2018, or August 31, 2019. This provision expires September 1, 2021. This issue stems from the gas compressor litigation that required school districts to refund taxes, with interest. While the taxes are considered in the school formula, current law did not address interest on those refunds.

14) Allows that a Chapter 41 school district may pay its recapture obligation in a single lump-sum payment every August.

15) Adds Tax Code 26.151 for the escrow account for property taxes, when the homeowner has a home loan under Finance Code Section 343.001. This provision expires September 1, 2023.

Proposed Effective: 9/1/2019 for the 2019-2020 school year, with some sections set with other dates. The change to Section 26.08 begins with the 2019 tax year.

Status: HB 3 sent to the Governor 5/29/19.

STEPS IN TRUTH-IN-TAXATION FOR ADDITIONAL SALES TAX DO NOT APPLY TO CERTAIN HOSPITAL DISTRICTS

SB 1621, SB-1804 Kolkhorst

Amends 26.012; adds Special District Local Laws Code Chapter 1061G

SB 1621 also adds Health & Safety Code Chapter 241K, Government Code Chapter 531G and amends 1061.151

~~SB 1804 also amends Code of Criminal Procedure 17.49; adds Government Code Chapter 772.0077 and amends 1061.151~~

These bills amend Section 26.012 with the same language. They address districts that levy an additional sales tax under Subchapter G, Chapter 1061, Special District Local Laws Code. These districts do not adjust the property tax rate for the

additional sales tax in the Truth-in-Taxation calculations.

SB 1621 addresses rural hospitals, including the requirement of a strategic plan and report. SB 1621 also amends Section 1061.151 that the proposed budget provide the estimated property tax rate (to distinguish from the sales tax rate).

~~SB 1804 addresses grant program for monitoring defendants and victims in family violence cases. SB 1804 also amends Section 1061.151 that the proposed budget provide the estimated property tax rate.~~

Proposed Effective: 9/1/2019.

Status: SB 1621 sent to the Governor 5/25/19.

VETO: SB 1804 vetoed by Governor 6/5/19. The Governor disagreed with an amendment to SB 1804 on a radioactive waste disposal facility.

CERTAIN TAXING UNITS REQUIRED TO POST SPECIFIC INFORMATION ON THEIR WEBSITE

HB 305 Paul

Adds Government Code Chapter 2051, Subchapter E

HB 305 requires a political subdivision, which has the authority to impose a tax and maintains a public access website on or after January 1, 2019, to post certain information on its website, including contact information, elected officers, candidates for elected office, requirements and deadline for filing for candidacy, date and location of next election for officers, meeting notices and meeting minutes. The posting of the meeting notices and minutes do not apply to a county with a population of less than 10,000; to a city with a population of less than 5,000 in a county with a population of less than 25,000; or to a school district with a population of less than 5,000 in the district's boundaries and located in a county with a population of less than 25,000.

Proposed Effective: 9/1/2019.

Status: HB 305 sent to the Governor 5/29/19.

LIMIT SET ON GENERAL OBLIGATION BONDS ISSUED BY A TAXING UNIT

HB 440 Murphy

Adds Education Code 45.1105, adds Government Code Chapter 1253 and repeals Chapter 1332; amends Election Code 4.003, 85.062

HB 440 provides, notwithstanding any other provision of law, a political subdivision may not issue general obligation bonds to purchase, improve or construct one or more improvements to real property, to purchase one or more items of personal property or to do both, if the weighted average maturity of the bonds exceeds 120% of the reasonably expected weighted average economic life of the improvements and personal property financed with the bonds. The political subdivision may use unspent bond proceeds for the specific purposes for which the bonds were authorized, to retire the bonds or for another purpose that a majority of voters approve if the original project is accomplished or abandoned. A school district may use the unspent proceeds of general obligation bonds only for (1) specific purposes for which the bonds were authorized; (2) to retire the bonds; or (3) for a purpose other than the specific purposes for which the bonds were authorized if the specific purposes are accomplished or abandoned. The school board at a public meeting held only for the purpose of considering the use of the unspent bond proceeds approves in separate votes the use of the proceeds for a purpose other than to retire the bonds and the purpose specified at the time the vote is taken. The public meeting notice must include a statement that the school board will consider the use of unspent bond proceeds for a purpose other than the specific purposes. The public has an opportunity to address the school board on using the unspent bond proceeds for another purpose.

Proposed Effective: 9/1/2019.

Status: HB 440 sent to the Governor 5/26/19.

TAXING UNIT HAS REQUIRED BOND NOTICE CHANGES

HB 477 Murphy

Amends Election Code 3.009, 52.072; amends Government Code Chapter 1251 sections and repeals 1251.002; amends Local Government Code 271.049

HB 477 requires a political subdivision (city, county, school district or special taxing district) to include more information on its bond order and on its website (if it maintains one) beginning not later than 21 days before the bond election date. A political subdivision with at least 250 registered voters must prepare a voter information document for each proposition. The current law of 40 maximum years for a bond is changed to the maximum authorized by law. The

voter information document posted by the political subdivision and maintained on the website includes the annual estimated maximum tax increase on a \$100,000 residence homestead, along with amortization of the current debt obligations and the proposed debt, changes in estimated future appraised values within the political subdivision and the assumed interest rate on the proposed debt. The initial notice of the intention to issue certificates of obligations is required to be published in a newspaper of general circulation 45 days before the passage of the order or ordinance authorizing issuance and continuously posted for 45 days on the website. The ballot shall specifically state a general description of the debt purposes, the total principal amount, the taxes on the debt obligation and the estimated maximum annual increase in taxes on the \$100,000 homestead. Proposed Effective: 9/1/2019.

Status: HB 477 sent to the Governor 5/26/19.

BOND BALLOT LANGUAGE STATES SINGLE PURPOSE AND TAX RATE INCREASE

SB 30 Birdwell

Amends Education Code 45.003; amends Election Code 52.072; amends adds Government Code Chapter 1251A for provision relating to county and municipal bond elections, adds Chapter 1251B for ballot for debt obligations and repeals 1251.002;

For school districts, SB 30 adds that issuing bonds for construction, acquisition and equipment of school buildings, new school buses and school building sites may be submitted to the voters in a single ballot proposition, except that bonds for the following purposes must be stated as a separate proposition: stadium with seating capacity for more than 1,000; natatorium; another recreational facility other than a gym, playground or play area; performing arts facility, teacher housing; and acquiring or updating technology equipment other than for school security. Each separate ballot must state the principal amount of the bonds attributable to traditional classrooms or to the other types of facilities.

For any political subdivision (county, city, school district or special taxing district), SB 30 adds that a proposition submitted for a bond election shall state in plain language the single specific purpose for which the bonds are to be authorized and the taxes to pay the principal and interest on the debt. The ballot

must be printed to show each single specific purpose for which bonds requiring voter-approval are to be issued as a separate proposition. A proposition may include as a specific purpose one or more structures or improvements serving substantially the same purpose and may include related improvement and equipment.

Effective: 9/1/2019.

NEW LAW: SB 30 signed by Governor 6/7/19.

NEW TAXING UNIT HAS SAME FISCAL YEAR AS COUNTY

HB 2617 Cole

Adds Local Government Code 140.012

HB 2617 requires that a political subdivision created on or after September 1, 2019, and that has the authority to impose a tax, must have the same fiscal year as the county in which it is wholly or primarily located.

Proposed Effective: 9/1/2019.

Status: HB 2617 sent to the Governor 5/24/19.

FISCAL TRANSPARENCY REQUIRED BY SPECIAL DISTRICTS

HB 3001 Morrison

Adds Local Government Code 140.008, 403.0241

HB 3001 requires a special purpose district to provide information to the Texas Comptroller for the Special Purpose District Public Information Database in the form and manner prescribed by the Comptroller. If the required information is posted separately on a website that a state agency, the Comptroller or special district maintains, the Comptroller may include a direct link to that database with a clear statement describing the location of the separately posted information rather than reproducing it. The special district shall ensure that financial documents are made available at the district's regular office for inspection and posted for public viewing on its website. The Comptroller may provide individuals with disabilities an alternate method of access instead of posting on Comptroller's website.

Proposed Effective: 9/1/2019.

Status: HB 3001 sent to Governor 5/26/19.

CODE CITATION CHANGED IN TRUTH-IN-TAXATION CHAPTER 26

HB 4174 Leach

Amends 26.041

HB 4174 makes nonsubstantive revisions of the event reimbursement programs, including the Pan American Games trust fund, Olympic Games trust fund and others. It changes the Tax Code reference for sales and use tax revenue that is not considered in calculating the effective and rollback tax rates. The current cite to Vernon's Texas Civil Statutes is changed to Government Code Chapter 476 or 477.

Effective: 4/1/2021.

NEW LAW: HB 4174 signed by Governor 5/29/19.

PROPERTY TAXES LIMITED TO 3.5% ANNUAL INCREASE FOR COUNTIES AND CITIES, UNLESS LOCAL VOTERS APPROVE HIGHER RATE; STATE LOWERS SCHOOL M&O TAXES, CAPPED WITH FUTURE 2.5% ANNUAL INCREASES

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *Truth-in-Taxation*.

Comptroller Tax Rate Calculation Forms and State Tax Rate List

The Comptroller shall prescribe electronic tax rate calculation forms for the no-new revenue (formerly, effective) tax rate and the voter-approval (formerly, rollback) tax rate to be used in the tax rate adoption process. School districts also submit the rate to maintain the same amount of state and local revenue per weighted student in the preceding tax year. The forms shall provide for certification by the designated officer or employee who completes them, using values that are the same as those on the taxing unit's certified appraisal roll or certified estimate.

The Comptroller forms shall be capable of being electronically added into the property tax database maintained by each appraisal district under new Section 26.17 (discussed later) and submitted electronically to the county tax assessor-collector in which the taxing unit is located. The Comptroller shall use the forms posted on its website January 1, 2019, modified as necessary to comply with this new law. Any revision to the forms, other than statutory changes, must be approved by agreement of a majority of committee members selected by the Comptroller. If the Comptroller receives a written request for a change, the person requesting the revision shall pay the costs of mediation if it is required. A meeting of the committee is not subject to the Open Meetings Act.

The Comptroller's biennial report of values and tax rates shall include special districts. The Comptroller shall prescribe the format by which an appraisal district or taxing unit must submit information. The Comptroller shall collect and review in detail the information submitted that relates to each county, city and school district. The Comptroller shall collect and review the special district information.

The Comptroller revises the Section 5.091 statewide list of tax rate information posted on its website to include school districts. The Comptroller prescribes the manner and deadline to submit the tax rates. The Comptroller lists the rates alphabetically according to the county in which the taxing unit is located and publishes the list no later than January 1 of the following year.

The Comptroller shall comply with posting information as required by Section 5.091 no later than January 1, 2022, for a taxing unit located wholly or partly in a county with a population of 120,000 or more. For a county with a population of less than 120,000, the Comptroller must post by January 1, 2023. Tax Code Section 5.09 provisions for the Comptroller to post information applies only to information submitted to the Comptroller for a tax year beginning on or after January 1, 2020.

Truth-in-Taxation Requirements – Rate Calculations

Beginning with the 2020 tax rate, SB 2 changes the Truth-in-Taxation calculations and notices. SB 2 changes do not impact the 2019 tax rate procedures for this summer in adopting the 2019 tax rates. School districts, however, will have changes to their 2019 tax rates, as explained in HB 3.

Current deadlines, including July 25 appraisal roll certification, are not changed. Beginning in 2020, however, if the ARB has not approved the appraisal records by July 20, then by July 25 the chief appraiser certifies an estimate of taxable values to the assessor for each taxing unit.

SB 2 changes the name of the effective tax rate to the no-new-revenue rate and the rollback tax rate to the voter-approval tax rate. The taxing unit's assessor shall calculate the no-new-revenue tax rate and the voter-approval tax rate using the certified estimate of taxable value, if the unit does not receive certified values. The designated officer or employee shall use the Comptroller tax rate calculation forms.

Beginning in 2020, the voter-approval rate for counties, cities and other taxing units (other than hospital districts and community college districts) is the tax rate that limits M&O (maintenance and operation) property tax revenue to not more than 3.5% above the preceding tax year's amount. To exceed the voter-approval rate requires an automatic voter election to ratify the higher rate. Current law provides for an 8% increase and a voter petition drive for the election.

Hospital districts, junior college districts and other “special taxing units” remain at the 8% increase. They would be subject to an automatic election if they adopted a tax rate that exceeds the voter-approval tax rate, with the 8% increase in M&O taxes.

In 2020, school districts will have a 2.5% limited increase, using state funding calculations and current property value growth.

SB 2 adds definitions in Tax Code 21.012, including: “De minimis rate” means the rate equal to the sum of a taxing unit’s no-new-revenue M&O rate, the rate that applied to current total value imposed a de minimis amount equal to \$500,000 and the taxing unit’s current debt rate.

“Special taxing unit” means a taxing unit, other than a school district, for which the M&O tax rate is 2.5 cents or less; a junior college district; or a hospital district.

The definition of “last year’s levy” changes to include the taxable value that has been appealed under Chapter 42 and is actively under review as of July 25.

New Section 26.013 provides for an “unused increment rate.” A taxing unit that did not use all of its revenue growth may “bank” that unused growth, as long as the taxing unit averaged below 3.5% over three years. By banking some revenue growth, the taxing unit could add to its 3.5% cap in a tough financial year. For the 2020 year, the unused increment rate is zero.

By August 1 or thereafter, the Comptroller shall determine the de minimis amount, adjusted for the inflation rate, for the current year and publish it in the Texas Register. For the 2020 tax year the de minimis amount is \$500,000.

In case of a disaster area declared by the Governor or President, a taxing unit in the disaster may increase the M&O rate by 8% until the earlier of the second tax year that total taxable values exceed the total values on January 1 of the year the disaster occurred or the third year after the tax year in which the disaster occurred. SB 2 adds “wildfire” to the types of disasters listed in Section 26.08.

Calculation steps in current law remain for transferring a distinct department, function or activity; additional sales tax; rate for state criminal justice mandate by a county; enhanced indigent health care; and pollution control requirements.

New calculation steps address a tax rate adjustment for county indigent defense compensation expenditures and for eligible county hospital expenditures.

In new Section 26.0442, counties that must pay for indigent criminal defense costs may add that increased cost to the voter-approval rate. The amount a county provides for appointed counsel for indigent individual in criminal or civil proceedings in the period beginning July 1 of the year preceding the tax year for which the tax is adopted and ending June 30 of the tax year for which the rate is adopted, less the amount of any state grants received by the county during that time period. If the county’s expenditures exceed the amount for the preceding tax year, the county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 5% of the preceding year’s indigent expense compensation expenditures. The county includes a notice of the increase in its published information.

In new Section 26.0443, a county or city may add increasing cost that exceeds the preceding tax year to the voter-approval rate. This step applies to an “eligible county hospital” which is located in an area not serviced by a hospital district and which is a hospital owned or leased by a county and operated under Health and Safety Code Chapter 263; or is owned or leased jointly by a city and a county and operated under Health and Safety Code Chapter 265. “Eligible county hospital expenditures” means the amount paid by a county or city in the period beginning July 1 of the preceding tax year and ending June 30 of the current tax year. If those expenditures exceed the amount for the preceding tax year, the city or county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 8% of the preceding tax year’s eligible expenditures. The county or city includes a notice of the increase in its published information.

For the debt rate calculation, the anticipated collection rate is revised. If the anticipated collection rate for current debt taxes is lower than the lowest actual collection rate of the taxing unit for any of the preceding three years, the anticipated collection rate is equal to the lowest actual collection rate for any of the preceding three years. The anticipated collection rate may exceed 100%.

The designated officer or employee completes the calculation forms, using the values shown on the unit's certified appraisal roll or the certified estimate. The officer or employee submits the tax rate calculation forms to the county tax assessor-collector for each county in which the taxing unit is located.

Truth-in-Taxation Requirements – Database and Websites

By August 7 or as soon thereafter, the officer or employee submits the rates to the taxing unit's governing body. Except for a school district, a taxing unit's governing body may not adopt the tax rate until the designated officer or employee certifies these tax rates. The unit proposes a tax rate.

The designated officer or employee also posts the no-new revenue and voter-approval rates, how the rates were calculated and other property tax information (unencumbered fund balances, debt schedule, increased debt because of anticipated collection rate, excess debt collections, taxes if no-new revenue rate adopted) prominently on the home page of the unit's website. A school district is not required to include the debt schedule information. The website posting are in a form prescribed by the Comptroller. SB 2 removes the provision to publish the information in a newspaper or mail to each property owner.

The officer or employee of the taxing unit electronically enters the tax rate information into the appraisal district database and uploads the completed tax calculation forms.

New Section 26.17 requires the chief appraiser to create and maintain a property tax database that identifies the county (not the CAD) and contains information from the officers or employees of the taxing unit in the CAD. The chief appraiser will continuously update the preliminary and revised data

and make the searchable data by property address and owner available to the public. The database shall contain this statement: "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the growth of property taxes in this state."

For each property listed on the appraisal roll, the new database includes the property's ID number; market and taxable values; names of taxing units taxing the property; the no-new revenue tax rate and the voter-approval tax rate for each taxing unit; the school comparable rates for the school district; the proposed rate for each taxing unit; the taxes that would be imposed with the no-new-revenue rates (for the school, the comparable rate) and with the proposed tax rates, along with amount difference; the date, time and location for the public hearing on the proposed rate by a taxing unit; the date and location for adopting the tax rate by the taxing unit; the email address for the taxing unit to receive written comments about the proposed rate; and a link to each taxing unit's website. The website allows the property owner to electronically complete and submit to a taxing unit the owner's opinion on the taxing unit's proposed tax rate. The owner must provide the owner's name and contact information and the physical address of the owner's property in the taxing unit. The form is available at any time during the period between the proposed tax rate and the adopted tax rate. The taxing unit's designated officer uploads the tax rate calculation forms to the database. The chief appraiser makes the information available to the public within three days after being submitted/uploaded.

By August 7 or as soon thereafter as possible, the chief appraiser informs the property owners within the district that the estimated tax amounts imposed on the owner's property are on the property tax database maintained by the appraisal district. The chief appraiser delivers by regular mail or email to each property owner. The statements for this notice are set out in the Tax Code Section 26.04. The statements include: (1) directing a property owner to the website to access information related to actions taken or proposed by each taxing unit, to be in bold, capital letters in larger type than other statements; (2) providing a statement that an owner may request from the county tax assessor-collector (or from the person

who assesses and collects taxes for the county) contact information for the tax assessor for each unit; and (3) the name, address and telephone number of the county tax assessor-collector (or person who assesses county taxes). The Comptroller adopts rules for the notice form, with the advice of the property tax administration advisory board. Notices for all types of taxing units are revised.

Smaller appraisal districts (under 200,000 population) and their taxing units will start some of SB 2 with 2020 tax rate adoption and some parts with the 2021 tax rate. Provisions delayed until the 2021 tax rate for CADs under 200,000 population are Section 26.04(e-2) is the chief appraiser's notice that the proposed rates are in the database; Section 26.05 (d-1) and (d-2) are the taxing unit prohibition on not holding a hearing or adopting a tax rate until the chief appraiser sends the notice; Section 26.17 is the new database developed by the chief appraiser; and Section 26.18 is the taxing unit posting information to its website. This one-year delay for smaller CADs gives time to implement these provisions.

Truth-in-Taxation Requirements – Rate Adoption and Timeline

Other than a school district, a taxing unit's governing body cannot adopt the tax rate until the chief appraiser delivers a new required notice to property owners; the designated officer or employee has entered the tax rate calculation information and forms into the property tax database required by new Section 26.17; and the taxing unit has posted on its website the required information in new Section 26.18.

If the taxing unit imposes an additional sales and use tax, the unit may not adopt the tax rate until the chief financial officer or auditor submits a written certification on the amount of the additional sales and use tax that will be used to pay debt has been deducted. The Comptroller prescribes the certification form.

All types of taxing units, other than school districts, use the same hearing notice process. The taxing unit's governing body holds one public hearing, not two hearings. The second hearing required by current law is deleted. The county and city notice in the Local Government Code Section 140.010 is repealed.

The hearing notice is published in a newspaper (or may be mailed to each property owner) at least five days before the hearing and posted prominently on the home page of the taxing unit's website. The hearing date is on a weekday and not a public holiday.

The language of the hearing notice varies, depending on the proposed tax rate; there are four versions. The notice for a proposed tax rate that exceeds both the no-new revenue tax rate and the voter-approval tax rate contains different language. It shows how the elected officials voted on the tax increase or were absent. The notice includes language about holding an election to accept or reject the proposed tax rate. It adds that the 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

If the proposed rate exceeds the no-new-revenue tax rate but not the voter-approval tax rate, the notice includes the statement that the election is not required. If the proposed rate exceeds the voter-approval tax rate but not the no-new-revenue rate, then slightly different language is on the notice. The notice includes the statement that the election is required.

A new Section 26.061 adds the notice for a proposed tax rate that does not exceed either the no-new-revenue rate or the voter-approval tax rate. This notice sets the notice of meeting to adopt the proposed tax rate.

For these different versions of the hearing notice, new Section 26.062 requires at the end of the notice a statement comparing the taxes imposed on the average residence homestead for the current and preceding year, along with a specific table of five rows and four columns with required headings and information.

A taxing unit with a rate of 50 cent or less raising \$500,000 or less may continue to use a simpler process, but must now provide public notice of its proposed tax rate by posting notice on the home page of its website.

The governing body may vote on the proposed tax rate at the public hearing. If the governing body does not vote on the rate at the hearing, the governing body announces at the hearing the date, time and place of the meeting at which they will vote. The meeting to adopt the tax rate may not be later than seven days after the date of the public hearing. Previous law was between three to 14 days.

New Section 26.063 provides for alternate provisions for the tax rate notice when the de minimis rate exceeds the voter-approval tax rate. This provision applies to a taxing unit that is *not* a special taxing unit (M&O tax rate is 2.5 cents or less; a junior college district; a hospital district) and is not a city with a population of less than 30,000.

If the taxing unit is required to hold an election, the unit adds the de minimis rate to the notice and changes the language defining the voter-approval tax rate to defining the de minimis rate. The taxing units voters may petition to hold an election under new Section 26.075.

The taxing unit's governing body must adopt the tax rate before the later of September 30 or 60 days after the date the certified appraisal roll is received by the taxing unit with an exception. A taxing unit must adopt a tax rate that exceeds the voter-approval tax rate not later 71 days before the next uniform election date that occurs in November.

For a fiscal year that begins in 2020, a taxing unit may not adopt a budget or take any other action that has the effect of decreasing the total compensation to which a first responder employed by the unit was entitled in the preceding fiscal year first. SB 2 is not to be the excuse for cuts in public safety.

Truth-in-Taxation Requirements – Election and Injunction Action

SB 2 requires that voter-approval tax rate ratification elections under Section 26.07 be held on the November election date. Section 26.07 changes to an automatic election for a taxing unit, other than a school district, that adopts a tax rate that exceeds the voter-approval tax rate.

An automatic election also is required if the governing body of a special taxing unit or a city with

a population of 30,000 or greater adopts a rate that exceeds the voter-approval rate, or the governing body of a taxing unit other than a special taxing unit or a city with less than 30,000 population adopts a tax rate that exceeds the greater of the voter-approval rate or de minimis rate.

An election is not required in case of a disaster area declared by the Governor or President for the year following the year in which the disaster occurs, when increased expenditures are required by the taxing unit to respond to the disaster. Disaster also includes wildfires.

The taxing unit's governing body must adopt a tax rate that exceeds the voter-approval tax rate not later than 71 days before the next uniform election date prescribed by Section 41.001, Election Code, that occurs in November of that year. Calling of the election, therefore, may not be issued later sometime in mid-August, depending on that year's calendar. The ballot must include the adopted tax rate, the difference between that rate and the voter-approval tax rate and the preceding year's tax rate.

If voters do not approve the higher rate and tax bills have been mailed, then the assessor sends corrected tax bills with an explanation. The taxing unit refunds automatically the difference to those who have paid their taxes with 60 days. After that time, interest at 1% per month is due on the refund. Refunds of less than \$1 require an application within 90 days. The delinquency date is not extended under Section 26.07 automatic election held in November.

New Section 26.075 adds for a petition process by voters to reduce the adopted tax rate of a taxing unit. This petition process, however, does not apply to a school district, special taxing unit (M&O tax rate is 2.5 cents or less; a junior college district; a hospital district) or to a city with a population of 30,000 or more. Subject to the petition process, this taxing unit has a de minimis rate that exceeds the taxing unit's voter-approval tax rate. The taxing unit's governing body adopted a tax rate that is equal to or lower than the de minimis rate and greater than the greater of the taxing unit's voter-approval rate calculated as if the taxing unit were a special taxing unit or the voter-approval tax rate. Qualified voters by petition may require an election to determine whether to reduce the

adopted tax rate to the voter-approval rate. At least 3% of the registered voters according to the most recent voter list must sign the petition and submit the petition no later than 90 days after tax rate adoption. The governing body has 20 days to determine a valid petition. If a valid petition, the election is called on the next uniform election date that allows for complying with election laws. If voters vote to reduce the tax rate, then the same procedures apply to tax bill mailing, refunds, etc. In section 26.075, the delinquency date is extended by the number of days between the two mailings. Taxes that become delinquent after June 1 fall under the Section 33.08 notice for the attorney fees to collect the taxes. This new section also does not apply to a taxing unit if a provision of an uncodified local or special law enacted by the 86th Legislature or by an earlier legislature provides that Section 26.07 does not apply to that taxing unit.

Current Section 26.08 addressing school ratification election process does not change. The only addition was adding wildfire as a type of disaster that the school district is not required to hold an election in the tax year following the year of the disaster called by the Governor or President. This section was not changed to extend this period to more years as proposed.

A property owner may seek an injunction to stop the tax rate adoption if the assessor, the designated officer or employee, the chief appraiser or the taxing unit fails to follow the process of computation, publication or posting. A defense for an injunction was that the failure to comply was in good faith.

A property owner may seek an injunction to stop the collection of taxes if the taxing unit has not complied with Section 26.04. The injunction must be filed no later than 15 days after the taxing unit adopts the tax rate. A property owner is not required to pay the taxes while the action is pending. If the owner pays and prevails, the owner is entitled to an automatic refund, together with reasonable attorney's fees and court costs.

Taxing Unit Website

Section 26.16 now requires that each county shall maintain a website. The county tax assessor-collector

shall post specific tax rates for five years for each taxing unit in the county. With these newly named rates, the county tax assessor-collector shall post the tax rate calculation forms certified by the designated officer or employee of each taxing unit for the most recent five tax years, beginning with the 2020 tax rate. The county tax assessor-collector also posts the name and contact information for each member of the taxing unit's governing body. By August 7 or thereafter, the county tax assessor-collector shall post the website calculation forms for the current tax year.

SB 2 has a special provision requiring the taxing units to submit to the county tax assessor-collector the tax rate worksheets for tax years 2015-2019 for the county tax assessor-collector to post to the county's website. This special provision requires this to happen within 30 days after the special provision is effective, which is August 26, 2019, the 91st day after the last day of the legislative session. September 25, 2019 is the date for the county tax assessor-collector to have these worksheets posted to the county's website.

New Section 26.18 requires that each taxing unit shall maintain a website or have access to a generally accessible website used for posting tax rate and budget information. Each taxing unit shall post the name of each member of its governing body; mailing address, email address and phone number of the taxing unit; official contract information for each member of the governing body; the taxing unit's budget for the preceding two years; the taxing unit's proposed or adopted budget for the current year; the change in the budget by dollar amount and percentage; except for a school district, the M&O property tax budgeted for the preceding two years and current year; except for a school district, the debt property tax budgeted for the preceding two years and current year; the M&O tax rate for the preceding two years; except for a school district, the debt tax rate for the preceding two years; for a school district, the I&S tax rate adopted for the preceding two years; the M&O tax rate proposed for the current year; the debt or I&S tax rate proposed for the current year; and the most recent financial audit of the taxing unit.

A taxing unit shall include as an appendix to the taxing unit's budget the tax rate calculation forms

used to calculate the no-new-revenue rate and the voter-approval tax rate for that fiscal year.

Health and Safety Code Section 281.107 includes the changes to the no-new-revenue rate and voter-approval rate. Special District Local Laws Code Sections 1101.254, 1122.2522, 3828.157 and 8876.152 also change for the new terms and provisions.

Water Code Districts

Water Code Section 49.057 requires that the board of a developed district shall include as an appendix to the district's budget the audited financial statements, bond transcripts and required engineer's reports. Tax Code Sections 26.04, 26.05, 26.061, 26.07 and new 27.075 do not apply to a tax levied and collected by a water district. The Notice of Public Hearing on Tax Rate changes and a new Notice of Vote on Tax Rate is added.

New Water Code Section 49.23601 adds an automatic election to approve the adopted tax rate for low tax rate districts (M&O rate of 2.5 cents or less) that exceed the voter-approval rate. The water district's voter approval rate is calculated with an M&O rate that would impose 1.08 times the preceding year's M&O taxes, plus the current year's debt rate and contract tax rate.

New Water Code Section 49.23602 adds an automatic election to approve the adopted tax rate for certain developed districts that exceed the voter-approval rate. A "developed district" is a district that has at least 95% of the project build out. The "mandatory tax election rate" is the rate equal to the tax rate that imposes 3.5% above the preceding tax year on the average appraised value of a residence homestead in the district and the unused increment rate. The voter-approval rate includes the current year's debt rate, current year's contract rate, the M&O tax rate that would impose 3.5% above the preceding year's M&O taxes on the average appraised value of a residence homestead and the unused increment rate. An automatic election is required to exceed the voter-approval rate. An election is not required to respond to a state or federal disaster in the district. After the disaster, the district board may continue to not call an election until the second tax year in which the total taxable value of property in the

district exceeds the total taxable value on January 1 of the year of the disaster or the third year after the disaster.

New Water Code Section 49.23603 applies to a petition process by voters to reduce the water rate for certain districts that are not one of the two added above. These districts have an 8% increase on the M&O taxes imposed on the preceding tax year on the average appraised value residence homestead.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

Tax Collections

TAX COLLECTOR SENDS REFUND TO THE OWNER WHEN TAX WAS PAID AND TO MAILING ADDRESS ON APPRAISAL ROLL, UNLESS OWNER REQUESTS A PARTICULAR ADDRESS

SB 1856 Paxton

Adds 1.071 and amends 11.431, 11.439, 26.112, 26.1125, 26.1127

SB 1856 requires that a tax collector shall send a tax refund to the person's mailing address as listed on the appraisal roll. If a person files a written request with the collector or taxing unit that a refund owed the person be sent to a particular address, the collector or unit shall refund to the address stated in the request. The collector shall refund to the person who was the owner of the property on the date the tax was paid. This applies to late filed homestead exemptions, late filed disabled veteran's exemption and proration on certain homesteads.

Effective: 9/1/2019.

NEW LAW: SB 1856 signed by Governor 6/4/19.

TAXES PRORATED WITH GOVERNMENT POSSESSION AND USE AGREEMENT

SB 2083 Hinojosa

Amends 26.11

SB 2083 adds that the property taxes are prorated once the government takes possession of taxable property

under a possession and use agreement under Property Code 21.021.

Proposed Effective: Immediately on Governor's signature.

Status: SB 2083 sent to the Governor 5/25/19.

Delinquent Tax Litigation

COUNTY COMMISSIONERS COURT MAY ADOPT RULES FOR AUCTION OF TAX FORECLOSED PROPERTY USING ONLINE BIDDING AND SALE

HB 1652 Huberty

Amends 34.05

HB 1652 adds that the county commissioners court may adopt rules providing for public auction of foreclosed tax properties using online bidding and sale. Current law provides that the sales shall (now must) be conducted in the manner prescribed by the Texas Rules of Civil Procedure for the sale of property under execution. The new language adds a second method to follow.

Proposed Effective: Immediately on Governor's signature.

Status: HB 1652 sent to Governor 5/24/19.

ACTIVE MILITARY PERSON MAY FILE TAX DEFERRAL

HB 1883 Greg Bonnen

Amends 31.02, 33.01

HB 1883 allows an active military person to defer property tax payment with interest accruing at 6% and incurring no penalty for 60 days. The bill also removes the requirement about being "during a war or national emergency declared in accordance with federal law."

Proposed Effective: 9/1/2019.

Status: HB 1883 sent to the Governor 5/26/19.

GOVERNING BODY MAY WAIVE DELINQUENT PENALTY AND INTEREST FOR MORTGAGE ERROR

HB 1885 Greg Bonnen

Amends 33.011

HB 1885 adds that the taxing unit's governing body may waive penalty and interest on a delinquent tax if

the property is subject to a mortgage that does not require the property owner to fund an escrow account, the tax bill was mailed to the property's mortgagee who failed to send a copy to the owner and the taxpayer paid the tax within 21 days after the date the taxpayer knew or should have known of the delinquency.

Effective: 1/1/2020.

NEW LAW: HB 1885 signed by Governor 6/7/19.

PROPERTY HELD IN TEXAS BULLION DEPOSITORY NOT EXEMPT FROM DELINQUENT TAX LIEN

HB 2458 Capriglione

Adds Government Code 2116.0215, 2116.027 and 2116.028 and amends other sections; amends various Finance Code sections

HB 2458 addresses revisions to the Texas Bullion Depository. In addition to other changes, new Section 2116.028 addresses exemption from creditors' claims from garnishment, attachment, execution or other seizure if the property held in the depository has an aggregate fair market value of not more than \$1 million. The exemption, however, does not apply to a debt, judgment, lien or claim, including a tax delinquency, asserted by a political subdivision of this state. The section also does not increase the personal property exemptions available to a person in a bankruptcy proceeding. HB 2458 keeps the oversight committee of the Governor, Lt. Governor and Senate. The Texas Bullion Depository may sell commemorative gold and silver coins.

Effective: 5/24/2019, immediately on Governor's signature.

NEW LAW: HB 2458 signed by Governor 5/24/19.

COSTS OF TAX FORECLOSURE SALE INCLUDE AUCTIONEER'S FEE

HB 2650 Goodwin

Amends 34.01

HB 2650 adds that the costs of a tax foreclosure sale include an auctioneer's commission and fees. A "licensed" auctioneer is not required.

Effective: 5/29/19, immediately on Governor's signature.

NEW LAW: HB 2650 signed by Governor 5/29/19.

CONTINGENCY FEE CONTRACTS FOR LEGAL SERVICES ADDRESSED, EXCLUDING CONTRACTS FOR DELINQUENT PROPERTY TAXES

HB 2826 G Bonnen

Adds Government Code 2254.1032, 2254.1034, 2254.1036, 2254.1037, 2254.1038, 2254.110; amends 2254.101, 2254.102, 2254.103, 2254.104, 2244.108, 2244.109; and repeals 403.0305

HB 2826 addresses a contingent fee contract for legal services by a state agency or a political subdivision. It excludes a contract by a political subdivision for legal services under Tax Code Section 6.30, which pertains to delinquent tax collections. The bill also excludes legal services under Code of Criminal Procedure Article 103.0031 for collection of court fines and fee, along with other contracts in various sections.

Proposed Effective: 9/1/2019.

Status: HB 2826 sent to the Governor 5/24/19.

PROPERTY OWNER'S RIGHT TO REDEEM TAX FORECLOSED PROPERTY MAY NOT BE TRANSFERRED

SB 1642 Miles

Amends 34.21

SB 1642 adds that a property owner who is entitled to redeem property sold at a foreclosure sale may not transfer the owner's right to redemption to another person. Any instrument purporting to transfer the owner's right of redemption is void.

Proposed Effective: Immediately on Governor's signature.

Status: SB 1642 sent to the Governor 5/25/19.

NO DELINQUENT TAX LAWSUIT FILED WHILE PROPERTY PENDING DISTRICT COURT APPEAL

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06,

41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following is the key component of SB 2 in *Delinquent Tax Litigation*. New Section 42.081 provides that a taxing unit may not file a lawsuit to collect a delinquent tax on a property pending a district court appeal, unless the owner failed to comply with the required partial payment during the appeal process, set forth in Section 42.08.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

County Tax Assessor-Collectors

COUNTY TAX ASSESSOR-COLLECTOR ADDS MORE INFORMATION TO TAXING UNITS' PROPERTY TAXES ON WEBSITE

SB 2 Bettencourt

Adds 1.045, 1.086, 5.01, 5.043, 5.104, 6.054, 6.16, 6.425, 25.192, 25.193, 26.013, 26.0442, 26.0443, 26.061, 26.062, 26.063, 26.075, 26.17, 26.18, 42.081; amends 1.07, 1.085, 5.041, 5.05, 5.07, 5.09, 5.091, 5.102, 5.103, 5.13, 6.035, 6.15, 6.41, 6.412, 6.414, 6.42, 11.24, 11.4391, 22.23, 23.01, 25.19, 26.01, 26.012, 26.04, 26.041, 26.043, 26.044, 26.0441, 26.045, 26.05, 26.052, 26.06, 26.065, 26.07, 26.08, 26.16, 31.12, 33.08, 41.03, 41.44, 41.45, 41.46, 41.461, 41.47, 41.66, 41.67, 41.71, 41A.03, 41A.06, 41A.07, 41A.09, 42.23; amends Government Code 403.302; amends Health and Safety Code 281.107, 281.124; amends Local Government Code 102.007, 111.008, 111.039, 111.068 and repeals 140.010; amends Special District Local Laws Code 1101.254, 1122.2522, 3828.157, 8876.152 and repeals 1063.255; adds Water Code 49.23601, 49.23602, 49.23603 and amends 49.057, 49.107, 49.108, 49.236 and repeals 49.2361; amends Chapter 1472, 77th Legislature, 2001, Section 6B

Following are the key components of SB 2 in the area of *County Tax Assessor-Collectors*. Parts of SB 2 that deal with the tax rate calculations are in *Truth-in-Taxation* section.

Section 26.16 now requires that each county shall maintain a website. The county tax assessor-collector shall post specific tax rates for five years for each taxing unit in the county. With these newly named rates, the county tax assessor-collector shall post the tax rate calculation forms certified by the designated officer or employee of each taxing unit for the most recent five tax years, beginning with the 2020 tax rate. The county tax assessor-collector also posts the name and contact information for each member of the taxing unit's governing body. By August 7 or thereafter, the county tax assessor-collector shall post the website calculation forms for the current tax year.

SB 2 has a special provision requiring the taxing units to submit to the county tax assessor-collector the tax rate worksheets for tax years 2015-2019 for the county tax assessor-collector to post to the county's website. This special provision requires this to happen within 30 days after the special provision is effective, which is August 26, 2019, the 91st day after the last day of the legislative session. September 25, 2019 is the date for the county tax assessor-collector to have these worksheets posted to the county's website.

Proposed Effective: 1/1/2020, with some sections effective 9/1/2020 and some 1/1/2021. One change to Section 25.19(b) and (i) takes effect 1/1/2022.

Status: SB 2 sent to the Governor 5/28/19.

School Finance

“THE TEXAS PLAN” ADDS MORE MONEY TO SCHOOL FINANCE, LOWERS SCHOOL PROPERTY TAXES AND REDUCES RECAPTURE PAYMENTS

HB 3 Huberty

Adds 26.151 and amends 21.01, 21.02, 25.25, 26.08, 311.013, 312.002, 312.210, 313.027; amends many Education Code sections and repeals others; amends Government Code sections

The Governor and Legislature agreed to “The Texas Plan” for school finance reform, property tax relief, recapture reduction and education reform.

Key Components

Adding \$11.5 billion in state funds, The Texas Plan includes these provisions:

1) Adds \$4.5 billion for education reforms, including increasing the basic allotment per student. Adds \$1,020 per student to the basic allotment to \$6,160. Golden pennies are limited to 8 cents of property tax effort. Copper penny revenue per student limited to revenue received in the preceding year. Recapture continues at the copper penny level.

2) Sets forth \$5 billion for increasing the state's share of education funding from 38% to 45% and lowering school property taxes. Reduces Tier 1 tax rates by an average of 7-8 cents in fiscal year 2020 and provides an additional 2.5% school tax compression starting in 2021.

3) Requires school districts to perform efficiency audits before seeking voter-approval of tax increase.

4) Reduces by \$3.6 billion in recapture of local school taxes from Chapter 41 school districts, allowing these districts to keep more of the money from their property owners. The local revenue subject to recapture is in excess of entitlement and calculated by subtracting a district's Tier 1 entitlement and credit for appraisal costs from its available school fund distribution and local fund assignment. Reduces the recapture based on information from a school district in the 1992-93 school year by 20% per year. The Commissioner may not deduct 50% of the local-option homestead exemption value when calculating recapture, unless the Commissioner makes the deduction for all school districts for state funding.

5) Dedicates \$2 billion for additional compensation to teachers, librarians, counselors and nurses and for creating a merit/incentive pay program for high-quality educators to receive additional increases. Increases contributions to the Teacher Retirement System.

6) Moves to using current property values, rather than the preceding year's Comptroller certified values, in calculating state aid and recapture amounts.

7) Removes current small and mid-sized adjustment to provide additional entitlement for school districts with less than 5,000 students in average daily attendance.

8) Provides funds for full day Pre-K for low income students.

9) Changes transportation funds at a rate of \$1 per mile.

10) Increases the maximum amount to \$100 million per year for building and equipping new facilities.

11) Creates a fast growth allotment when meeting certain specified average daily growth benchmarks.

12) Creates the College, Career or Military Readiness Outcomes Bonus, the Teacher Incentive Allotment, Mentor Program Allotment, Allotment for Certain Special-Purpose Districts and the Dropout Recovery School and Residential Placement Facility Allotment.

13) Transfers certain sections of Chapter 42 to Chapter 48 and certain sections of Chapter 41 to Chapter 49. This requires amending some provisions in the Tax Code.

14) Grants Education Commissioner authority to adjust for unintended consequences for two years.

Funding Source

A new Tax Reduction and Excellence in Education (TREE) fund receives revenue from oil and gas severance taxes (\$2.3 billion), revenue from the available school fund (in excess of \$300 million) and increased sales taxes from online sales (\$300 million).

The Legislative Budget Board shall study and report to the Legislature possible methods of providing property tax relief through reducing school M&O taxes, including potential revenue sources, methods of limiting M&O revenue after adjusting for enrollment growth and inflation and other methods of providing tax relief.

Property Tax Changes

In addition to lowering school M&O tax rates, specific property tax provisions in HB 3 include:

1) Changes the name of the rollback rate to be the voter-approval rate and the effective rate to be the no-new-revenue rate, effective January 1, 2020.

2) Changes how the school district's voter-approval rate is calculated, beginning with the 2019 tax rate. A school district is required to calculate the district's voter-approval tax rate as set out in HB 3, regardless of whether the district has already calculated that rate or adopted a tax rate for the 2019 tax year before September 1, 2019. The rate calculation for 2019 and subsequent years is as follows:

2019 rollback tax rate is the sum of the following:

(A) rate per \$100 of taxable value equal to the product of the state compression percentage, as determined under Education Code Section 48.255 for the 2019 tax year and \$1.00 = \$0.93;
plus

(B) greater of:

(i) district's M&O rate for 2018 tax year, less sum of:

(a) \$1.00; and

(b) any amount by which the district is required to reduce the district's enrichment tax rate (copper penny compression) under Education Code Section 48.202(f), in the 2019 tax year; or

(ii) rate of \$0.04 per \$100 of taxable value; and

(C) district's current debt rate.

2020 and subsequent tax years, the voter-approval rate is the sum of the following:

(A) rate per \$100 of taxable value that is equal to the product of the state compression percentage, as determined under Education Code Section 48.255 for the current year and \$1.00 (this is the lesser of the state's compression percentage \$0.9165 or the variable district compressed rate);

(B) greater of:

(i) district's enrichment tax rate for preceding tax year, less any amount by which the district

is required to reduce the district's enrichment tax rate under Education Code Section 48.202(f) in the current tax year; or

(ii) rate of \$0.05 per \$100 of taxable value; and

(C) district's current debt rate.

For the 2020 tax year, a school district shall substitute "\$0.04" for "\$0.05" if the school board does not adopt by unanimous vote for that tax year a M&O tax rate at least equal to the sum of the rate described and the rate of \$0.05 per \$100 of taxable value.

3) Restricts that the school board may not increase the M&O tax rate to create an M&O surplus for the purpose of paying the district's debt service. A property owner in the school district is entitled to an injunction restraining the collection of taxes if the district adopts a M&O tax rate in violation of this. The injunction action must be filed before the date the school tax bills are substantially delivered.

4) States that the district's M&O tax rate that exceeds the voter-approval tax rate, excluding the current debt rate, for the preceding year is not considered in determining the district's Tier 1 M&O tax rate or the enrichment tax rate for the current tax year. The voter-approval tax rate adopted applies only for the year for which the rate is adopted.

5) Revises the *Notice of Public Meeting to Discuss Budget and Proposed Tax Rate* for references to Chapter 48, for name change to the voter-approval rate and for including a statement that the school district may not increase the M&O tax rate to create a M&O surplus to pay the district's debt service.

6) Requires an efficiency audit of the fiscal management, efficiency and utilization of resources before the school district conducts a tax ratification election (TRE). Effective January 1, 2020, a school district chooses an independent auditor to conduct the efficiency audit, following the Legislative Budget Board's guidelines. The auditor must complete the audit within three months of being selected. The school board holds an open meeting to discuss the audit findings and post the audit results on the district's website at least 30 days before the TRE. An efficiency audit is not required for a TRE for two years following a disaster declared by the Governor.

7) Requires that a TRE be held on the next uniform election date that occurs, which would be November, and changes the TRE ballot language in Section 26.08. The ballot language reads: "Ratifying the ad valorem tax rate of ____ (insert adopted tax rate) in (name of school district) for the current year, a rate that will result in an increase of ____ (insert percentage increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional \$ ____ (insert dollar amount of increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year)."

8) Restricts a school district with a 2019 M&O rate that is equal to or exceeds \$0.97 from holding a 2019 tax ratification election (TRE), unless the school district in its strategic plan adopted before January 1, 2019 in a school board public meeting proposed a tax rate calling for a 2019 TRE. The M&O tax rate is the rate proposed in the plan minus the amount by which the district is required to compress the enrichment rate.

The other exception is for a school district that is responding to a disaster and falls under new Section 26.08(a-1). When increased expenditure by a school district is necessary to respond to the declared disaster, a ratification election is not required to approve the adopted tax rate for the year following the year in which the disaster occurs. The adopted tax rate applies only in the year adopted. If a district adopts a tax rate following a declared disaster, the amount by which that rate exceeds the district's voter-approval tax rate for that tax year may not be considered when calculating the district's voter-approval tax rate for the tax year following the year in which the district adopts the rate.

9) Provides that, for the 2019 tax year, a school district that took action to comply with publication requirements under Education Code Section 44.004 before HB 3's effective date may amend the district's previously published notice to comply with changes made to the district's permissible and proposed tax

rates by posting those changes on the district's Internet website. A school district that complied with the law in effect at the time of the district's original publication may hold the district's scheduled public hearing as originally published.

10) Maintains the \$0.17 cap for M&O rates to allow for more M&O capacity. For an election to increase the M&O cap, the ballot language includes the statement, "THIS IS A PROPERTY TAX INCREASE."

11) Uses current property values in the state funding formulas, rather than the preceding values certified from the Comptroller. More information will be coming from the Comptroller's office.

12) Evaluates the differences between all school districts' maximum compressed rates to determine that not more than 10% variance between any two districts. If a school district has a maximum compressed rate that is less than 90% of another district's maximum rate, the maximum compressed rate is calculated until the Education Agency determines that the difference between the rates is not more than 10%. For the 2020-2021 school year (the 2020 tax rate), a school district must receive approval from the Education Agency before adopting a M&O tax rate. The district submits a statement detailing loss of funds from a decline in maximum basic allotment, the proposed tax effort and the amount of funding it will generate, evidence that the proposed additional tax effort had been previously authorized by voters before the 2005 tax year and any other information required by the Commissioner. The Agency's approval expires at the end of each tax year. The Commissioner shall reduce state aid or adjust the limit on local revenue that is not in compliance with this new provision.

Effective September 1, 2020, if taxable values grow greater than 2.5%, the funding formula restricts the Tier 1 tax levy to no more than 2.5% than the prior year. To calculate each school district's Tier 1 tax rate, the Texas Education Agency also must work receiving local current year appraisal data to calculate these rates and then report to school districts. School districts then start the tax rate adoption process.

13) Addresses Chapter 313 agreements and the exclusion of the property value under an agreement. The Comptroller provides information to the Education Commissioner. A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district's taxable value of property for the preceding tax year. This, however, does not apply to agreement made after May 1, 2009 that the Comptroller recommended should be disapproved. This changes removes the Chapter 313 from the Comptroller's Property Value Study and has it reported as a separate adjustment.

14) Reimburses school districts for interest that districts must pay when issuing a tax refund under Section 42.43 in the state fiscal year ending August 31, 2018, or August 31, 2019. This provision expires September 1, 2021. This issue stems from the gas compressor litigation that required school districts to refund taxes, with interest. While the taxes are considered in the school formula, current law did not address interest on those refunds.

15) Allows that a Chapter 41 school district may pay its recapture obligation in a single lump-sum payment every August.

16) Adds Tax Code 26.151 for the escrow account for property taxes, when the homeowner has a home loan under Finance Code Section 343.001. This provision expires September 1, 2023.

17) Does *not* address adjusting Section 11.26 tax limitations. HB 3 does not include any provision for lowering the tax limitations for the over-65 and disabled homeowners.

Proposed Effective: 9/1/2019 for the 2019-2020 school year, with some sections set with other dates. The change to Section 26.08 begins with the 2019 tax year.

Status: HB 3 sent to the Governor 5/29/19.

SCHOOL DISTRICT RECEIVES ADJUSTMENTS
TO PROPERTY VALUE STUDY FOR TAX
INCREMENT FINANCING ZONE

HB 2111 Pacheco

Deletes portion of Government Code 403.302

HB 2111 revises language for the tax increment financing zone adjustment in the Comptroller's Property Value Study. The bill removes the September 1, 1999 date to allow for extending the deduction to the school districts for the duration of the zones. HB 2111 brackets the bill to a single district in Bexar County, which is Southside ISD. See also *Special & Miscellaneous*.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2111 sent to the Governor 5/24/19.

STUDENT ADMISSION TO SCHOOL DISTRICT
MAY BE BASED ON RESIDENCE HOMESTEAD

HB 2526 Leach

Amends Education Code 25.001

HB 2526 provides that a school district shall admit a student tuition free, based on one of several criteria. The new criteria states the student and either parent of the student resides in a residence homestead, as defined by Tax Code Section 11.13, that is located on a parcel of property in the school district.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2526 sent to the Governor 5/26/19.

DISTRIBUTION FROM PERMANENT SCHOOL
FUND LAND INCREASED TO \$600 MILLION

HJR 151 Huberty

Adds Tex. Const. Art. 7, Sec. 5

HJR 151 constitutional amendment increases the distribution from the management of the permanent school fund land to the available school fund from \$300 million to \$600 million each year.

Proposed Effective: 1/1/2020, if voters approve constitutional amendment November 5, 2019.

ELECTION: HJR 151 filed without signature by Governor and will be on November 5 ballot.

Special & Miscellaneous

TAX ABATEMENT ACT CONTINUED WITH
SOME ADDITIONS

HB 3143 Murphy

Adds 312.404 and amends 312.002, 312.005, 312.006, 312.207

HB 3143 extends the Property Redevelopment and Tax Abatement Act to September 1, 2029 (from 2019). Before the taxing unit's governing body may adopt, amend, repeal or reauthorize the abatement guidelines and criteria, the governing body must hold a public hearing for the general public to be heard. A taxing unit that maintains a website shall post the current version of the guidelines and criteria on the website. For each of the three years following an expired tax abatement agreement, the chief appraiser shall deliver to the Comptroller a report on the appraised value of the property that was in the agreement. The meeting notice for approval of a tax abatement agreement must contain the property owner's name, the applicant's name, reinvestment zone name and location, general description of the improvements or repairs in the agreement and estimated costs of the improvement or repairs. The notice is provided at least 30 days before the scheduled meeting time. A county commissioners court or other taxing unit's board must approve an abatement agreement in the manner that the city's governing body approves an agreement under Section 312.207.

Proposed Effective: 9/1/2019.

Status: HB 3143 sent to the Governor 5/29/19.

SCHOOL DISTRICT RECEIVES ADJUSTMENTS TO PROPERTY VALUE STUDY FOR TAX INCREMENT FINANCING ZONE

HB 2111 Pacheco

Deletes portion of Government Code 403.302

HB 2111 revises language for the tax increment financing zone adjustment in the Comptroller's Property Value Study. The bill removes the September 1, 1999 date to allow for extending the deduction to the school districts for the duration of the zones. HB 2111 brackets the bill to a single district in Bexar County, which is Southside ISD. See also *School Finance*.

Proposed Effective: Immediately on Governor's signature.

Status: HB 2111 sent to the Governor 5/24/19.

MIDLAND HOSPITAL DISTRICT IMPOSES SALES AND USE TAX

HB 279 Craddick

Amends 26.012; adds Special District Local Laws Code Chapter 1061G and amends 1061.151

HB 279 provides that the Midland Hospital District may impose an additional sales and use tax.

Proposed Effective: Immediately on Governor's signature.

Status: HB 279 sent to the Governor 5/28/19.

REAL PROPERTY DISPOSITION EXPANDED FOR A NAVIGATION DISTRICT OR PORT AUTHORITY

HB 1053 Guillen

Adds Section 11 to Chapter 404, 53rd Legislature, Regular Session, 1953; adds Special District Local Laws Chapter 5013, Subchapters A, B, C and D

HB 1053 adds that a navigation district or port authority may sell, exchange or lease real property or any interest in real property. Lands or flats purchased from the State of Texas or granted by the State may be sold only to the State or exchanged with the State for other lands or exchanged for adjacent land. The district may impose restrictions on the development, use and transfer of the real property. The district's board must determine by resolution that the land is no longer needed for use in connection with developing a navigation project. Narrow strips of real property resulting from boundary or survey conflicts, or from

insubstantial encroachments by abutting real property owners or larger encroachments for more than 25 years may be abandoned, released, exchanged or transferred to such abutting owner on terms appropriate to the district. A district may convey real property for these reasons for less than its fair market value.

New definitions apply to the Port of Harlingen Authority, its governing body, powers and duties and M&O tax rate not to exceed 10 cents.

Proposed Effective: Immediately on Governor's signature.

Status: HB 1053 sent to the Governor 5/29/19.

ADMINISTRATION AND DUTIES OF WATER DISTRICTS REVISED

HB 2590 Biedermann

Amends Local Government Code 42.042; amends Water Code 49.107, 49.351, 54.022, 54.030, 54.032, 54.033, 54.234, 54.2351, 54.801, 54.802, 54.804, 54.805, 54.806, 54.809, 54.812 and repeals 54.803, 54.807, 54.808; amends Special District Local Laws Code 6901.061, 8130.151, 8176.151, 8261.151, 8413.151, 8467.151;

HB 2590 amends current law relating to the administration, powers and duties of water districts, including the ballot language for a specific M&O maximum rate or for an unlimited rate. The prescribed notice in Water Code Section 54.812 changes to indicate the amount of taxes in a defined area in addition to the other taxes of the district. HB 2590 deletes the statement in certain sections of the Special District Local Laws Code that a simple majority vote approval required by Water Code Section 54.808 does not apply to an election for those sections.

HB 2590 provides that a converting district shall hold a hearing to present a general description of any legal proceedings pending against the converting district. Notice of a conversion hearing is published in a newspaper with general circulation in the district.

Proposed Effective: 9/1/2019.

Status: HB 2590 sent to the Governor 5/29/19.

NOTICE AND HEARING ADDRESSED FOR
DISSOLVING OR CONVERTING CERTAIN
CONSERVATION AND RECLAMATION
DISTRICTS

HB 2914 Bell

Adds Water Code 49.3225; amends 54.030, 54.032, 54.033; and repeals 54.031

HB 2914 provides that the Texas Natural Resource Conservation Commission may order dissolution, without conducting a hearing, if it receives a petition from (1) the owners of the majority in value of the land in the dissolving or converting district, as shown by the most recent certified tax roll of the appraisal district in which the district is located or (2) the district's board of directors. Within 10 days of submitting the petition, the petitioner shall notice by certified mail all the landowners who did not sign the petition, based on the most recent certified tax roll of the CAD of the county or counties in which the district is located. An owner who did not sign the petition may file a written objection to the district's dissolution within 30 days after the notice was received. The district may not dissolve if it has outstanding bonds, has an outstanding contract to fulfill or owns/operates public works facilities, unless assumed by a third party.

Proposed Effective: 9/1/2019.

Status: HB 2914 sent to the Governor 5/24/19.

CERTAIN CITY MAY CREATE AN
EMERGENCY DISTRICT

SB 235 Nelson

Amends Local Government Code 344.051

SB 235 provides that the governing body of a city with a population of 19,000 or more, but less than 60,000, and contains a branch campus of North Central Texas College, may propose the creation of a fire control, prevention and emergency medical services district.

Proposed Effective: Immediately on Governor's signature.

Status: SB 235 sent to the Governor 5/25/19.

ANNUAL ECONOMIC DEVELOPMENT
CORPORATION REPORT DUE APRIL 1 TO
COMPTROLLER

SB 450 Powell

Amends Local Government Code 502.151

SB 450 changes the due date for the annual economic development corporation's report to the Comptroller from February 1 to April 1. The report includes payments to taxing units, including school districts. The Type A or Type C economic school development corporations are required to file an annual report.

Effective: 9/1/2019.

NEW LAW: SB 450 signed by Governor 4/25/19.

Open Meetings, Chapter 551

PUBLIC COMMENT MAY BE MADE ON
AGENDA ITEM DURING OPEN MEETING

HB 2840 Canales

Adds Government Code 551.007

HB 2840 adds the right of a member of the public to address the political subdivision's governing body in an open meeting. The governing body shall allow a member of the public to address an agenda item during its open meeting, either before or during its consideration of the item. The governing body may adopt reasonable rules, including a time limit to address a given item. For those without simultaneous translation equipment, the time for a member to address through a translator shall be at least twice the time limit. The governing body may not prohibit public criticism of the governing body, including an act, omission, policy, procedure, program or service.

Proposed Effective: 9/1/2019.

Status: HB 2840 sent to the Governor 5/26/19.

RECENT SUPREME COURT RULING
ADDRESSED WITH LAW CHANGE

SB 1640 Watson

Amends Government Code 551.001 and 551.143

SB 1640 addresses the recent Supreme Court ruling to add more precise language to walking quorum prohibition and to address the vagueness in current law. The change will give public officials better guidance about communications outside an open meeting. SB 1640 adds that deliberation means a

verbal or written exchange between a quorum of a governmental body. Current law states only verbal exchange. A member of a governmental body commits an offense if the member knowingly engages in at least one communication among a series of communications that occur outside of a meeting; the communication concerns an issue within the jurisdiction of the governmental body in which members engaging in individual communications constitute fewer than a quorum; and the member knew at the time the series of communications involved or would involve a quorum and constitutes a deliberation once a quorum engaged in the communications.

Proposed Effective: Immediately on Governor's signature.

Status: SB 1640 sent to the Governor 5/25/19.

CERTAIN WATER DISTRICTS HAVE MEETING AND POSTING REQUIREMENTS

SB 239 Nelson

Adds Government Code 441.1283 and amends 403.0241; adds Water Code 49.0631 and amends 49.062

SB 239 requires that districts governed by Water Code Chapters 51, 53, 54 or 55 and with a population of 500 or more shall make an audio recording of its public hearing for adoption of its tax rate, on the request of a district resident not later than three days before the public hearing. The district shall provide the recording to the resident in an electronic format within five business days after the hearing date. The district also shall post minutes of its meetings to its website if it maintains a website.

SB 239 adds that a water district under Water Code Section 49.062 shall provide a justification of why a district meeting will not be held in the district or within 10 miles of the boundary of the district. After at least 50 (up from 25) qualified electors are district residents, the district board shall designate a meeting place within the district. If no suitable place exists, the district board may designate a meeting place outside the district that is no further than 10 miles from the district's boundary. The district board may hold meetings at the designated meeting place if, at the hearing, the board determines that the new meeting place is beneficial to the district and will not deprive the district residents reasonable opportunity to attend meetings. The board may not hold meetings at a

meeting place outside the district and more than 10 miles from the district boundaries if the board receives a petition from at least five district residents. The Commission shall provide information on its website on the process for designation of a meeting place, along with a form to be used.

SB 239 also requires a new statement to be included with a district's water bill. If the district provides potable water or sewer water as part of its billing process, the district includes this statement to a customer: "For more information about the district, including information about the district's board and board meetings, please go to the Comptroller's Special Purpose District Public Information Database or (district's Internet website if the district maintains an Internet website)." The Comptroller's Special Purpose District information includes a website link to the plain-language description of how a resident may petition to require the district board meetings be held not further than 10 miles from the district's boundary required by Water Code 49.062.

Effective: 9/1/2019.

NEW LAW: SB 239 signed by Governor 5/22/19.

Open Records, Chapter 552

DISCLOSURE REQUIRED OF CERTAIN INFORMATION ON ENTERTAINMENT EVENTS OPEN TO GENERAL PUBLIC AND PAID WITH PUBLIC FUNDS

HB 81 Canales

Amends Government Code 552.104

HB 81 addresses the provision on exceptions to information related to competitive bidding. Information relating to the receipt or expenditure of public or other funds by a governmental body for a parade, concert or other entertainment and paid for with public funds is not confidential. A person may not include in a contract related to the event that prohibits or prevents disclosure of information.

Effective: 5/17/19, on Governor's signature.

NEW LAW: HB 81 signed by Governor 5/17/19.

CONTRACT DISCLOSURE PROVISIONS ADDED TO OPEN RECORDS ACT

SB 943 Watson

Adds Government Code Chapter 552, Subchapter J, 552.0222, 552.1101 and amends 552.003, 552.104, 552.305, 552.321

SB 943 adds to open records that mandates the disclosure of contracting information unless there is an exception. Contracting info includes account information, solicitations, bidding documents, communications between the governmental body and vendor or contractor during the solicitation / contract negotiation period, bid evaluation and selection documents and communications between the gov. body and contractor / vendor related to the contract performance / work performed. An exception is that a governmental body may not disclose bidding information if it demonstrates that releasing the information harms its interests by providing a bidder with a competitive advantage. Another exception is for the actual or potential contractor / vendor to demonstrate the disclosure of the information would reveal specific information that will be used in future solicitations / bids / operations and cause it competitive harm if released. This exception, however, does not apply to certain contract information. The exception does not apply to certain contract terms, such as the total price, description of items or services, deadlines, remedies for breach, identities of parties, subs and vendor / contractors, execution dates, effective dates and contract term. The governmental body will withhold the information while the vendor / contractor asserts its exception.

A requestor may file a writ of mandamus to comply with new Subchapter J. A number of entities that receive public funds will be subject to Subchapter J, essentially making them governmental bodies subjecting them to the open records act for the disclosure of contracting information. Such entities may designate one mailing address and email address for receiving public information requests. If such designations are made then it is not required to respond to requests to other addresses – otherwise it must respond to any request made to any valid address. Of the several kinds of entities that must comply is an entity that receives at least \$1 million in public funds in the current or preceding state fiscal year and those public funds account for at least 51

percent of the entity's income for the applicable current or preceding state fiscal year;

SB 943 also requires a contract to include provision outlining responsibilities, Attorney General contact information, no limiting provisions of Subchapter J, that the contractor will preserve information, promptly produce it, and at the completion of the contract provide or preserve contracting information. A bid must also contain a specifically worded statement of certification. A governmental body may not accept for bid / contract or award it to an entity that has knowingly or intentionally failed to comply in previous bids / contracts. A governmental body is to provide a contracting entity a notice it needs to cure any issues or it may terminate the contract. It also details reasons why a governmental body may terminate a contract / award with an entity for lack of compliance. SB 943 creates a new exception for contractors to protect industry information, updates the definition and protections of trade secrets and ensures contractors with the government cannot use exceptions to block public access to key items. Key items include contract terms, final price, deadlines and completion of contract assessments. Provisions address when a governmental body complies in good faith and ties the contract to the records retention requirements for the governmental body.

Proposed Effective: 1/1/2020.

Status: SB 943 sent to the Governor 5/25/19.

PUBLIC INFORMATION ACT PROVIDES FOR TEMPORARY RECORD CUSTODIAN AND ADDRESSES PRIVATELY OWNED DEVICES

SB 944 Watson

Adds Government Code 552.159, 552.233, 552.234, 552.235 and amends 552.002, 552.003, 552.004, 552.203, 552.301

SB 944 adds to open records, including a temporary records custodian; use of a privately-owned device by a current or former officer or employee; confidentiality of healthcare information; public information ownership; and designated e-mail and mailing addresses for public information requests. The Act adds the exception for confidentiality of certain information provided by an out-of-state health care provider.

Proposed Effective: 9/1/2019.

Status: SB 944 sent to the Governor 5/28/19.

COURT MAY AWARD COURT COSTS AND ATTORNEY FEES FOR OPEN RECORDS LAWSUITS IF ACTION WAS GROUNDLESS IN FACT OR LAW

SB 988 Watson

Amends Government Code 552.323

SB 988 changes the requirement about the award of court costs and attorney fees for litigation on the open records law. The court may not assess court costs and attorney fees incurred by a plaintiff or defendant who substantially prevails unless the court finds the action or defense of the action was groundless in fact or law. Proposed Effective: 9/1/2019.

Status: SB 988 sent to the Governor 5/25/19.

Other Codes and Statutes

CERTAIN CONTRACTS WITH COMPANIES THAT BOYCOTT ISRAEL CLARIFIED

HB 793 King

Amends Government Code 2270.001 and 2270.002

HB 793 clarifies existing law prohibiting government contracts with companies that boycott Israel by providing that the law does not apply to a sole proprietorship. A contract only applies that is between a governmental entity and a company with 10 or more full-time employees and has a value of \$100,000 or more that is to be paid from public funds.

Effective: 5/7/2019, immediately on Governor's signature.

NEW LAW: HB 793 signed by Governor 5/7/19.

TEXAS HISTORICAL COMMISSION CONSIDERS TOTAL PROPERTY VALUE IN COUNTY OR CITY FOR GRANT OR LOAN

SB 496 Perry

Amends Government Code 442.0081

SB 496 adds to the factors that the Texas Historical Commission considers in reviewing a grant or loan application through the historic courthouse preservation program. The new factor is the county's or municipality's local funding capacity as measured by the total taxable value of properties in the county or municipality.

Effective: 9/1/2019.

NEW LAW: SB 496 signed by Governor 6/4/19.

HEALTH CARE PROVIDER PARTICIPATION PROGRAM EXPANDED TO CERTAIN HOSPITAL DISTRICTS

HB 1142 Lambert; SB 1350 Watson; HB 4548

Wray

HB 1142 adds Health and Safety Code Chapters 293C and 298E; SB 1350 adds Health & Safety Code Chapter 298E; HB 4548 adds Health & Safety Code Chapters 292C, 296A

These bills continue the expansion of a program that began in 2013 to create a local county or city health care provider participation fund to access federal matching funds under the Section 1115 Medicaid waiver. Interest, penalties and discounts on mandatory payments follow the laws applicable to the county's property taxes.

HB 1142 adds Chapter 293C that applies to counties that are not served by a public hospital district or public hospital, have a population of more than 125,000 but less than 140,000, and are not adjacent to a county with a population of one million or more. The county collects the mandatory payment from each institutional health care provider and deposits that to the county's indigent care program. The funds are not comingled with other county funds. The county sets the mandatory payment that may not exceed 6% of the hospital's net patient revenue. Interest, penalties and discounts on mandatory payments follow the laws applicable to the county's property taxes. HB 1142 also adds Chapter 298E for a hospital district created in a county with more than 800,000 population and the district was not included in a hospital district prior to September 1, 2003.

SB 1350 addresses adds Health and Safety Code Chapter 298E for a hospital district created in a county with more than 800,000 population and the district was not included in a hospital district prior to September 1, 2003 (also was added to HB 1142).

HB 4548 includes the program for counties that border Oklahoma and have a hospital district by adding Chapter 292C. It also adds Chapter 296A for county health care providers participation program in certain counties bordering two populous counties.

Effective: HB 1142 effective 5/31/2019. SB 1350 effective 5/31/2019. HB 4548 effective 6/2/2019. All effective immediately on Governor's signature.

NEW LAW: HB 1142 signed by Governor 5/31/19.

NEW LAW: SB 1350 signed by Governor 5/31/19.

NEW LAW: HB 4548 signed by Governor 6/2/19.

CODE REVISIONS AND OTHER NON-SUBSTANTIVE CHANGES CLEAN UP STATUTES

HB 4170 Leach

Amends 5.102, 23.524 and 25.025 and various Codes

HB 4170 is 176-page bill that cleans up non-substantive additions and corrections in enacted Codes and conforms 85th Legislature codifications.

Effective: 9/1/2019.

NEW LAW: HB 4170 signed by Governor 6/7/19.