

SB 2/Bettencourt, Burrows (Property tax reform and restraint)

Conference Committee report – Selected Features

- Renames the effective tax rate as “no-new-revenue tax rate”.
- Renames the rollback tax rate as “voter-approval tax rate”.
- Creates a new “de minimis rate” equal to the sum of a taxing unit’s no-new-revenue M&O rate, its debt rate, and the rate that would impose \$500,000 in tax levy.
- Adds a real-time tax notice for taxpayers to be able to timely engage in the tax rate-setting processes of taxing units.
- Enhances the Comptroller’s role in standardizing tax rate calculations, data gathering and organization for the use of the public, and administration of public surveys regarding ARB service quality.
- Increases electronic financial disclosures by taxing units, and requires increased communication with and individualized tax notice forms for property owners.
- Lowers the permissible annual increase in tax levies by a taxing unit on existing properties (the former rollback threshold) to 3.5% before adjustments from the existing 8% for taxing units not meeting the definition of a special taxing unit, which is defined in the bill as a non-school district:
 - (A) for which the M&O tax rate proposed for the year is 2.5 cents or less;
 - (B) a junior college district; or
 - (C) a hospital district.

Special taxing units remain at the 8% threshold.

Adjustments and alternatives that could provide for a higher increase than 3.5% for taxing units include:

- The de minimis rate
 - Declared disaster area status
 - An “unused increment rate” equal to sum of the amounts by which a taxing unit did *not*, during the previous three years, tap the maximum 3.5% allowed
 - Indigent defense expenditures
 - County hospital expenditures
- Generally, eliminates the petition requirements of current law, requiring automatic elections to approve, or disapprove, of tax increases beyond the voter-approval rate.

Requires a special taxing unit or a city with a population of 30,000 or more proposing a tax rate that exceeds its voter-approval rate to hold an election on the proposal.

Requires a taxing unit other than a special taxing unit or a city with a population of less than 30,000 regardless of whether it is a special taxing unit that proposes a tax rate that exceeds the greater of its voter-approval tax rate or its de minimis rate to hold an election.

Retains a petition procedure for certain, typically smaller, taxing units that propose a tax rate above the voter-approval rate but below the de minimis rate.

- In counties with 1 million or more in population, establishes specialized review panels for specified property categories for properties valued at \$50 million or more, annually adjusted for inflation.
- Prohibits an ARB from determining a property's value in a protest to be greater than the appraised value of the property as shown in the appraisal records submitted to the ARB by the chief appraiser unless agreed to by the property owner.
- Prohibits a taxing unit from adopting a budget or taking any other action that has the effect of decreasing the total compensation to which a first responder was entitled in the preceding fiscal year.

SB 2 is contingent upon passage of HB 3, the education finance reform bill.

The fiscal note for SB 2, conference committee report, includes an illustrative example showing possible taxpayer savings of \$980 million by fiscal 2024.

NOTE: This summary is comprised of selected features of SB 2 and is not comprehensive.