Senate Bill 2 Disaster Declaration Tax Calculation Options

June 23rd, 2020

Senate Bill 2 Recap

- Terminology Changes
  - Effective Tax Rate = No New Tax Rate
    - This is the tax rate that will generate the same amount of revenue from the same properties as the previous year.
  - Rollback Rate = Voter Approval Tax Rate
    - This is the maximum tax rate that can be adopted without the possibility of an election to overturn the adopted rate.
- Rate and Process Changes
  - The Voter Approval Rate is now 3.5% above the prior year compared to 8% before Senate Bill 2.
  - Exceeding the Voter Approval Rate triggers an automatic election, whereas previously an election required a petition by registered voters.

Disaster Declarations

- On March 13th, President Trump declared a national emergency and Governor Abbott declared a state of emergency for every Texas county due to COVID-19.

- These actions triggered the disaster exemption in Senate Bill 2 which allows a City Council to direct the designated officer or employee to calculate the Voter Approval Tax Rate at 8% instead of 3.5%.

- This remains in effect for a minimum of two years if taxable values exceed the pre-emergency declaration taxable values the following year to a maximum of three years.

Tax Rate Banking and Senate Bill 2

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- Senate Bill 2 allows for banking or carrying forward the difference between the voter approval rate and the adopted tax rate for three years.

- Example:
  - Calculating the Voter Approval Tax Rate at 3.5%
    - 3.5% (Voter Approval Tax Rate)
      -3.5% (hypothetical adopted Tax Rate)
       0.0% (banked or carried forward amount)
  - Calculating the Voter Approval Tax Rate at 8%
    - 8.0% (Voter Approval Tax Rate)
      -3.5% (hypothetical adopted Tax Rate)
       4.5% (banked or carried forward amount)

Frequently Asked Questions

- Is a city's ability to use an 8 percent voter-approval rate mandatory?
  - No – this is at the discretion of the City Council.
- What would be required to facilitate the change in calculation of the rate?
  - A resolution of the City Council directing the designated officer or employee to calculate the rate at 8% rather than 3.5%.
- Would this change any of the tax rate adoption dates?
  - No – all provisions in Senate Bill 2 remain unchanged as far as the adoption dates, however, exceeding the voter approval tax rate shortens the adoption date considerably in order to call the mandatory election.

Questions

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