

Adopting a City Budget and
Property Tax Rate
Training
Austin Texas
2021

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(Note: this paper solely reflects the opinions of the author and is not an official statement of the City of Austin, or the Austin City Attorney).

Introduction

Thirteen years ago, I had the good fortune to start working at the City of Austin. Having been a lawyer filing civil lawsuits against polluters and other ne'er do wells for many years, I have the pleasure of a job in which I learn new things every day. Helping the City adopt its budget and property tax rate each year is part of the annual adventure. 2019 brought big changes to the law, and 2021 brought smaller important changes. So, it is still a huge learning process.

Adopting the budget and the tax rate are two of the most important processes your city will go through each year. The legislature has provided a process for each action that is designed to give citizens notice of each action and the impact of each action. The process also includes an opportunity for people to speak to city council about the budget and the tax rate. I hope this paper will guide you in helping your city complete each of these processes legally.

When I refer to “adopting the budget” be mindful that there may be many pieces to “the budget.” However, this paper only looks at the budget as if it was one whole thing.

Our city holds rate hearings for utilities, such as solid waste services, drainage, water and wastewater, and electric (if increases to the rates are needed). We also adopt ordinances relating to EMS, fire, and police positions. We have some local government corporations that adopt their budgets at the same time too, so notice of their board meetings must be posted and scheduled, and resolutions prepared to adopt those budgets. We have adopted ordinances and resolutions relating to financing for various parts of the budget as well (bonds, certificates of obligation, and contractual obligations). Finally, since we have a myriad of fees that we charge, unless a statute requires the fee to be in a certain place in the city code, we adopt a “fee ordinance” that contains all the city fees – including any proposed changes to those fees. The Local Government Code provisions relating to the municipal budget do not reference these actions that our city has to complete related to budget adoption and your city may have similar actions it needs to take under its charter.

When I refer to “adopting the property tax rate” this also includes adoption of any property tax exemptions authorized by state law that the city has elected to offer (such as over 65, homestead, disabled, historic property). Make sure that you are clear on the requirements for adopting these exemptions, both under state law, and under your charter, and that the adoption is done in compliance with these requirements. I use the phrase “property tax” instead of “ad valorem tax” because I prefer trying to keep things in as plain English as I can.

When I refer to “hearings” these are mostly hearings that are public open meetings at which citizens are specifically allowed to speak as set out in the statutes. After we have had these hearings, with ample public comment, we close the public comment portion of the hearings and council adopts the budget, ratifies that it will need more taxes than the current fiscal year, and adopts the tax rate. This may take more than one day, and thus we have previously continued the discussion to a second day as authorized by the Texas Open Meetings Act.

Please stay on top of your TML updates and do not assume that what is in this paper is the final word. Also, stay on top of the Texas Comptroller’s updates because their direction is important, their forms are mandatory, and they keep changing their forms – sometimes with financially serious implications.

I. BASIC PROCESS OF BUDGET AND TAX RATE ADOPTION

The Statutes

The legal framework that sets out the mechanics of adopting a city’s tax rate and budget can be found in:

- Texas Property Tax Code Chapter 26 (tax rate);
- Texas Local Government Code Chapter 102 (budget);
- Texas Government Code 551 (open meetings); and
- The Texas Elections Code.

These first two are referred to in this paper as “Tax Code” and “LGC.” These Codes share two main features. Each has specific notice requirements and each has specific hearing requirements. They used to have different

hearing and notice requirements that did not match. Now, they are getting closer to matching with the changes in the law from 2019 and 2021. They are different for small and large cities. The changes made during the 2019 legislative session are very substantial. The changes made during the 2021 legislative session were more focused, but also impact the current process for the upcoming fiscal year.

In 2019 the legislature made a change to the Texas Open Meetings Act (TOMA) that requires public comment when a covered governmental body will be taking an action. This has changed some of how the budget and tax rate hearings can be conducted.

In 2019, the changes to the Tax Code mandated an election if entities such as cities need more funding than the cap provided in state law. Since the Tax Code changes did not supersede the Elections Code, we need to look at how an election is properly called to account for this possibility.

Practice tip: refer to the schedules on the TML web site.

TML's calendars are the only ones that have a combined schedule of dates for adopting both the budget and the property tax rate. TML has one schedule for large cities and one for small cities. A small city is one with less than 30,000 in population. (See, e.g., Tax Code Section 26.063(a)).

This is the site for cities of 30,000 or fewer population:

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjE4JHY5O_xAhWNLs0KHRPLBhIQFjAAegQIAxAD&url=https%3A%2F%2Fwww.tml.org%2FDocumentCenter%2FView%2F2690%2F2021-budget-and-tax-deadlines-under-30k_final&usg=AOvVaw0Vc9CQBZlhy9TAtL5r6tdn

This is the site for cities of more than 30,000 people:

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjE4JHY5O_xAhWNLs0KHRPLBhIQFjAEegQIBxAD&url=https%3A%2F%2Fwww.tml.org%2FDocumentCenter%2FView%2F1735%2F2021-TAX-AND-BUDGET-DEADLINES_30k_and_up%3FbidId%3D&usg=AOvVaw0LCInMIYuSH89r5r1iEM7g

Use the Comptroller's forms.

The Comptroller has online training. It is a series of narrated power point presentations.

This is where the information is located on the Comptroller's website:

<https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/>

The Texas Secretary of State's Election Calendar can be found here:

<https://www.sos.state.tx.us/elections/voter/important-election-dates.shtml>

Tax Rate/Truth-in-Taxation

The State legislature does not set the city's property, or "ad valorem" tax rate. However, they have hemmed in the amount that a city can raise its property taxes before the city is required to hold an election, or before the residents of a small city can petition for an election.

Effective and Roll-back Rates are the no-new-revenue-rate and the voter-approval-rate (and there is a de minimis rate for small cities):

Before 2019, there were two rates that you would hear discussed referring to the property tax rate. The "effective rate" and the "rollback rate." The effective rate was the property tax rate that would give the city the same amount of money for maintenance and operations (sometimes called "M&O") for the upcoming fiscal year as it had for the fiscal year the city was currently in. The rollback rate was about 8% higher than the *operating* effective rate plus mandated or required taxes to pay for general obligations bonds (both principal and interest). If the city went above that rate, it triggered the right of the citizens to initiate a *rollback* election.

The debt portion of the tax rate is always what the City needs to pay back the City's debt. In 2021, the legislature adopted changes to Chapter 26 of the Tax Code (HB 1869) relating to what non-voter-approved property tax backed debt counts as debt to be included in the debt portion of the tax rate. The result is some capital projects that can be funded with certificates of obligation must now be paid back out of the M&O portion of the tax rate.

With the 2019 passage of SB 2, many things changed. The limit on increases to the M&O rate was to 3.5% increase instead of 8%. If a City decides to go above that 3.5%, the City must hold an election – no longer do the voters have to petition for that election.

Disaster: A City can increase the tax rate up to 8% over the M&O portion of the tax rate when there is a disaster. However, in 2021, the legislature redefined which disasters qualify and limited how local governments can continue to include these funds in the budget.

There is also a rate called the de minimis rate. This is the rate equal to the sum of the no new revenue maintenance and operations rate, the rate that will raise \$500,000, and the current debt rate for the small city. (See, Texas Tax Code 26.063). If the de minimis rate exceeds the voter approval rate for the small city, then the voters of the small city can petition for an election.

The statute contains formulae for calculating these rates. Tax Code 26.04(c). The calculations are also discussed in the Texas Comptroller's Truth-in-Taxation guide. The training on the Comptroller's website walks through the calculations. In broad terms – the tax rate will always be what it costs to make the lawfully required payments on qualifying city debt, plus the amount that it takes to run your city – this second part is the “operating” rate.

Your city must designate someone to do the calculations using the Comptroller's worksheets. This person, the designated official or employee, will have to certify the worksheets and provide the information to other government entities. There is a Form 50-212 on the Comptroller's website that the designated employee will have to fill out and that the City must put on its website and send to the councilmembers. The form is designed to meet the requirements of Tax Code 26.04(e).

Caution: if your city has experienced an increase in the taxable value of property above 3.5%, you may find that your no new revenue rate is lower than your current tax rate. Of course, if your valuations are coming in that much higher, you will need to make sure that the appraiser has the right amount of value not under protest when he or she certifies the rolls. More people tend to protest when their appraised values jump up.

Certifying the Rolls:

Since the changes in 2019, the certification is important, but not quite as important as it was. This is because the legislators anticipated that a local taxing entity might need to call an election regarding the proposed tax rate and the dates would not work if the taxing entity had to wait for the certified

rolls. Therefore, although the calculations all flow from the chief appraiser, or appraisers, for the taxing district(s) certifying the tax rolls, there is a process for a “certified estimate.” The certification is supposed to be completed by July 25th. The notice and hearing dates for the Tax Code flow from this July 25th date. It is critical that you coordinate with your tax appraiser on the certified rolls before finalizing your calculations. However, if, by July 20, the Appraisal Review Board (ARB) has not certified the tax rolls, the chief appraiser must certify an *estimate* by July 25th.

Cautionary Note:

In the past, if the appraiser did not certify the rolls timely, the entire schedule had to be recalculated. Now, mindful that the taxing entities may need to order a tax increase election, the chief appraiser must certify an estimate for the taxing entities to use to meet the deadlines. Tax Code 41.12 governed the old process.

Triggering the Tax Rate Increase Process:

If your City needs a tax rate that is higher than the lower of the voter approval or no new taxes tax rates you must publish notice. But, how does the City get that process started? The Tax Code applies special notice requirements “[i]f the ordinance, resolution, or order sets a tax rate that, if applied to the total taxable value, will impose an amount of taxes to fund maintenance and operation expenditures of the taxing unit that exceed the amount of taxes imposed for that purpose the preceding year.” Tax Code 26.05(b).

The mechanism Austin uses to set the process in motion is an item on council’s agenda for a resolution to adopt a proposed maximum tax rate that the city will consider and set the date that council will consider adoption of the actual tax rate. This can get very tricky, however, because the Tax Assessor Collector must verify the rates, and the timing for setting this rate may mean that this person does not have that information when a city needs it. Therefore, the designated official must be prepared to give a number that may not have been finalized. Since this is for notice purposes and there is not a path for this type of action in the Tax Code, confer with your city attorney and finance professionals regarding the best way to handle this.

In the resolution adopting the proposed maximum property tax rate, we used to recommend that Austin adopt the highest rate that kept us below the trigger for citizens to take action to roll back the rate. Now, a city will have to consider what rate is needed, and whether to call an election on its own. Small cities must evaluate whether to risk a roll-back election. Council can consider various budget scenarios in the upcoming weeks or months that may lower the rate needed to generate the revenue for the upcoming fiscal year's budget, but they know the cap and the cap is public. Conceivably, they could choose to adopt a rate that does not exceed the amount that would trigger the need to call an election.

When Austin adopts this resolution setting the proposed maximum tax rate, we make clear in the agenda notice, and in statements made by the Mayor at the meeting adopting this resolution, that the council may ultimately adopt a property tax rate that is lower than the maximum set out in the notice. We adopt the proposed property tax rate using a roll call vote where each person's vote is recorded after the clerk reads their names. This is required by Tax Code 26.05(b). Your city will need to follow the wording in 26.05 for the form of the action, and now each city is required to put the notice on the city's website as set out in Tax Code 26.05(b)(2). Your city will also need to publish notice, in the non-classified notices section of the newspaper.

➤ **So, the steps are:**

- (1) Have your city designate the official or employee to complete the tax rate calculation.
- (2) A designated official or employee completes the tax rate calculations using the forms from the Texas Comptroller's website.
- (3) Make sure the designated official or employee communicates the information from the forms to the elected body and posts it on internet using the Form 50-212;
- (5) Properly posts the open meeting item on a council agenda to adopt the proposed maximum tax rate;
- (6) Council adopts proposed maximum tax rate in an open meeting with a roll call vote (each elected official stating their vote);
- (7) Publish the notice required by Chapter 26; and
- (8) Put notice of action on city website and city's public access TV channel.

Notice of Rates and Hearings:

The form for the notice is established by the State Comptroller. If your city follows these legal requirements, it can operate as an affirmative defense if the city is sued for not properly following the statutes. This means that the city will have the burden of proof to prove it properly followed the process. Make sure you are keeping all the records properly. The standard is still good faith, but following the requirements no longer operates as a complete bar to a suit.

Make sure your tax collector assessor knows what is going into the notice because the statute requires their contact information to be in the newspaper.

Don't forget TV and Internet Notices:

If the taxing unit has free access to a television channel, the taxing unit also has to request that the channel carry a 60 second notice of the public hearing at least 5 times a day between the hours of 7 a.m. and 9 p.m. for a set number of days. The extra requirements for the internet and television notices can be found in Tax Code 26.065.

Hearings:

The statute appears to require a hearing even if a city is not increasing its taxes. Form 50-883 from the Comptroller sets out the requirements for noticing such a hearing. If your city adopted a proposed property tax rate that is higher than the lower of the no new taxes or voter approval tax rate, the city must publish more notice, hold one specific hearing, and adopt the rate using specific statements set out in the Tax Code. To make sure that each action is taken in compliance with the applicable legal requirements, Austin uses a simple script for each of the council actions.

- **Hearing:** The hearing requirements of Tax Code 26.06 are:
 - The hearing must be held on a weekday that is not a public holiday.
 - The hearing must be held in certain buildings that are open to the public. Tax Code 26.06(a).
 - A public hearing required by Section 26.05 may not be held before the fifth day after the date the notice of the public hearing is given (this sounds like they meant to say “six days”).

- At the hearing, the governing body must afford adequate opportunity for proponents and opponents of the tax increase to present their views.

After the hearing is completed, the governing body of the taxing unit has to **vote on the tax increase**.

- The meeting to vote on the tax increase may not be held later than the seventh day after the date of the public hearing. Tax Code 26.06(e).
- The governing body must adopt the tax rate before the later of September 30, or the 60th day after the date the certified appraisal roll is received. Tax Code 26.05(a).
- At least 60% of the members of the governing body must vote in favor of any increase in the tax rate.
- **If the governing body is voting on a rate that will require an election, the vote must be early enough to call the election – this means mid-August.** Check the Secretary of State’s calendar for elections in November.
- This is the calendar for 2021: <https://www.sos.state.tx.us/elections/voter/important-election-dates.shtml>

Practice Tip:

If you do not have to anticipate an election, you have the flexibility of holding your hearing in late September. The Tax Code uses the phrase “before the later of September 30th ...” One might think this refers to whichever is later, September 30th or the 60th day after the date the certified roll is received. However, in an abundance of caution, both the Truth in Taxation guide and the TML schedule state that the rate must be adopted no later than September 29th in case the “before” modifies September 30th. So, if you’ve received your certified appraisal role timely, and you are not exceeding the voter approval rate, your city can adopt its tax rate by September 29th.

Contents of the adopting document: The ordinance or resolution used to adopt the actual tax rate must contain specific statements in type that is larger than the rest of the document’s type-size. Tax Code 26.05(b)(1).

- Vote: A vote to adopt the tax rate must:
 - Be separate from the vote to adopt the budget. Tax Code 26.05(b).

- Be a “record vote” with each person’s vote recorded.
- Follow the exact words of the statute.
- Be done *after* the vote on the budget (and *after* the vote to ratify the property tax increase contained in the budget. LGC 102.006).
- Be “separate” from the budget vote – but not necessarily on a different day. If the dates fall in line, one can set these votes as separate items on the agenda for one meeting, and take each one up in the right order.

Practically speaking, think of the order as:

1 - record vote to adopt a budget with a specific amount of money to run the city;

2 –vote and acknowledge publically (“ratify”) that council knows this budget will cost more than last year’s budget;

3 – record vote to adopt the actual tax rate that will generate the revenue needed for that budget.

So, 3 votes total – two are “record votes” with each councilmember stating their vote on the record.

More Notice: Before imposing the property tax rate for the year, notice of the final rate must be put on the home page of any internet website operated by the taxing unit. The wording for this notice is set out in Tax Code 26.05(b)(2). There is not a time frame for how long this notice must be kept on the website. Austin normally leaves this notice up for several weeks until the start of the next fiscal year.

Practice Tip:

Failure to follow the exact mechanism set out in the statute means that the taxing entity must use the lower of the no new taxes tax rate, or the tax rate adopted the prior year. Tax Code 26.05(e). Even this rate must be “ratified” by the taxing entity within 5 days after the tax rate is established using the same script and notice requirements set out in Tax Code 26.05(c).

Suit to Enjoin Adoption of Tax Rate:

The Tax Code contains a specific provision authorizing a taxpayer to bring a suit to enjoin the taxing entity from adopting its tax rate if the taxing entity has not computed the tax rate, or followed the publication requirements of the statute, and the failure to comply was not “in good faith.” Tax Code 26.04(g).

One court has held that this suit must be filed before the tax rate is actually adopted. *Hairgrove v. City of Pasadena*, 80 S.W. 3d 703 (Tex. App. Houston [1st Dist] 2002, pet. denied).

A case from El Paso defines good faith under this Tax Code provision. *El Paso County Hosp. Dist. v. Gilbert*, 64 S.W. 3d 200 (App. 8 Dist. 2001, reh'g overruled, review denied 2002). In *Gilbert*, the court noted that the Tax Code does not contain a definition of "good faith." *Gilbert at 204*. The court adopted a formulation as follows: ". . . an assessor or designated officer or employee of a taxing unit acts in good faith when he subjectively believes that he has complied with the computation or publication requirements of Section 26.04, if that belief is reasonable in light of existing law." *Gilbert at 205*. The El Paso court concluded that, since the taxing entities involved in this suit had been enjoined before because they failed to include certain funds in their calculations completed pursuant to the "truth in taxation" requirements, their belief that they could continue to exclude these funds was not reasonable and the taxing entities therefore acted in bad faith. *Id.*

Practice Tip:

I check the TML schedule, and count the days on calendars with the people in our office who prepare the notices and get the hearings set up for council. I usually count days in November of the prior year, at the latest, and check the TML calendar as soon as it comes out. I also have found a blank calendar on the internet and I put dates into that and save that for my budget and tax binder. I now also coordinate with our elections attorney to make sure I have the election schedule figured into the calendar. It is very important to count these days and figure out your tax and budget schedule before your council adopts its meeting schedule for the year. You do not want to find out that you have to call special meetings, or have council undo its vacation schedule because of budget and tax rate adoption requirements.

Property Tax Exemptions:

Property tax exemptions can be found in Chapter 11 of the Tax Code. Some of these are mandatory, and some are optional. Cities can increase some of the exemptions above a minimum.

Examples of exemptions include:

- homestead,
- over 65,
- partial and full disability,
- veterans, and
- historic properties.

You can either adopt these exemptions when you adopt the ordinance with the property tax rate in it, or you can adopt them earlier in the year. You must review each exemption to see if it has specific adoption requirements. Tax Code 11.13(n), for example, requires adoption of the homestead exemption by the governing body no later than July 1. We have found it useful to confer with the Appraisal District on the timing so that they know what exemptions the City has granted and they can include that information in the estimated property tax notices they send out. Taxes have to be adopted only as set out in the Tax Code and Texas Constitution. In Opinion No. KP-0215, the Texas Attorney General walked through this legal framework and advised that a court would probably find a city is without authority to adopt a flat dollar homestead exemption that was not set out in state law.

Adopting the Budget

LGC Chapter 102 contains the requirements for adopting and amending a municipal budget for home rule cities. Chapter 101 has the requirements for Type A General Law municipalities. There are also provisions in LGC Chapter 101 that set out how to define a fiscal year for a plethora of municipalities. Your city may also have requirements in its charter. The budget adoption description below is for a home rule municipality.

Budget Adoption Requires Record Vote and Additional Information on Cover Page.

Chapter 102 of the LGC requires:

- The city council's vote to adopt a budget to be a record vote; and
- An adopted budget to contain a cover page that includes:
 - A specific statement about whether the budget raises more, less, or the same amount of property tax revenue compared to the previous year's budget;

- The record vote of each member of the governing body by name voting on the adoption of the budget;
- The city property tax rates for the preceding and current fiscal years, including the adopted rate, no-new-revenue tax rate, no-new-revenue maintenance and operations tax rate, voter-approval tax rate, and debt rate; and
- The total amount of city debt obligations secured by property taxes.
- A city with a website to post the cover page described above, on the city's website, and keep the record vote information on the city's website for at least one year after the budget is adopted; and
- The city council to amend the cover page to include the property tax rate information for the current fiscal year if the rates are not included on the cover page when the budget is filed with the city secretary.

Know Thy Budget Officer: The Mayor is the budget officer for the governing body of a city, unless the city has a city-manager form of government, in which case the city-manager is the budget officer. LGC 102.001. (*See also*, Tex. Atty. Gen'l Op. JC-0544 (2002) for a description of who may be the budget officer for each type of city).

Budget Officer Responsibilities: The budget officer is responsible for preparing the budget. LGC 102.002. The contents are set out in the statute. LGC 102.003. However, be mindful that your city's charter may contain additional requirements. Austin's Charter, for example, contains a requirement that the proposed ordinances used to adopt the budget be included in the budget. Since we do not know the numbers that go into those ordinances at the time we adopt the budget, we use sample ordinances that are filled in after council adopts the budget and tax rate.

Practice Tip:

We at times get into discussions about who has responsibility for which part of the budget, whether that is the council or the city manager. The line between big-picture policy and the role of the entity adopting the budget versus the day-to-day policy and the role of the person making sure the big-picture policies are carried out in a fiscally responsible manner, can be difficult to draw. To the extent that your city has guidance in its charter, or in prior research provided by your city attorney's office, it is helpful to keep this handy.

Filing with City Clerk and Notice:

The budget officer must file the proposed budget with the city clerk before the 30th day (read, at least 31 days) before the governing body levies (adopts) the tax rate. LGC 102.005(a).

If the budget will require more property tax revenue than the previous year's budget, it must contain a cover page with an 18 point or larger type notice with specific words. LGC 102.005(b). Austin puts this notice on the inside of the cover page.

The proposed budget must be available for inspection by any person. And, if the city maintains a website, the budget must be posted on that website. LGC 102.005(c).

Notices and Hearing for Budget Adoption:

The provisions in LGC 102 relating to the budget adoption hearing and the notice for the hearing are challenging to read since the requirements for each piece of this process are interspersed between multiple sections of the code provisions.

➤ **The notice requirements are:**

A) Date: Publish the notice no earlier than the 30th day and not later than the 10th day before the hearing. The hearing date must be set at least 16 days after the date the budget is filed with the city clerk.

B) Contents: The hearing notice must be published in at least one newspaper of general circulation in the county where the city is located. The notice has to include the statement that must be on the cover of the budget. The type size for this part of the notice has to be the same as the type size for the rest of the notice.

➤ **The hearing requirements are:**

A) One public hearing: Chapter 102 of the LGC only requires one hearing to adopt the budget. The hearing must be open to the public and any person may attend and participate. LGC 102.006(a). At the conclusion of

the public hearing the municipality shall take action on the proposed budget. LGC 102.007(a).

Some cities do not adopt the budget on the same day that they hear public comment. TML notes on its budget calendar as follows: “**September 28** – last day for **hearing on budget**. LGC § 102.006(b) (hearing shall be before the date of the tax levy). Note, the hearing must be after the 15th day after the proposed budget is filed with the clerk. Also, must take some sort of **action on the budget** at conclusion of hearing. LGC 102.007. This action could be adoption of the budget, or else a vote to postpone the final budget vote. It is generally agreed that the city need not adopt the budget at the end of the hearing.” Austin makes sure that the budget is adopted before the tax rate in order of the items on its agenda. Due to the shortness of the calendar based on the possibility of a tax rate election, we are now adopting the budget on the same day we adopt the tax rate (following the order of hearings set out in the law).

- **Voting requirements:** Adoption of the budget must be done as a separate vote that council takes before they adopt the tax rate. LGC 102.006(b). If the city is adopting a budget that requires more property tax revenue than last year, council must *also* vote separately to ratify the tax increase reflected in the budget. LGC 102.007(c). The vote to adopt the budget must be a “record vote” – e.g., the vote of each council member must be recorded by the City Clerk or Secretary. The vote to ratify does not have to be a record vote. So, 2 votes – one required to be record vote, and one not.

Practice Tip – Last Day to Adopt Budget September 28th:

The hearing date should be no later than September 28th (assuming you’ve received your tax levy timely). Why? The budget must be adopted before the tax rate. The tax rate must be adopted before September 30th - a date which is calculated by the Comptroller and TML as being September 29th (see Tax Code 26.05). Therefore, the budget adoption must be before September 29th. Check your Charter – our Charter requires the budget to be adopted by September 27th. Austin is now adopting its budget in mid-August in case the council chooses to call an election to raise the tax rate above the 3.5%.

- **Open Meetings and Public Comment:**

If your city wants to hear from citizens about the budget on more than one date, and, perhaps, would like to vote on the budget on a date separate from the dates of citizen input, you may decide to hold informal public comment sessions before budget adoption.

While your city charter may have provisions that impact your process, LGC 102.011 states that charter provisions can control, *if* the city is also complying with the notice and property tax provisions of these LGC sections.

The Texas Open Meetings Act requires the council to allow each member of the public who desires to address the body regarding an item on the agenda to address the body at the meeting before or during the body's consideration of the item. (Sec. 551.007 Government Code). Therefore, a process that closes public comment and has action in a different day, may not comply with this requirement.

➤ **Requirements after budget is adopted:**

The city must file the budget with the city clerk, and if the city has a website, the budget must be posted on that website. LGC 102.008. See also cover page requirements noted above.

Be mindful that if your city budget is adopted by ordinance, it can only be amended by an action of equal dignity – that is, another ordinance. Attempts to amend the budget any other way are “without effect.” Tex. Atty. Gen'l Op. GA-0431(2006) at 2.

Conclusion

Adopting the property tax rate and the budget are two of the most important actions a city must take. The requirements for proper adoption are complex and detailed. Make sure you and the staff people working on the budget and property tax rate calculations are on the same page for each piece of the schedule and the notices. Be clear regarding who is responsible for getting the notices published and posted. Do not hesitate to contact TML – they are very helpful in thinking through the simplest pieces of the process and the most complex.

**LEGISLATIVE UPDATE – this information is taken from the
TML legislative updates.**

post-session update: property tax rate calculation following a disaster

With the passage of sweeping property tax reform in 2019 in the form of S.B. 2, the Texas Legislature’s approach to local property tax issues in 2021 was, in large part, focused on addressing some of the unintended consequences of S.B. 2. The main example of this approach was the passage of [S.B. 1438](#), which became effective immediately upon being signed by the governor on June 16, 2021.

Pandemic-Related Changes

The primary goal of S.B. 1438 was to eliminate the ability of a taxing unit, including a city, to opt into greater flexibility in calculating and adopting a tax rate during a pandemic. Under the plain language of S.B. 2, cities had the ability to calculate their voter-approval tax rates using an eight percent multiplier, instead of the new 3.5 percent multiplier, if the city was located in an area declared to be a disaster by either the president or the governor. According to the author, S.B. 2 was not intended to allow taxing units to opt into the higher voter-approval rate calculation during a pandemic.

S.B. 1438 clarifies that in order for a taxing unit to calculate the voter-approval tax rate at eight percent due to a disaster declaration, there needs to be physical damage to property within the taxing unit’s jurisdiction. The way the legislature decided to measure whether or not there is physical damage to property is to authorize the ability of a taxing unit to opt into the higher rate calculation only if a person within the taxing unit is granted a [temporary property tax exemption](#) for property that is physically damaged in a disaster. This means that, moving forward, a city may not use the higher eight percent calculation due to a pandemic disaster, among certain other types of disasters that don’t cause physical damage to property.

S.B. 1438 also modified a separate disaster-related property tax provision. S.B. 2 provided that when increased expenditure of money by a taxing unit was necessary to respond to a governor-declared disaster that impacted the taxing unit, an election was not required to approve the tax rate adopted by a taxing unit that exceeded the voter-approval tax rate or de minimis tax rate, as applicable, in the year after the year in which the disaster occurred. S.B. 1438 leaves that provision largely intact, but clarifies that the election exemption does not apply to a pandemic or epidemic disaster.

Voter-Approval Rate Disaster Adjustment

In addition to S.B. 1438’s modifications to existing statutory provisions governing tax rate setting following a pandemic, the bill also added a couple of new provisions that could impact cities in a more general sense. First, the bill creates a new negative adjustment to a

city's voter-approval tax rate if the city does opt-in to an eight percent voter-approval rate during a disaster. Under S.B. 1438, if a city decides to calculate an eight percent voter-approval rate due to a disaster, in the first year following last year for calculating voter-approval rate in manner provided for special taxing unit, voter-approval rate is reduced by the "emergency revenue rate". The emergency revenue rate is essentially the difference between the previous year's adopted rate and the voter-approval rate calculated as if the taxing unit adopted the 3.5 percent voter-approval rate at each opportunity during the disaster.

What this all means is that while cities may continue to opt-into the eight percent voter-approval rate calculation during a disaster in which property is damaged, doing so is almost like taking out a loan to recover from the disaster that a city will "pay back" later in the form of a voter-approval rate reduction once the impact of the disaster has passed. As a result, cities should consider the future impact to property tax revenue prior to deciding to opt into a higher voter-approval rate calculation due to a disaster.

How does the negative adjustment impact cities that opted into an eight percent voter-approval rate in 2020 due to the pandemic? In short, it doesn't. The voter-approval rate adjustment in S.B. 1438 was drafted to only apply to the calculation of a voter-approval rate following a disaster in 2021 and beyond. That's because the bill actually repealed the former statute, which authorized a city to use the higher voter-approval rate calculation more broadly, including during a pandemic. With that old statute repealed, a city no longer has the ability to opt into the higher calculation during a pandemic, which means that the new negative adjustment does not apply to any action taken by a city under previous law.

Temporary Exemption for Property Damaged in Disaster

One additional change made by S.B. 1438 relates to the applicability of a relatively new property tax exemption for property damaged in a disaster. In 2019, the legislature passed, and the governor signed, H.B. 492. The accompanying constitutional amendment, H.J.R. 34, was approved by the voters at the November 2019 election. H.B. 492 is codified in **Tax Code Sec. 11.35** and grants a temporary property tax exemption for certain property that is physically damaged in a disaster, with the amount of the exemption corresponding to the amount of damage to the property as determined by the chief appraiser.

Of particular interest to cities, the 2019 disaster property tax exemption was designed to be automatic if the disaster occurred before a city's adoption of a local tax rate, but purely local option for a disaster that occurred after the adoption of a city's tax rate for the year. This was a carefully negotiated provision designed to bring some level of predictability to city budgets, as granting an automatic property tax exemption after the adoption of the tax rate could potentially dismantle cities' general funds at a time city recovery efforts are needed most.

Despite the negotiated language from the 2019 session, S.B. 1438 contained a provision repealing the local option exemption for property damaged in a disaster. Effective

immediately, the temporary exemption for property damaged in a disaster may be granted regardless of when a disaster occurs relative to the adoption of a local property tax rate.

Interested city officials can access information on S.B. 1438, in addition to the tax rate setting process in general, in TML's [updated explanatory Q&A](#) on the property tax rate setting process following the passage of S.B. 2 (2019).

Property Tax

H.B. 988 (Shine/Hancock) – **Property Tax Appraisal:** this bill, among other things: (1) provides that a member of the governing body, officer, or employee of a taxing unit commits a Class A misdemeanor if the person directly or indirectly communicates with the chief appraiser or another employee of the appraisal district in which the taxing unit participates for the purpose of influencing the value at which property in the district is appraised, unless the person owns or leases the property that is the subject of the communication; (2) authorizes the governing body of a taxing unit, any part of which is located in an area designated a disaster area on or after January 1, 2020, to take official action to extend the date by which goods-in-transit must be transported to another location in the state or outside the state to a date not later than the 270th day after the date the person acquired the property in or imported the property into the state for the purposes of the goods-in-transit property tax exemption; and (3) provides that the authority described in (2), above, expires on December 31, 2025. (Summarized provisions are effective January 1, 2022, certain other provisions in the bill are effective immediately.)

H.B. 1090 (Bailes/Nichols) – **Property Tax Appraisal:** provides that, if the chief appraiser discovers that real property was omitted from an appraisal roll in one of the three preceding tax years, the chief appraiser shall appraise the property as of January 1 of each tax year that it was omitted and enter the property and its appraised value in the appraisal records. (Effective September 1, 2021.)

H.B. 1197 (Metcalf/Campbell) – **Property Tax Exemption:** extends from six years to ten years the amount of time that a tract of land that is contiguous to the tract of land on which a religious organization's place of regular religious worship is located may be exempted from property taxes when the religious organization is expanding or constructing a new place of religious worship. (Effective January 1, 2022.)

H.B. 1869 (Burrows/Bettencourt) – **Debt Financing:** modifies the definition of "debt" for purposes of the debt service property tax rate calculation to only include debt that meets one of the following requirements: (1) has been approved at an election; (2) includes self-supporting debt; (3) evidences a loan under a state or federal financial assistance program; (4) is issued for "designated infrastructure", which means infrastructure, including a facility, equipment, rights-of-way, or land, for the following purposes: (a) streets, roads, highways, bridges, sidewalks, parks, landfills, parking structures, or airports; (b) telecommunications, wireless communications, information technology systems, applications, hardware, or software; (c) cybersecurity; (d) as part of

any utility system, water supply project, water plant, wastewater plant, water and wastewater distribution or conveyance facility, wharf, dock, or flood control and drainage project; (e) police stations, fire stations, or other public safety facilities, jails, juvenile detention facilities, or judicial facilities, and any facilities that are physically attached to these facilities; (f) as part of any school district; or (g) as part of any hospital district that includes a teaching hospital; (5) is a refunding bond; (6) is issued in response to an emergency related to a hurricane or tropical storm; (7) is issued for renovating, improving, or equipping existing buildings or facilities; (8) is issued for vehicles or equipment; or (9) is issued for a tax increment reinvestment zone or a transportation reinvestment zone. (Effective September 1, 2021.)

H.B. 2429 (Meyer/Bettencourt) – **Property Tax Rate Notice:** this bill, for a city with a population of less than 30,000 that is not required to hold a tax rate election and for which the qualified voters may not petition to hold an election, establishes alternate provisions for notice of the property tax rate when the de minimis tax rate of the city exceeds the voter-approval tax rate. (Effective immediately.)

H.B. 2535 (Sanford/Perry) – **Property Tax Appraisal:** provides that, in determining the market value of real property, the chief appraiser shall analyze the effect on that value of, and exclude from that value the value of, any chicken coops or rabbit pens used for the noncommercial production of food for personal consumption. (Effective January 1, 2022.)

H.B. 2723 (Meyer/Bettencourt) – **Tax Rate Notice:** requires: (1) the Department of Information Resources to develop and maintain an easily accessible Internet website that lists each property tax database and includes a method to assist a property owner in identifying the appropriate property tax database for the owner’s property; and (2) certain existing property tax rate notices to contain a statement encouraging taxpayers to visit a website collecting property tax database information to read as follows: “Visit [Texas.gov/PropertyTaxes](https://www.texas.gov/PropertyTaxes) to find a link to your local property tax database on which you can easily access information regarding your property taxes, including information about proposed tax rates and scheduled public hearings of each entity that taxes your property.” (Effective immediately, but changes made by the bill apply only to a notice required to be delivered for a property tax year beginning on or after January 1, 2021.)

H.B. 3610 (Gervin-Hawkins/Springer) – **Property Tax Exemption:** this bill, among other things: (1) exempts property owned by an open-enrollment charter school from property taxes; and (2) exempts the portion of real property that is leased to an independent school district, community college district, or open-enrollment charter school from property taxes if the portion of the real property that is leased to the public school is: (a) used exclusively by the public school for the operation or administration of the school or the performance of other educational functions of the school; and (b) reasonably necessary for a purpose under (a) as found by the school’s governing body. (Effective September 1, 2021.)

H.B. 3629 (Bonnen/Taylor) – **Property Tax Deferral**: this bill, among other things, provides that a taxing unit may not file suit to collect delinquent taxes on the residence homestead of an elderly or disabled person or disabled veteran, and the property may not be sold at a sale to foreclose the lien, until the 181st day after the date the collector for the taxing unit delivers a notice of delinquency of the taxes following the date the individual no longer owns and occupies the property as a residence homestead. (Effective September 1, 2021.)

H.B. 3833 (P. King/Hancock) – **Property Tax Appraisal**: this bill, among other things: (1) modifies the appraisal of certain nonexempt property used for low-income or moderate-income housing if the property in question is under construction or has not reached stabilized occupancy on January 1 of the tax year in which the property is appraised; (2) eliminates the requirement for a property owner to pay interest along with an additional tax imposed on certain agriculture land and timber land if a change in the use of the land occurs; and (3) provides that, if land appraised as recreational, park, scenic land, or public access airport property is diverted to another use, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the previous three years and interest is eliminated. (Effective immediately.)

H.B. 3971 (Meyer/West) – **Appraisal of Property in Historic District**: provides that when determining the market value of residential real property located in an area that is zoned or otherwise designated as a historic district under city, state, or federal law, the chief appraiser shall consider the effect on the property's value of any restriction placed by the historic district on the property owner's ability to alter, improve, or repair the property. (Effective January 1, 2022.)

S.B. 63 (Nelson/Meyer) – **Appraisal Process**: makes several changes to the property tax appraisal process, including: (1) imposing term limits on appraisal district board of directors members for appraisal districts established in a county with a population of 120,000 or more; (2) prohibiting certain former employees of an appraisal district from later serving on an appraisal district board of directors; (3) prohibiting certain former members of the appraisal review board from serving as an employee of the appraisal district; (4) providing that a person is entitled to an exemption from property taxation of the appraised value of a solar or wind-powered energy device owned by the person that is installed or constructed on real property and is primarily for production and distribution of energy for on-site use, regardless of whether the person owns the real property on which the device is installed or constructed; (5) imposing a 90-day and 30-day time limit on various determinations that a chief appraiser can make on certain exemptions and other appraisal applications; and (6) limiting the ability of a chief appraiser to offer evidence at certain protest and appraisal hearings in support of modifying or denying an application. (Effective September 1, 2021.)

S.B. 611 (Campbell/Lopez) – **Property Tax Exemption**: this bill: (1) exempts from property taxes the residence homestead of the surviving spouse of a member of the armed services who is fatally injured in the line of duty; (2) except as provided by (3), below, requires a chief appraiser to accept and approve or deny an application for a residence

homestead exemption after the deadline for filing it has passed if it is filed not later than two years after the delinquency date for taxes on the homestead; and (3) requires a chief appraiser to accept and approve or deny an application for a homestead exemption for a partially or totally disabled veteran after the deadline for filing it has passed if it is filed not later than five years after the delinquency date for the taxes on the property. (Effective January 1, 2022, but only if S.J.R. 35 is approved at the election on November 2, 2021.)

S.B. 742 (Birdwell/Anderson) – Installment Payments in Disaster or Emergency

Area: provides that, for certain property owned or leased by a business entity in a disaster or emergency area that has not been damaged as a result of a disaster or emergency, the governing body of a taxing unit may authorize a person to pay the taxing unit’s property taxes in four equal installments without penalty or interest if the first installment is paid before the delinquency date and is accompanied by notice to the taxing unit that the person will pay the remaining taxes in three equal installments. (Effective immediately.)

S.B. 794 (Campbell/Meyer) – Disabled Veteran Property Tax Exemption: modifies the eligibility for a homestead property tax exemption for a totally disabled veteran to a disabled veteran who “has been awarded by” the United States Department of Veterans Affairs 100 percent disability compensation, instead of a disabled veteran who “receives from” the United States Department of Veterans Affairs 100 percent disability compensation. (Effective January 1, 2022.)

S.B. 1257 (Birdwell/Murphy) – Property Tax Abatement: requires a chief appraiser to include in a tax abatement report submitted to the comptroller a list of the kind, number, and location of all proposed improvements of the property in connection with each tax abatement agreement within the district in the year following the year in which or an agreement is executed. (Effective September 1, 2021.)

S.B. 1421 (Bettencourt/Thierry) – Property Tax Appraisal: this bill, among other things, authorizes the appraisal review board, on the motion of the chief appraiser or of a property owner, to direct by written order changes in the appraisal roll or related appraisal records under certain circumstances for the current tax year and for either of the two preceding tax years to correct an inaccuracy in the appraised value of the owner’s tangible personal property that is the result of an error or omission in a rendition statement or property report filed for the applicable tax year. (Effective September 1, 2021.)

S.B. 1427 (Bettencourt/Shine) – Property Tax Exemption: clarifies that the temporary property tax exemption for a portion of the appraised value of property damaged by a disaster only applies when there is physical damage to a property caused by a disaster. (Effective immediately.)

S.B. 1438 (Bettencourt/Meyer) – Tax Rate Calculation in Disaster Area: this bill, among other things:

1. repeals existing law relating to the calculation of a tax rate in a disaster area;
2. provides that the governing body of a taxing unit, other than a school district, may direct the designated officer or employee to calculate the voter-approval tax rate of the taxing unit in the manner provided for a special taxing unit (an eight percent voter-approval rate) if any part of the taxing unit is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States and at least one person is granted a temporary property tax exemption for a portion of the appraised value of property damaged by a disaster;
3. requires the designated officer or employee to continue calculating the voter-approval tax rate in the manner provided by Number 2, above, until the earlier of:
(a) the first tax year in which the total taxable value of property taxable by the taxing unit as shown on the appraisal roll for the taxing unit submitted by the assessor for the taxing unit to the governing body exceeds the total taxable value of property taxable by the taxing unit on January 1 of the tax year in which the disaster occurred; or (b) the third year after the tax year in which the disaster occurred;
4. provides that in the first tax year following the last tax year for which the designated officer or employee calculates the voter-approval tax rate under Number 2, above, the taxing unit's voter-approval tax rate is reduced by the taxing unit's emergency revenue rate;
5. provides that when increased expenditure of money by a taxing unit other than a school district is necessary to respond to a disaster, including a tornado, hurricane, flood, wildfire, or other calamity, but not including a drought, epidemic, or pandemic, that has impacted the taxing unit and the governor has declared any part of the area in which the taxing unit is located as a disaster area, an election is not required to approve a tax rate exceeding the voter-approval tax rate or de minimis tax rate, as applicable, for the year following the year in which the disaster occurs;
6. provides that, if a taxing unit adopts a tax rate under Number 5, above, the amount by which the rate exceeds the taxing unit's voter-approval tax rate for that tax year may not be considered when calculating the taxing unit's voter-approval tax rate for the tax year following the year in which the taxing unit adopts the rate;
7. requires a taxing unit that calculates the taxing unit's voter-approval tax rate under Number 2, above, or adopts a tax rate that exceeds the taxing unit's voter-approval tax rate for that tax year without holding an election under Number 5, above, to specify the disaster declaration that provides the basis for authorizing the taxing unit to calculate or adopt a tax rate under the applicable statute;
8. provides that a taxing unit that in a tax year specifies a disaster declaration under Number 7, above, may not in a subsequent tax year specify the same disaster declaration as providing the basis for authorizing the taxing unit to calculate or adopt a tax rate under the disaster authority if, in an intervening year, the taxing unit specifies a different disaster declaration as the basis for authorizing the taxing unit to calculate or adopt a tax rate; and
9. eliminates the ability of a local taxing unit to adopt the temporary exemption for qualified property damaged by a disaster following the date the taxing unit adopts

a tax rate, making the property tax exemption mandatory regardless of when the disaster occurs.

(Effective immediately.)

S.B. 1449 (Bettencourt/Murphy) – **Property Tax Exemption**: provides that a person is entitled to a property tax exemption for tangible personal property with a taxable value of less than \$2,500 and that is held or used for the production of income. (Effective January 1, 2022.)

S.J.R. 35 (Campbell/Lopez) – **Property Tax Exemption**: amends the Texas Constitution to authorize the legislature to exempt from property taxes the residence homestead of the surviving spouse of a member of the armed services who is fatally injured in the line of duty. (Effective if approved at the election on November 2, 2021.)

H.B. 1900 (Goldman/Huffman) – **Law Enforcement Funding**: this bill:

1. characterizes a “defunding municipality” as a city with a population of more than 250,000: (a) that adopts a budget for a fiscal year that, in comparison to the city’s preceding fiscal year, reduces the appropriation to the city’s police department; and (b) for which the criminal justice division of the governor’s office issues a written determination finding that the city has made a reduction described by (a);
2. provides that, in making a determination of whether a city is a “defunding municipality” according to the budget adopted for the first fiscal year beginning on or after September 1, 2021, the criminal justice division of the governor’s office shall compare the appropriation to the city’s police department in that budget to the appropriation to the police department in the budget of the preceding fiscal year or the second preceding fiscal year, whichever is greater (this specific requirement expires on September 1, 2023);
3. provides that a city is not considered to be a defunding municipality under Number 1, above, if: (a) for a fiscal year in which the city adopts a budget that is less than the budget for the preceding fiscal year, the percentage reduction to the appropriation to the city’s police department does not exceed the percentage reduction to the total budget; or (b) before adoption of the budget, the city applies for and is granted approval from the criminal justice division of the governor’s office for a reduction to the appropriation to the city’s police department to account for: (i) capital expenditures related to law enforcement during the preceding fiscal year; (ii) the city’s response to a state of disaster; or (iii) another reason approved by the division;
4. provides that, for purposes of making a determination of whether a city is a defunding municipality, a city’s appropriation to the city’s police department does not include: (a) any grant money received by the city during any fiscal year; or (b) any sales and use tax revenue received by the city for the purpose of financing a crime control and prevention district;
5. provides that a city is considered a defunding municipality until the criminal justice division of the governor’s office issues a written determination finding that

- the city has reversed the inflation-adjusted reductions described in Number 1(a), above;
6. requires the criminal justice division of the governor's office to: (a) compute the inflation rate used to make determinations under Number 5, above, each fiscal year using a price index that accurately reports changes in the purchasing power of the dollar for cities in this state; and (b) publish the inflation rate in the Texas Register;
 7. provides that a defunding municipality may not annex an area during the period beginning on the date that the criminal justice division of the governor's office issues the written determination that the city is a defunding local government and ending on the 10th anniversary of the date on which the criminal justice division of the governor's office issues a written determination finding that the defunding municipality has reversed the reductions described in Number 1, above;
 8. provides: (a) that a defunding municipality, on the next available uniform date that occurs after the date on which the criminal justice division of the governor's office issues a written determination that a city is a defunding municipality, shall hold a separate election in each area annexed in the preceding 30 years by the city on the question of disannexing the area; (b) that the defunding municipality shall immediately disannex an area by ordinance for which a majority of votes received in the election favor disannexation; (c) that if an area is disannexed pursuant to an election under (a), the city may not attempt to annex the area before the 10th anniversary of the date on which the criminal justice division of the governor's office issues a written determination finding that the city has reversed the reductions described in Number 1, above; and (d) that a city holding a disannexation election under (a) may not use public funds on informational campaigns relating to the election;
 9. requires a defunding municipality to calculate a municipal public safety expenditure adjustment to the city's property tax rate;
 10. prohibits the governing body of a defunding municipality from adopting a property tax rate for the current tax year that exceeds the lesser of the city's no-new-revenue tax rate or voter-approval tax rate for that tax year;
 11. provides: (a) that the comptroller may not, before July 1 of each state fiscal year, send to a defunding municipality its share of city sales and use taxes collected by the comptroller during the state fiscal year; and (b) that before sending the defunding municipality its share of sales and use taxes, the comptroller shall deduct the amount reported to the comptroller for the defunding municipality under Number 12, below, and credit that deducted amount to the general revenue fund, which must be appropriated only to the Department of Public Safety;
 12. provides that not later than August 1 of each state fiscal year, the criminal justice division of the governor's office shall report to the comptroller for each defunding municipality the amount of money the state spent in that state fiscal year to provide law enforcement services in the defunding municipality;
 13. requires a defunding municipality to, for the purpose of funding retirement benefits, increase municipal contributions to a public retirement system in which its employees participate as members in a manner that ensures that the total amount the city and members contribute to the system for the fiscal year on which

- the determination is based is not less than the total amount the city and members of the system contributed to the system for the fiscal year immediately preceding the fiscal year on which the determination is based;
14. prohibits the governing body of a municipally-owned electric utility that is located in a city that is a defunding local government from charging a customer:
(a) at a rate higher than the rate the customer was charged or would have been charged on January 1 of the year that the city was determined to be a defunding local government; (b) any customer fees in amounts higher than the customer fees the customer was charged or would have been charged on January 1 of the year that the city was determined to be a defunding local government; and (c) any types of customer fees that the customer was not charged or would not have been charged on January 1 of the year that the city was determined to be a defunding local government;
 15. provides that if a municipally-owned utility has not transferred funds to the defunding municipality under Number 14, above, the municipally-owned utility may increase its rates to account for: (a) pass-through charges imposed by a state regulatory body or the Electric Reliability Council of Texas; (b) fuel, hedging, or wholesale power cost increases; or (c) to fulfill debt obligations; and
 16. prohibits a municipally-owned utility that increases rates under Number 15, above, from transferring funds to the defunding municipality until the date the criminal justice division of the governor's office issues a written determination finding that the city has reversed the reduction.

(Effective September 1, 2021.)

Sales Tax

H.B. 1445 (Oliverson/Nichols) – Sales Tax Exemption: exempts from sales taxes a medical billing service performed before the original submission of: (1) a medical or dental insurance claim related to health or dental coverage; or (2) a claim related to health or dental coverage made to a medical assistance program funded by the federal government, a state government, or both. (Effective January 1, 2022.)

H.B. 3799 (Metcalf/Nichols) – Sales Tax Exemption: exempts items sold by a nonprofit organization at a county fair from sales taxes. (Effective October 1, 2021.)

S.B. 153 (Perry/Sanford) – Sales Tax Exemption: exempts from sales taxes data processing services designed to process payment made by credit card or debit card. (Effective October 1, 2021.)

S.B. 197 (Nelson/Noble) – Sales Tax Exemption: exempts the sale of an animal by a nonprofit animal welfare organization from sales and use taxes. (Effective October 1, 2021.)

S.B. 313 (Huffman/Meyer) – Sales Tax Exemption: exempts firearm safety equipment from sales taxes. (Effective September 1, 2021.)

S.B. 1524 (Hughes/Guillen) – **Sales Tax Refund Pilot Program:** establishes a sales tax refund pilot program for a person who employs at least one apprentice in a qualified apprenticeship position for at least seven months during a calendar year. (Effective January 1, 2022.)

Special Session bills to watch:

PROPERTY TAX

1H.B. 283 (Capriglione) – **Appraisal Cap:** would: (1) would reduce the property tax appraisal cap on residence homesteads from ten to five percent; and (2) impose a ten percent appraisal cap on the appraised value of a single-family residence other than a residence homestead. (See **1H.J.R. 24**, below.)

1H.J.R. 24 (Capriglione) – **Appraisal Cap:** would amend the Texas Constitution to authorize the legislature to: (1) reduce the property tax appraisal cap on residence homesteads from ten to five percent; and (2) impose a ten percent appraisal cap on the appraised value of a single-family residence other than a residence homestead. (See **1H.B. 283**, above.)

1H.J.R. 26 (Wilson) – **Delinquent Property Taxes:** would amend the Texas Constitution to provide that a residence homestead is not subject to seizure or sale for delinquent property taxes.