

TTARA Wrap-Up of the 85th Regular Session

June 8, 2017

TEXAS TAXPAYERS
TTARA
AND RESEARCH ASSOCIATION

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We are pleased to offer 1 hour of continuing education credit for attorneys, accountants, and professionals in taxation with the State Bar of Texas, the Texas State Board of Public Accountancy, and the Institute for Professionals in Taxation.

Certificates of participation have been uploaded and can be found on the Gotowebinar toolbar on the right side of your screen under the “Handout” menu. You can download and place a copy in your files. If you have trouble locating the certificate, contact Ryan at ryan@ttara.org and he will send you a copy.

We will enter the State Bar of Texas credit, but accountants and tax professionals need to submit their credit to those organizations.

Agenda

1. General Review of the Regular Session
2. Special Session: Items in the Call
3. Budget and Review
4. School Finance
5. Property Tax
6. Franchise Tax
7. Sales Tax
8. Other Taxes / Tax Admin.
9. Economic Development
10. A Look Ahead to 2019



Thank You TTARA Annual Golf Tournament Sponsors!

We would like to extend a special thank-you to all of our tournament sponsors, folks that donated gifts, and everyone who participated in the tournament on Monday!

Sponsors:

CenterPoint Energy, Lockheed Martin, AECT, Chevron, Harper Cattle/Tom Duffy, Altus Group, El Paso Electric, PWC, Caterpillar, CFAR, Sander Resources and Texas Association of Realtors.

Upcoming TTARA Meetings

TTARA 85th Regular Session Wrap-Up June 14

- June 14 from 10:00 a.m. to 12 Noon, 3rd Floor Conference Room of the Moody Bank Building at 400 West 15th Street in Austin.
- Informative, interactive, and entertaining two hour session in which we review the key bills of the session through a game of “TTARA Tax Bill Bingo.”
- Continuing education credit through IPT, the State Board of Public Accountancy, and the State Bar.

2017 Webcast Schedule

(All webcasts will begin at 9:30 a.m. and last approximately one hour)

• ~~January 18~~

• ~~February 9~~

• ~~March 9~~

• ~~April 13~~

• ~~May 11~~

• ~~June 8~~

• September 14

• November 9



2017 TTARA Annual Meeting

Annual Meeting: November 30 & December 1,
JW Marriot, Austin, TX 78701

A Quick Summary of the Session

- 6,800 bills Introduced
- 1,220 Passed, including:
 - The Budget
 - Prohibition of Sanctuary Cities
 - New restrictions on abortions
 - Enhanced Voter ID requirements
 - Improvements in Child Protective Services
- Among the failed:
 - Property Tax Reform
 - Restrictions on Bathrooms
 - Sunset extension of certain agencies (Medical Examiners)
 - School Finance Reform

Special Session: July 18

- Only Governor can call legislature into special session
- Session is limited to items on the Governor's call
- Session is limited to no more than 30 days
- There are no limits on the number of special sessions a Governor may call
- Governor has identified a list of 20 items that will be in the “call”

Special Session Item #1: Sunset

- Under Texas sunset law, state agencies and their enabling statutes must be reviewed every 12 years
- Agency undergoing sunset review must be re-authorized by passing a new law, or it is automatically “sunset” (i.e. abolished)
- Legislation re-authorizing five agencies, most notably the Medical Board, failed to pass
- Governor Abbott: once the Senate passes sunset re-authorization of the five agencies, he will open the call to 19 other issues

Public Education Items

1. An unfunded, mandate requiring districts to provide a \$1,000 teacher pay raise
2. Administrative flexibility in teacher hiring and retention decisions
3. Creation of an interim school finance reform commission
4. Authorizing school-choice vouchers for special needs students

No actual school finance reform allowed.

Restrictions on Local Governance

1. Property tax reform (Governor specifically mentioned lower rollback thresholds)
2. Limiting the growth of state and local spending to no more than the rate of population and inflation
3. Prohibiting local ordinances regulating trees on private property
4. Prohibiting changes in local regulations on construction projects in progress
5. Speeding up local government permitting processes
6. Limits on municipal annexation authority
7. State pre-emption of local ordinances involving the use of mobile devices

Socially Conservative Items

1. Bathroom privacy
2. Prohibiting the withholding of union dues from public employee paychecks
3. Prohibiting public funds to entities that provide abortions
4. Enhanced reporting requirements for health complications relating to abortion
5. Pro-life insurance reform
6. Enhancing patient protections concerning Do Not Resuscitate orders
7. Mail ballot fraud
8. Extending the maternal mortality task force

The 2018-19 Budget (\$Billions)

Funds	2016-17	2018-19	Change
General Revenue	\$108.0	\$106.7	(\$1.3)
Other Funds	\$108.4	\$110.0	\$1.7
Total, All Funds	\$216.4	216.7	\$0.4

But, the 2018-19 Budget isn't final until August 31, 2019. A multi-billion dollar supplemental appropriations bill is likely when lawmakers meet in 2019.

State Budget as Passed (\$ billions)

Budget Area	2016-17	2018-19	Change	Pct Cng
Education	\$56.3	\$55.9	(\$0.4)	(1%)
Public Ed	41.6	41.0	(0.6)	(2%)
Higher Ed	14.7	14.9	0.2	2%
Health & Human Svcs	33.6	33.5	(0.1)	0%
Public Safety	11.6	11.4	(0.2)	(2%)
Other	<u>6.5</u>	<u>6.0</u>	<u>(0.6)</u>	<u>(9%)</u>
Total	\$108.0	\$106.7	(\$1.3)	(1%)

Financing the Budget: Major Items

Item	Revenue (\$ billions)
Budgeted Expenditures	\$106.7
2017 Supplemental Appropriations	<u>\$1.0</u>
Total Spending	\$107.7
Comptroller's Biennial Revenue Estimate	\$104.9
Accelerate Sale of Unclaimed Securities (SB 1)	\$0.5
Funds Consolidation (HB 3849)	\$0.7
Delay Sales Tax Highway Transfer (SB 1)	<u>\$1.8</u>
Total Revenue	\$107.9

How the Budget Was Financed

- No tax hikes
- No major fee hikes
- \$1 billion use of +'
- Deferr...
- Acco...
- Use c...
- Tax Ar...

\$3 billion of one-time measures

Tax Amnesty

Sec. 17.11. Tax Amnesty (condensed). *The Comptroller of Public Accounts shall establish, for a limited duration, a tax amnesty program to encourage voluntary reporting by delinquent taxpayers who do not hold a permit, or those permitted taxpayers that may have underreported or owe additional taxes or fees. Such a program should provide for the waiver of penalty or interest, or both, but shall not apply to an established tax liability or taxpayers currently under audit review.*

Target: Franchise Tax - \$18.3 million
Sales and Other - \$27.7 million

School Finance Bills – 85th Legislative Session

HB 22 by Huberty

- Reduces the number of domains in the A-F accountability system within which school districts and campuses are rated to 3 (from 5).
 1. **Student Achievement** - Rates school districts and campuses based on student performance on the STAAR exams and for high schools, the end-of-course tests, AP exams, dual course credits, industry certifications, students enrolling in college that are college ready, students who enlist in the military.
 2. **School Progress** – Performance of a school or school district compared to other similar schools and districts.
 3. **Closing the Gaps** – Differences in test scores among students and student demographic groups.
- A school and school district will receive a grade in each domain as well as an overall grade.
- Applies beginning with the 2017-18 school year.

School Finance Bills – 85th Legislative Session

HB 3593 by Bernal

- Directs the State Board of Education to approve courses in cybersecurity for credit for high school graduation. A district may also offer a course in cybersecurity that is approved by the board of trustees for credit without obtaining State Board of Education approval if the district partners with a public or private institution of higher education that offers an undergraduate degree program in cybersecurity to develop and provide the course.
- Creates a Cybersecurity pathway to the science, technology, engineering, and mathematics (STEM) endorsement and adds cybersecurity and computer coding to the courses that satisfy requirements for STEM.
- Authorizes two credits in computer coding, as well as computer programming languages, to be used as a substitute for the two required credits in a language other than English.
- Applies beginning with the 2017-2018 school year.

School Finance Bills – 85th Legislative Session

SB 22 by Larry Taylor

- Establishes the Pathways in Technology Early High School (P-Tech) Program for students who wish to participate in a work-based education program.
- Provides for a course of study that enables a participating student in grade levels 9 through 12 to combine high school courses and postsecondary courses and (1) receive a high school diploma and an associate degree, a two-year postsecondary certificate, or industry certification; and (2) complete work-based training through an internship, apprenticeship, or other job training program.
- Replaces the Tech-Prep program.
- Signed by the Governor on May 27, 2017.

School Finance Bills – 85th Legislative Session

SB 463 by Seliger

- Extends the September 1, 2017 expiration date of the Individual Graduation Committees to September 1, 2019.
- A committee comprised of the student's principal, teacher, and parent must be appointed for every student who has successfully completed the curriculum requirements for high school graduation, but has failed an end-of-course test or alternative test at least three times. The committee will determine if the student graduates.
- Applies beginning with the 2017-2018 school year.

School Finance Bills – 85th Legislative Session

SB 1480 by Hughes

- Defines the “charter capacity” of the guaranteed bond program as the percentage of the total capacity of the guaranteed bond program equal to the percentage of the number of students enrolled in open-enrollment charter schools in this state compared to the total number of students enrolled in all public schools in this state beginning on September 1, 2021.
- Phases in the increase in the charter capacity over five years at 20% per year beginning September 1, 2017.
- A charter district that has a bond guaranteed must remit to the commissioner, for deposit in the charter district bond guarantee reserve fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the permanent school fund.
- Signed by the Governor on June 1, 2017.

School Finance Bills – 85th Legislative Session

HB 21 by Huberty

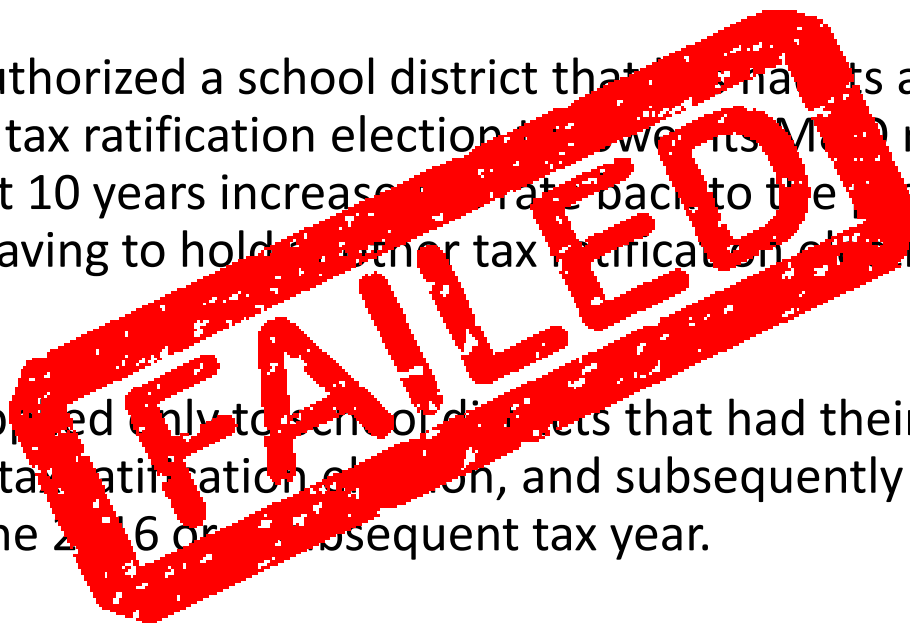
	House Final Version	Senate Final Version
Deferral of August 2019 Payment to Districts	Yes - \$1.875 billion	No
Education Savings Accounts	No	Yes - \$500 for Students with disabilities for special education
Basic Allotment	\$5,350 (\$210 increase)	\$5,140 (current law)
Equalized Wealth Level (Recapture threshold)	\$535,000 (increase)	\$510,000 (current law)
Increase Bilingual Weight	0.1 (0.10 current law)	No
Expand Career and Technology	Expanded to 4 th grade	No
Dyslexic Student Weight	0.10	Same as House
Autism Grant Program	Yes	Yes
Increase Small District Adjustment	Yes – Over 6 years	Same as House
Repeal Chapter 41 Hold Harmless	Yes	No
Allow ASATR to Expire on Sept. 1, 2017	Yes	Yes. 2 year extension for the only school district in a county that will have to close without ASATR
Repeal Transportation Allotment and Fold Revenue into Basic Allotment	Yes	No

FAILED
Special Session?

School Finance Bills – 85th Legislative Session

HB 486 by Van Deaver

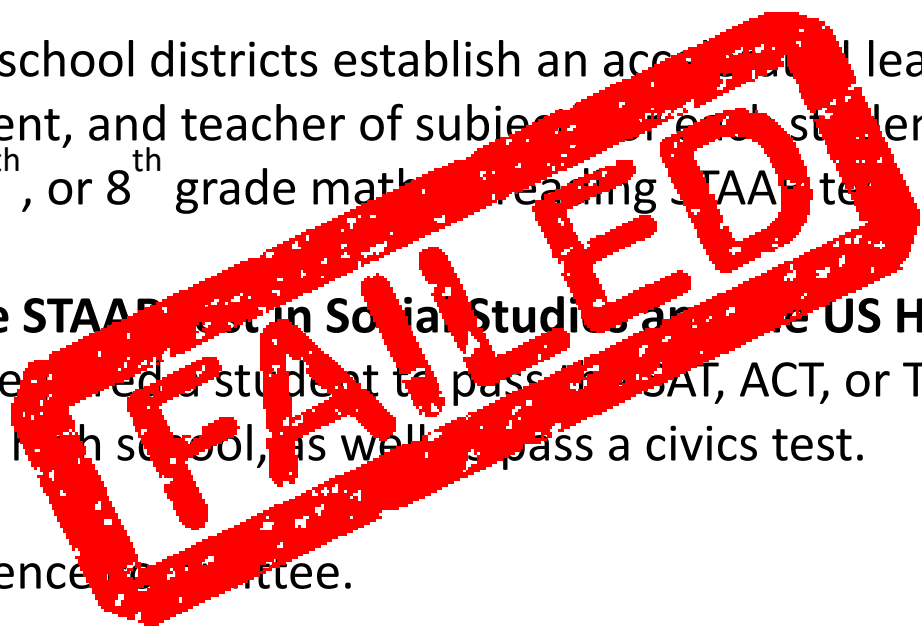
- Would have authorized a school district that has had its adopted tax rate approved by a tax ratification election to lower its M&O rate, and then within the next 10 years increase its rate back to the previously approved rate without having to hold another tax ratification election.
- Would have applied only to school districts that had their adopted tax rate approved at a tax ratification election, and subsequently lowered their M&O rate in the 2016 or subsequent tax year.
- Died in Senate Education Committee.



School Finance Bills – 85th Legislative Session

HB 515 by Van Deaver

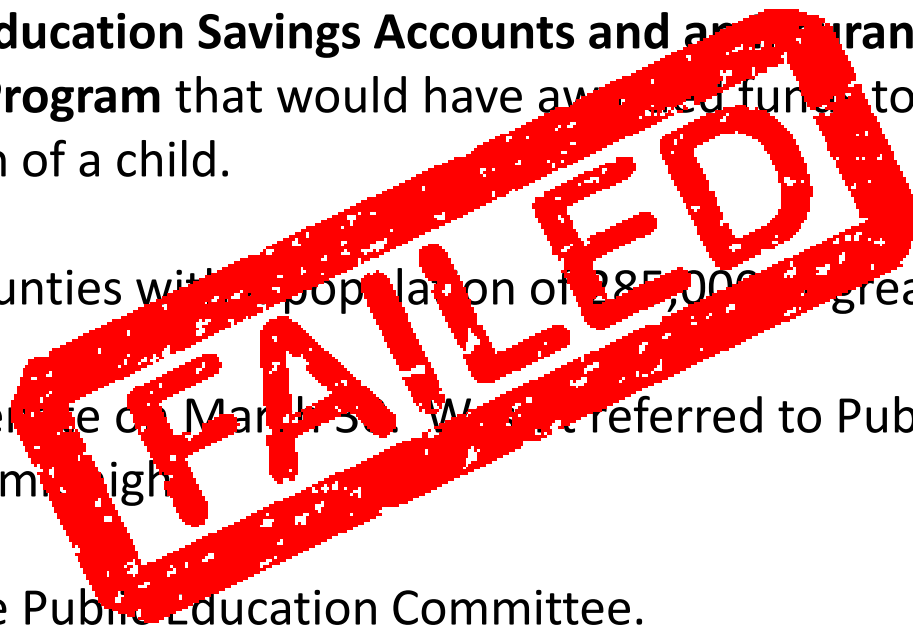
- Required that school districts establish an accountability learning committee (principal, parent, and teacher of subject) for each student who does not pass the 3rd, 5th, or 8th grade math or reading STAAR test.
- **Eliminated the STAAR test in Social Studies and the US History end-of-course test.** Required a student to pass the SAT, ACT, or TSI test in order to graduate from high school, as well as pass a civics test.
- Died in conference committee.



School Finance Bills – 85th Legislative Session

SB 3 by Larry Taylor

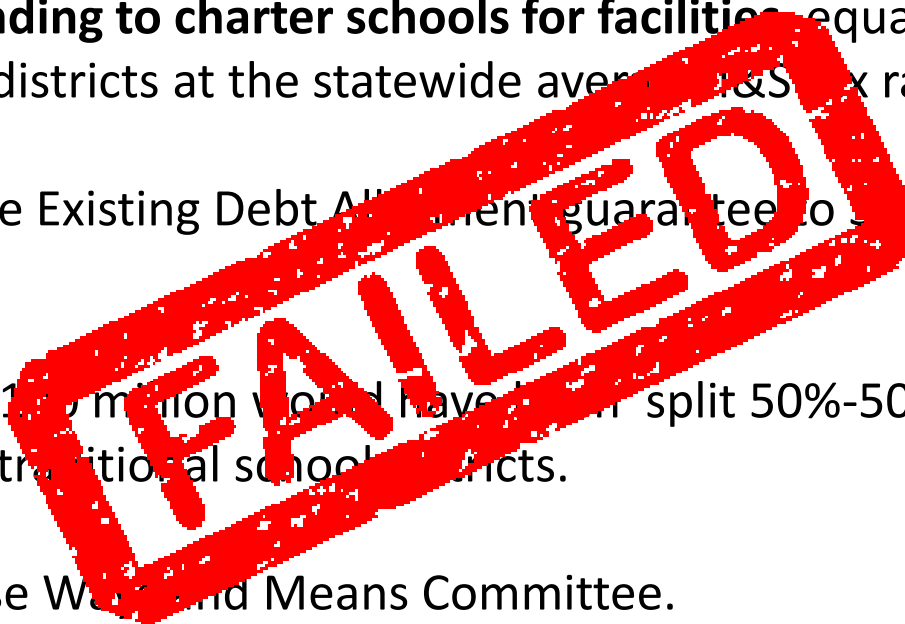
- Established **Education Savings Accounts and an Insurance Premium Tax Scholarship Program** that would have awarded funds to parents to pay for the education of a child.
- Limited to counties with a population of 285,000 or greater (17 counties).
- Passed the Senate on March 5. Was referred to Public Education until May 12 after midnight.
- Died in House Public Education Committee.



School Finance Bills – 85th Legislative Session

SB 457 by Campbell

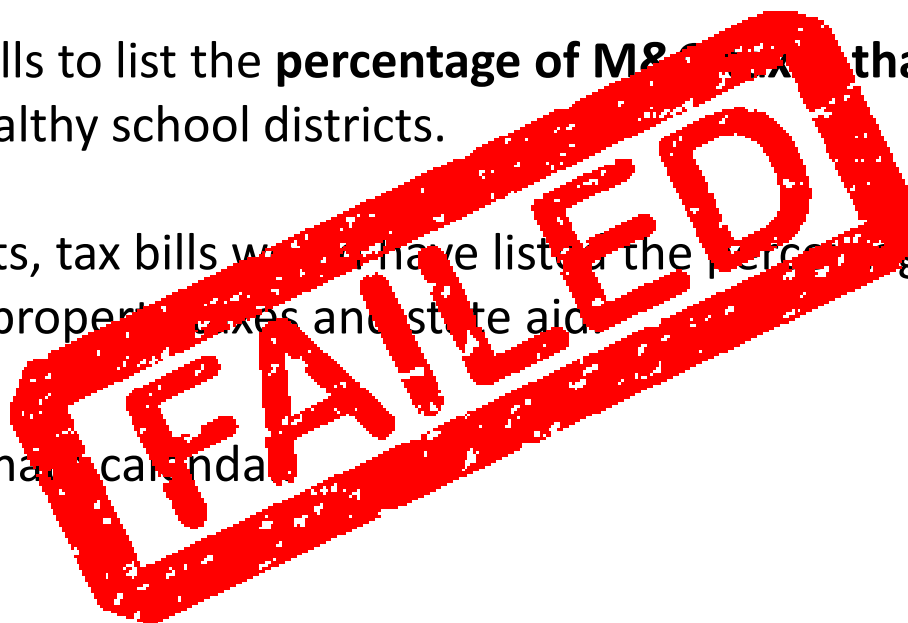
- Provided **funding to charter schools for facilities** equal to the amount received by districts at the statewide average P&S tax rate.
- Increased the Existing Debt Allocation guarantee to \$100 per ADA per penny (from \$35).
- Funding of \$100 million would have been split 50%-50% between charter schools and traditional school districts.
- Died in House Work and Means Committee.



School Finance Bills – 85th Legislative Session

SB 1407 by Van Taylor

- Required tax bills to list the **percentage of M&A taxes that are recaptured** in property wealthy school districts.
- In other districts, tax bills would have listed the **percentage of revenue** received from property taxes and state aid.
- Died on the Senate calendar.



School Finance Bills – 85th Legislative Session

SB 2144 by Larry Taylor

- Creates a 15-member **Texas Commission on Public School Finance** to make recommendations for improvements to the school finance system.
- Included chairs of House Public Education, House Appropriations, Senate Education, and Senate Finance. Other members would have been appointed by the Governor, Lt. Governor, Speaker of the House and State Board of Education.
- Died on the House floor when Chairman Huberty postponed it until June 21.



Commissioner's Order Rescinding HISD Detachment Order

Sent to Houston Independent School District Board of Trustees and Superintendent Richard Carranza on May 24, 2017:

• • •

“I received your letter dated May 19, 2017, regarding the certified results of the May 6, 2017, election under Texas Education Code (TEC) §41.096. I have also received the district's Agreement for the Purchase of Attendance Credits, and the fully executed agreement is enclosed. In addition, **I received your district's payment totaling \$44,284,704, which represents the four payments for the months of February through May 2017 for purchasing attendance credits.** Because the election passed, your district is now complying with wealth equalization via the purchase of attendance credits for the 2016-2017 school year. Therefore, in accordance with my statutorily-required duties and obligations under Chapter 41 of the TEC and 19 Texas Administrative Code Chapter 62, **I am rescinding the previous order and notice of detachment of property from Houston Independent School District (HISD) and annexation to Aldine Independent School District (AISD) dated February 23, 2017.”**

Property Tax

Over 350 bills introduced

- **All but 33 failed**
- **Passed**
 - 9 Appraisal Administration
 - 8 Exemptions
 - 6 Tax Collection
 - 3 Open Space Land
 - 3 Special Issues
 - 2 Appraisal Review Boards
 - 2 Dispute Resolutions

Property Tax Bills – 85th Legislative Session

Appraisal Records and Administration

HB 804 by Rep. Tony Dale

- Requires property owners to send copies of notices of appraised value to lessees who are contractually obligated to reimburse the owner for taxes; must be sent 10 days after owner receives notice; however, not applicable if lessee and lessor have contractually waived provisions or right to protest
- Requires chief appraisers to send notices of appraised value to lessees on request; must be sent 5 days after the date the notice is sent to the owner if the lessee demonstrates the he/she is contractually obligated to reimburse the property owner for taxes
- Does not require that notice of appraised value be sent to the lessee if the appraisal district posts the value of the property on its Internet website not later than the 5th day after the date the notice is sent to the owner
- Permits lessees to designate agents
- Effective date: September 1, 2017

Property Tax Bills – 85th Legislative Session

Appraisal Records and Administration

HB 2228 by Rep. Jim Murphy

- Changes the deadline for filing Freeport goods applications to June 1 (rather than when the appraisal review board approves records)
- Changes the deadline for filing allocation applications from May 1 to April 1 with extension periods
- Changes the rendition deadline in counties in which Freeport exemptions are granted to April 1 with a May 1 extension and another 15 day good cause extension; however, owners of regulated property may render by April 30 and one 15 day good cause extension is permitted
- Changes the deadline to file notices of protest to May 15 (or 30 days after delivery of notices of appraised value, whichever date is later); no extension to June 1 based on property type is permitted (repeal of Section 41.44(b-1))
- Effective date: January 1, 2018

Property Tax Bills – 85th Legislative Session

Appraisal Records and Administration

HB 3103 by Rep. Drew Darby

- Defines the term “used continually, whether regularly or irregularly in this state” in Tax Code Section 11.01
- Codifies Comptroller rule regarding jurisdiction to impose a property tax on tangible personal property used for the production of income
- States that TPP is taxable “if the property is used in this state three or more times on regular routes or for three or more completed assignments occurring in close succession throughout the year”
- Provides that “a series of events are considered to occur in close succession throughout the year if they occur in sequence within a short period at intervals from the beginning to the end of the year”
- Sent to Governor

Property Tax Bills – 85th Legislative Session

Open-Space Land Appraisal

HB 3198 by Rep. Drew Darby

- Adds Section 23.524 to the Property Tax Code
- Allows land designated as open-space to continue eligibility when a lessee of oil and gas leases begins conducting oil and gas operations over which the Railroad Commission of Texas has jurisdiction
- Continues open-space land appraisal if the land on which oil and gas operations are not being conducted continues to qualify for open-space appraisal
- Does not affect a rollback tax imposed as a result of change of use of the land that occurred before the effective date of this Act
- Effective date: September 1, 2017

Property Tax Bills – 85th Legislative Session

Appraisal Review Board Operations

HB 455 by Rep. Will Metcalf et.al.

- Permits property owners to appear at appraisal review board (ARB) hearings by telephone to offer argument; evidence to be offered by affidavit before the hearing
- Must be provided if the owner notifies the ARB 10 days before the hearing; or the ARB proposes a conference call and the owner agrees
- Requires location to have equipment to allow ARB members and others to hear each other
- Requires property owner to provide access to other parties
- No waiver of right to appear in person by notifying ARB of telephone conference and submission of affidavit
- Effective date: September 1, 2017

Property Tax Bills – 85th Legislative Session

Appraisal Review Board Operations

SB 1767 by Sen. Dawn Buckingham

- Permits property owners to present their cases to appraisal review boards after appraisal district representatives do so
- Applies to motions to correct appraisal rolls under Section 25.25(e) and protests under Section 41.66(b)
- Allows property owners to elect to present their cases before, after, or between the cases presented by the appraisal district or taxing units (in motions to correct)
- Sent to Governor

Property Tax Bills – 85th Legislative Session

Exemptions

SJR 1 by Sen. Donna Campbell

SB 15 (enabling law) by Sen. Don Huffines

- Authorizes the legislature to exempt the residence homestead of the surviving spouse of a first responder who is killed or fatally injured in the line of duty
- Defines first responders (17 categories in Section 615.003, Gov't Code)
- Defines surviving spouse under same section; may not remarry to receive exemption; may transfer exemption to subsequent homestead; applies to an entire year (not prorated)
- Applies regardless of the date of the first responder's death
- Effective date: January 1, 2018 if the constitutional amendment passes

Property Tax Bills – 85th Legislative Session

Exemptions

HJR 21 by Rep. Cecil Bell et.al.

HB 150 (enabling law) by Rep. Cecil Bell et.al.

- Authorizes the legislature to exempt part of the market value of a residence homestead of a partially disabled veteran or his/her surviving spouse (based on disability rating) if the homestead was donated by a charitable organization for less than the market value of the property
- Requires the homestead to be donated at (1) no cost, or (2) “at the same cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made”
- Changes the interest rate on property tax deferrals or abatements for persons age 65 or older, disabled, or who are veterans from 8% to 5%
- Effective date: January 1, 2018 if the constitutional amendment passes

Property Tax Bills – 85th Legislative Session

Special Bills

SB 625 by Sen. Lois Kolkhorst

- Creates a Special Purpose District Public Information Database in Comptroller's office
- Excludes cities, counties, junior college districts, school districts, or political subdivisions with statewide jurisdiction
- Outlines the data that must be included: property and sales tax rates, bond information, financial reports, and specific contact information
- Requires annual updates and authorizes rule-making by Comptroller
- Requires non-compliance lists and authorizes penalties
- Sent to Governor

Property Tax Bills – 85th Legislative Session

Special Bills

SB 1305 by Sen. Robert Nichols

- Repeals county transportation reinvestment zones: Sections 222.1071, 222.1072, and 222.110, Transportation Code
- Makes technical corrections regarding use of state grant funds and validity of existing bonds
- Does not affect tax rate calculations for the 2018 tax year or subsequent years
- Effective date: December 31, 2017

Property Tax Bills – 85th Legislative Session

Special Bills

SB 2242 by Sen. Chuy Hinojosa

- Gives original jurisdiction to the Texas Supreme Court to issue injunctive or declaratory orders and to enter a final order determining a boundary dispute between San Patricio and Nueces Counties (population brackets)
- Requires determination of such cases no later than 90 days after the date a lawsuit is filed to establish a county boundary
- Amends the Property Tax Code to require corrections to prior year appraisal records regarding the boundaries and to provide for the allocation and refund of taxes paid in prior years
- Adds a section to the Education Code to permit the Commissioner of Education to adjust amounts of payments to schools involved in the boundary dispute
- Sent to Governor

Property Tax Bills – 85th Legislative Session

SB 2 by Sen. Paul Bettencourt & SB 669 By Sen. Jane Nelson

	SB 2 as passed by the Senate	SB 669 as passed by the House
Name of Act	Texas Property Tax Reform and Relief Act of 2017	Property Tax Payer Empowerment Act of 2017
Changes to Amount of Rollback Tax Rate	8% to 5%	No
Mandatory Elections to Ratify Tax Rates	Yes—in November	No
Changes to the term “Effective Tax Rate”	“no-new-taxes tax rate”	“no-new-revenue tax rate”
Elimination of Estimated Taxes on Notices of Appraised Value	No	Yes
Creation of County Databases of Tax Rates (Proposed, No-New-Revenue, and Rollback), Taxing Unit Budget Information, and Times and Locations of Public Hearings	No	Yes Appraisal districts create and maintain a website with individual property owner tax information and links to taxing unit websites. Tax rate calculation worksheets and other information must be posted in order for taxing units to set tax rates.
New Notices of Tax Rates and Other Information to be Delivered to all Property Owners	No	Yes Appraisal districts deliver notices to property owners directing them to a website of tax rate and rate hearing information and to the county tax office if they have no access to the Internet.

This is NOT a Tax Statement

2016 Notice of Appraised Value

Do Not Pay From This Notice

John Q. Public
459 Evergreen Street
Anytown, Texas 78621

Property ID:
Ownership %: 100.00
Legal:

Legal Acres: 0.4000
Situs:
OWNER ID:

THIS IS NOT A BILL

Dear Property Owner:

We have appraised the property listed above for the tax year 2016. As of January 1, our appraisal is outlined below:

Appraisal Information				Last Year - 2015		Proposed 2016	
Improvement Homesite Value				\$230,000		\$250,000	
Land Homesite Value				\$35,000		\$40,000	
Total Market Value				\$265,000		\$290,000	
Exemptions				Homestead		Homestead	
2015 Taxable Value	Taxing Unit	2016 Proposed Assessed Value	2016 Exemption Amount	2016 Taxable Value	2015 Tax Rate	2016 Estimated Taxes	
\$212,000	Travis County	\$290,000	\$58,000	\$252,000	0.416900	\$1,050.59	
\$240,000	Austin ISD	\$290,000	\$25,000	\$265,000	1.202000	\$3,185.30	
\$249,100	City of Austin	\$290,000	\$23,200	\$266,800	0.458900	\$1,224.35	
\$212,000	Travis County Healthcare Dist	\$290,000	\$58,000	\$252,000	0.117781	\$296.81	
\$260,000	Austin Comm Coll Dist	\$290,000	\$5,000	\$285,000	0.100500	\$286.43	
	Total					\$6,043.48	

PROPOSED 2019 PROPERTY TAX BILL INFORMATION

Information concerning the property taxes that may be imposed on your property by local taxing units, the dates and locations of any public hearings on the tax rates of the taxing units, and the dates and locations of meetings of the governing bodies of the taxing units to vote on the tax rates, together with other important property tax information, may be found at the website listed below:

www.traviscountytaxinfo.com

You may request from the Travis County Tax Assessor-Collector contact information for the assessor for each taxing unit in which your property is located. Each assessor must provide the same information found on the website to you in writing if you request it. The Travis County Tax Assessor-Collector may be contacted by mail at 5501 Airport Blvd, Austin, Texas 78751, or by telephone at 512-854-9473.

Website Information for Property Taxes

Property Address: 123 Sycamore Lane

Legal Description: Lot 18 Block C Frosty Acres Sec 2

Property Identification ID: 624387

Market Value: \$280,000

Jurisdiction	Taxable Value	"No New Revenue" Tax Rate (pre \$100 of value)	Proposed Tax Rate	Tax on Property at "No New Revenue" Tax Rate	Tax on Property at Proposed Tax Rate	Proposed Tax Increase	Date of Public Hearing on Tax Rate	Location of Public Hearing
<u>County</u>	\$277,000	\$0.38	\$0.40	\$1,052.60	\$1,108.00	\$55.40	Aug 15, 2017	211 Main St, City
<u>School District</u> ¹	\$255,000	\$1.38	\$1.38	\$3,519.00	\$3,519.00	\$0.00	Aug 1, 2017	457 Red Rock Ln, City
<u>City</u>	\$280,000	\$0.47	\$0.52	\$1,316.00	\$1,456.00	\$145.60	Aug 18, 2017	477 Sunny Dr, City
<u>Junior College District</u>	\$280,000	\$0.05	\$0.05	\$140.00	\$140.00	\$0.00	Aug 16, 2017	100 Travis St, City
<u>Special District #1</u>	\$280,000	\$0.08	\$0.08	\$224.00	\$224.00	\$0.00	Aug 18, 2017	300 Calvert, City
Total				\$6,251.60	\$6,452.60	\$201.00		



Property Tax Bills – 85th Legislative Session

SB 2/SB 669 (continued)

	SB 2 as passed the Senate	SB 669 as passed the House
Creation of the Comptroller’s Property Tax Administration Advisory Board	Yes A six-person board is created to provide recommendations to the Comptroller regarding the effectiveness and efficiency of the property tax system and other matters.	Yes [Same as SB 2]
Creation of Special Appraisal Review Board Panels to Hear Certain Protests	Yes Special panels are required in counties with populations of 120,000 or more. Their members must have certain qualifications and are required to hear protests for commercial, industrial, utility and multi-family property.	Yes Special panels are required in counties with populations of one million or more. The same member qualifications as in SB 2 are included. The same property classifications apply, except the property owner must request hearings by these panels. The panels are authorized to hear other types of protests.
Changes to Appraisal Review Board Officer Selection	No	Yes The administrative district judge in each county must select a chairman and secretary among the appraisal review board members.
More Training for Appraisal Review Board Members and Arbitrators	No	Yes ARB training hours are set at eight for the beginning class and four for annual continuing education by the Comptroller. The Comptroller is also required to prepare materials and a curricula for the training of arbitrators, which may be online.
Prohibition Against ARB Increasing Values	No	Yes
Changes in ARB Evidence Submission and Production and Other Hearing Matters	No	Yes Changes are made concerning delivery of evidence before ARB hearings and delivery of orders within 15 days after the protest is concluded. Consecutive hearing times are required for agents, along with additional information concerning the hearings.

Property Tax Bills – 85th Legislative Session

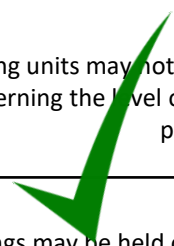
SB 2/SB 669 (continued)

	SB 2 as passed the Senate	SB 669 as passed the House
Changes in Deadlines for Filing Renditions and Other Business Forms	Yes Rendition deadlines are moved two weeks ahead of current law (to April 1) with other adjustments for extensions of time. Special provisions for regulated businesses are included.	No
Changes in Deadlines for Filing Protests, Appraisal Roll Certification, and Other Matters	Yes Deadlines are moved two weeks ahead of current law so that appraisal rolls must be certified by July 10 of each year.	No
Required Use of Comptroller-prescribed Forms for Calculating Tax Rates	No	Yes The Comptroller is required to prescribed tax rate calculation forms that are required to be used by the designated officer or employee of all taxing units. The forms must be certified as accurate and using values on certified appraisal rolls.
Required Internet Websites for Local Taxing Units to Post Tax Rate, Budget, and Contact Information	Yes County assessor-collectors are required to maintain an Internet website to post tax rate information, as well as post tax rate calculation worksheets for the most recent five years beginning in 2018.	Yes All taxing units are required to maintain or have access to an Internet website for posting budget and financial reports, governing body contact information, and tax rates.

Property Tax Bills – 85th Legislative Session

SB 2/SB 669 (continued)

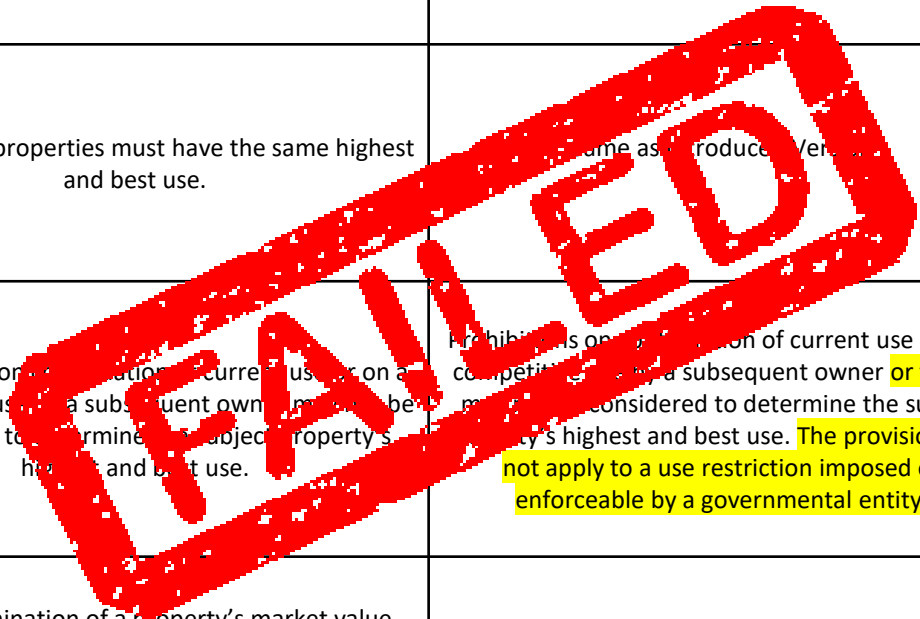
	SB 2 as passed the Senate	SB 669 as passed the House
Changes in Binding Arbitration Program	Yes Property valued at \$5 million or less is eligible for binding arbitration and changes are made to the deposit required for property valued between \$3 million and \$5 million.	Yes [Same as SB 2]
Appraisal Review Board Survey Form and Submission	No	Yes Changes are made regarding delivery of the survey form to property owners and agents involved in ARB protest hearings. Deadlines and method of return of the survey are changed.
Eligibility of Appraisal District Directors	Directors are prohibited to serve if they engaged in appraisal protest activity for compensation for use in a protest or appeal in the prior 3 years (over 5 years).	No
Prohibition Against Unanimous Appraisal Review Board Voting	Yes The conclusion of a unanimous ARB or ARB panel is subject to protest, appeal or a protest.	Yes [Same as SB 2]
Repeal of Taxing Unit Challenges	Yes Taxing units may not challenge the appraisal concerning the level of appraisal or category of property.	No
Prohibition on Evening and Sunday ARB Hearings	Yes Hearings may be held on Saturdays and after 5 p.m. by ARB rule; however, Sunday hearings are prohibited, as are hearings that begin after 7 p.m. on weekdays.	Yes [Same as SB 2]



Property Tax Bills – 85th Legislative Session

HB 27 by Rep. Drew Springer

	HB 27 as Introduced	HB 27 as Passed Ways & Means
Scope of Appraisal	Applies to values developed by appraisal districts for all types of property	Applies to values under litigation for real property used for retail purposes
Comparable Properties	Comparable properties must have the same highest and best use.	Comparable properties must have the same highest and best use as the subject property.
Use Restrictions	Prohibitions on a property's current use or on a competitive use by a subsequent owner may not be considered to determine the subject property's highest and best use.	Prohibitions on a property's current use or on a competitive use by a subsequent owner or tenant may not be considered to determine the subject property's highest and best use. The provision does not apply to a use restriction imposed or enforceable by a governmental entity.
Continuation of Current Use	The determination of a property's market value must include consideration of whether the highest and best use of the property is the continuation of its current use.	Not Included



Franchise Tax

60 bills introduced

- **55 failed**
- **5 passed**

Franchise Tax Bills – 85th Legislative Session

Franchise Tax Bills Passed

HB 2126 by Button: Allows retailer sale of pre-paid calling cards (Comptroller bill: no state revenue loss). Effective January 1, 2018

HB 3992 by Murphy: Exemption for farmer-fruit grower co-operatives with members (no state revenue loss). Awaiting Governor's action

HB 4002 by Bonnen: Definition of production (installation) (Comptroller bill: no state revenue loss). Effective September 1, 2017

Franchise Tax Bills – 85th Legislative Session

Franchise Tax Bills Passed *(continued)*

SB 550 by Campbell: Extends the current franchise tax credit for investments in the rehabilitation of historic structures to the Insurance Premiums Tax. Effective immediately.

HB 1003 by Capriglione: Extends the current franchise tax credit for investments in the rehabilitation of historic structures made by institutions of higher education. Awaiting Governor's action.

Two that Failed

Senate Bill 17

House Bill 28

Author

Finance Chair Nelson

W&M Chair Bonnen

What it Does

Phases out the franchise tax by incrementally and proportionately reducing all rates of the tax

Method of Finance

One-half of future revenue growth in excess of 5 percent each biennium

The first \$3.5 billion of any cash balance at the end of future biennia



Sales Tax

100 bills introduced

- **90 failed**
- **10 passed**

Sales Tax Bills – 85th Legislative Session

Sales Tax Bills Passed

SB 745 by Kolkhorst: Changes exclusion for temporary employment services to an exemption so taxpayer has burden of proof

- Clarifies qualifying conditions for exemption
 - Services normally provided by employees
 - Necessary equipment and supplies furnished
 - Directly supervised
 - Provider may not be a member of franchise tax affiliated group

Governor's action pending

Sales Tax Bills – 85th Legislative Session

Sales Tax Bills Passed *(continued)*

HB 4038 by Bohac: "Qualifying job" for new data center exemption includes permanently assigned contract employees (Immediate effect)

SB 1083 by Perry: Insurance services performed by CPA firm not taxable if account for less than 1% of prior year's total revenue (Effective 1/1/18)

HB 2475 by S. Davis: Exempts admissions to touring Broadway productions performed under contract with a non-profit entity (Governor's action pending)

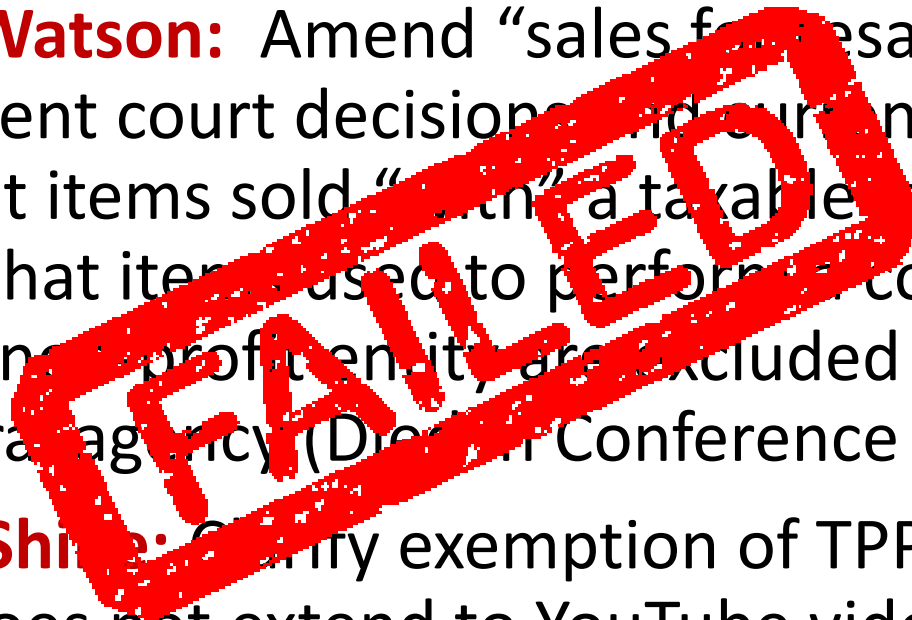
HB 4054 by Murphy: Exempts bakery items when sold by bakery regardless of whether heated or not or sold with utensils (Effective 9/1/17)

Sales Tax Bills – 85th Legislative Session

Sales Tax Bills Failed

SB 1539 by Watson: Amend “sales for resale” exemption to reflect recent court decisions and current agency policy, including that items sold “with” a taxable item are not eligible and that items used to perform a contracted service for a non-profit entity are excluded unless done for a listed federal agency (Dierker Conference Committee)

HB 2562 by Shipe: Carry exemption of TPP used to make recordings does not extend to YouTube videos but is for “master” recordings from which copies are made for sale or exhibition (Heard but died in Senate Finance)

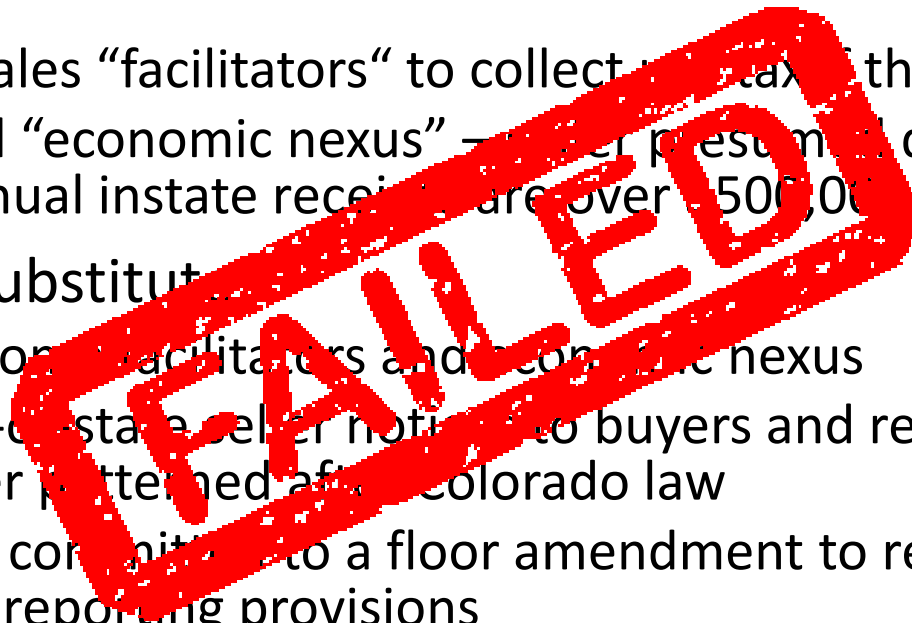


Sales Tax Bills – 85th Legislative Session

Sales Tax Bills Failed *(continued)*

SB 1713 by Uresti – Remote Seller Use Tax Collection

- As Filed
 - Required sales “facilitators” to collect use tax if the seller does not
 - Established “economic nexus” – seller presumed doing business in Texas if annual in-state receipts are over \$500,000 or 1,000 sales
- Committee Substitute
 - Removed some facilitators and economic nexus
 - Added out-of-state seller notices to buyers and reporting of sales to Comptroller patterned after Colorado law
 - Sen. Uresti committed to a floor amendment to remove all but the notice and reporting provisions
- Passed Senate – Died in Ways & Means
 - Floor amendment completely changed bill to require report by Comptroller on methods to increase use tax collections, other state actions, fiscal impact and technology costs, and constitutional issues

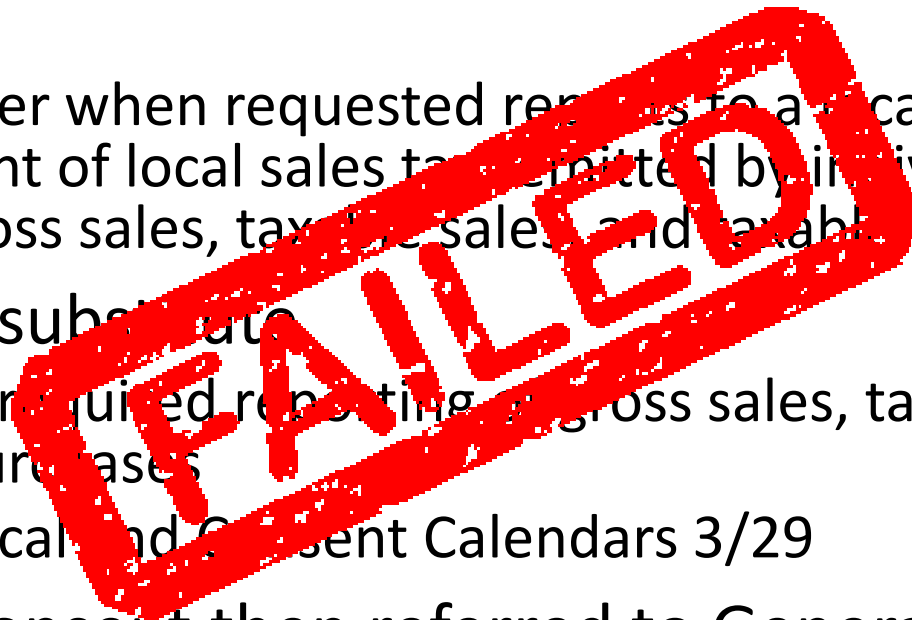


Sales Tax Bills – 85th Legislative Session

Sales Tax Bills Failed *(continued)*

HB 1370 by Springer – Local Sales Tax Reports

- As Filed
 - Comptroller when requested reports to a local taxing entity the amount of local sales tax levied by individual outlet, as well as gross sales, taxable sales, and taxable purchases
- Committee substitute
 - Removed required reporting of gross sales, taxable sales and taxable purchases
 - Sent to Local and Consent Calendars 3/29
- Local and Consent then referred to General Calendar
- When the bill came up for floor debate, Rep. Springer killed the bill by postponing consideration beyond the deadline for passage of House bills



Other Taxes/Tax Administration

Bills Passed

SB 1095 by L. Taylor: Extends deadline for filing a petition for redetermination or hearing request from 30 to 60 days (Governor's action pending)

SB 559 by Hancock: Amends definition of "utility company" to clarify that all providers of utilities regardless of where located must pay miscellaneous gross receipts tax (Immediate effect)

SB 1120 by Zaffirini: Adds compressed natural gas (CNG) and liquefied natural gas (LNG) to the list of motor fuels that may not be subject to local tax (Immediate effect)

HB 3232 by Darby: Forgives 5% delinquency penalty for payments of oil and gas severance taxes resulting from amended reports under certain conditions, including:

- Full amount paid with original report
- Additional tax NTE 25% of original amount reported
- Amended report filed within 730 days of due date
- Applies to amended reports filed after 1/1/18

Governor's action pending

Other Taxes/Tax Administration

Bills Passed *(continued)*

SB 1557 by Kolkhorst: Reworks provisions relating to the reporting of tax-free sales of motor fuels for export, including a new reporting duty and making tax due on sales intended for export that are redirected instate from whoever caused the redirection (Governor's action pending)

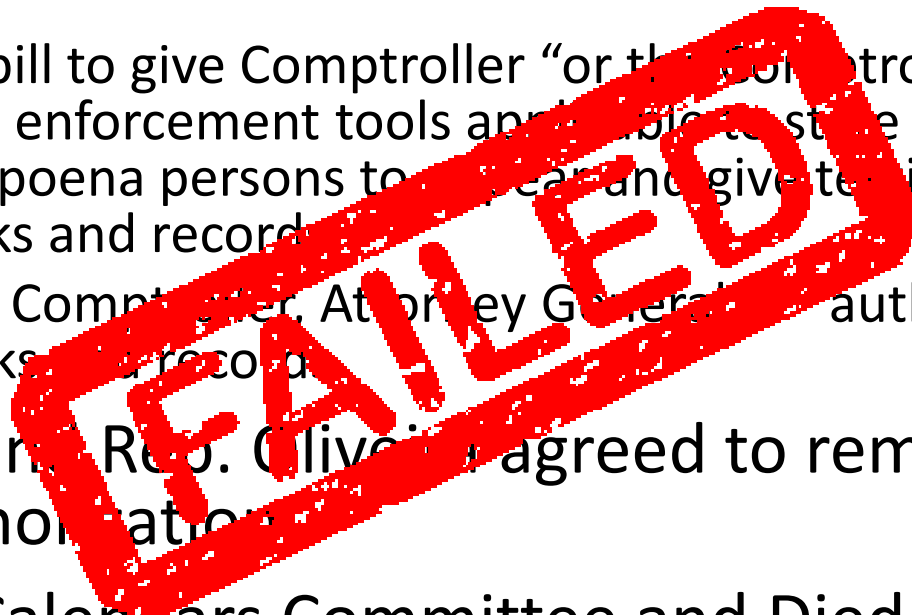
HB 2277 by Darby: Requires the Comptroller in March of each year to specify the median cost of a high-cost gas well that will be used for severance tax rate reduction purposes and provides refunds only (no credits) of overpaid taxes will be made to whomever remitted the taxes (Effective 9/1/17)

Other Taxes/Tax Administration

Failed Bill

HB 2829 by Oliveira – Unclaimed Property Administration

- As Filed
 - Comptroller bill to give Comptroller “or the Comptroller’s designee” all the audit and enforcement tools applicable to state tax administration including subpoena persons to appear and give testimony and/or produce books and records
 - Currently the Comptroller, Attorney General’s “authorized agent” may examine books and records
- Comptroller and Rep. Oliveira agreed to remove the designee authorization
- Reported to Calendars Committee and Died
 - Retained designee language in order to move bill faster but Rep. Oliveira promised to remove with a floor amendment



Economic Development – 85th Legislative Session

SB 277 by Campbell

- Prohibits a Chapter 312 tax abatement or Chapter 313 tax limitation agreement for property on which a wind-powered energy device is installed or constructed, if the property is within 25 miles of a military aviation training or operations facility
- Effective September 1, 2017 and applies to agreements entered into on or after that date (does not apply to expansion or repowering of existing property subject to an agreement)
- Applies to *any property* on which a wind-powered energy device is constructed, which could mean that a manufacturing facility located within the 25-mile radius of an air base could not use Chapter 313, whereas one located 26 miles from the base could

Economic Development – 85th Legislative Session

SB 28 by Creighton

- Authorizes TXDOT to use the mobility fund for port access projects
- Creates a revolving fund to be used to widen or deepen ship channels (but not for maintenance dredging)
- \$40 million appropriated in SB 1 for public roadway projects selected by the Port Authority Advisory Committee and approved by TXDOT to improve connectivity to Texas ports

Economic Development– 85th Legislative Session

SB 1524 by Nichols

- Authorizes a new permit for trucks hauling sealed intermodal shipping containers with a gross weight of 93,000 pounds in a six-axle configuration (or 100,000 pounds in a seven-axle configuration)
- Limits heavy hauling to a thirty-mile radius around a port authority or port of entry (excluding El Paso County)
- Requires TXDOT to conduct ongoing two-year studies of the effects of the new permit beginning in 2022
- Effective January 1, 2018.

Economic Development – 85th Legislative Session

SB 1 by Nelson

- Appropriates \$86 million for Texas Enterprise Fund for the next biennium
- Funds the Governor's Texas Moving Image Industry Incentive Program with \$22 million
- Provides about \$5.5 million for the Governor's University Research Initiative
- Makes \$34 million in hotel occupancy tax revenue available for the promotion of tourism through the Governor's office.

Economic Development – 85th Legislative Session

HB 3294 by Parker

- Makes certain NASCAR championship events eligible for funding through the Major Events Reimbursement Program. **HB 4038** by Rep. Dwayne Bohac (R-Houston) eases the definition of “qualifying job” for purposes of the temporary exemption from sales taxes for data centers.

HB 4038 by Bohac

- Eases the definition of “qualifying job” for purposes of the temporary exemption from sales tax for data centers (includes new position permanently staffed by a third-party employer under a written agreement)
- Effective June 1, 2017.

Economic Development – 85th Legislative Session

SB 600 by Burton

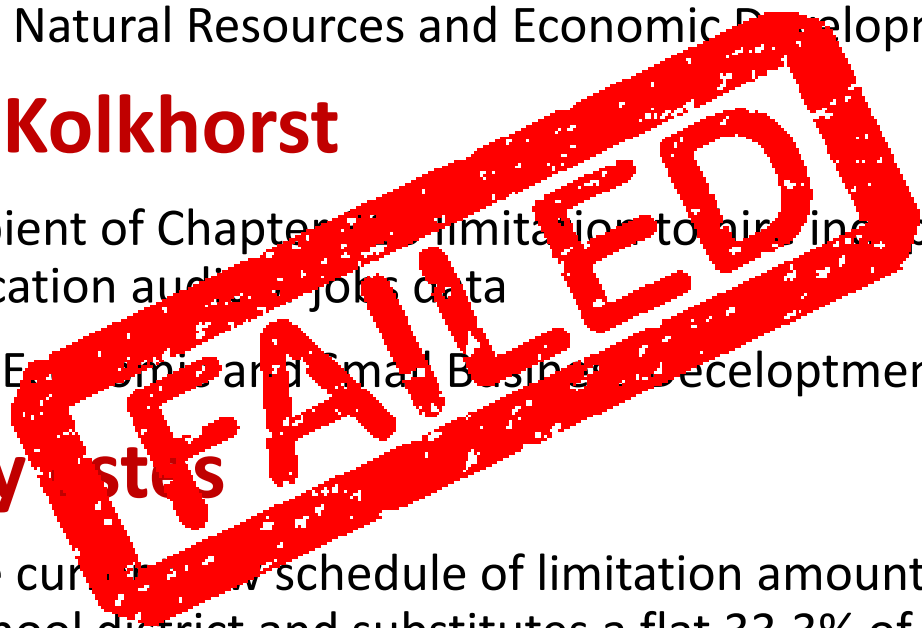
- Abolished Chapter 313.
- Died in Senate Natural Resources and Economic Development

SB 400 by Kolkhorst

- Required recipient of Chapter 251 limitation to hire independent CPA to conduct verification audit of jobs data
- Died in House Economic and Small Business Development

SB 1627 by Estes

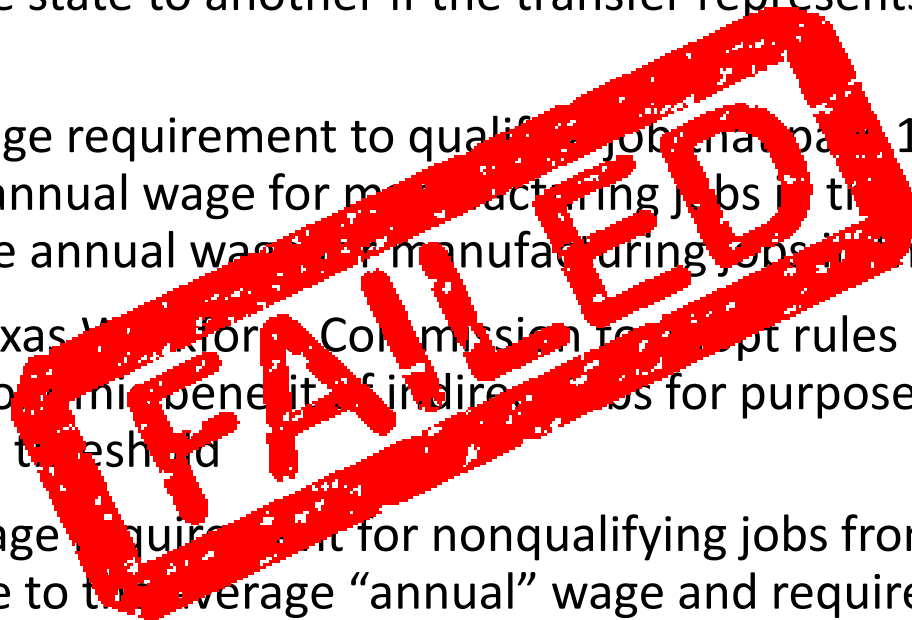
- Eliminated the current law schedule of limitation amounts based on the category of school district and substitutes a flat 33.3% of the market value of the property
- Died in Senate Natural Resources and Economic Development.



Economic Development – 85th Legislative Session

HB 386 by Murphy

- Change the definition of “qualifying job” to include a transfer of a job from one area in the state to another if the transfer represents a net new job in the state
- Modify the wage requirement to qualify a job as a net new job to 110% of the lesser state median annual wage for manufacturing jobs in the state or the county average annual wage for manufacturing jobs in the county
- Require the Texas Workforce Commission to adopt rules regarding the cumulative economic benefit of indirect jobs for purposes of meeting the qualifying jobs threshold
- Change the wage requirement for nonqualifying jobs from the average “weekly” wage to the average “annual” wage and requires the wage to exceed the *lesser* of the state median annual wage for all jobs in the state or the county average annual wage for all jobs in the county.



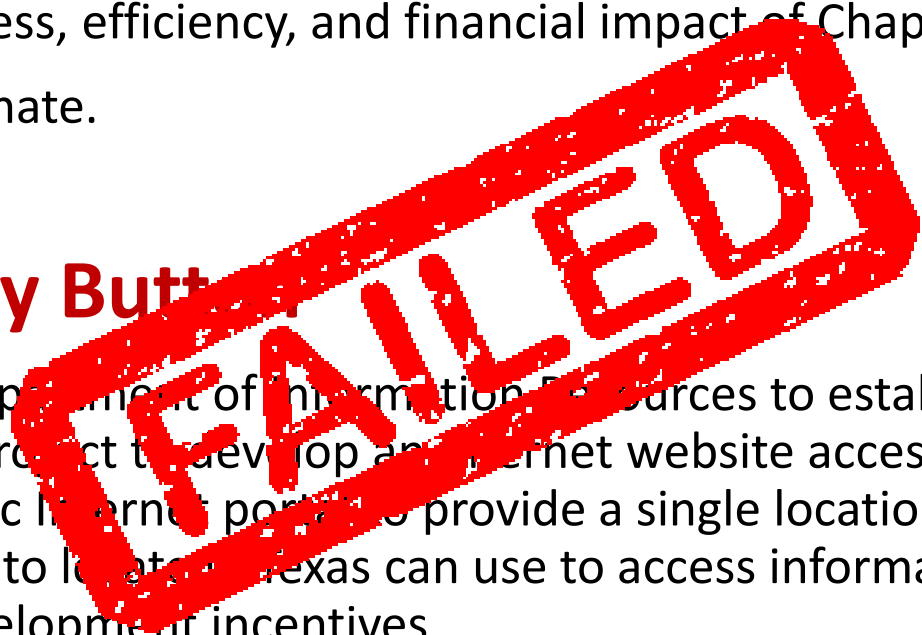
Economic Development – 85th Legislative Session

HB 3360 by Button

- Directed the Economic Development Incentive Oversight Board to examine the effectiveness, efficiency, and financial impact of Chapter 313
- Died in the Senate.

HB 3172 by Butt

- Directs the Department of Information Resources to establish an electronic government project to develop an internet website accessible through the state electronic internet portal to provide a single location that a business entity seeking to locate in Texas can use to access information about economic development incentives
- Died in Senate Natural Resources and Economic Development.



Economic Development – 85th Legislative Session

Special Districts

- At least 88 new or expanded special districts created (54 MUDs, 13 municipal management districts, the rest road districts, WCID, water supply)
- Counties with new districts: Harris (16), Hays (14), Montgomery (13), Fort Bend (6), Brazoria (3), Wise (3), Collin (2), Hood (2), Kendall (2), Kaufman (2), Jefferson (2), Travis, Comal, Willacy, Freestone, San Patricio, Liberty, Bastrop, Ellis, Dallas
- Nearly all have authority to issue bonds and assess property taxes, fees, and assessments (one district adds sales tax authority)

An Early Peek at 2019

- Massive supplemental appropriation bill, primarily for Medicaid
- \$3 billion of one-time measures used to fund current budget could create gap for the next budget
- School finance debate could trigger higher taxes—either local property taxes or state taxes
- Franchise tax phase-out (limited by available revenue)
- Continued assault on state economic development:
 - Tax Code, Chapter 313 will again be targeted,
 - Texas Enterprise Fund, and
 - **City/county tax abatement authority (Tax Code, Chapter 312) will expire unless reauthorized**

Thanks for Joining Us!

If you have any questions or comments, please feel free to contact TTARA staff.

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