

The image shows the Texas State Capitol dome in Austin, Texas, with the Statue of Liberty on top. The dome is white and has a large, ornate design. The sky is blue with some clouds. The image is positioned on the left side of the slide.

TTARA Webcast Update on Tax & Fiscal Issues

May 9, 2019

TEXAS TAXPAYERS
TTARA
AND RESEARCH ASSOCIATION

400 West 15th Street, Suite 400
Austin, Texas 78701
512.472.8838
www.ttara.org

Stay Connected With Us On Social Media!



[/txtaxpayers](https://www.facebook.com/txtaxpayers)



[/txtaxpayers](https://www.linkedin.com/company/txtaxpayers)



[@txtaxpayers](https://twitter.com/txtaxpayers)

Continuing Education Credits

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” tab. 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.

All data and information is the property of TTARA and we ask that in sharing this data you credit TTARA with the source of information.

Agenda

1. Dates of Interest
2. Budget
3. Economic Development
4. Property Tax
5. School Finance
6. Sales and Other
7. Franchise Tax

2019 TTARA Meeting Dates



2019 Annual Golf Tournament

Tuesday, June 4, 2019

Falconhead Golf Club, Austin

For information and to register visit our website at:

<https://ttara.org/events/calendar/2019-annual-golf-tournament/>

Reception Sponsors



TOM DUFFY
HARPER CATTLE



CLUBCORP[®]
THE WORLD LEADER IN PRIVATE CLUBS[®]



86th Legislative Session

TTARA Legislative & Tax Policy Meetings

Meetings are held at the Moody Bank Building's
3rd Floor Conference Room at 400 West 15th Street, Austin, TX

5/22 - Legislative (10 am-11 am) and Property Tax (11 am – 12 noon)



2019 Monthly Webcast Updates through the Legislative Session

(Continuing education credits offered)

All webcasts will be on a Thursday starting at 9:00 a.m. and will last approximately an hour.

- ~~January 10~~
- ~~February 14~~
- ~~March 7~~
- ~~April 11~~
- ~~May 9~~
- June 6
- September 12
- December 5



2019 Annual Meeting

TTARA Annual Meeting
November 14-15, 2019
J.W. Marriott
Austin, TX



Session Dates

| <u>Date</u> | <u>Action</u> |
|-------------|--|
| May 6 | Last day for House committees to pass house bills |
| May 9 | Last day House may consider general house bills (on 2 nd reading) |
| May 18 | Last day House committees may pass Senate bills |
| May 21 | Last day for House to consider Senate bills (on 2 nd reading) |
| May 25 | Conference Committee reports must be printed and distributed |
| May 26 | Last day house may adopt conference committee reports |
| May 29 | Sine Die |
| June 15 | Governor must file vetoes, or bills become law |

19 Days Remaining!!!!

The Budget(s)

HB 1: General Appropriations Act
SB 500: Supplemental Appropriations

Comparing House & Senate Budgets

(General Revenue \$ billions)

| Budget Area | House | Senate | Diff vs House |
|-----------------------------|--------------|--------------|---------------|
| Public Education | \$51.6 | \$52.5 | \$0.9 |
| Higher Education | \$15.6 | \$15.6 | Negl. |
| Health & Human Services | \$34.7 | \$33.8 | (\$0.9) |
| Public Safety & Corrections | \$11.5 | \$11.7 | \$0.2 |
| Other | <u>\$6.5</u> | <u>\$6.5</u> | <u>Negl.</u> |
| Total | \$120.1 | \$120.4 | \$0.3 |
| Supplemental Bill | \$2.7 | \$1.7 | (\$1.0) |

Budget Timeline

- Conference Committee:

Zerwas, chair

Nelson

Bonnen, G.

Huffman

Davis, S

Kolkhorst

Longoria (D)

Nichols

Walle (D)

Taylor

- Conference committee report must be printed and distributed by Friday, May 24 (bill must lay out 48 hours before Senate may act)
- House and Senate must act on conference committee report by May 26
- Governor must file vetoes by June 16

Economic Development

(312s & 313s)



Extension Bills

~~HB 360 by Murphy~~

~~Extends Chapter 312 (city/county property tax abatement authority through 2029) – passed House April 9 (124-20)~~

~~HB 2129 by Murphy~~

~~Extends Chapter 313 (school property tax “abatement” authority through 2032 – passed House April 9 (115-28))~~

CSHB 3143 by Murphy

Requires public hearing on abatement guidelines, creates post-abatement reporting requirements, creates 30 day posting requirement for abatement consideration, requires fiscal impact statement on abatements creating 25 jobs or more – as passed W&M April 3

CSHB 3143 by Murphy (West)

Senate Substitute

- Extends Chapter 312 through 2029
- Requires governing body to hold a public hearing when adopting or revising abatement guidelines and criteria
- Taxing unit is required to post abatement guidelines on their website
- Chief Appraiser will report post-abatement project values to Comptroller for three years
- 30 Day posting requirement before governing body may offer exemption:
 - Name of applicant
 - Name of location of reinvestment zone
 - General description of the project
 - Estimated project cost

Property Tax



Property Tax

**Bills Sent to the Governor: SB 1254,
HB 1409, HB 1802, HB 1842, and SB 812**

SB 2 by Bettencourt

Texas Property Tax Reform and Relief Act of 2019 (passed by the Senate 04/15/2019)

Texas Taxpayer Transparency Act of 2019 (substitute passed by the House 05/01/2019)

Bills Sent to the Governor

- HB 1254 by Murphy: repeals Tax Code Section 23.42(a-1) which prohibits land designated as agricultural use from being used to secure a home equity loan (signed by the Governor on 05/07)
- HB1409 by Ashby: amends Tax Code Section 23.72 to permit a portion of timber land to qualify for special appraisal (roads, rights-of-way, buffer areas, and firebreaks); adds Section 23.765 to permit timber land to continue qualification if a lessee begins oil and gas operations on land that otherwise qualifies

Bills Sent to the Governor

- HB 1802 by Bohac: amends Tax Code Section 41A.03(a) to change the filing date for binding arbitration from 45 to 60 days from the date of receipt of an order determining protest
- HB 1842 by Thompson: amends Section 23.23(g) to change the definition of “disaster recovery program” (companion SB 812)
- SB 812 by Lucio (as substituted): amends Section 23.23(g) to expand disaster recovery programs and make revisions to tax rolls (signed by the Governor on 05/07)

SB 2 by Bettencourt Side-by-Side

(side by side available on our website under Resources/Other Docs. & Mtg. Handouts)

Conferees

Senate

Hancock (R) (Chair)

Bettencourt (R)

Hinojosa (D)

Creighton (R)

Perry (R)

House

??

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019

| | Senate Version | House Version |
|--|--|--|
| General Provisions | | |
| Electronic delivery between appraisal districts and property owners | Adds delivery of information for appraisal review board hearings electronically by agreement | Same, but adds requirement of certain information to be delivered to owners of residential property by email on request |
| Applicability of the Property Tax Code | Not included | The Code supersedes any provision of a municipal charter or ordinance relating to property taxation, including a provision setting or requiring a vote to set a tax rate, level of spending, or limitation on tax increase for that municipality. |
| Tax Agents/Property Tax Consultants | Not included | A person who enters a contingency fee agreement to act as the agent of a property owner for any purpose under this title (Property Tax Code) must be an attorney licensed in Texas. |
| State Responsibilities | | |
| Comptroller Advisory Board | Creates the Property Tax Administration Advisory Board and deletes the current advisory committee under Government Code Section 403.302; at least six members appointed by the Comptroller; oversight of appraisal districts and local tax offices; to make recommendations on effectiveness and efficiency of the property tax system | Same, except (1) no oversight of local tax offices, (2) must make recommendations on ways to better ensure equality and uniformity of appraisal; (3) appointees must be ethnically and geographically diverse; and (4) Government Code Chapter 2110 regarding state advisory committees does not apply |
| Appraisal Review Board Training by the Comptroller | <ul style="list-style-type: none"> ➤ Requires 16 hours for beginners and 24 hours for special panelists ➤ Requires 8 hours for continuing education and 16 hours for special panelists ➤ Allows a fee of \$50 to be charged for training participants who are not ARB members | <ul style="list-style-type: none"> ➤ Requires 8 hours for beginners and no additional training for special panelists ➤ Requires 4 hours for continuing education and no additional hours for special panelists ➤ Same regarding fees |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--|---|--|
| State Responsibilities (continued) | | |
| Appraisal Methodology | Requires the Comptroller to issue appraisal manuals for use by appraisal districts, according to two publications from the Appraisal Institute and USPAP | Provides that appraisal districts must appraise property in accordance with manuals required by law to be prepared and issued by the Comptroller |
| Tax Rate Calculation Forms | Requires the Comptroller to prescribe forms for use by designated employees or officers of taxing units to calculate no-new-revenue and rollback tax rates; the forms must be capable of electronic completion, certification, and incorporated into the property tax database | Same, except that certified estimates of taxable value may be used in certain situations, and provision to permit a Comptroller committee responsible for revising the form to meet without the need to comply with the Open Meetings Act included |
| Biennial Property Tax Report | Requires that the report's tax rate and levy data include special districts, as well as cities, counties, and school districts, and be verified | Same, except that the special district information need not be reviewed in as much detail as that submitted by cities, counties, and school districts |
| Statewide List of Tax Rates | Requires that the list be categorized alphabetically by county and taxing unit and published on January 1 of the year following the tax year in which the rates are reported | Same |
| Appraisal District Reviews (MAP) | Adds review of compliance with appraisal manuals issued by the Comptroller | Adds review of compliance with appraisal manuals required by law to be prepared and issued by the Comptroller |
| Appraisal Review Board Survey | Adds new Section 5.104 regarding the Comptroller's survey for protesting parties to submit comments and suggestions regarding an appraisal review board; detailed requirements for the content of the survey and who may submit it; and an annual report required to be issued by the Comptroller | Numerous differences in wording and format; importantly the Comptroller is required to implement and maintain a method that allows electronic submission of the survey through a uniform resource locator (URL); provisions are included for completion of the survey by persons who attend an ARB hearing by telephone conference |
| General Appraisal District Audit (Section 5.13) | Adds review of compliance with appraisal manuals issued by the Comptroller | Adds review of compliance with appraisal manuals required by law to be prepared and issued by the Comptroller |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--|---|---|
| Appraisal District Offices | | |
| District Boards of Directors Eligibility | Not included | Makes persons ineligible to serve on the appraisal district board of directors if he/she is an officer or employee of a taxing unit that participates in the district, except in counties with populations of 25,000 or less where an employee may serve if he/she is also a member of a taxing unit governing body |
| | Changes number of years from 5 to 3 of ineligibility if a person was engaged in appraisal for compensation for use in proceedings or representation of property owners for compensation | Same |
| Ex Parte Communications | Permits members of appraisal district boards of directors to transmit without comment complaints to the chief appraiser about specific appraisals, so long as the communication is in writing | Same |
| Appointment of Special Panels for Appraisal Review Boar | Authorizes the boards of directors of appraisal districts in counties with populations of 1 million or more to increase the size of their appraisal review boards to ensure adequate number of appointments of persons with certain qualifications to hear requested protests | Same |
| Appraisal District Employment | Not included | Prohibits employment at an appraisal district of a person who is an officer or employee of a taxing unit that participates in the district |
| Residential Property Owner Assistance | Not included | Requires that the chief appraiser maintain a list of persons who will provide free assistance to residential homeowners to complete forms |



SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--|--|--|
| Appraisal Review Boards | | |
| Eligibility | Prohibits person to serve on an ARB if he/she is related to another member of the board; or has served all or part of three previous terms as a board member or auxiliary board member in counties with populations of 120,000 or more | Same |
| Auxiliary Board Members | May not hear protests designated for special panels | Same |
| Selection of ARB Chairman and Secretary | Must be done by local administrative district judges for all counties | Same |
| Voting Requirements | Majority concurrence of ARBs and panels to make determinations; a super-majority vote may not be required | Same |
| Special Panels | Applies to counties with populations of 1 million or more; establishes special panels to conduct protest hearings if requested by property owners or agents concerning property valued at \$75 million or more in specific categories; protests of other property categories may be heard if requested or consented to by the owner/agent; panelists must have certain professional/educational qualifications | Same except the value threshold is \$50 million with annual adjustment in amount based on inflation as determined by the Comptroller |
| Exemptions | | |
| Historic Sites | Not included | Requires taxing units to notify property owners of changes to historic designations/exemptions |
| Freeport Goods | Changes the deadline for late filing of freeport applications | Not included |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--------------------------------------|---|---|
| Renditions | | |
| Deadlines for filing | April 1 rendition deadline in counties in which Freeport exemptions exist repealed; extensions for regulated companies changed to conform with other property owners (to May 15 automatically on request and to May 30 for good cause) | Same, with technical difference in wording |
| Appraisal Methodology | | |
| Comptroller Manuals | Not included | Requires that appraisal districts comply with appraisal manuals that are required by law to be prepared and issued by the Comptroller |
| Publications | Not included | Designates acceptable publications by the Appraisal Institute and the International Association of Assessing Officers, as well as USPAP and other verifiable authority, for appraisal districts to use as generally accepted appraisal methods and techniques |
| Taxpayer Appraisal Notices | | |
| Notices of appraised value | Removes estimated taxes from these notices (2021 for counties with populations of 120,000 or more and 2022 for other counties); requires language on the notice that qualifying property owners have the right to a protest hearing before a special appraisal review board panel | Same |
| Notices concerning exemptions | Not included | Adds Section 25.192 to require notices of residence homestead exemption eligibility; and Section 25.193 to require special notices to be delivered to taxpayers if exemptions are cancelled or reduced in amount |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|---|--|---|
| Certification of Appraisal Rolls | | |
| Date and Exception | If appraisal records are not approved by ARB by July 25, the chief appraiser shall prepare and certify an estimate of taxable value for each taxing unit by that time. | If appraisal records are not approved by ARB by July 20, the chief appraiser shall prepare and certify an estimate of taxable value for each taxing unit by July 25. |
| Definitions: Tax Rates | | |
| No-new-revenue | Change of term “effective” tax rate to “no-new-revenue” | Same |
| Rollback and excess collections | Change of term “rollback” rate to “voter-approved tax” rate | Term “rollback” rate continued; minor technical wording changes regarding excess collections |
| Last year’s levy | Not included | Adds value of protests under review on July 25 |
| Small taxing units | Units, other than school districts, with combined sales and property tax levies of \$15 million or less | Not included |
| Special taxing units | Not included | Units, other than school districts, for which the M&O tax rate is 2.5 cents or less; junior college districts; and hospital districts |
| De minimis rate | Not included | Rate equal to the sum of (1) a taxing unit’s no-new-revenue M&O rate, (2) the rate that when applied to the taxing unit’s current total value will impose taxes equal to the de minimis amount, and (3) the current debt rate |
| Inflation rate | Not included | Percentage change in the consumer price index for the preceding year as compared to the year before that; CPI defined |
| Unused increment rate | Not included | Difference in rollback rates for 5 prior years beginning in 2020, using M&O taxes and rates as the basis |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|---|--|---|
| Rollback Tax Rates | | |
| De minimis amount | Not included | Sets the 2020 amount at \$500,000 and requires the Comptroller to adjust it annually based on the inflation rate as defined by August 1 |
| Rollback or “voter-approved rate” | 8% for small taxing units; 3.5% for other taxing units except school districts; 2.5% for school districts | 8% for special taxing units; greater of (1) 3.5% for other taxing units (except school districts) plus the unused increment rate, or (2) the de minimis rate; 2% for school districts |
| Rollback provisions for taxing units in disaster areas | 8% until the earlier of the first year that the value of the taxing unit is restored, or the fifth year after the disaster occurred | 8% until the earlier of the second year that the value of the taxing unit is restored, or the fifth year after the disaster occurred |
| Rate Certification and Submission | | |
| Use of rate calculation forms | Required before rate adoption; must be certified as correct (does not apply to school districts); must be included as an appendix to a taxing unit budget | Same |
| Publication and posting | Internet posting required; newspaper publication of rates and the other information currently in law; submission of information to governing body (does not apply to school districts) | Internet posting required; newspaper publication of rates only; submission of debt obligations and other information to the governing body (does not apply to school districts) |
| Real-time Tax Notices | | |
| Delivery | Notification by chief appraiser to all property owners by August 7 of website to locate individual taxes under consideration by each taxing unit; name and address of assessor for county to receive information | Same |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|---|--|--|
| Rate Adjustments | | |
| New Section 26.0442 (different versions) | Allows no-new-revenue rates to be adjusted for county indigent criminal defense expenditures | Allows no-new-revenue rates to be adjusted for local option residence homestead exemptions |
| Indigent health care | Not included | Expands adjustment from “enhanced indigent health care” to all indigent health care expenditures |
| Special election | Requirement that small taxing units hold elections in May 2020 to determine if the voters want a rollback/voter-approved tax rate of 3.5% | Not included |
| Rate Adoption | | |
| Deadline | No later than the 71 st day before the next uniform election date that occurs in November of that year | Same |
| Hearings or meetings to set rates | May not be held until the 5 th day after the chief appraiser has delivered the real-time tax notice and complied with website requirements (taxing units other than school districts) | Same, except the hearing/meeting cannot be held before the 5 th <u>business</u> day |
| Special provision regarding sales tax | Chief financial officer or auditor to certify the unit’s sales levy used to pay debt service before setting rate | Same |
| Taxpayer Remedies | | |
| Injunction on rate adoption | May be sought if taxing unit or chief appraiser has not complied with computation, publication, or posting requirements; defense if failure was in good faith | Same |
| Injunction on tax collection | May be sought if taxing unit has not complied with Sections 26.04 or 26.05; deadline for filing and other provisions; defense if failure was in good faith | Same |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|---------------------------------|---|--|
| Public Hearings | | |
| Tax Rate Increases | Only one required | Same |
| Hearing Notices | Simplified language like that currently in Local Government Code | Same |
| Other Notice Information | Detailed provisions for tables, specific notice language, and other matters | Technical differences |
| Elections | | |
| Tax Code Sections | Amends Section 26.08 (repeals Section 26.07 regarding voter petitions) and includes ballot languages for (1) school districts, and (2) other taxing units | Amends Section 26.07 (taxing units other than school districts; deletes voter petitions) and Section 26.08 (school districts); includes wildfires as a disaster; requires last year's tax rate be included in the ballot language for informational purposes |
| Date | Designates the November uniform election date and requires that the order calling the election be issued not later than August 15 in Section 26.08 | Same designation and order dates, except in Section 26.07 |
| County Postings | | |
| Internet Websites | Required; must post tax rates for all taxing units in the county, as well as tax rate calculation forms and contact information for members of governing bodies of all taxing units by August 1 | Same |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|---|--|---|
| Database of Property-Tax-Related Information | | |
| Content | Tax rates and hearing information to be provided by taxing units; identification of property, owners, and values provided by appraisal district; information to be included in the database specified | Same |
| Access | Public; searchable by property address and owner, except for confidential information; information available as rates are adopted and hearings/meetings set (within 3 business days of submission by taxing units) | Same |
| Taxpayer Comments | Not included | Electronic completion and submission of taxpayer comments to taxing units concerning adoption of the tax rate |
| Taxing Unit Postings | | |
| Internet Websites | All taxing units must maintain or have access to a generally accessible website for use under this section | Same |
| Content | Information about members of governing bodies, mailing addresses of taxing units, budgets, and audits | Same |
| Taxing Unit Challenges | | |
| Level of appraisal of a category of property | Repealed | Same |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| Appraisal Review Board Hearings | | |
|--|--|---|
| Expansion of protests | Not included | Allows property owners whose open-space land designations have been cancelled to protest within 30 days and include excessive market value claims for prior years that form the basis of the rollback tax amount |
| Notices of protest and hearings | Must allow a property owner to request a special panel hearing; subject matter of the hearing must be included in the notice of hearing | Same as to request for special panel; different language regarding the subject matter to be described |
| Delivery of requested information by appraisal district before appraisal review board hearing | Information that the chief appraiser will introduce at hearing to be provided according to specific delivery methods; if not delivered, may not be used or offered in any form as evidence at the hearing, including as a document or through argument or testimony | Same, except that information offered to rebut evidence or argument presented at the hearing by the protesting party or agent may be used or offered in any form as evidence at the hearing |
| Orders determining protest | <p>Must list land and improvements separately</p> <p>May not increase value above the notice of appraised value, except as requested and agreed by property owner</p> <p>Orders to be delivered within 15 days</p> <p>Allowance of “top line” informal value determinations between appraisal district and property owners/agents for orders determining protest</p> | <p>Not included</p> <p>May not increase value above the notice of appraised value, except for exemptions and qualifications for open-space and timber special appraisal</p> <p>Orders to be delivered between 30—45 days, depending on size of county</p> <p>Not included</p> |
| Hearing schedules | <p>Allows agents to have consecutive hearings</p> <p>Not included</p> <p>Changes to times of hearings; no Sunday hearings</p> | <p>Same</p> <p>Priority scheduling for elderly and disabled persons and veterans</p> <p>Same</p> |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--|---|---|
| Binding Arbitration | | |
| Filing deadline | 60 days after receiving order determining protest (rather than 45 days) | Not included |
| Property eligibility | Not included | Contiguous tracts of land with single owner |
| Applications | Comptroller to notify applicant of rejection and property owner allowed to cure defect | Not included |
| Arbitrator training and eligibility | Requires completion of training and education of ARB members and a property tax law program; must reside in the State (not in the county in which the property is located); property owner may request the appointment of a person who resides in the county or outside of the county | Same, except Comptroller allowed to remove arbitrator from registry for not completing training programs and the number of years that a person must wait for eligibility after representing property owners for compensation, working for the appraisal district, or serving on the appraisal review board or district board of directors reduced from 5 to 2 |
| Awards | May not increase value over amount on notice of appraised value | Not included |
| Litigation Issues | | |
| Delinquent tax suits | May not be filed during pendency of an appeal of an order determining protest | Not included |
| Who may appeal | Entity not required to be registered to do business in Texas to file an appeal | Not included |
| Discovery | Third party discovery prohibited, except by court order; discovery requests for closing statements, rent rolls, and operating statements in unequal appraisal appeals prohibited, except by court order | Not included |

SB 2 -- Comparison of Senate Engrossed and House Substitute as Passed the House 04/30/2019 (cont.)

| | Senate Version | House Version |
|--|---|--|
| Litigation Issues (continued) | | |
| District court awards | May not increase value over amount on notice of appraised value | Not included |
| Other Issues | | |
| Comptroller's PVS | Not included | Requires the Comptroller to report to an appraisal district board of directors if a school district has an invalid finding and must conduct an audit if the district has invalid findings for 3 consecutive years; board of directors must evaluate performance of chief appraiser |
| Municipal utility districts | Numerous revisions to the Water Code | Similar revisions to the Water Code (Section 70 of the bill substantially changed by Amendment #25) |
| County equalization tax | Not included | Allows county commissioners court to hold an election to revoke the CED tax |
| Review of state and local tax preferences | Not included | Establishes a select commission to review tax exemptions and make recommendations |
| Repeals | Same, except provisions of SB 1760 From 2015 repealed | Same |
| Effective Dates | Same | Same, except Sec. 93 of the bill that states that the Act takes effect only if HB 3, 86 th Regular Session, becomes law. |

School Finance

HB 3 by Huberty Side-by-Side

(side by side available on our website under Resources/Other Docs. & Mtg. Handouts)

Conferees

House

Huberty (R) (Chair)

K. King (R)

Ashby (R)

Bernal (D)

M. Gonzalez (D)

Senate

Taylor (R) (Chair)

Nelson (R)

Campbell (R)

West (D)

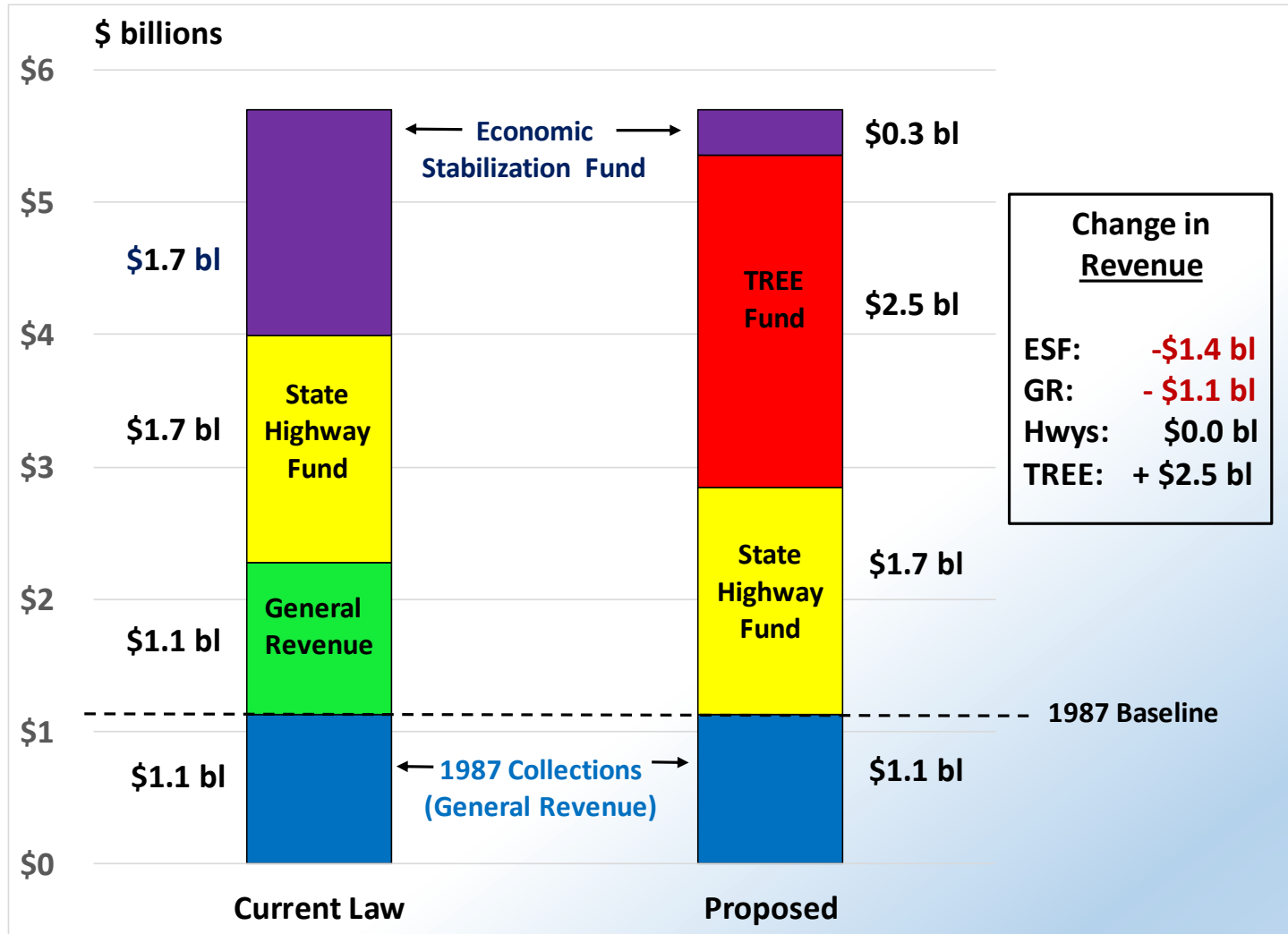
Watson (D)

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|--|---|---|
| Tax Relief/Tax Rate | | |
| Maintenance & Operations Tax Rate Cap | Maintains M&O rate cap at \$1.17 | District's maximum compressed rate + \$0.17. |
| Compression Percentage | 96% - \$0.04 rate compression State will reimburse districts for lost property tax revenue due to compression. | 90% in 1 st year - \$0.10 rate compression 90% in 2 nd year - \$0.10 rate compression Revenue from value growth above 2.5% will be used to compress rates further in districts experiencing that growth in value. State will reimburse districts for lost property tax revenue due to compression. |
| Tier 1 Rate | \$0.96 | \$0.90 (or lower in some districts) \$0.90 (or lower in some districts) |
| On-going Tax Rate Compression | LBB will determine compression percentage | Rates will be compressed on a district-by-district basis, with revenue above the following value growth levels used to compress the tax rate in each district. Difference in rates limited to 15%. <ul style="list-style-type: none"> ➤ 2.5% if inflation rate is less than 4% ➤ 3.5% if inflation rate is equal to or greater than 4% but less than 6% ➤ 4.5% if inflation rate is equal to or greater than 6% but less than 8% ➤ 5.5% if inflation rate is equal to or greater than 8% On January 1, 2020, creates the Tax Reduction and Excellence in Education (TREE) Fund to provide further tax rate compression. The fund would consist of: <ul style="list-style-type: none"> • Severance tax revenue diversion provided by SJR 77 to be used for tax compression (estimated at \$2.3 billion) 55% TREE, 37.5% Hwy Fund, 7.5% ESF • Sales tax revenue from the Wayfair court decision provided by HB 1525 to be used for tax compression or increased school funding (\$300 million) • Available School Fund revenue provided by HJR 151 to be used for increased school funding (\$300 million) |
| State Homestead Exemption | Maintains at \$25,000 | Same |



Tax Reduction and Education Excellence Fund, 2021



HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|------------------------------------|---|--|
| Tax Relief/Tax Rate (cont.) | | |
| “Golden” Pennies | Increases to 8 pennies. De-links guaranteed yield from Austin ISD (\$126.88) and links it to the greater of: (1) a school district at the 96 th percentile of wealth or (2) 0.016 x basic allotment (\$96.48) | Maintains at 6 pennies. De-links guaranteed yield from Austin ISD (\$126.88) and links it to 0.016 x basic allotment (\$94.08). |
| “Copper” Pennies | Increases yield of “copper pennies” (\$1.05-\$1.17) to \$48.24 (51%) and ties the guaranteed yield to 0.008 x basic allotment (\$48.24). Requires compression to the number of pennies that would raise the same amount of revenue per weighted student as in the previous year. | Increases yield of “copper pennies” (remainder of pennies up to M&O rate cap) to \$47.04 (47%) and ties the guaranteed yield to 0.008 x basic allotment. Requires compression to the number of pennies that would raise the same amount of revenue per weighted student as in the previous year. |
| Tax Ratification Elections | <ul style="list-style-type: none"> ➤ Requires a tax ratification election for rates adopted that exceed \$0.96 + prior year enrichment rate + debt rate. In the second year, school boards can access one golden penny without voter approval with a unanimous vote of the board. Changes “rollback rate” to “voter-approved rate.” ➤ Requires a school district to conduct an efficiency audit before holding a tax ratification election. Efficiency audit is waived for two years if the school district is located in a disaster area. ➤ School districts with strategic plans in place requiring a rate increase may proceed with voter approval. | <ul style="list-style-type: none"> ➤ Requires a tax ratification election for rates adopted that exceed the district’s compressed rate + (greater of \$0.04 or prior year enrichment rate) + debt rate. ➤ Requires a school district to conduct an efficiency audit before holding a tax ratification election. ➤ School districts with strategic plans in place requiring a rate increase may proceed with voter approval. |
| Recapture | <ul style="list-style-type: none"> ➤ Changes the calculation of recapture to the amount of revenue raised by a district’s tier 1 tax rate that exceeds a school district’s tier 1 entitlement. No longer based on property wealth per WADA. | Same |

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|------------------------------------|---|---|
| Recapture (cont.) | <ul style="list-style-type: none"> ➤ Commissioner may not deduct 50% of local option homestead exemption value when calculating recapture amounts unless the deduction is made for all school districts for state funding purposes. ➤ School districts can send their recapture obligation in one recapture payment not later than August 15 rather than in monthly payments February 15 – August 15. | Same |
| Formula Elements | | |
| Cost of Education Index (CEI) | Repealed | Repealed |
| Gifted and Talented Weight | Repealed | Maintains current law weight of 0.12 for 5% of ADA. Sets aside \$8 million per year for P-Tech program. Sets aside \$6 million for blended learning grants. |
| High School Allotment | Repealed | Repealed |
| Staff Salary Allotment | Repealed | Repealed |
| 1993 Hold Harmless | Phased out over 5 years | Phased out over 5 years |
| Chapter 41 Early Agreement Credit | Repealed | Repealed |
| Prior Year vs. Current Year Values | Maintains use of prior year values in formula calculations. | Changes to the use of current year values in formula calculations. |
| Basic Allotment | Increases the basic allotment to \$6,030 from \$5,140 (+17%). | Increases the basic allotment to \$5,880 from \$5,140 (+14%). Authorizes a school district to increase its M&O tax rate (subject to the M&O tax rate cap) to recoup losses if the basic allotment is reduced |
| Compensatory Education Weight | Increases compensatory education funding based on student needs; sliding scale weight 0.225-0.275 (from 0.20). Based on “economic census blocks” using | Same |

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|--|--|---|
| Compensatory Education Weight (cont.) | median household income, average educational attainment, percentage of single-parent households, rate of homeownership. No longer based on qualification for free and reduced-price lunch. | |
| Career and Technology Allotment | Expands career & technology allotment to include courses in 6th, 7th and 8th grade. | Maintains career & technology allotment at grades 9-12. Directs the Commissioner of Education to establish a summer grant program for career & technology courses from appropriated or available funds. |
| Small/Mid-Size District Adjustment | Changes to separate allotment | Maintains current law formula adjustment |
| Special Education Weights | Increases special education mainstream weight to 1.15 (from 1.10) and requires the Commissioner of Education to distribute funding to school districts for special education students in the amount necessary to comply with federal requirements for maintenance of state financial support. | Increases special education mainstream weight to 1.15 (from 1.10) and requires the Commissioner of Education to distribute funding to school districts for special education students in the amount necessary to comply with federal requirements for maintenance of state financial support. Requires the Commissioner of Education to appoint a Special Education Allotment Committee to make recommendations on special education funding. |
| Transportation Allotment | Distributed per mile; no longer linear density | Same |
| Early Education Allotment | Creates a new early education allotment for economically disadvantaged/bilingual students in grades K-3; weight 0.10. | Creates a new early reading allotment for economically disadvantaged/bilingual students in grades K-3; weight 0.10. |
| Dual Language Allotment | Creates a new dual language allotment; weight 0.15 (retains current bilingual weight of 0.10). | Same |
| Dyslexia Allotment | Creates a new dyslexia allotment; weight 0.10. | Creates a new dyslexia allotment; weight 0.12. |
| Accelerated Campus Excellence Allotment | Not Addressed | Creates a new accelerated campus excellence allotment for each student attending a campus that |

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|---|---|--|
| Accelerated Campus Excellence Allotment (cont.) | | has begun a campus turnaround plan; weight 0.10 - 0.15. |
| Mentor Program Allotment | Not Addressed | Creates a Mentor Program Allotment to provide school districts with funds to pay stipends to mentor teachers |
| School Safety Allotment | Creates a new school safety allotment from funds appropriated and distributes based on ADA. | Not Addressed |
| Pre-Kindergarten | Requires quality full-day prekindergarten for eligible 4-year-olds. Districts can opt out for lack of facilities. | Requires quality full-day prekindergarten for eligible 4-year-olds and children of educators. Districts can opt out for lack of facilities. |
| Extended Year Incentive Program | Creates a new extended year incentive program to provide 30 days (1/2 day) additional instruction days for students in Pre-K through 5th grade. | Same |
| Third Grade Language Arts Outcomes Bonus | Not Addressed | Creates a new third grade language arts outcomes bonus of up to \$4,000 for economically disadvantaged students, \$1,000 for non-economically disadvantaged students, and \$1,000 for special education students in the top 25 th percentile of performance on the third grade STAAR language arts test or an alternative test. |
| College, Career, and Military Readiness Outcomes Bonus | School boards must adopt college, career, and military readiness plans and goals for the following five school years. | Creates a new college, career, and military readiness outcomes bonus of \$5,000 for economically disadvantaged students, \$3000 for non-economically disadvantaged students, and \$2,000 for special education students to send to districts for students in the top 25 th percentile of performance on the SAT and ACT test, and other indicators established by the Commissioner. |
| Fast Growth Allotment | Not Addressed | Creates a new fast growth allotment of 0.042 for each student in a school district with enrollment growth in the top quartile over the past three years. |
| Dropout Recovery School Allotment | Not Addressed | Creates a new dropout recovery school allotment of \$275 per student attending a dropout recovery school. |

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|---|--|--|
| Employee Salaries | | |
| Employee Salary Increase | Requires school districts to use 25% of the revenue from the increase in the basic allotment to provide salary increases for all employees other than administrators. Requires school districts to submit a report to the Legislature on pay increases provided. | Provides a \$5,000 across-the-board salary increase to classroom teachers and librarians. |
| Educator Effectiveness Allotment | Creates an educator effectiveness allotment which will be sent to school districts for each student at the most disadvantaged campuses to be used by the district to provide pay increases to effective teachers who teach at high needs campuses, rural campuses, or in areas experiencing a critical shortage of teachers. | Creates a new teacher incentive allotment to send to districts for teachers rated in the top quartile on criteria established by the Commissioner of Education. Teachers who teach at campuses with the greatest needs can receive a bonus of up to \$44,000. Student performance cannot comprise more than 35% of criteria used to rate teachers. |
| STAAR Test | | |
| State of Texas Assessments of Academic Readiness (STAAR) | Not Addressed | Requires the Texas Education Agency to develop a transition plan to administer all STAAR tests electronically by the 2022-23 school year. The tests can be administered over multiple days, but not on Monday. Requires the state to reimburse school districts if they choose an alternative reading test to administer to their third graders if the test meets federal requirements. |
| Other Issues | | |
| FAFSA | Not Addressed | Requires students to fill out a Free Application for Federal Student Aid (FAFSA) before graduating from high school. |
| Kindergarten Assessment | Not Addressed | Requires school districts to administer a reading assessment to all kindergarten students. |

HB 3 by Huberty -- Comparison of House Engrossed and Senate Engrossed

| | House | Senate |
|--|---|-----------------------------------|
| Other Issues (cont.) | | |
| Reimbursement to Taxpayer Due to Court Decision | Authorizes the Commissioner of Education to include the reimbursement of interest payments when adjusting a school district's funding due to refunds made by a school district in the 2018 or 2019 fiscal year as a result of litigation. | Not Addressed |
| Severability | Not Addressed | Includes a severability clause |
| Contingency | Not Addressed | Contingent on the passage of SB 2 |



Sales & Other

Wayfair Implementation

HB 1525 by Burrows

Requires marketplace providers to collect and remit use tax on sales by non-resident sellers pursuant to U.S. Supreme Court's *South Dakota v. Wayfair* decision

- Marketplace is any physical or electronic medium by which third-party sellers offer taxable items for sale
- Marketplace provider is entity that owns or operates a marketplace and processes sales or payments for third-party sellers
- Marketplace sellers must furnish all information required for correct tax collection and any tax deficiency is responsibility of seller if marketplace provider in good faith relies on seller's incorrect information
- Marketplace sellers and providers that are affiliates or associates are jointly and severally liable for tax deficiencies
- Sales consummated at location to which a taxable item is shipped or delivered or where the customer takes possession
- Comptroller by rule may exempt certain marketplace providers from compliance with some or all requirements
- Prohibits class action lawsuits against marketplace providers

Passed Senate as amended 5/3

Wayfair Implementation

HB 2153 by Burrows

Reduces compliance burden on remote sellers by authorizing collection of local taxes at a single combined rate

- Estimated average local rate computed by dividing total local sales tax collections by state tax collections multiplied by 6.25% rounded to the nearest .25% – currently 1.75%
- Purchasers where total local rate is less than average rate may apply for a refund of overpaid tax
- Distributed to local entities based on share of total tax collections

Sent to Governor 5/6

Sale for Resale

SB 1525 by Watson

Comptroller bill to codify current agency policy

- Removes coin-operated machine services from the definition of “amusement” and “personal” services
- Provides items sold with items held for resale do not qualify as sale for resale
- Clarifies the inclusion as sale for resale taxable items and services transferred to a non-profit entity as an integral part of performing a contract
- Clarifies sale for resale does not include taxable items or services acquired for the performance of a non-taxable service
- Stipulates sale for resale does not include items purchased for use in the performance of a taxable oil well service
- Specifies that the exemption for “environmental and conservation services” applies to labor charges, not to materials furnished to the purchaser as part of the service, provided they are itemized separately
- States that 65% of a lump sum charge for labor and materials to perform environmental services for a health care facility or an oncology center qualify as sale for resale

Passed Senate – Reported from House Ways & Means 5/2

Rest in Peace

Tax Swaps

HJR 3 & HB 4621 by Huberty

- Increase state sales tax rate 1% and dedicate the proceeds to reduce school property tax rates
- Placed on House Calendar 5/7 and withdrawn

HB 705 by Geren

- City and county authority with voter approval to adopt up to 2% additional sales tax above the 2% local rate cap to replace all M&O property taxes
- Passed Ways & Means 3/6
- Expired in Calendars Committee

Rest in Peace

Cap Buster

HB 3258 by Minjarez

- Allow San Antonio transit authority with voter approval to levy 1/2% above 2% aggregate local sales tax cap
- Placed on House Calendar 5/3 – postponed to 5/6 – postponed to 5/8 and withdrawn

Tax Swap Study

HB 297 by Murr

- Abolishes school M&O property taxes 1/1/2022 except for 17¢ enrichment tax
- Creates joint interim committee on the elimination of school district maintenance and operations ad valorem taxes
 - 5 House & 5 Senate members appointed by Speaker & Lt. Governor
- Study and report by 11/1/20:
 - Feasibility of using consumption taxes for the support and maintenance of public schools
 - Comprehensive plan to use consumption tax revenue to fund public school maintenance and operation
 - Legislation to implement the comprehensive plan
- House Calendar 5/8

ATV Use Tax Collection

HB 1543 by Springer

- Manufacturer of off-road vehicles must submit to the Dept. of Motor Vehicles (DMV) a list of vehicle warranties issued to Texas residents that purchase a vehicle from an out-of-state retailer.
- DMV report must include vehicle make and model, ID number, purchaser's name and address and sales price.
- DMV forwards information to the Comptroller for use in collecting unpaid use taxes.
- Evidence showing tax has been paid must be presented to obtain a certificate of title
- Passed House – Referred to Senate Transportation Committee

Unclaimed Property

HB 3598 by Martinez Fischer

- Comptroller bill to increase enforcement authority for recovering unclaimed property
- Combined reporting – 10-year record-keeping – 7-year audit period – presumption of compliance avoidance 25% – Comptroller subpoena power
- Passed House – Received in Senate 5/6

Franchise Tax

Franchise Tax

43 Franchise tax bills introduced

5 still alive:

HB 1089 by Darby

Extends the half rate to uniform, garment, and linen rental companies (\$2.3 ml); heard in Senate Finance May 7

HB 1937 by Goldman

Creates a franchise/insurance tax credit for low income housing developments (\$0 initially; \$70 ml eventually); in Senate Finance

HB 2611 by Morrison

Allows LLCs to be passive entities (\$34.5 ml); in Senate Finance

SB 1824 by Perry

Performing rights society revenue exclusion (negl.); in Ways & Means

Franchise Tax

43 Franchise tax bills introduced

5 reported from committee:

HB 1607 by Goldman

Allows federal defense contractors to deduct expenses in conformity with Federal Acquisition Regulations (companion is SB 1081 by Taylor); amended to phase in full deduction: \$12.7 million cost in 2020-21; on May 9 House General Calendar

Franchise Tax

SB 66 by Nelson

Phases out the franchise tax using half of any future revenue growth in excess of 5%. (same as HB 2759 by Murphy)

Thanks for Joining Us!

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

Franchise Tax & State Budget: Dale Craymer

dcraymer@ttara.org

Property Tax: Debbie Cartwright

dcartwright@ttara.org

Sales & Property Tax: John Kennedy

jkennedy@ttara.org

School Finance: Sheryl Pace

space@ttara.org

Communications: Ryan Ash

ryan@ttara.org

Office Manager: Betty Wranischar

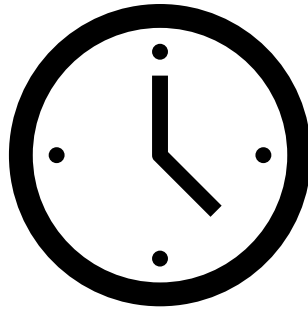
bwranischar@ttara.org

Membership: Cindy Ferguson

cferguson@ttara.org



Don't Forget to Download Continuing Education Forms



Webcast will remain open for five minutes to download forms.

Certificates of participation can be found on the Gotowebinar toolbar on the right side of your screen under the “Handout” tab. You can download by clicking or right-clicking on the file and place a copy on your computer.

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

If you have trouble locating the certificate, contact Ryan at ryan@ttara.org and he will send you a copy.