

Memorandum

To: Board of Managers
From: Jonny F. Hipp, Administrator
Date: May 30, 2019
Re: S.B. 2

S.B. 2 passed in the 86th (2019) Texas Legislative Session relates to property tax reform, ad valorem taxation, and roll back tax rates and elections.

S.B. 2 classifies hospital districts as a special taxing unit and keeps them at their current property tax rollback rate of 8 percent. For a special taxing unit, the rollback tax rate is calculated as: $[\text{Rollback Tax Rate} = (\text{Effective M\&O} \times 1.08) + \text{Current Debt Rate}]$.

The Bill requires an automatic election to set the property tax rate if the rollback tax rate of 8 percent for a special taxing unit is exceeded. Under current law, if the rollback tax rate exceeds the 8 percent, voters may petition for an election. Small Taxing Units (2.5 cents per \$100 valuation) and junior college districts were also exempted from a reduction to their rollback tax rate.

Cities and Counties rollback tax rates were reduced from 8 percent to 3.5 percent. School Districts were reduced to 2.5 percent.

Jonny F. Hipp