1-1 By: Leo Wilson (Senate Sponsor - Middleton)   H.B. No. 5596
1-2   (In the Senate - Received from the House May 19, 2025;
1-3 May 21, 2025, read first time and referred to Committee on Economic
1-4 Development; May 22, 2025, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 3, Nays 2;
1-6 May 22, 2025, sent to printer.)

1-7   COMMITTEE VOTE

1-8		Yea	Nay	Absent	PNV
1-9	King	X			
1-10	Sparks	X			
1-11	Alvarado		X		
1-12	Johnson		X		
1-13	Schwertner	X			

1-14 COMMITTEE SUBSTITUTE FOR H.B. No. 5596   By: Sparks

1-15   A BILL TO BE ENTITLED
1-16   AN ACT

1-17 relating to the calculation of the voter-approval tax rate for
1-18 certain municipalities that receive municipal hotel occupancy tax
1-19 revenue and other money from a local park board of trustees.
1-20   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-21   SECTION 1. Section 26.012, Tax Code, is amended by adding
1-22 Subdivisions (9-a), (16-a), and (16-b) to read as follows:
1-23   (9-a) "Eligible coastal municipality" means a
1-24 municipality described by Section 351.001(3)(A) that has created a
1-25 park board of trustees under Section 306.011, Local Government
1-26 Code.
1-27   (16-a) "Misspent hotel occupancy tax revenue" means an
1-28 amount equal to the sum of:
1-29   (A) the amount of revenue received under Chapter
1-30 351 by an eligible coastal municipality during the preceding tax
1-31 year that was spent by the municipality for a purpose not authorized
1-32 by Chapter 351; and
1-33   (B) the amount of money not described by
1-34 Paragraph (A) that was received by an eligible coastal municipality
1-35 from the municipality's park board of trustees and spent by the
1-36 municipality during the preceding tax year.
1-37   (16-b) "Misspent hotel occupancy tax revenue rate"
1-38 means the rate expressed in dollars per $100 of taxable value
1-39 calculated according to the following formula:
1-40   MISSPENT HOTEL OCCUPANCY TAX REVENUE RATE = MISSPENT
1-41   HOTEL OCCUPANCY TAX REVENUE / CURRENT TOTAL VALUE
1-42   SECTION 2. Section 26.04(c), Tax Code, is amended to read as
1-43 follows:
1-44   (c) After the assessor for the taxing unit submits the
1-45 appraisal roll for the taxing unit to the governing body of the
1-46 taxing unit as required by Subsection (b), an officer or employee
1-47 designated by the governing body shall calculate the no-new-revenue
1-48 tax rate and the voter-approval tax rate for the taxing unit, where:
1-49   (1) "No-new-revenue tax rate" means a rate expressed
1-50 in dollars per $100 of taxable value calculated according to the
1-51 following formula:
1-52   NO-NEW-REVENUE TAX RATE = (LAST YEAR'S LEVY - LOST
1-53   PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
1-54   VALUE)
1-55   ; and
1-56   (2) "Voter-approval tax rate" means a rate expressed
1-57 in dollars per $100 of taxable value calculated according to the
1-58 following applicable formula:
1-59   (A) for a special taxing unit:
1-60   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE

2-1   AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE
2-2   ; [~~or~~]
2-3   (B) for an eligible coastal municipality:
2-4   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
2-5   AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
2-6   UNUSED INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX
2-7   REVENUE RATE)
2-8   ; or
2-9   (C) for a taxing unit other than a special taxing
2-10 unit or eligible coastal municipality:
2-11   VOTER-APPROVAL TAX RATE = (NO-NEW-REVENUE MAINTENANCE
2-12   AND OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE +
2-13   UNUSED INCREMENT RATE)
2-14   SECTION 3. Sections 26.041(a), (b), and (c), Tax Code, are
2-15 amended to read as follows:
2-16   (a) In the first year in which an additional sales and use
2-17 tax is required to be collected, the no-new-revenue tax rate and
2-18 voter-approval tax rate for the taxing unit are calculated
2-19 according to the following formulas:
2-20   NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST
2-21   PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
2-22   VALUE)] - SALES TAX GAIN RATE
2-23 and
2-24   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
2-25   (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
2-26   1.08) + (CURRENT DEBT RATE - SALES TAX GAIN RATE)
2-27 or
2-28   VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
2-29   MUNICIPALITY = (NO-NEW-REVENUE MAINTENANCE AND
2-30   OPERATIONS RATE x 1.035) + (CURRENT DEBT RATE + UNUSED
2-31   INCREMENT RATE - SALES TAX GAIN RATE - MISSPENT HOTEL
2-32   OCCUPANCY TAX REVENUE RATE)
2-33 or
2-34   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
2-35   SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
2-36   (NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE x
2-37   1.035) + (CURRENT DEBT RATE + UNUSED INCREMENT RATE -
2-38   SALES TAX GAIN RATE)
2-39 where "sales tax gain rate" means a number expressed in dollars per
2-40 $100 of taxable value, calculated by dividing the revenue that will
2-41 be generated by the additional sales and use tax in the following
2-42 year as calculated under Subsection (d) by the current total value.
2-43   (b) Except as provided by Subsections (a) and (c), in a year
2-44 in which a taxing unit imposes an additional sales and use tax, the
2-45 voter-approval tax rate for the taxing unit is calculated according
2-46 to the following formula, regardless of whether the taxing unit
2-47 levied a property tax in the preceding year:
2-48   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
2-49   [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
2-50   1.08) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
2-51   (CURRENT DEBT RATE - SALES TAX REVENUE RATE)
2-52 or
2-53   VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
2-54   MUNICIPALITY = [(LAST YEAR'S MAINTENANCE AND
2-55   OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
2-56   NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
2-57   INCREMENT RATE - SALES TAX REVENUE RATE - MISSPENT
2-58   HOTEL OCCUPANCY TAX REVENUE RATE)
2-59 or
2-60   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
2-61   SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
2-62   [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
2-63   1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
2-64   (CURRENT DEBT RATE + UNUSED INCREMENT RATE - SALES TAX
2-65   REVENUE RATE)
2-66 where "last year's maintenance and operations expense" means the
2-67 amount spent for maintenance and operations from property tax and
2-68 additional sales and use tax revenues in the preceding year, and
2-69 "sales tax revenue rate" means a number expressed in dollars per

3-1 $100 of taxable value, calculated by dividing the revenue that will
3-2   be generated by the additional sales and use tax in the current year
3-3   as calculated under Subsection (d) by the current total value.
3-4   (c) In a year in which a taxing unit that has been imposing
3-5   an additional sales and use tax ceases to impose an additional sales
3-6   and use tax, the no-new-revenue tax rate and voter-approval tax
3-7   rate for the taxing unit are calculated according to the following
3-8   formulas:
3-9   NO-NEW-REVENUE TAX RATE = [(LAST YEAR'S LEVY - LOST
3-10   PROPERTY LEVY) / (CURRENT TOTAL VALUE - NEW PROPERTY
3-11   VALUE)] + SALES TAX LOSS RATE
3-12   and
3-13   VOTER-APPROVAL TAX RATE FOR SPECIAL TAXING UNIT =
3-14   [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
3-15   1.08) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
3-16   CURRENT DEBT RATE
3-17   or
3-18   VOTER-APPROVAL TAX RATE FOR ELIGIBLE COASTAL
3-19   MUNICIPALITY = [(LAST YEAR'S MAINTENANCE AND
3-20   OPERATIONS EXPENSE x 1.035) / (CURRENT TOTAL VALUE -
3-21   NEW PROPERTY VALUE)] + (CURRENT DEBT RATE + UNUSED
3-22   INCREMENT RATE - MISSPENT HOTEL OCCUPANCY TAX REVENUE
3-23   RATE)
3-24   or
3-25   VOTER-APPROVAL TAX RATE FOR TAXING UNIT OTHER THAN
3-26   SPECIAL TAXING UNIT OR ELIGIBLE COASTAL MUNICIPALITY =
3-27   [(LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE x
3-28   1.035) / (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +
3-29   (CURRENT DEBT RATE + UNUSED INCREMENT RATE)
3-30   where "sales tax loss rate" means a number expressed in dollars per
3-31 $100 of taxable value, calculated by dividing the amount of sales
3-32   and use tax revenue generated in the last four quarters for which
3-33   the information is available by the current total value and "last
3-34   year's maintenance and operations expense" means the amount spent
3-35   for maintenance and operations from property tax and additional
3-36   sales and use tax revenues in the preceding year.
3-37   SECTION 4. This Act applies only to ad valorem taxes imposed
3-38   for an ad valorem tax year that begins on or after the effective
3-39   date of this Act.
3-40   SECTION 5. This Act takes effect January 1, 2026.

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