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TAX - TEXAS

[Harward v. City of Austin](#)

United States Court of Appeals, Fifth Circuit - October 11, 2023 - 84 F.4th 319

Shoreline property owners brought action against city, seeking various declarations, injunctions, and writs of mandamus regarding claim that city's ordinance declaring that their properties were within city's full-purpose jurisdiction and subject to taxation constituted an illegal annexation attempt under federal and Texas law.

The United States District Court for the Western District of Texas adopted the report and recommendation of the United States Magistrate Judge and dismissed all claims. Property owners appealed.

The Court of Appeals held that:

- The Tax Injunction Act (TIA) did not preclude property owners' claims for a declaration that their properties were within city's extraterritorial or limited-purpose jurisdiction and for invalidation of city ordinance;
- TIA did not bar property owners' alternative claims for equal municipal services from city or just compensation for the taking of their properties' jurisdictional status;
- TIA barred property owners' request for a declaration that city's notices to appraisal district that the properties were within taxing-unit boundaries were invalid; and
- TIA barred property owners' request or a writ of mandamus directing city to instruct appraisal district and county assessor-collector that the properties were in city's extraterritorial or limited-purpose jurisdiction.

Whether the Tax Injunction Act (TIA) prevented the district court from exercising jurisdiction over shoreline property owners' action against city claiming that city's ordinance declaring that their properties were within city's full-purpose jurisdiction and subject to taxation constituted an illegal annexation attempt under federal and Texas law was a question of subject-matter jurisdiction, which the Court of Appeals would review de novo.

For the Tax Injunction Act (TIA) to apply, the requested relief must to some degree stop the assessment, levy, or collection of state taxes; however, such a finding is insufficient where the relief would do so only indirectly, and in such a scenario, a court must make a more exacting examination to determine from the face of the taxpayer's complaint whether the target of a requested injunction is a tax obligation, with considerations including whether the targeted law inflicts costs separate and apart from the tax, whether the targeted law bears a close relationship to the tax, and whether the relief attempts to circumvent a state's "pay-now-sue-later" tax scheme.

Tax Injunction Act (TIA) did not preclude shoreline property owners' claims for a declaration that their properties were within Texas city's extraterritorial or limited-purpose jurisdiction and for invalidation of city ordinance declaring that their properties were within city's full-purpose jurisdiction and subject to taxation; property owners were challenging a separate legal mandate as opposed to a tax, and the challenged ordinance imposed costs separate and apart from the property

taxes in that it subjected the properties to the city's broad home-rule authority.

Tax Injunction Act (TIA) did not bar shoreline property owners' alternative claims for equal municipal services from Texas city or just compensation for the taking of their properties' jurisdictional status, which claims stemmed from challenge to city's ordinance declaring that the properties were within city's full-purpose jurisdiction and subject to taxation; the requests would not stop the assessment, levy, or collection of city taxes.

Tax Injunction Act (TIA) barred shoreline property owners' request for a declaration that Texas city's notices to appraisal district that the properties were within taxing-unit boundaries were invalid, which was a request made in action challenging city's ordinance declaring that their properties were within city's full-purpose jurisdiction and subject to taxation; the request went beyond the ordinance and directly challenged the state's taxing power by affirmatively precluding the appraisal district from assessment, levy, and collection of future taxes on the properties.

Tax Injunction Act (TIA) barred shoreline property owners' request for a writ of mandamus directing Texas city to instruct appraisal district and county assessor-collector that the properties were in city's extraterritorial or limited-purpose jurisdiction, which was a request made in action challenging city's ordinance declaring that their properties were within city's full-purpose jurisdiction and subject to taxation; the request went beyond the ordinance and directly challenged the state's taxing power by affirmatively precluding the appraisal district from assessment, levy, and collection of future taxes on the properties.