

A FINANCE OFFICER'S LOOK AT THE TAX RATE SETTING PROCESS

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GFOAT Mission Statement

Promoting Excellence in Government Finance





TAX RATE SETTING PROCESS

A Brief Review of the Process

- Appraisal District provides value
- Governing Body drafts budgets
- Tax Assessor calculates rates, may publish notices
- Governing Body proposes rate/holds hearing
- Governing Body adopts tax rate
- Tax Assessor mails bills



TRUTH-IN-TAXATION: TAX RATE ADOPTION

Concept embodied in the Texas Constitution that requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to limit tax increases



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Tax Rate

**ALL TAXING UNITS
MUST PROPOSE A
TAX RATE**



STEPS ON THE PROCESS

- Draft a budget
- Calculate the tax rate
- Publish notices
- Hold a public hearing
- Adopt a tax rate
- Hold an automatic election to approve tax rate, if necessary



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DRAFT THE BUDGET

- Budget Officer Prepares the Budget
 - Mayor
 - City Manager – City Manager form of Government
- Chief Appraiser Prepares and Certifies Estimate of Taxable Value by April 30th



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CALCULATE TAX RATES



Tax Rate

- Property Tax Rates Have Two Components:
 - Interest & Sinking (I&S)/Debt Service Tax Rate – Debt Service Fund
 - Maintenance & Operations (M&O) Tax Rate – General Fund



NO-NEW REVENUE TAX RATE

- Enables the public to evaluate the relationship Between taxes for the prior year and the current year
- Based on a tax rate that would produce the same amount of tax revenue if applied to the same properties in both years



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No-New-Revenue Tax Rate Calculation

Prior Year's Taxes	÷	Current Value of Property Taxed in the Prior Year	X	\$100	=	No-New-Revenue Tax Rate
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No-New-Revenue Tax Rate M&O

$$\text{NO-NEW-REVENUE TAX RATE} - \text{DEBT RATE} = \text{NO-NEW-REVENUE MAINTENANCE \& OPERATIONS RATE}$$



VOTER-APPROVAL TAX RATE

- Maximum rate allowed by law without triggering an automatic election
- Provides cities and counties with the same amount of tax revenue for day-to-day operations plus an extra 3.5%
- Special taxing units, junior colleges and hospitals – extra 8%



VOTER-APPROVAL TAX RATE

$$\begin{array}{rcccl} \text{NO-NEW-REVENUE} & & & & \text{VOTER-} \\ \text{MAINTENANCE} & \times & \text{CURRENT} & + & \text{APPROVAL-} \\ \text{\& OPERATIONS} & 1.035 & \text{DEBT} & \text{UNUSED} & \text{TAX RATE} \\ \text{RATE} & & \text{RATE} & \text{INCREMENT} & \\ & & & & \end{array}$$



UNUSED INCREMENT RATE

- The 3-year rolling sum of the difference between the adopted tax rate and the voter-approval tax rate
- The city can "bank" unused amounts for up to three years





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DE MINIMIS RATE – CITIES LESS THAN 30,000 IN POPULATION

No-New-Revenue Maintenance and Operations Rate	+	The Rate Applied to Current Value That Will Impose a Rate Equal to \$500,000	+	Current Debt Service
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S.B. 1427 (Bettencourt/Shine) – Property Tax Exemption:

Clarifies that the temporary property tax exemption for a portion of the appraised value of property damaged by a disaster only applies when there is physical damage to a property caused by a disaster.

S.B. 1438 (Bettencourt/Meyer) – Tax Rate Calculation in Disaster Area:

- 1. Excludes a drought, epidemic, or pandemic**
- 2. The taxing unit's voter-approval tax rate is reduced by the taxing unit's emergency revenue rate;**
 - 1. The first tax year the total taxable value exceeds the value in the tax year the disaster occurred**
 - 2. The third year after the tax year in which the disaster occurred**
- 3. An election is not required to approve a tax rate exceeding the voter-approval tax rate or de minimis tax rate for the year following disaster**

Notice of Tax Rate – Form 50-212

- 1.No-new revenue tax rate
- 2.Voter-approval rate
- 3.Explanation of how they were calculated
- 4.Unencumbered fund balance
- 5.Current year debt service

Notice of Public Hearing or Meeting

- 1.Must be posted if the taxing unit proposes a tax rate that:
 - 1.Exceeds the no-new-revenue tax rate and the voter-approval tax rate
 - 2.Exceeds the no-new-revenue tax rate and is less than or equal to the voter-approval rate
 - 3.Is less than or equal to the no-new-revenue tax rate and exceeds the voter-approval tax rate

1. Must be published in the newspaper or mailed to each property owner
2. Must be posted on the website

Publish Notice

NOTICE OF PUBLIC HEARING ON TAX INCREASE

A tax rate of \$0.5335 per \$100 valuation has been proposed by the governing body of the City of Austin.

PROPOSED TAX RATE	\$0.5335 per \$100
NO-NEW-REVENUE TAX RATE	\$0.4284 per \$100
VOTER-APPROVAL TAX RATE	\$0.4460 per \$100

The no-new-revenue tax rate is the tax rate for the 2020 tax year that will raise the same amount of property tax revenue for the City of Austin from the same properties in both the 2019 tax year and the 2020 tax year.

The voter-approval rate is the highest rate that the City of Austin may adopt without holding an election to seek voter approval of that rate.

The proposed tax rate is greater than the no-new-revenue rate. This means that the City of Austin is proposing to increase property taxes for the 2020 tax year.

A PUBLIC HEARING ON THE PROPOSED TAX RATE WILL BE HELD ON August 12, 2020 at 10am the Palmer Events Center, 900 Barton Springs Road, Austin, Texas.

The proposed tax rate is also greater than the voter-approval tax rate. If the City of Austin adopts the proposed tax rate, the City of Austin is required to hold an election so that the voters may accept or reject the proposed tax rate. If a majority of the voters reject the proposed tax rate, the tax rate of the City of Austin will be the voter-approval tax rate. The election will be held on November 3, 2020. You may contact the Office of the City Clerk for information about voting locations. The hours of voting on election day are 7am to 7pm.

YOUR TAXES OWED UNDER ANY OF THE TAX RATES MENTIONED ABOVE CAN BE CALCULATED AS FOLLOWS:

Property tax amount = (tax rate) x (taxable value of your property) / 100

(Names of all members of the governing body below, showing how each voted on the proposal to consider the tax increase or, if one or more were absent, indicating absences.)

FOR the proposal: Shive Adler, Natasha Harper-Madison, Delia Garza, Sabino "Pip" Renteria, Gregorio "Greg" Casar, Ann Kitchen, Jimmy Finnigan, Leslie Pool, Paige Ellis, Kathie Tovo, Alison Alter

AGAINST the proposal:

PRESENT and not voting:

ABSENT:

The 86th Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.

The following table compares taxes imposed on the average residence

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Hold a Public Hearing

1. Held after the required notice is published to give taxpayers the opportunity to express their views
2. Small taxing units have no public hearing requirement
3. A quorum of the governing body must be present
4. Must be open to the public

Adopt a Tax Rate

- 1. Must adopt before September 30th or the 60th day after receiving the certified roll**
- 2. Must hold an election on the next uniform election date if adopted rate exceeds the VAR**
- 3. Rate must be adopted no later than the 71st day before the election date**

Hold Automatic Elections, If Necessary

- 1. Must order election no later than the 78th day before the election**
- 2. If the proposition fails, the taxing unit may not adopt a rate that exceeds the VAR**

What adopted tax rates trigger an election or petition

ADOPTED TAX RATE IS:

BELOW voter-approval tax rate	No election required
ABOVE voter-approval tax rate but BELOW de minimis rate	Voters may petition for an election*
ABOVE voter-approval tax rate; Taxing unit does not calculate a de minimis rate	Election required**
ABOVE voter-approval tax rate and ABOVE the de minimis rate	Election required

* The election trigger in a municipality with a population of less than 30,000 that does not meet the definition of a special taxing unit may differ. See Tax Code Secs. 26.063 and 26.075 for details on when voters may petition for an election.

** See Water Code Secs. 49.23601, 49.23602, and 49.23603 for details on election requirements for water districts.

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Truth-In-Taxation Important Dates

Truth-in-Taxation Important Dates

Date	Activity
April 1 st	Chief appraisers send notices of appraised value on single family residences by this date or as soon thereafter as practicable.
April 30 th	Chief appraisers prepare and certify the estimate of the taxable value of property in counties, cities and school districts to tax assessors.
May 1 st	Chief appraisers send notices of appraised value on all other property by this date or as soon thereafter as practicable.
July 20 th	Appraisal review boards approve the appraisal record. This date may extend to Aug. 30 for certain larger counties.
July 25 th	Chief appraisers certify the approved appraisal roll to the taxing units.
Aug. 7 th	Certain taxing units publish notice of no-new-revenue and voter-approval tax rates by this date or as soon thereafter as practicable.
August - September ¹	Taxing units adopt their budgets according to their fiscal years. School districts must publish a Notice of Public Meeting to Discuss Budget and Proposed Tax Rate 30 to 35 days before the public meeting date. (School districts with a July 1 fiscal year adopt budgets in June and follow a different schedule). Most taxing units adopt a tax rate after adopting their budgets.
Before Sept. 30 th	Taxing units other than water districts must adopt their tax rate before this date or 60 days after receiving the appraisal roll, whichever date is later. The governing body must adopt a tax rate that exceeds the voter-approval tax rate no later than the 11 th day before the next uniform election date that occurs in November of that year.
Oct. 1 st	Tax assessors prepare and mail tax bills by this date or as soon thereafter as practicable.

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2021 Tax Rate Calculation Worksheet Taxing Units Other Than School Districts or Water Districts

Form 50-856

Taxing Unit Name _____ Phone (area code and number) _____
 Taxing Unit's Address, City, State, ZIP Code _____ Taxing Unit's Website Address _____

GENERAL INFORMATION: Tax Code Section 26.04(c) requires an officer or employee designated by the governing body to calculate the no-new-revenue (NNR) tax rate and voter approval tax rate for the taxing unit. These tax rates are expressed in dollars per \$100 of taxable value calculated. The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll and the estimated values of properties under protest. The designated officer or employee shall certify that the officer or employee has accurately calculated the tax rates and used values shown for the certified appraisal roll or certified estimate. The officer or employee submits the rates to the governing body by Aug. 7 or as soon thereafter as practicable.

School districts do not use this form, but instead use Comptroller Form 50-859 Tax Rate Calculation Worksheet, School District without Chapter 313 Agreements or Comptroller Form 50-884 Tax Rate Calculation Worksheet, School District with Chapter 313 Agreements.

Water districts as defined under Water Code Section 49.001(1) do not use this form, but instead use Comptroller Form 50-858 Water District Voter-Approval Tax Rate Worksheet for Low Tax Rate and Developing Districts or Comptroller Form 50-860 Developed Water District Voter-Approval Tax Rate Worksheet.

The Comptroller's office provides this worksheet to assist taxing units in determining tax rates. The information provided in this worksheet is offered as technical assistance and not legal advice. Taxing units should consult legal counsel for interpretations of law regarding tax rate preparation and adoption.

SECTION 1: No-New-Revenue Tax Rate

The NNR tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year based on a tax rate that would produce the same amount of taxes (no new taxes) if applied to the same properties that are taxed in both years. When appraisal values increase, the NNR tax rate should decrease.

The NNR tax rate for a county is the sum of the NNR tax rates calculated for each type of tax the county levies.

While uncommon, it is possible for a taxing unit to provide an exemption for only maintenance and operations taxes. In this case, the taxing unit will need to calculate the NNR tax rate separately for the maintenance and operations tax and the debt tax, then add the two components together.

Line	No-New-Revenue Tax Rate Worksheet	Amount/Rate
1.	2020 total taxable value. Enter the amount of 2020 taxable value on the 2020 tax roll today. Include any adjustments since last year's certification; exclude Tax Code Section 23.25(6) one-fourth and one-third over-appraisal corrections from these adjustments. Exclude any property value subject to an appeal under Chapter 42 as of July 25 (will add undisturbed value in Line 6). This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (adjustment is made by deducting TF taxes, as reflected in Line 13).	\$ _____
2.	2020 tax ceilings. Counties, cities and junior college districts. Enter 2020 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing unit adopted the tax ceiling provision in 2020 or a prior year for homeowners age 65 or older or disabled, use this step.	\$ _____
3.	Preliminary 2020 adjusted taxable value. Subtract Line 2 from Line 1.	\$ _____
4.	2020 total adopted tax rate.	\$ _____ / \$100
5.	2020 taxable value last business month annualized of AFR divisions reduced 2020 annualized value	



- Special Thanks to the Comptroller's Property Tax Rate Form Committee

Members

- Sheila Bennett**
Assessor
 Tax Assessor-Collector
 Andrews ISD
- Laura Casey**
Taxpayer
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 Realtor and Property Tax Consultant
- Nathan Craddock**
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