

Truth in Taxation

County Auditors

Regional Training

Truth in Taxation Basics

- Texas Constitution Provisions for TNT
 - Article VIII, Section 21
- Four principles to Truth in Taxation
 - Property Owners right to know
 - Taxing Units are required to publish effective and rollback rates before adopting rate
 - Notice and public hearing(s) must be held before adopting a rate that exceeds the lower of the rollback or effective tax rate
 - Voters may petition for a rollback election if adopted rate exceeds rollback rate

TNT Components

- The effective tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on same properties taxed in both years
- The rollback rate is a calculated maximum rate allowed by law without voter approval . The rollback rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent increase for those operations, in addition to sufficient funds to pay debts in the coming year.

Important Dates

- | <u>Date</u> | <u>Activity</u> |
|---------------------------|---|
| • April 1 – May 1 | The chief appraiser sends notices of appraised value. |
| • April 30* | The chief appraiser prepares and certifies to the tax assessor an estimate of the taxable value of property in that taxing unit. |
| • July 20 | The appraisal review board approves the appraisal records. |
| • July 25 | The chief appraiser certifies the approved appraisal roll to each taxing unit. |
| • By September 1 *NEW* | A County or Municipality publishes its notice of effective and rollback tax rates. |
| • August – September | A taxing unit adopts its budget according to its fiscal year. After adopting the budget, the unit adopts a tax rate. |
| • Sept. 30 | A taxing unit must adopt its tax rate by this date or 60 days after the taxing unit receives the appraisal roll, whichever date is later. |

County Responsibilities

- Calculate the effective and rollback tax rates.
- Decide how much revenue it needs;
- Calculate the tax rate required to raise the amount it needs;
- Publish the new simplified notice that addresses the county's proposed rate;
- Hold hearings if the proposed tax rate will exceed the rollback rate or the effective tax rate, whichever is lower;
- Adopt the tax rate; and
- If necessary, administer a rollback election.

Who Should Calculate?

- Governing body should appoint an individual to calculate the effective and rollback tax rates.
- Two options available for appointment:
 - The Elected County Tax Assessor/Collector
 - An individual registered with the Texas Department of Licensing and Regulations as a property tax professional, and certified or currently working toward certification as a Registered Texas Assessor/Collector

Effective and Rollback Rates

- Effective rate is a calculated rate generally equal to the last year's taxes divided by the current taxable value of properties that were also on the tax roll last year.
- A unit's rollback tax rate is a calculated rate that divides the overall property taxes into two categories — maintenance and operations (M&O) and debt service, also called interest and sinking (I&S). Rollback rate calculations allow units to raise the same amount of M&O money raised in the last year, plus an 8 percent increase, plus the amount needed to pay the coming year debt obligations.

??Calculation Data??

- Where do you go to get all of the data?
 - Chief Appraiser
 - County Tax Collector – or contracted collector
 - Comptroller of Public Accounts
 - Auditor and/or Budget Officer of the Unit
 - County Sheriff
 - Texas Commission on Environmental Quality
 - to name a few.....

REMEMBER...THE EFFECTIVE AND ROLLBACK TAX RATES ARE ACCURATE AS OF THE DAY OF CALCULATION – BECAUSE THE DATA CONTINUES TO CHANGE EACH DAY.....

Effective Tax Rate Basics

Prior Year's Taxes Less Taxes on
Property Lost this Year

Divided by

Current Total Value of Property Taxed in
the Prior Year and Still Taxable this Year

X 100

Last Year's Taxes Adjusted

- Determine last years taxes, with most supplements and corrections to date.
- Prior year court ordered refunds separate line item
- Lost property levy – property value that was taxable last year but is not this year due to de-annexation, new exemption, or special appraisal.
- Value of homes with tax ceilings deducted

Last Years' Tax Adjustments Continued

- Tax Refunds for previous years – not the immediate prior year
- Taxes in tax increment financing for the prior year
- NOTE: If there is no corresponding value for the TIF in the new year, disregard this step.

Current Value of Properties Taxes Last Year

- Begins with total taxable value on certified current year appraisal roll – Counties include railroad rolling stock
- Subtracts taxable value of properties in TIF
- Adds estimated values of property under protest and property known but not yet appraised
- Subtracts value of new property – annexations, new improvements
- Subtract value of homesteads with tax ceilings
- Subtract value of first time pollution control property

Calculation Details

Prior Year Taxes (on date of calculation)

- + Taxes refunded for preceding years
 - + Taxes on prior year values lowered in court decisions
 - Taxes on deannexed territory
 - Taxes on property not taxable due to exemption/special appraisal for first time
 - Taxes paid into TIF fund
- = Adjusted Taxes

Total value on the new certified appraisal roll

- + Estimated value for properties under protest/not certified
 - Value of property annexed
 - Value of new improvements
 - Value of pollution control property
 - Captured appraised value in TIF fund
- = Adjusted Taxable Values

Components of the Rollback Rate

- **Maintenance and Operation**

Rate that would raise preceding year's M&O levy + 8%

- **Debt**

Rate necessary to pay unit's debt payment in coming year

Do you Have Debt?

- Debt means the interest and principal that will be paid on debts that :
 1. are paid by property taxes,
 2. are secured by property taxes,
 3. are scheduled for payment over a period longer than one year and,
 4. are not classified in the unit's budget as M&O expenses.

M&O Portion of the Rollback Rate

- Multiply adjusted prior year total taxable value by prior year M&O rate
- Divide by 100
- Divide result by current year adjusted taxable value

(Adjusted prior year value

$\frac{\text{X prior year M\&O rate}}{\text{Adjusted Taxable Value}} \times 100 (= \text{Effective M\&O Rate}) \times 1.08 = \text{M\&O portion of the Rollback Rate}$

Debt Portion of the Rollback Rate

- Tax rate necessary to pay the unit's debt payments in the coming year
- Calculation uses actual debt payments for the coming fiscal year
 - Reduced by amount of debt County plans to pay with other funds
- With adjustments for anticipated and excess debt collections

Basic Rollback Calculation

$$\begin{aligned} &\text{Effective M\&O Rate} \times 1.08 \\ &+ \text{Calculated Debt Rate} \\ &= \text{Rollback Rate} \end{aligned}$$

but wait...did you adopt the additional sales tax to lower
the tax rate?

Adjusting for Sales Tax

Sales Tax Revenue for the Last Four Quarters

-----Divided By-----

Adjusted Taxable Value

X 100

=

Sales Tax Adjustment Rate

Rollback Adjusted for Sales Tax

Calculated Rollback Rate

Minus

Sales Tax Adjustment Rate

=

New and Improved

Rollback Rate!

Documentation

- All data gathered and calculations are kept and are public records available to anyone wishing to review them.....Why?
- If a taxing unit fails to calculate or publish the required rates and notices properly, a property owner in the unit may seek an injunction to prohibit the unit from adopting a tax rate. The district court may issue the injunction if it finds that the unit's failure to comply was not in good faith.

PUBLICATION

- SB 1510 added Section 140.010 to the Local Government Code
 - Exempts Counties and municipalities from the notice and publication requirements of Sections 26.04(e), 26.052, and 26.06 of the Tax Code
 - Does not address timing of publications in relation to any required hearings or votes on tax rates
 - Does not address deadline for rate adoption or any verbiage required in the budget process.

Changes

- A county or city now proposes their tax rate prior to publication
- The tax rate's relation to the effective rate determines which publication must be published
- The rate notice must be published prior to September 1st of the tax year.

Rate = or Less than Effective

- Specific language is provided by statute
- Only 3 rates are published:
 - Proposed Tax Rate
 - Preceding Year's Tax Rate
 - Effective Tax Rate

A description of the effective tax rate is provided.

An example of the calculation the taxpayer may use to estimate their taxes is given.

The name, address, telephone number, e-mail address and website of the person who calculated the rates is the last information provided.

NOTICE OF TAX YEAR PROPOSED PROPERTY TAX RATE FOR

A tax rate of \$ _____ per \$100 valuation has been proposed by the governing body of

PROPOSED TAX RATE	\$ _____ per \$100
PRECEDING YEAR'S TAX RATE	\$ _____ per \$100
EFFECTIVE TAX RATE	\$ _____ per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for

_____ from the same properties in both the _____

tax year and the _____ tax year.

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

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

_____ tax assessor-collector

Proposed Rate Exceeds ETR

- Specific language provided by statute
- 4 Rates are published:
 - Proposed Tax Rate
 - Preceding Year's Tax Rate
 - Effective Tax Rate
 - Rollback Tax Rate

Definitions of both the effective and rollback tax rates are provided.

Proposed Rate Exceeds continued...

- An example of how the taxpayer can calculate their own taxes is given.
- The contact information for the person who calculated the rates is provided.
- The public is then urged to attend and express their views at the two public hearings on the tax rate.
- The date, time and place of two public hearings is included.

NOTICE OF TAX YEAR PROPOSED PROPERTY TAX RATE FOR

A tax rate of \$ _____ per \$100 valuation has been proposed for adoption by the governing body of _____ . This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

PROPOSED TAX RATE	\$ _____ per \$100
PRECEDING YEAR'S TAX RATE	\$ _____ per \$100
EFFECTIVE TAX RATE	\$ _____ per \$100
ROLLBACK TAX RATE	\$ _____ per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for _____ from the same properties in both the _____ tax year and the _____ tax year.

The rollback tax rate is the highest tax rate that _____ may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

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

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

_____ tax assessor-collector

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: _____ at _____

Second Hearing: _____ at _____

Interesting

There is no more threat of injunction for those units providing notice under this section.

Statute is mostly silent on how these requirements impact the balance of the tax calendar.

The PTD of the Comptroller's Office recommends contacting your attorney with questions.....

Recommended

- The notice must be published at least 7 days prior to the first public hearing.
- There must be at least 3 days between the first and second hearing.
- The governing body should announce the date time and place of the meeting when the rate will be adopted.
- The governing body must meet to vote on the tax rate no fewer than three days and no more than 14 days after the second public hearing.

Questions?



LUNCH!