



# **Don't Mess with Truth-in-Taxation**

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**2016**



# Today

Address tax rate adoption and  
rate limitation for local  
governments; commonly called

**Truth-in-Taxation**  
**Or TNT**



**Comptroller's Webpages at**  
**[www.window.state.tx.us/proptax](http://www.window.state.tx.us/proptax),**  
**under *Assessment & Collection***

**TDLR – license required for Tax  
Assessor, Ethics**

**County TAC exception to TDLR**



# TNT Evolution

**Past 37 years,  
Texas  
Legislature  
took a simple  
Florida law in  
1979 and has  
TEXAS – SIZED  
TNT.**



# TNT Laws

- **County, cities** – Local Govt Code Chapter 140.010 (2014)
- **Special districts** – Ch. 26, Tax Code
- **School districts** (1999) – Education Code Sec. 44.004;
- **Water districts** (2003) – Water Code Sec. 49.236
- **Small units** (rate \$.50 or less for \$500,000 or less) – Sec. 26.052



# TNT Purposes

## **Tex. Constitution Art. 8, Sec. 21:**

**Requirements to adopt tax rate  
have two purposes:**

- ❖ **To make taxpayers aware of  
local property tax rate proposals.**
- ❖ **To allow taxpayers to rollback  
or limit tax increases.**

# 4 Principles

- 1. Taxpayers' right to know about value increases & estimated taxes.**
- 2. Taxing unit's duty to calculate rates before adoption.**
- 3. Taxing unit's duty to hold hearing(s) on a tax increase.**
- 4. Voters' right to vote for a rate ratification/rollback election.**



# 1st Principle

**Taxpayers' right to know about value increases & estimated taxes.**

- \* Reappraisal notice – April & May**
- \* Last year's value and this year's proposed value and**
- \* Estimated taxes using last year's tax rate.**

**Owner has right to protest value.**



# 2nd Principle

**Taxing unit's duty to calculate rates before adoption.**

**April 30 (ISD 7/1 budget) & July 25**

**Why these rates?**

**Values up, rate down.**

**Values down, rate up.**

**"No tax increase - We didn't change tax rate." won't work.**

# 2nd Principle

Calculate 2 rates:

**Effective Tax Rate** raises *about* same total revenue as prior year on properties *taxed in both years*.

**24 Steps!** Why? **Total** rate.

2015 taxes – lost taxes x \$100

2016 value – new improvements

# 2nd Principle

## Effective Rate:

**Lost 2015 taxes:** new exemptions, new ag land, but add in court decisions & tax refunds (for years preceding 2015 tax year)

## This Year's 2016 Value:

New improvements & new personal property in them – generates +\$\$\$;

Uncertified properties with ARB

# **CETRZ (County Energy Transportation Reinvestment Zone)**

- ❖ **Base year – 2013 or 2014?**
- ❖ **Zone boundaries & properties**
- ❖ **Captured value above base value on real property per Sec. 26.03.**
- ❖ **ETR Lines 14 and 16D (new improvements in Line 21 only)**

# 2nd Principle

## County and City ETR:

**Not required to publish the ETR  
but have available for inspection**

**More about publicizing later**

# 2nd Principle

## Typical ETR Issue - Why?

**Not required to publish ETR.**

**ETR needed if taxing unit does not adopt rate by September 30 or 60 days after certified values (more later).**

# 2nd Principle

**Calculate:**

**Rollback Tax Rate** is 2 parts:

**Maintenance & Operations (M&O)**

**Rate** for operations tied to last year's taxes + 8% (\$.04 ISD)

+ **Debt Service Rate (I&S)** for upcoming payments on bonds & debt secured by property taxes.

**Lines 25 or 26 to 52, taxing unit.**



# 2nd Principle



## County Rollback Rate :

For counties with a CETRZ

- ❖ Line 28(G) – 2015 M&O taxes in TIF.
- ❖ 2016 adjusted values are same as in ETR calculation (Line 23), to remove 2016 captured value on real property (less new improvements in Line 21).

# 2nd Principle

Plus, rates may be adjusted for:

- ❖ **Additional Sales Tax Rate** -  
local sales tax to reduce  
property tax; variables in  
what happens with local sales  
tax and local values.

# 2nd Principle

Plus, rate may be adjusted for:

**Additional Rollback Protection for Pollution Control** – local taxes to be increased by county to fix pollution problem.

Requires letter from TCEQ commissioner certifying pollution problem and \$\$.

# 2nd Principle

**Debt** : 26.012(7) & (8) defined:

- (1) paid solely from property tax;
- (2) paid for more than one year;
- (3) not budgeted as M&O expense;
- (4) secured by property tax pledge.

**Estimated Debt Collection Rate:**

Certified by Tax Collector for 7/1 to 6/30 for all type collections



# 2nd Principle

**County calculates rate for each county fund & adds together = Total effective and rollback rates.**

**Counties vary from 1 to 3 funds:**

**County General Fund**

**County Farm-to-Market (FMFC)**

**County Special Road Fund**

# 2nd Principle

**County duty to calculate rates  
before adoption:**

**Effective & Rollback Rates**

**Available in tax office**

**Statement of Increase/Decrease**

**Adopting ETR will be more or less  
\$\$ compared to last year taxes &  
the +/- amount.**

## **Schedules of Certain Items:**

**Fund Balances:** M&O & I&S funds

**Debt Schedule:** Upcoming payments,  
using excess funds to lower

**Sales Tax:** Expected revenue

**Criminal Justice Mandate :** increase  
to keep state inmates in county

**Dept. or Function Transfer:** rare

**Enhanced IHC Expenses:** increase



# 2nd Principle

## County and City – Changed in 2014

Not required to publish ETR and Rollback Rates, Statement of Increase/Decrease and Schedules But **have available for inspection.**

**(FYI:** Only special districts publish ETR, Rollback, Schedules, etc.)

# 3rd Principle

**Taxing unit's duty to publish notice and hold hearings on tax increase.**

**Varies by type of taxing unit.**



## **2016 Law Change:**

- **County has September 1 or 30<sup>th</sup> day after first date that county received certified appraisal roll.**
- **HB 1953 & SB 1760**

# 3rd Principle

**County or City** proposed rate equal  
or less than effective/rollback:

No public hearing dates,

publish ad with no dates shown:

***Notice of Tax Year 2016  
Proposed Property Tax Rate for  
[Name] County / City  
Form 50-818***

# 3rd Principle

**County or City proposes higher rate  
than effective/rollback:**

**Two hearings required with notice**

***Notice of Tax Year 2016 Proposed  
Property Tax Rate for [Name]  
County/City  
Form 50-819***



# ***Notice of Tax Year 2016 Proposed Property Tax Rate for [Name] County / City***

**Proposed Rate**

**Last Year's Rate**

**Effective Rate**

**Rollback Rate**

**Detailed info, contact TAC info**

**2 hearings – date, time, location**

# 2016 Law Change

- **Additional item on published notice.**
- **What purpose county proposes to use revenue attributable to tax increase.**
- **Requires 60% of commissioners court to vote for tax increase.**
- **SB 1760**



- **At least 1/4-page ad in standard/tabloid size newspaper.**
- **Must appear 7 days before first hearing + on Website for 7 days.**
- **Published and on Website by September 1 (or 30 days after value certification)**
- **Not in classified/legal section.**
- **Must have 24-point + headline.**

# Hearing Dates

**Held on weekday, not holidays.**

**1<sup>st</sup> Hearing 7 days after notice.**

**2<sup>nd</sup> Hearing no sooner than 3 days after 1<sup>st</sup> hearing.**

**Post open meetings notice for both.**

**Quorum present. Members of public present their views.**

**Announce date, time & place for adopting rate at each hearing.**

# **Meeting to Adopt Rate**

**Post open meetings notice.**

**Adopt budget before tax rates.**

**Adopt in 2-parts: M&O and Debt for each Fund = Total.**

**Wording by Section 26.06.**

**Language in adoption order using larger type if increasing M&O taxes.  
On Website, too.**

# Meeting to Adopt Rate

**County quorum:** at least 4 members must be present to adopt tax rate and at least 3 must vote for rate. County judge is a voting member.

## **Tx. Const. County Rate Limits:**

**\$.80 General ; \$.15 Special R&B;  
\$.30 Farm-to-Market/Flood Control**



# Deadline to Adopt Rate

Tax Code Section 26.05(a) states rate must be adopted by:

Sept. 30 or 60th day after taxing unit received appraisal roll (whichever is later).

Failure to adopt by date results in adopting either **effective rate** or **last year's rate**, whichever is lower.



# Failure to Comply

If county fails to comply in **GOOD FAITH**, a property owner may seek injunction to stop tax rate adoption and/or sending of tax bills. Too late once *substantially* all tax bills are mailed.

**County/City:** Exempt from injunction for publication process.

# Calendar of Events

## For Two Hearings:

**July 25 - Values from CAD**

**Aug 7 or after - Calculate rates, submit to commissioners court**

**\_\_\_\_\_ - 72-Hour Open Mtg Notice**

**\_\_\_\_\_ - Commissioners court proposes rate; schedule 2 hearings if tax increase**

**\_\_\_\_\_ - Publish ad no later than September 1 or 30 days; no tax increase, post notice and adopt rate.**

# Calendar of Events

- \_\_\_\_\_ - 72-Hour Open Mtg Notice
- \_\_\_\_\_ - 1<sup>st</sup> Hearing Tax Increase with notice posted for at least 7 days
- \_\_\_\_\_ - 72-Hour Open Mtg Notice
- \_\_\_\_\_ - 2nd Hearing Tax Increase, held no earlier than 3 days after first hearing
- \_\_\_\_\_ - 72-Hour Open Mtg Notice
- \_\_\_\_\_ - Meeting to Adopt Tax Rate 3-14 days after hearing. Adopt before Sept. 30 or 60 days after certified values.





# 4th Principle

Voters' right to call for tax rate rollback election.

**Adopted tax rate** exceeds calculated **rollback rate**.

**Section 26.07** – Units other than school district

**Section 26.08** – School district (no petition required) – tax ratification

# 4th Principle

## County – Up to 3 Funds:

**Rollback petition is when sum of adopted rates for the funds exceeds combined rollback rate. Do not look at individual rates for each fund.**

**AG Op. #GA-0954, June 26, 2012**



# Tax Rate Rollback

- ❖ Citizens organize petition drive.
- ❖ 10 percent of registered voters must sign petition if county levies less than \$5 million for M&O purposes (not debt taxes).
- ❖ 7 percent must sign petition if county levies \$5 million or more.

- ❖ **Citizens submit petition within 90 days of tax rate adoption.**
- ❖ **Commissioners court determines petition's validity and pass order within 20 days.**
- ❖ **If no action taken, petition is automatically valid.**
- ❖ **If petition not valid, county continues to collect taxes.**



# Valid Petition

- ❖ **Section 26.081, Tax Code**
- ❖ **To verify signatures, may require organizer to provide info such as Voter Registration #, Home Address, Telephone #.**
- ❖ **Signatures not required to match voter registration list.**

- ❖ **If petition is valid, call election.**
- ❖ **Hold election within 30 to 90 days from last day that could have ruled on petition's validity UNLESS specified election date falls in the 30-to-90 day period.**
- ❖ **If election fails, county continues to collect taxes.**



- ❖ If election passes (yes to roll back), commissioners adopt the **rollback rate** as current rate.
- ❖ Tax collector sends out new bills with extended delinquency date (## of dates between mailing of original and corrected bills).

- ❖ **Refund tax difference paid \$1 or more within 60 days.**
- ❖ **Refunds of under \$1, property owners must request in writing.**





# **Election Information**

**Election information, contact  
Secretary of State's Election  
Division at 800-252-8683 or  
online at**

**[www.sos.state.tx.us/election](http://www.sos.state.tx.us/election)**



# Rates on County Website

- ❖ 5 years of rate info for each unit in County per Tax Code 26.16
- ❖ No adopted rate – N/A or \$0
- ❖ Link to rate info on County's main website
- ❖ 7 statements **below** rate table



## **2016 Law Change**

- **Adds Tax Code Section 5.091**
- **TX Comptroller publishes by 12/31 each year on website statewide list of tax rates, with total rate reported by each taxing unit, other than ISDs**
- **Rates listed in descending order**
- **SB 1760**

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