# Setting the Tax Rate

Calculating Tax Rates and the Procedures to Adopt

### **Session Overview**

- Explain the different tax rates
- Discuss the tax rate calendar
- Review the procedures to adopt
- Statutes and references

## Wait...A quick look at some changes:

Old Things OUT Effective Tax Rate Rollback Tax Rate Two Public Hearings Hearing Notice 7 days No Rate Adopted at Hearings 8% increase Anticipated Collection Rate

#### New Things IN

No-New-Revenue Tax Rate Voter-Approval Tax Rate One Public Hearing Hearing Notice 5 days Can Adopt at Hearing 3.5% increase Actual Collection Rate

## Things That Are Brand New

- Use Comptroller Prescribed Worksheets
- <u>Certification</u> of Worksheets
- <u>Submission</u> to County Tax Assessor-Collector
- Post on <u>HOMEPAGE</u> Information from Worksheets
- Appraisal District Notice of Estimated Taxes
- Appendix to Budget
- CFO or Auditor's Certification Concerning Debt

## More Brand New Things

- Small Taxing Unit's Internet Posting
- De minimis tax rate
- Unused Increment rate
- Special Taxing Unit
- County Indigent Defense Compensation Expenditures
- Eligible County Hospital Expenditures

# Explaining Tax Rates Rates & Components

- Ad valorem tax
  - Property tax rate
  - No-New Revenue tax rate (Effective)
  - Voter-Approval tax rate (Rollback)

• Sales tax rate

- Property tax rate components
  - Maintenance & operations (M&O)
  - Interest & sinking (I&S)
- Collection rates
  - Current taxes
  - Delinquent taxes

## Explaining Tax Rates Property Tax Sample Fiscal Year 2019 Fiscal Year 2020

Roll Value	\$ 100,000
Tax Rate per \$100	\$ 0.50
1	
Tax Levy	\$ 500.00

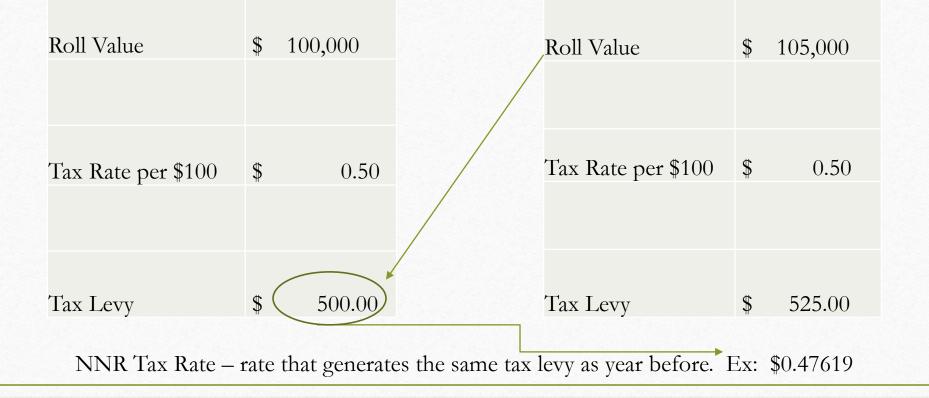
Roll Value	\$ 105,000
Tax Rate per \$100	\$ 0.50
Tax Levy	\$ 525.00

### Explaining Tax Rates No-New-Revenue Tax Rate

- No-New-Revenue tax rate
  - Definition –
  - Inverse relationship to property value
- Calculating the NNR rate
  - Comptroller Prescribed Property tax worksheet

- Adjustments that can factor into the calculation
  - Lost value from prior years
  - Refunds for prior year
  - Tax Increment Funds (TIF)
  - Pollution control exemptions
  - Properties under protest
  - New Property

## Explaining Tax Rates No-New-Revenue Tax Rate Fiscal Year 2019 Fiscal Year 2020



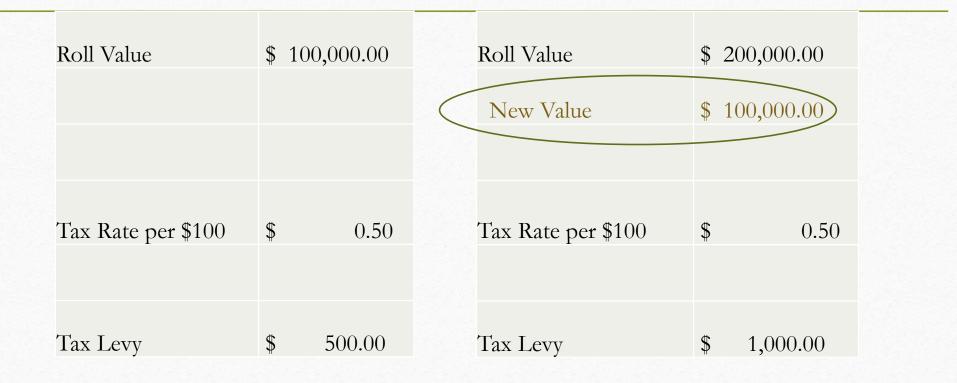
## Explaining Tax Rates Voter-Approval Tax Rate

- Definition –
- Applies to M&O portion of the rate only
- 3.5% generally, subject to some adjustments
  - Tax refunds from prior years
  - Enhanced indigent health expenditures
  - Taxes in a TIF
  - Property tax collection rate
  - Sales tax collection rate

### Explaining Tax Rates Voter-Approval Tax Rate Fiscal Year 2019 Fiscal Year 2020

Roll Value	\$ 100,000	Roll Value	\$ 105,000
Tax Rate per \$100	\$ 0.50	Tax Rate per \$100	\$ 0.50
Tax Levy	\$ 500.00	Tax Levy	<b>\$</b> 525.00
	Tax Rate - \$0.50000 ew-Revenue Rate - \$0. -Approval Rate - \$0.4	1.	NNR rate by get VAR rate

### Explaining tax rates One more look Fiscal Year 2019 Fiscal Year 2020



NNR Rate is .50 - Why? New value is excluded from NNR tax rate calculation

### Tax Rate Calendar

- Budget calendar must sync with the tax rate calendar
- Key dates on the tax rate calendar (deadlines)
  - Value estimates from CAD April 30
  - Certified values from CAD July 25
  - Tax Assessor shall submit rates to governing body August 7
  - Injunction deadline Within 15 days for tax rate adoption
  - Adoption of a tax rate <u>before September 30</u>

### Tax Rate Calendar Additional Timeframes

#### Going UP? - Proposed rate exceeds the no-new-revenue rate:

Schedule a public hearing not to be held before the fifth day after notice is given – the date must be included in the published notice and on your website

#### Proposed rate exceeds the voter-approval rate:

Schedule a public hearing not to be held before the fifth day after notice is given – the date must be included in the published notice and on your website.

Required to hold an election so that the voters may accept or reject the proposed rate.

Rate must be approved 71 days before the Uniform Election Date (August 24 for 2020)

### Tax Rate Calendar What if?

- The proposed rate is the calculated no-new-revenue rate or lower -
  - Propose a rate and publish the required notice in the paper and on your website
    - No hearing
  - Schedule the meeting to adopt the tax rate

Have 7 days to adopt the tax rate

## **Appraisal District Notice**

• Texas Property Tax Code Section 26.04(e-2)

By August 7..., the chief appraiser...shall deliver...to each property owner...a notice that the estimated taxes to be imposed...may be found in the property tax database maintained by the appraisal district...

Why do we care...

## **Appraisal District Notice**

• Texas Property Tax Code Section 26.05(d-1)

Governing Body must wait 5 days after CAD notice before either a public hearing or meeting to adopt

### **Procedures The Public Notice in the Paper**

- Use the simplified notice
  - Local Government Code 140.010
  - If someone else prepares it, CHECK IT for correctness
- Keep a copy handy for the public hearing
- Keep your proof copy from the paper

## Procedures Hearings & Meetings

- Public hearing on the tax rate
  - What am I supposed to do or say at the hearing?
  - What if no one shows up?
- Meeting to adopt tax rate
  - Must take a separate vote from the vote on the budget
  - Adopt the M&O rate and the I&S rate individually
  - Must be a <u>record vote</u>, and at least 60% of the Court must be in favor to pass

## Procedures Hearings & Meetings

- If you are <u>exceeding the no-new-revenue tax rate</u>, use the language <u>required by statute</u> for the motion:
  - "I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the no-new-revenue tax rate) percent increase in the tax rate."
  - REMEMBER TO ADOPT THE M&O AND I&S RATES SEPARATELY!
  - Statement required in the order or resolution adopting the rate
    - "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)."

Procedures Internet posting

- Post public meeting and hearing notices
- If you adopted a rate that is higher than the no-new-taxes rate, <u>must</u> place this on your internet homepage:
  - "(Insert name of unit) ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-TAXES MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)."

## Small Taxing Unit

• Defined as 50 cents or less current tax rate; AND

would impose taxes of \$500,000 or less

- Exempt from certain notice and publication requirements
- Notice by mail or publishing 7 days before meeting
- If notice published in newspaper, MUST also post on Homepage and on Taxing Unit's website

### **DeMinimis Rate**

- The rate equal to:
  - NNR M&O rate
  - Rate that would impose \$500,000 of taxes
  - Current debt rate

If DMR exceeds the VAR and the adopted rate is equal to or lower than the DMR then the voters can petition.

### **Unused Increment Rate**

- Used to calculate the VAR
- Difference between VAR and the Actual Tax Rate
- Look back 3 years
- For 2020, Unused Increment Rate = Zero
- Expires December 31, 2022

### Session Review We have Problems

• What happens if we don't do all of this?

• What if we are late and miss one of the deadlines?

• Someone else does all of this, and they just tell me when to be at the meeting...

### Session Review Statutes & References

- Tax Code, Chapter 26
- Local Government Code, Chapter 140
- Texas State Comptroller Property Tax Assistance Division
  - <u>https://comptroller.texas.gov/taxes/property-tax/</u>
  - Truth in Taxation
  - Calculation worksheets
  - Your rates are on there
- Texas Association of Counties <u>www.county.org</u>
  - Sample planning calendars and handbooks



- Final Questions?
- Contact Information

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