

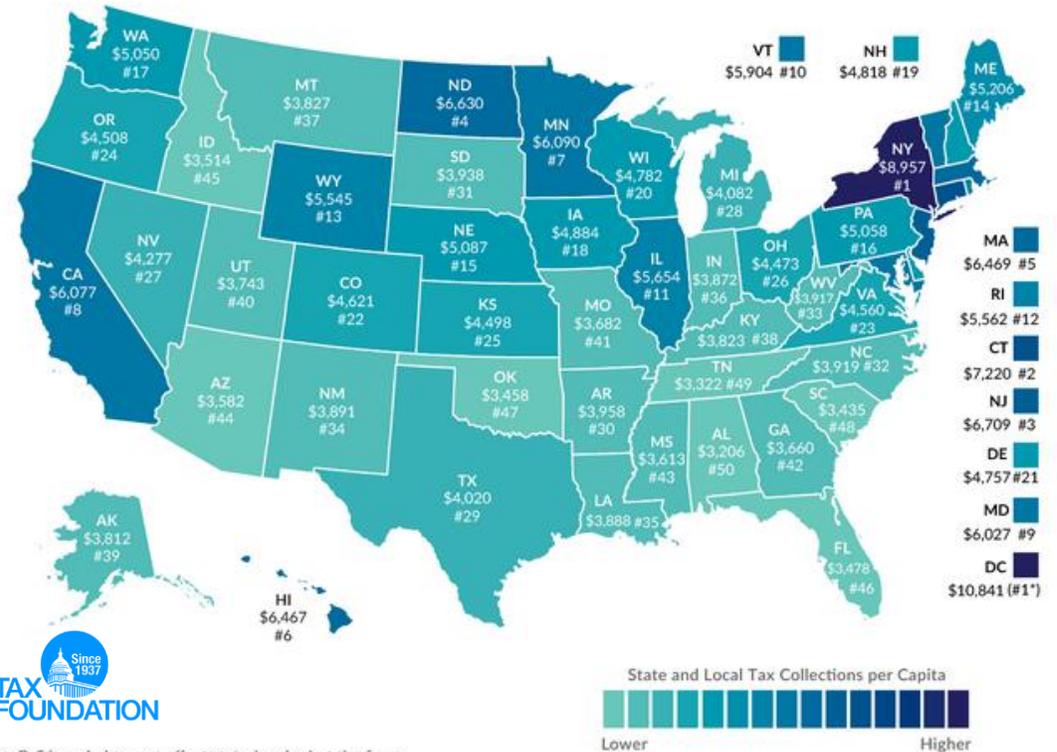


# Taxes in Texas

# How Texas ranks.... And where do we want to be?

State	State & Local Tax Collections per Capita	Economy	Life Health Inclusion	Infra-structure	Education*	Cost of Living
New York	2 (\$12,083)	36	19	28	4	49
Massachusetts	6 (\$9,405)	26	13	31	1	47
Vermont	10 (\$7,958)	33	1	22	8	41
Colorado	20 (\$6,699)	11	12	16	11	34
Texas	37 (\$4,994)	8	49	14	21	14
New Mexico	40 (\$4,835)	42	44	39	45	11
Louisiana	50 (\$4,036)	2	42	8	11	5

State and Local Tax Collections per Capita, Fiscal Year 2016



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.  
Source: Census Bureau; Tax Foundation calculations.



Top States for Business 2022 – Scorecard on State Economic Climate

\* Includes factors dealing with Higher Education as well as Public Education

*“As I have often mentioned, Texas compares very poorly in the area of spending for public education...overtime, insufficient education will drag down overall performance. Last year, Texas ranked 1<sup>st</sup> on the workforce measure; this year’s result is a notable step backward [7<sup>th</sup>].”* Dr. M. Ray Perryman, “Good News with a Warning”, July 30, 2018.

Texas relies on property taxes and sales taxes to fund state and local government.



Source: Tax Foundation



Who decides how we fund services?

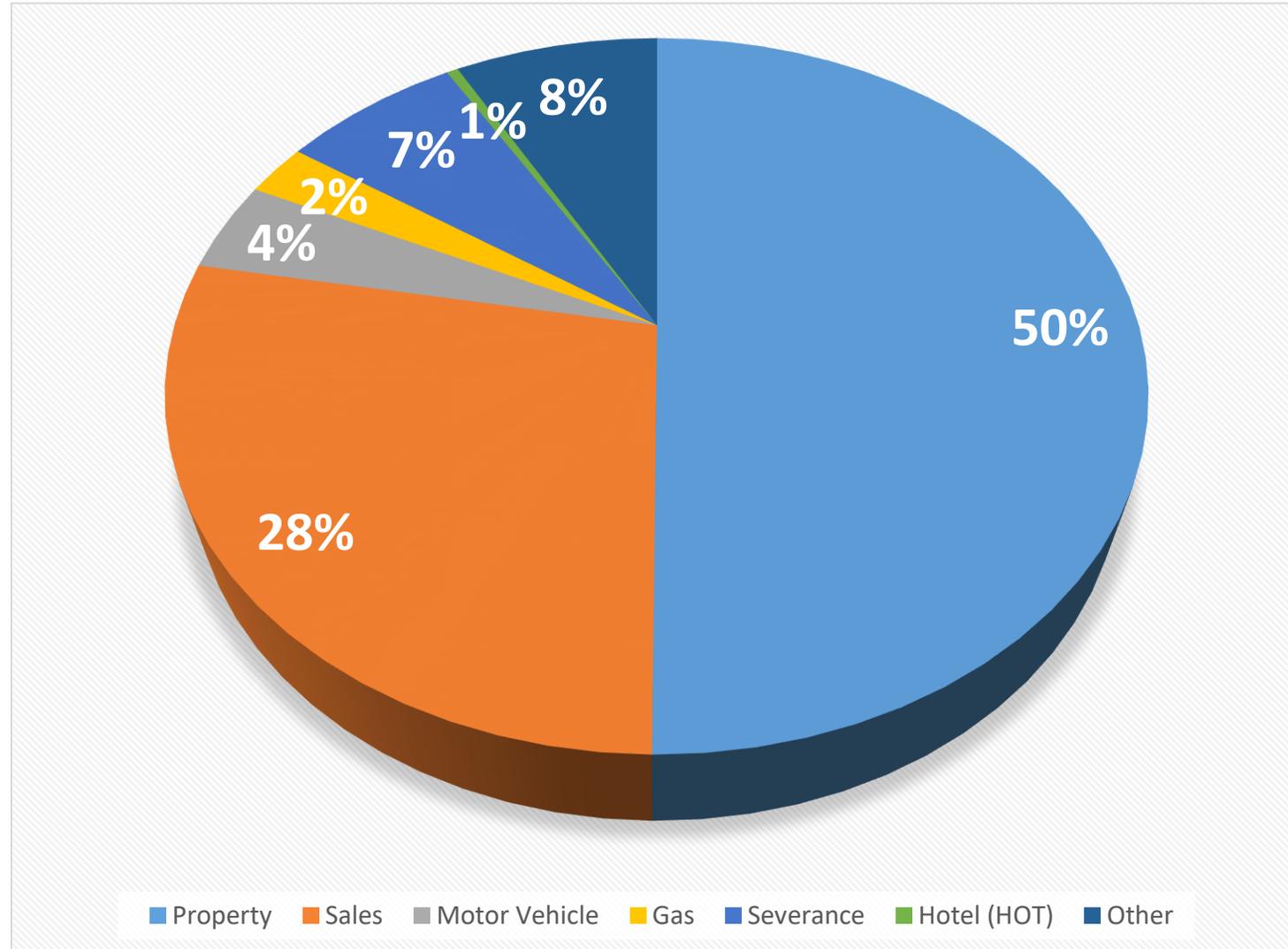


# Revenue Diversification

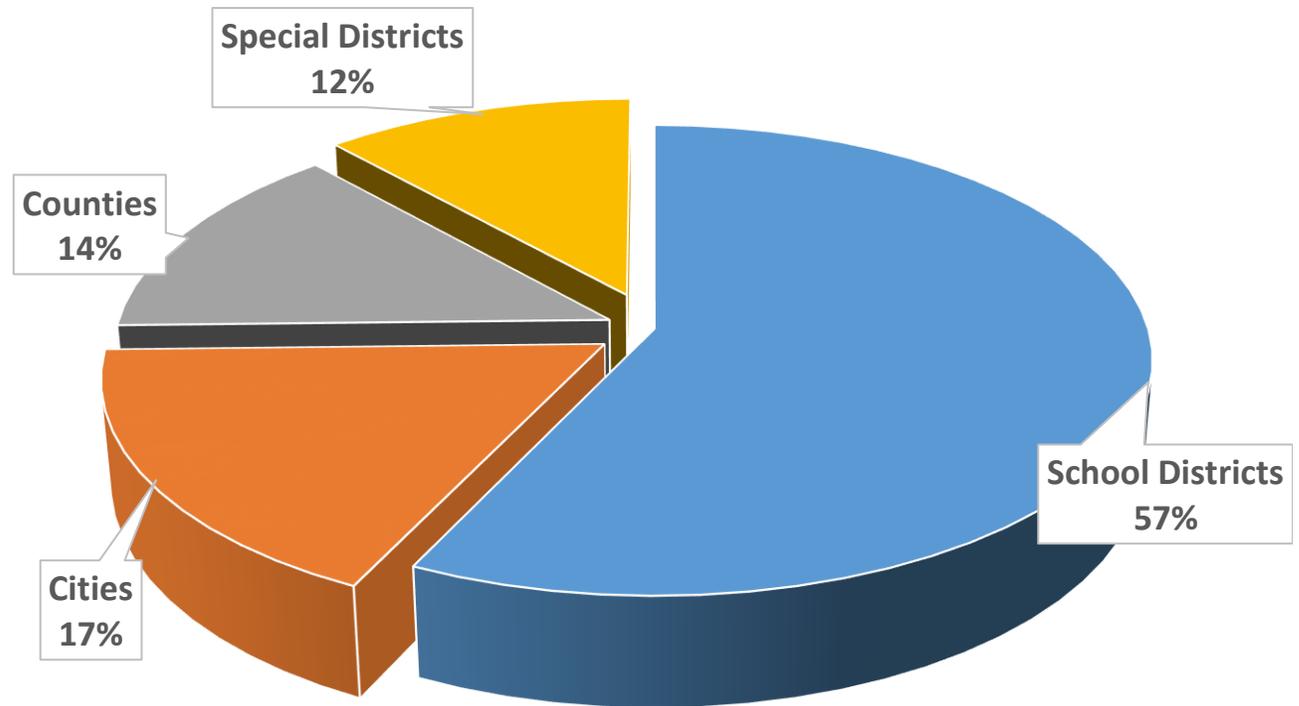
Taxing Entity	Property	Sales	Motor Vehicle	Gas	Severance	Hotel
State						
Counties						
Cities						
Schools						
Special Districts						

# State and Local Tax Collections - 2022

Type	Millions	%
Property	\$ 77,622.2	50%
Sales	\$ 42,971.9	28%
Motor Vehicle	\$ 6,449.1	4%
Gas	\$ 3,783.9	2%
Severance	\$ 10,831.6	7%
Hotel (HOT)	\$ 699.9	0.5%
Other	\$ 12,474.3	8%



# How Property Taxes Break Down - 2022



Source: Texas Comptroller of Public Accounts

Over 10 years, local property taxpayers have increased their contribution to O&M school funding by 59.5% while the state has only increased its spending by 16.6%

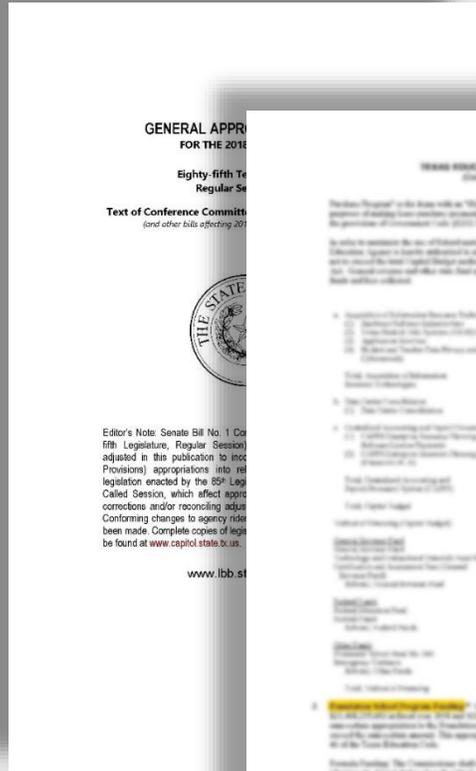
From 2011 to 2021, the Texas Legislature has increased its contribution of M&O school funding by

**\$3.46 Billion**

while **property owners** have increased their contributions by

**\$9.75 Billion**

# General Appropriations Act FY18-19



3. **Foundation School Program Funding**,<sup>10</sup> Out of the funds appropriated above, a total of \$21,468,235,602 in fiscal year 2018 and \$21,503,735,602 in fiscal year 2019 shall represent the sum-certain appropriation to the Foundation School Program. The total appropriation may not exceed the sum-certain amount. This appropriation includes allocations under Chapters 41, 42 and 46 of the Texas Education Code.

**Formula Funding:** The Commissioner shall make allocations to local school districts under Chapters 41, 42 and 46 based on the March 2017 estimates of average daily attendance and local district tax rates as determined by the Legislative Budget Board and the final tax year 2016 property values. Property values, and the estimates of local tax collections on which they are based, shall be increased by 7.04 percent for tax year 2017 and by 6.77 percent for tax year 2018.

# More State Investment in Public Education Will Lower Property Taxes



- Surging property taxes are directly linked to the state's school finance system.
- The state's dependence on local property taxes is enormous and clear, while school districts costs continue to increase with 60% of students who are economically disadvantaged, and 20% that are English Language Learners.
- Two ways of reducing local property taxes:
  1. Increase state investment; and
  2. Pass legislation so that school districts are not penalized for lowering tax rates.

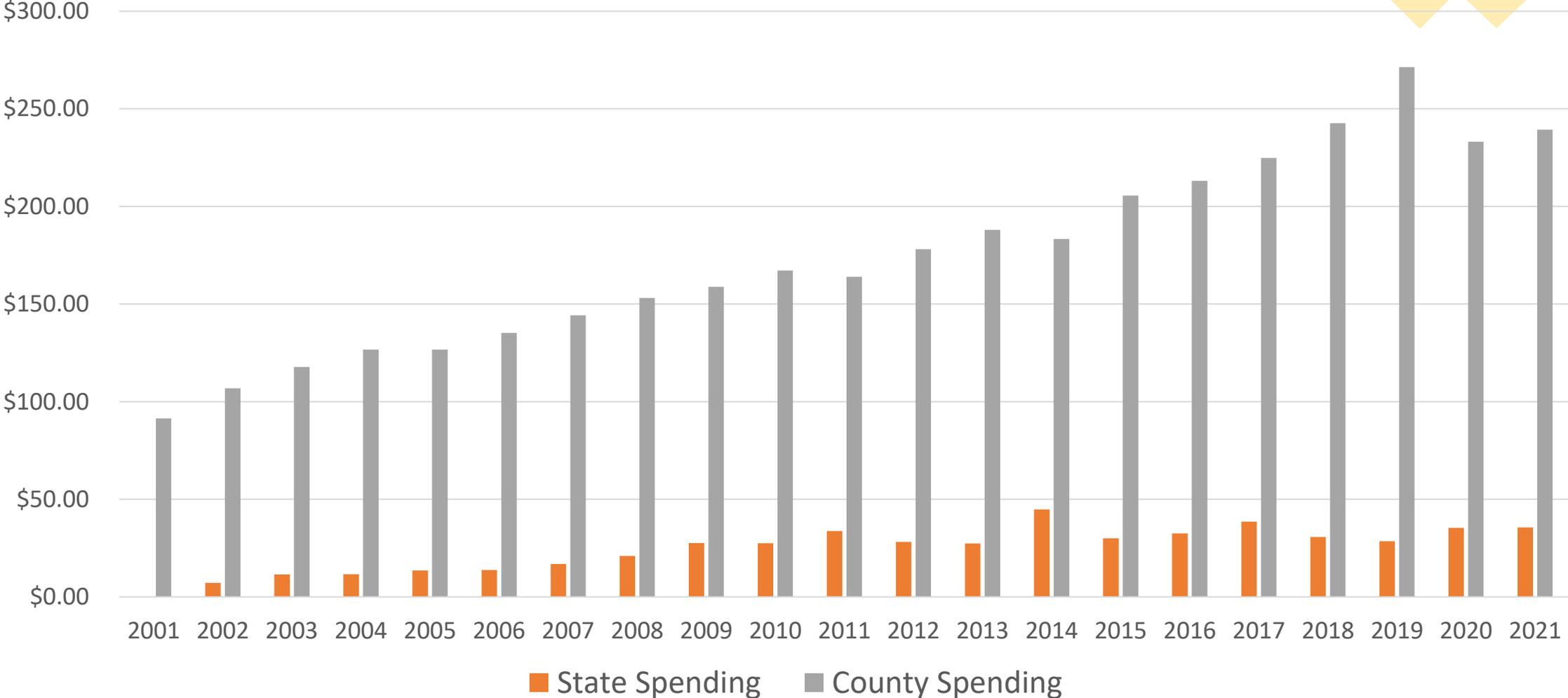
# Unfunded Mandate (State- Mandated Property Tax Increase)



Local governments, and property taxpayers by extension, face billions of dollars of unfunded and underfunded mandates from both the federal and state governments.

An unfunded mandate or “state-mandated property tax increase” is a state law or regulation that requires a local government to perform certain actions, with no money provided for fulfilling the requirements.

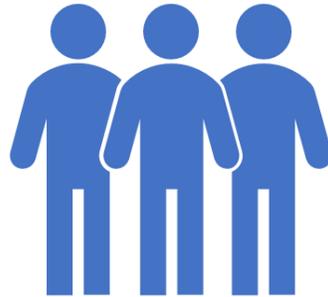
# Texas Indigent Defense Expenditures by Fiscal Year



# Unfunded Mandates (State-Mandated Property Tax Increases)

Categories	FY 22
Indigent Defense - CPS Ad Litem	\$ 1,142,725
Texas Department of Family and Protective Services	\$ 2,442,993
State Inmates: Comp. Restoration/Sentenced Felony/State Jail/Parole Violators/Paper Ready	\$ 30,299,070
Indigent Defense - County & District Courts	\$ 21,575,345
District Court Costs	\$ 19,564,777
Elections	\$ 9,380,895
Adult Probation Facilities	\$ 1,320,221
Juvenile Probation	\$ 24,518,868
Veterans Services	\$ 1,046,033
COVID-19 Workers Comp Law Enforcement	\$ 13,083,754
Bail and Pretrial Release (SB 6/HB 766)	\$ 235,331
<b>Total FY 22 Unfunded Mandates</b>	<b>\$ 124,610,012</b>
Tarrant County 2022 Tax Levy	\$ 502,321,000
	<b>25%</b>

# Preserve Local Decision-Making



- Preserving local decision-making equips Texans and their local government officials with the ability to address the unique challenges of their communities.
- Local governments have been the state's partner on the ground, doing the work locally to enact the will of the state, efficiently and effectively in the ways that best fit their local communities.

# One Size Does Not Fit All

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The local government revenue controls supported by some state officials threaten to undermine community priorities. Politicians from one part of the state should not dictate priorities for communities in other parts of the state.

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Arbitrarily imposing a revenue cap circumvents the democratically-elected local governments that are in the best position to determine the right policy decisions for each community.

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Arbitrary revenue caps don't take into account local priorities and the unexpected needs that local governments can experience from things like significant population growth and, of course, disasters.

# The Property Tax Formula.....

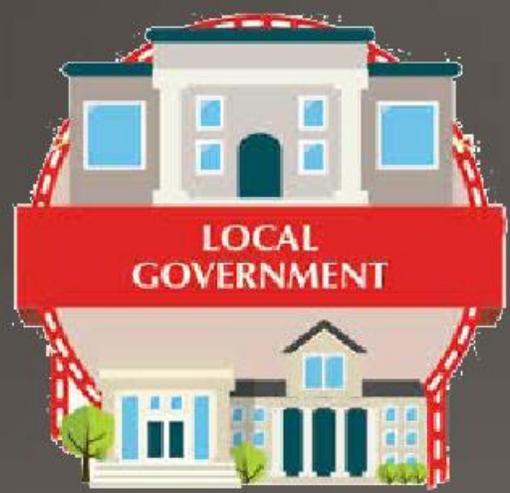
(NTV)



(You)

(X)

(Rate)



(Us)

(?)

(Total Taxes)



(Property Taxes)

(SB2)

X

=

# Key Terms

**No-New Revenue Rate** – tax rate that generates the same amount of revenue as the previous tax year

**Voter-Approval Rate** – the no-new revenue rate times

- 3.5% - county, city, other taxing units (without certain declared disasters)
- 8% - special taxing unit or a taxing unit with certain declared disasters
- Unused increment

**Special Taxing Unit** – junior college, hospital district, or taxing unit with an M&O rate less than 2.5 cents

# Key Terms

- **Comptroller's Truth-in-Taxation Form 50-856**
  - Updated annually
  - <https://comptroller.texas.gov/taxes/property-tax/forms/index.php>

## 2022 Tax Rate Calculation Worksheet Taxing Units Other Than School Districts or Water Districts

Form 50-856

Tarrant County - UNUSED INCREMENT

817.884.1100

Taxing Unit Name

Phone (area code and number)

100 E Weatherford St. Fort Worth, TX 76196

[www.tarrantcounty.com](http://www.tarrantcounty.com)

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*.

# Key Terms

- **De minimis rate** – a tax rate that will generate an amount of tax equal to \$500,000 above the No-New Revenue Rate
  - Special rules for tax rate elections:
    - Adopted tax rate is BELOW the voter-approval rate – **No election**
    - Above the voter-approval rate but below the de minimis rate – **Voters may petition for an election**
    - Above voter-approval tax rate (with no de minimis rate) – **Election required**
    - Above voter-approval rate and above the de minimis rate – **Election required**

# Key Dates

**July 25** – Chief appraiser sends taxing unit certified roll or “certified estimate”

*Commissioners Court must designate an official/employee to calculate the tax rates*

**August 7\*** –

- Appraisal District sends out tax rate information postcard to property owners
- Taxing unit accepts no-new revenue and voter-approval rates
- Taxing unit must post completed tax rate form on its website

**78<sup>th</sup> day before the November election** – when a taxing entity must call an election to exceed the voter-approval rate

\*NOTE: August 7<sup>th</sup> or as soon as practicable

# SB 2 Formulas

- No-New Revenue Rate includes:
  - Maintenance and operations (M&O) rate
  - + Debt service rate (I&S)
  - = No-new revenue rate

26.	2022 NNR tax rate. Divide Line 17 by Line 25 and multiply by \$100. <sup>20</sup>	\$ <u>0.209332</u> /\$100
27.	COUNTIES ONLY. Add together the NNR tax rates for each type of tax the county levies. The total is the 2022 county NNR tax rate. <sup>21</sup>	\$ <u>0.209332</u> /\$100

# SB 2 Formulas

- Voter-Approval Rate

Adjusted No-New Revenue M&O rate  
x 1.035

+ Unused increment

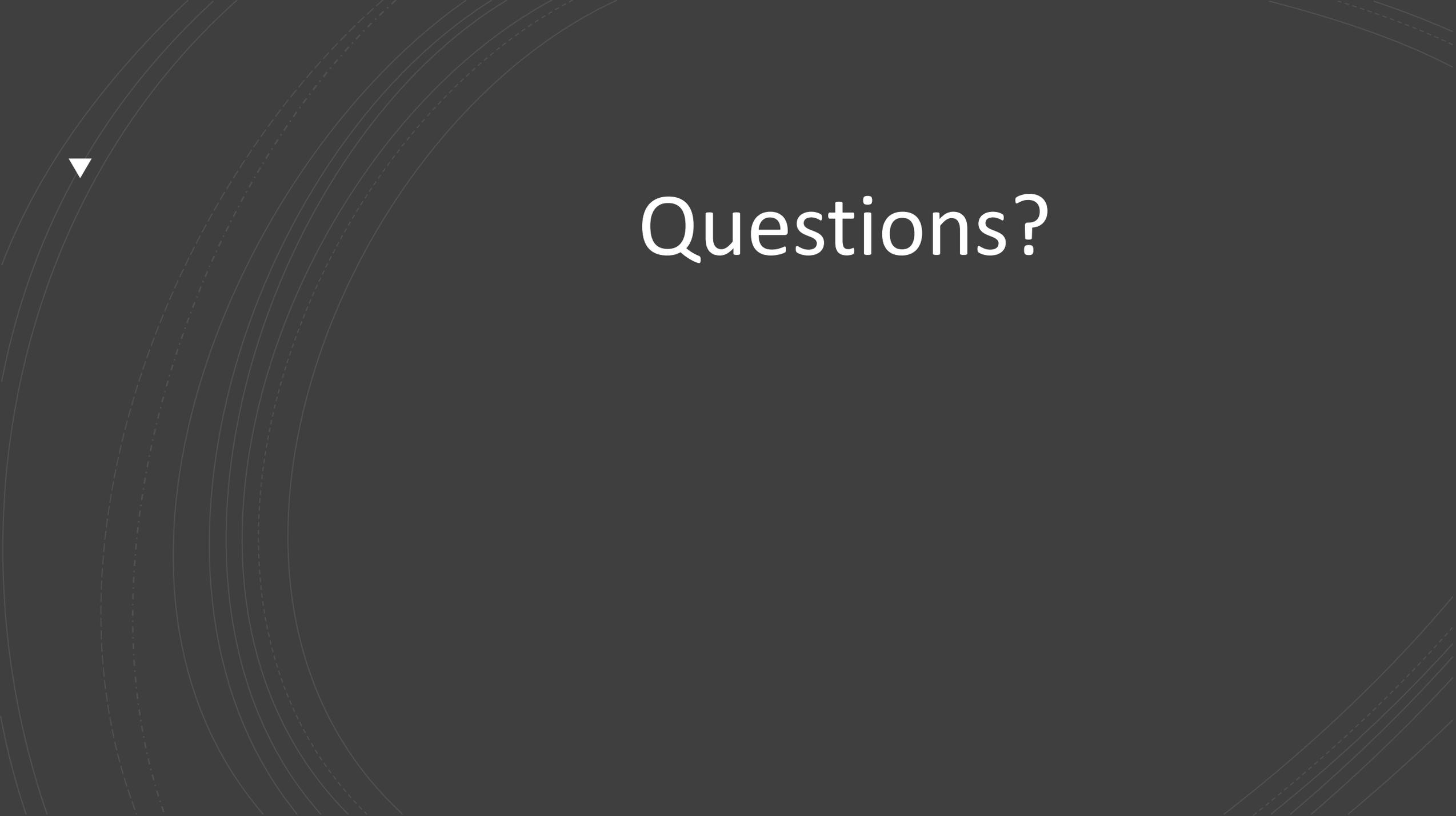
= Voter-Approval M&O rate

+ Debt service rate

= Voter-Approval Tax Rate

# Important Considerations

- State statute requires 4 of the 5 members of the Commissioners Court to be present to adopt a tax rate
  - If no tax rate is adopted before October 1, the No-New Revenue Rate is automatically adopted (no 3.5% increase, only increase for new construction)



Questions?