

Comptroller of Public Accounts Truth-In-Taxation



What are the two basic TNT concepts identified in the Texas Constitution and the Tax Code?

Answer:

To make property owners aware of tax rate proposals and to afford taxpayers the opportunity to limit tax increases.



Here is the text of the new Truth in Taxation Statute for reference in using this package. It can also be found on page 529 of Texas Property Tax Laws Annotated.

Art. 7244c.
Increases in effective rate by taxing unit

Calculation of Effective Tax Rate

Section 1. (a) After the board of equalization has approved and certified the tax roll for a taxing unit, the tax assessor for the unit shall subtract from the total assessed value of all property on the roll the assessed value of all property added to the roll since the preceding tax year by annexation of territory and the assessed value of all improvements made after January 1 of the preceding tax year.

(b) The assessor shall subtract from the total amount of property taxes levied by the unit in the preceding year:

(1) the total amount levied in that year on real property that is not on the roll for the current year;

(2) the total amount levied to pay the principal of and interest on bonds, warrants, certificates of obligation, or other lawfully authorized evidences of indebtedness issued or assumed by the unit;

(3) the total amount levied to provide for lawfully incurred contractual obligations providing security for the payment of principal of and interest on bonds or other evidences of indebtedness issued on behalf of the unit by another political subdivision; and

(4) the total amount levied in the preceding year on taxable value that is exempt in the current year.

(c) The assessor shall calculate the tax rate necessary for the current tax year to pay:

(1) principal of and interest on bonds, warrants, certificates of obligation, or other lawfully authorized evidences of indebtedness issued or assumed by the unit; and

(2) lawfully incurred contractual obligations providing security for the payment of principal of and interest on bonds or other evidences of indebtedness issued on behalf of the unit by another political subdivision.

(d) The assessor shall then calculate the tax rate that, if applied to the total assessed value remaining after subtracting the assessed value of annexed property and new improvements, would impose the total dollar amount of taxes determined as provided by Subsection (b) of this section.

(e) The assessor shall add the debt-service rate calculated as provided by Subsection (c) of this section and the operating-expense rate calculated as provided by Subsection (d) of this section. That total rate is the tax rate that is subject to the tax rate limitations provided by this Act. The assessor shall publicize that rate in a manner designed to come to the atten-

tion of all residents and submit the rate to the governing body of the unit.

Limitations on Increasing Effective Rate

Sec. 2. A taxing unit may not impose property taxes in any year until the governing body has adopted a tax rate for that year, and the governing body may not adopt a tax rate that exceeds the rate calculated and announced under Section 1 of this Act by more than three percent until it has given public notice of its intention to adopt a higher rate and has held a public hearing on the proposed increase.

Notice and Public Hearing on Increase

Sec. 3. (a) A public hearing required by this Act may not be held before the seventh day after the date the notice of intent to increase the tax rate is given. The hearing must be on a weekday that is not a public holiday and must begin after 5 p.m. and before 9 p.m. The hearing must be held in a public building inside the geographical boundaries of the taxing unit. If no public building is available, the hearing may be held in some other suitable building inside the geographical boundaries of the unit. At the hearing, the governing body must afford adequate opportunity for proponents and opponents of the tax increase to present their views.

(b) The notice of a public hearing may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. The notice must be in the following form:

"NOTICE OF TAX INCREASE

"The (name of the taxing unit) proposes to increase your property taxes by (percentage of increase over the rate submitted under Section 1 of this Act) percent.

"A public hearing on the increase will be held on (date and time) at (meeting place).

"(Names of all members of the governing body, showing how each voted on the proposal to raise taxes and, if one or more were absent, indicating the absences.)"

(c) The notice may be mailed by first-class mail to each registered voter residing in the unit or it may be published in a newspaper. If the notice is published in a newspaper, it may not be in the part of the paper in which legal notices and classified advertisements appear.

Adoption of Increased Tax Rate

Sec. 4. (a) At the public hearing the governing body shall announce the date, time,

and place of the meeting at which it will vote on the proposed tax increase. After the hearing it shall give notice of the meeting in the form and manner provided by Section 3 of this Act, except that the second paragraph of the notice must state:

"A public meeting to vote on the proposed increase will be held on (date and time) and (meeting place)."

(b) The meeting to vote on the increase may not be earlier than the 3rd day or later than the 14th day after the date of the public hearing. The meeting must be held in a public building inside the geographical boundaries of the taxing unit. If no public building is available, the meeting may be held in some other suitable building inside the geographical boundaries of the unit. If the governing body does not adopt the increase by the 14th day, it must give a new notice under Subsection (a) of this section before it may adopt a rate higher than that announced under Section 1 of this Act.

(c) The annual tax rate for a taxing unit must be set by ordinance, resolution, or order, depending on the method prescribed by law for adoption of a law by the governing body. The vote on the ordinance, resolution, or order setting the tax rate must be separate from the vote adopting the budget.

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Notice of Reappraisal

Sec. 5. (a) Not later than the 20th day before the date the board of equalization for a taxing unit begins holding public hearings, the assessor for the unit shall mail a written notice to each property owner whose property value has been increased by more than \$100 above its value in the preceding year:

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(1) the value of the property in the preceding year;

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(3) the value of the property for the current year; and

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Taxing Unit Defined

Sec. 6. For purposes of this Act, "taxing unit" means a county, an incorporated city or town, including a home-rule city, a school district, a special district or authority, or any other political subdivision of this state, whether created by or under the constitution or a local, special, or general law, that is authorized to impose and is imposing ad valorem taxes on property.

Effective Date

Sec. 7. This Act takes effect January 1, 1979.

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1979
The beginning of Truth-In-Taxation



State Property Tax Board



STATEMENT

Volume 2, Number 7

Austin, Texas 78731

January, 1980

State Property Tax Board created

New tax code effective January 1

Significant changes and reforms in the state's property tax system occurred January 1 when several major elements of SB 621, the new State Property Tax Code, became effective.

Highlights of the new tax code are summarized in a box on this page. A complete review of its provisions may be found in the publications SB 621, Parts One and Two, issued by the former School Tax Assessment Practices Board.

As noted in the box, the code will not be effective in its entirety until Jan. 1, 1982. One provision now in force, however, is creation of the State Property Tax Board (SPTB). The agency replaced the School Tax Assessment Practices Board, but the six STAPB board members assumed those same responsibilities for SPTB.

In addition, the personnel, books, records, property, and powers and duties of STAPB relating to school property taxes were transferred to the new agency.

Ultimately, duties of the State Property Tax Board will include:

- 1. Adopting rules establishing minimum standards for administration and operation of appraisal districts and county assessor-collector offices.
2. Offering curricula and instruction on property appraisal and tax administration.
3. Preparing and issuing appraisal manuals and other technical and legal materials for use by local tax officials, and issuing news and reference bulletins on the subject of property taxation.
4. Publishing pamphlets explaining

the remedies available to a dissatisfied taxpayer, and advising taxpayers on how to prepare and present appeals on values.

5. Prescribing property tax forms and a uniform records system. Also, along with each chief appraiser and county assessor-collector, the State Property Tax Board director must annually publicize to all property owners both the legal requirements relating to filing rendition statements and property reports, and the availability of forms.

6. Providing professional and technical assistance to local tax officials at local expense, upon request.

7. Publishing an annual report of its operations and of the operations of appraisal districts and county assessor-collectors. The report must include for each district, each county and each school district, and may include for other taxing units the total appraised values, assessed values and taxable values by class of property, the assessment ratio and the tax rate. Likewise, the board may require an annual report on its prescribed form from each appraisal district or office on its administration or operation.

Additionally, SPTB has all the responsibilities previously exercised by the State Tax Board and the Comptroller regarding administration of property taxation [see article elsewhere in this issue].

Officials noted that though the agency has taken over the Comptroller's duties with regard to state property taxes, reduction of the assessment ratio on such

taxes to .0001 percent virtually abolished this tax and function.

Another provision requires that after January 1, notice of the appraised value of Permanent University Fund land is to be sent to the board, and SPTB will represent the state in any protest or appeal relating to taxation of those lands.

IMPLEMENTATION SCHEDULE State Property Tax Code

January 1, 1980

- * School Tax Assessment Practices Board is replaced with the State Property Tax Board.
* Responsibilities of the Comptroller and of the State Tax Board regarding property tax administration are transferred to the State Property Tax Board.
* Appraisal district boards of directors take office.
* Assessment ratio on state ad valorem taxes is reduced to .0001 percent.
* Provisions defining taxable property and exemptions take effect.
* Methods of appraising transportation business in-

Continued on page 3

1980 The Property Tax Code

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'Truth in Taxation' options offered

Although the new "Truth in Taxation" laws only have been in effect since January 1, questions on their administration already have surfaced.

Article 7244c of the Texas Civil Statutes establishes these laws for use in tax offices of all jurisdictions. However, Articles 20.03c, d and e of the Texas Education Code also contain similar provisions, although they apply specifically to school districts.

In some areas, provisions of the two articles conflict. In others, there is duplication.

The Senate Finance Committee requested that STAPB review and comment on possible revisions which would assist in the administration of the new law.

STAPB legal staff recommended possible repeal of duplication and conflicting sections of Article 20.03 and recommended means of amending portions of Article 7244c.

The agency reply commented on four basic areas of the article, all in reference to Section 5a, which states:

"Not later than the twentieth day before the date the board of equalization for a taxing unit begins holding public hearings, the assessor for the unit shall mail a written notice to each property owner whose property has been increased by more than \$100 above its value in the preceding year."

The first segment of the report addresses is the phrase "... increased by more than \$100 . . ." which refers to reappraisal notices. The STAPB, after consulting tax assessor-collectors, superintendents and companies who print reappraisal notices, suggested that consideration be given to changing this amount to \$1,000.

Doesn't cover cost of handling

One of the reasons for the recommendation is that revenue generated from the extra \$100 sometimes does not even cover the cost of printing and mailing to the property owner.

The second area addressed refers to the phrase "... whose property value has been increased . . ." Here the STAPB recommends the language of the statute might be clarified to specifically state either market value or assessed value in order to avoid confusion.

STAPB staff also pointed to the need to identify and assign an agency to develop administrative guidelines and rules for

compliance for tax offices. For example, Section 1-e requires the tax assessor to publicize the rate so as to bring it to the attention of all residents. The section does not specify, however, how the rate should be publicized nor does it grant any agency the authority to make rules or clarify ambiguities.

Conflict with equalization board

The third section about which the staff commented was "... begins holding public hearings . . ." Since the notice includes a provision that requires showing the amount of taxes based upon the reappraised value and the prior year's ratio of assessment and tax rate, many people will become involved in board of equalization (BOE) hearings. In many jurisdictions, these hearings already last an extended period of time.

STAPB staff suggested a more manageable phrase might be "... begins a hearing on the affected property . . ."

Also, requiring the reappraisal notice to be sent 20 days before the first BOE meeting will conflict with the rendition period in some jurisdictions. For example, the tax office would have to know the value of the property and mail the notice before the taxpayer has even rendered. STAPB staff feel the language they propose would provide flexibility and still fulfill the intent of the legislation.

The last phrase for which the STAPB staff suggested a revision was "... not later than the twentieth day . . ." Under current law, Article 7206 (for county tax

offices) and Article 1053 (for school districts and general law cities) require written notification to be sent to individuals when the BOE raises their values above that the owners rendered.

According to law, the county (Article 7206) can consolidate its BOE notices with the reappraisal notice. Under county law, the board notice must be sent at least 10 days prior to the board's action. The 20-day limit will fit within this timetable.

This would not be possible, however, under Article 1053 for school districts and general law cities, since the law requires notice be sent not less than 10 days or more than 15 days.

The differences in dates specified by each law effectively require two notices be sent.

One notice is less confusing

Since information contained in the reappraisal notice provides more information than that provided by Article 1053, STAPB feels consideration could be given to excluding from the 10-day notice those individuals receiving the 20-day reappraisal notice.

Sending two notices is not only more costly to the taxpayer, it also tends to confuse him.

STAPB staff also investigated calculation of the effective tax rate, but said that whether or how it should be addressed would depend on procedures for reimbursement of revenue lost to exemptions adopted by the legislature. ■

Board of Tax Assessor Examiners

Here are a few timely reminders from Jo Lin Mabry, secretary to the Board of Tax Assessor Examiners (BTAE), to any tax personnel registered or desiring to register with the board.

First, individuals should send the board a copy of the certificate or grade card they received upon completion of any TAAO course. TAAO does not notify BTAE when a member completes a course, so there is no way credit can be given if the member takes no initiative.

Second, the \$10 annual renewal fee applies only to members who registered in 1978 and need to renew their registration for 1979. Mabry says anyone registering this year for the first time must submit an application and pay a \$30 registration fee made payable to the BTAE. Applications may be obtained by

writing the board in care of Jo Lin Mabry at P.O. Box 13246, Austin, Tex., 78711.

Third, Mabry wants to emphasize that BTAE and TAAO are not the same organization. Each has separate offices and separate staffs, so tax personnel should remember not to send TAAO dues or payment for courses to BTAE. Some people have done this in the past and were not allowed to enroll in TAAO courses because their payment either was not received or received late.

Fourth, Mabry says correct serial numbers and classifications entered on correspondence are essential for prompt replies from the board.

Fifth, she asks that the board be notified of any changes of address as soon as possible.

Working out the obstacles, conflicts and duplication

- "increase more than \$100."
- "where property value has increased."
- Public hearings
- Conflict with dates of notices

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School Tax Assessment Practices Board

COMPLIANCE PACKAGE - '79



The "Truth In Taxation" requirements of Article 7244c, V.T.C.S., must be met in 1979. This package is designed to assist school districts with these new procedures.

Article 7244c became effective on Jan. 1, 1979 and applied to all jurisdictions with the power to levy "ad valorem" taxes. This law was passed during the Second Called Session of the 65th Texas Legislature as House Bill 18. Its passage accompanied the passage of HJR1, the "Tax Relief Amendment" which Texas voters approved in November of 1978.

This law can be divided into two major parts. Sections 1 through 4 deal with procedures which must be followed by all jurisdictions in establishing a tax rate, while Section 5 deals with the notification which must be given to individual taxpayers in the event that the value of their property has been increased by reappraisal.

For the purposes of this discussion, however, the requirements of Article 7244c will be divided into those requiring action by the tax assessor (Sections 1 and 5) and those requiring action by the governing body (Sections 2, 3, and 4).

Since the requirements of Section 5 of the law must be met prior to action by the Board of Equalization, this process will be the first new step in the tax calendar (See page 3(1)). Section 5 of the law (see page 6) requires that, where a property value has been increased by more than \$100, a notice be sent to the property owner at least 20 days prior to the Board of Equalization hearings.

The notice must contain four items of information. It must indicate the full value of the property for both the current

and preceding tax years; the amount of taxes levied in the preceding tax year; and the amount of taxes that would be levied in the current tax year if neither the tax rate nor the assessment ratio in effect for the preceding year were reduced.

In districts where reappraisals are regularly made and value changes are not usually very large percentage-wise, this last item of information will probably not create a great deal of concern among taxpayers. In such cases a notice format similar to the one found on page 4 is recommended because it provides not only the information required by Section 5 of Article 7244c, but also gives the taxpayer a comparison between the taxable values of his property in the current and preceding year. Due to new exemptions and the possibility of a change in the assessment ratio from one year to the next, a comparison of taxable values might very well be of more interest to the taxpayer than a comparison of 100 percent values.

In districts where the reappraisal is the first in several years and value changes are substantial, inclusion of the last item of information required by Section 5 will probably create great concern

among taxpayers. If, for example, the reappraisal doubles values in the district, the reappraisal notices will indicate a doubling of taxes. Since, as a rule, a doubling of taxes will not occur, the district may wish to use a notice format similar to that found on page 5. Such a format would provide more to the taxpayer in the way of an explanation of the true effect of the reappraisal.

At the present time, the format of the reappraisal notice is a matter to be determined locally, but the following points should be kept in mind:

1. The notice must contain the four items required by Section 5 of Article 7244c;
2. This notice is only required in cases where the 100 percent value of the property has been increased by more than \$100 (changing only the assessment ratio does not trigger this notice); and,
3. This notice is both statutory and constitutionally required and failure to send it is probably grounds for enjoining a district's tax roll.

The second new requirement faced by the tax assessor under the provisions of

Continued on page 2

A Truth-In-Taxation manual is created

Published in the April 1979 issue of STATEMENT by the School Tax Assessment Practices Board, 3301 Northland Dr., Suite 500, Austin, TX 78731.

County parcel survey used in distribution of state funds to appraisal districts in 1981

Checks for the initial payments of state funds allocated for appraisal districts in 1981 were mailed from SPTB on January 31. As part of the agency's responsibility in distributing the funds, a packet was mailed earlier that month to each county tax assessor requesting a determination of the number of taxable real property parcels in the county from the 1980 tax roll. The report was to have been returned to the agency by March 1. Payments made in January were based

HANDBOOK, from page 11 records and "established criteria."

"Governmental accountability should identify not only the objects for which the public resources have been devoted but also the manner and effect of their application," Magness quoted from a statement by the U.S. General Accounting Office.

Three elements of accountability which must be considered, he said, are financial and compliance procedures, economy and efficiency procedures, and program results evaluation.

Magness then outlined auditing standards as prepared by the U.S. Comptroller General concerning examination and evaluation, reporting, and the specific contents of an audit report.

Listing suggested materials for presentation to an outside auditor, Magness said, "Preparation for the audit should begin with the preparation of and adoption of the budget and continue throughout the year," adding that audit costs must be considered in preparing the budget.

He added, "Each local agency should maintain several funds either prescribed by statute or established because of the needs of the particular district. Each fund should be maintained as an independent fiscal and accounting entity with its own self-balancing set of accounts."

Magness further noted, "The relationship between the auditor and the local district is one of personal service and should properly be handled on a contractual basis." He appended a discussion of numerous factors influencing audit costs.

on a distribution formula which calls for districts to receive equal portions of one-fourth of \$2,887,000—the total amount appropriated. The checks, in the amount of \$2,841.53 for each district, were mailed to chairmen of the appraisal district boards, in accordance with provisions of SB 621.

The remainder of the state's allocation for appraisal districts this year, or \$2,165,250, will be distributed on the basis of the ratio which the number of parcels of real property in a district bears to the total number of parcels of taxable real property in all districts.

According to SPTB's chief fiscal officer, Charles Harrison, the second payments should be mailed on or before June 1.

Instructions included with the report form noted that, for purposes of this parcel count, a parcel is defined in two ways: first, as a separately valued and listed item on a tax roll, as reported by the county tax assessor; and, second, as

a producing oil and gas well, as reported by the Texas Railroad Commission.

Only "real" property parcels, including land and improvements and "anything else that is not personal property," are to be used in the count. Producing oil and gas wells, mineral properties and leases for mineral rights were not to be included in the assessor's parcel count. Reports and Audits Coordinator Breck Bostwick said that, because the state funds are intended to aid districts in proportion to the work necessary to prepare for full implementation in 1982, mineral properties would not be counted as parcels. And, while producing oil and gas wells will be considered as parcels, that information is provided to the agency by the Texas Railroad Commission.

No consideration was to be given in the survey for parcels in appraisal units which extend beyond county boundaries, Bostwick noted.

Chief appraisers known to have been appointed were also sent the survey, providing a cross-check with the county replies, as well as with other sources of parcel information. The county parcel questionnaire is one of several survey forms which assessors and chief appraisers have recently been asked to complete for SPTB's use.

Regional sessions planned on laws, truth in taxation

New laws affecting property taxation and compliance with truth-in-taxation requirements will be the subject matter in July when the State Property Tax Board conducts 13 regional seminars for local tax administrators.

The day-long seminars, currently being planned by staff in SPTB's Education & Standards Division, will follow by about a month the close of the 67th Texas Legislature.

Each seminar will be identical in content, with efforts made to hold at least one within reasonable driving distance of each geographical area of the state. Agency officials anticipate a good attendance at each location.

According to Susan Terwilliger, an education specialist with SPTB, the regional seminars will follow a 9 a.m. to 4:30 p.m. schedule. Morning sessions will be devoted to new legislation, while the afternoon sessions will be designed to help officials comply with the tax rate calculation, notice and hearing provisions

of truth in taxation.

Simplified worksheets, which move through the maximum tax-rate calculations on a step by step basis, are currently being developed and will be made available to local officials at the seminars.

Agency officials said these tentative dates and locations have been established for the regional seminars:

- July 8: Amarillo
- July 9: Lubbock
- July 10: Abilene
- July 13: Edinburg
- July 14: Corpus Christi
- July 15: San Antonio
- July 16: Waco
- July 17: Fort Worth
- July 18: Beaumont
- July 21: Longview
- July 22: Huntsville
- July 23: El Paso
- July 24: Midland

Additional details will be published in STATEMENT as plans for the regional seminars are finalized.

State Property Tax Board Offers Truth-In-Taxation Training

Truth-In-Taxation Calendar and Instructions

Sample Calendar of Tax Year 1981

Most dates are for illustration purposes; only those in January and April are mandatory.

- January
 - 1: Assessment date.
 - Beginning of rendition period.
- April
 - 1: End of rendition period for many school districts and general law cities (As of January 1, 1982, mandatory for all jurisdictions).
 - 30: End of rendition period for counties and all other jurisdictions.
- May
 - 19: Reappraisal notices mailed at least 20 days before first BOE hearing (Art. 7244c, Sec. 5).
 - **26: Art. 29e notice published before first BOE hearing.
- June
 - **5: 72-hour notice for BOE hearings.
 - 8: BOE hearings start.
- July
 - 6: BOE concludes hearings, certifies assessment list and adjourns.
 - 7: Calculation of effective tax rate by tax assessor (Art. 7244c, Sec. 1).
 - 9: Publication of effective tax rate by tax assessor (Art. 7244c, Sec. 1).
 - **10: 72-hour notice for meeting of governing body.
 - 14: Meeting of governing body — record vote to propose tax increase taken, arrangements made for public hearing.
 - 16: 7244c notice of public hearing on intent to increase taxes (Art. 7244c, Sec. 3) — must be published at least seven days prior to public hearing
 - **20: 72-hour notice of public hearing on tax increase.
 - 24: Public hearing on intent to increase taxes — record vote taken at conclusion of hearing, arrangements made for a public meeting at which tax rate will be adopted. (Art. 7244c, Sec. 4).
 - 28: 7244c notice of public meeting to adopt tax rate (Art. 7244c, Sec. 4) — must be published during period between public hearing and date set for meeting to adopt tax rate.
- August
 - **3: 72-hour notice of public meeting to adopt tax rate (may be regular meeting of governing body for jurisdictions except counties, which must adopt tax rate at regular meeting.)
 - 7: Public meeting to adopt tax rate (must be held at least three, but not more than 14 days, after the public hearing).

* Art. 29e, VTCS: Requires at least 10 but not more than 30 days published notice of all meetings of any governing body relating to fiscal budgets or to equalizations for tax purposes (including BOE meetings) and where notice by publication is not otherwise required by the law.

** 72-hour Notice: Also called "Open Meetings" notice, required prior to any meeting of the governing body, per Art. 6252-17, VTCS.

COMPLIANCE/81

Directions for Calculating the Effective Rate

After the Board of Equalization for a taxing unit has certified the unit's tax roll and adjourned, it is the responsibility of the unit's assessor to calculate an effective tax rate.

Essentially, the effective tax rate calculation will yield an interest and sinking, or debt service, levy necessary for the current year, plus a maintenance and operation levy equal to that of the previous year. Remember that this statement refers to levies, not to actual collections.

The effective tax rate calculated by the tax assessor, plus three percent of that rate, is the highest tax rate which can be adopted by a governing body without triggering the public notices and public hearings specified by Art. 7244c. To adopt a rate higher than three percent above the calculated rate, procedures set forth by the statute must be followed.

Instructions in this section correspond to sample calculations immediately following. In this year's Compliance Package are separate sample calculations for various types of taxing units, but each follows the same set of instructions. The calculation process is the same as last year, as required by Art. 7244c.

Various types of taxing units

Tax assessors for counties, school districts, cities and special districts (such as water, hospital, utility, junior college, etc.) must all calculate an effective tax rate for their respective taxing units.

However, each type of taxing unit may have areas of concern specific to its particular type. Some areas of concern for county, school district and special district tax assessors are listed here.

Counties: The county tax rate is ordinarily composed of three rates for a total tax rate of \$1.25 per \$100 valuation. The following ceilings are set by the Texas Constitution for each of these rates:

- (1) \$.30 per \$100 valuation for farm-to-market roads or flood control (Art. VIII, Sec. 1-a, TEX. CONST.).
- (2) \$.80 per \$100 valuation for the general fund, permanent improvement fund, road and bridge fund and jury fund (Art. VIII, Sec. 9, TEX. CONST.).
- (3) \$.15 per \$100 valuation for the maintenance of public roads (Art. VIII, Sec. 9, TEX. CONST.).

Therefore, each of these rates that a county may impose should be calculated separately. These rates are then added together for a total effective tax rate calculated for the county.

An additional and important consideration for county assessors is that several constitutional and statutory provisions, other than those listed above, permit all or specified counties, under the particular circumstances

authorized by law, to issue bonds and expend public funds for such purposes as jail, courthouse and seawall construction, fire-fighting purposes and other matters. Where such authority exists in a particular county, the assessor should take these additional special funds, mostly of the interest and sinking variety, into consideration in making truth in taxation calculations. Additions to the sample worksheet found on pages 16 and 17 may be necessary in such cases.

It should be noted that the mandatory \$3,000 exemption for all taxpayers from the assessed value of residential homesteads applies to the first tax-rate portion, the farm-to-market roads or flood-control tax. This exemption will result in a different assessed or taxable value for this rate than for the other two rates.

School Districts: School district tax assessors have the special task of dealing with over-65 residence homesteads with a tax levy ceiling or "freeze." These homesteads must be dealt with specially in the calculation, since the amount of taxable value with the tax rate applied may not generate the actual amount of taxes levied. It should be remembered that the taxable value of these over-65 homesteads are not frozen, only the tax levies of the homesteads. These homesteads are unique and are handled as such in the calculation. Specific steps will be marked for the "attention of school districts only" regarding these homesteads as the calculation instructions are presented.

Special Districts: In varying circumstances, a political subdivision may issue bonds or other evidences of indebtedness on behalf of another political subdivision. For instance, certain Texas cities which participate in the Gulf Coast Waste Disposal Authority sell bonds or other evidences of indebtedness for the waste disposal district. Therefore, in compliance with Section 10(b)(3) of Article 7244c, these cities would include the amount of levy needed to retire their share of the bonded indebtedness each year on behalf of this other district or authority in the effective tax rate calculation. This levy would be included in the calculation, in the amount necessary to retire bonds for the current year.

Compliance Package/81 was published as an insert to the May 1981 issue of STATEMENT, official publication of the State Property Tax Board.

Questions regarding compliance procedures should be directed to the Education and Standards Division, Technical Assistance Section, at 512-937-8622 or toll free, 800-252-9121.

Additional copies may be obtained by writing SPTB, Publications Section, P.O. Box 15900, Austin, Texas 78761.

Sample of Truth-In-Taxation Calculation Worksheets

**Sample Worksheet
for the Calculation of the Effective Tax Rate
by Cities & Special Districts**

I. ASSUMPTIONS	
1. 1980 Total Tax Levy from the 1980 Tax Roll	\$ 900,000
2. 1980 Tax Rate (\$.52 M&O and \$.25 I&S)	\$.75 / \$100
3. 1980 Debt Service (I&S) Levy	\$ 300,000
4. 1980 Maintenance and Operation (M&O) Levy	\$ 600,000
5. 1980 Taxes Levied for Maintenance and Operation (M&O) on Real Property No Longer on the 1981 Roll	\$ 375
6. 1980 Taxes Levied for Maintenance and Operation (M&O) on Property Becoming Exempt in 1981	\$ 3,000
7. 1981 Total Assessed Value of All Property	\$180,000,000
8. 1981 Assessed Value of New Improvements Added since January 1, 1980	\$ 10,000,000
9. 1981 Tax Levy Needed to Satisfy Bonded Indebtedness or Debt Service (I&S)	\$ 300,000
II. CALCULATION	
MAINTENANCE AND OPERATION (M&O) TAX RATE FOR 1981	
1(A) 1981 Total Assessed Value of All Property (Assumption No. 7)	\$180,000,000
(B) Subtract 1981 Assessed Value of New Improvements Added (Assumption No. 8)	\$ 10,000,000
(C) Adjusted 1981 Assessed Value for Calculation	\$ 170,000,000
2(A) 1980 Total Tax Levy from the 1980 Tax Roll (Assumption No. 1)	\$ 900,000
(B) Subtract 1980 Taxes Levied for Maintenance and Operation (M&O) on Real Property No Longer on the Roll (Assumption No. 5)	\$ 375
(C) Subtract 1980 Debt Service (I&S) Levy (Assumption No. 3)	\$ 300,000
(D) Subtract 1980 Taxes Levied for Maintenance and Operation (M&O) on Property Becoming Exempt in 1981 (Assumption No. 6)	\$ 3,000
(E) Adjusted 1980 Tax Levy for Calculation	\$ 596,625
3(A) Adjusted 1980 Tax Levy for Calculation (2E above)	\$ 596,625
(B) Divided by Adjusted 1981 Assessed Value for Calculation (1C above) Multiplied by \$100 valuation	\$ 130,000 / \$100
(C) Calculated Maintenance and Operation (M&O) Rate for 1981	\$.45294 / \$100
INTEREST AND SINKING RATE FOR 1981	
4(A) 1981 Tax Levy Needed to Satisfy Bonded Indebtedness or Debt Service (I&S) (Assumption No. 9)	\$ 300,000
(B) 1981 Total Assessed Value of All Property (Assumption No. 7)	\$180,000,000
(C) Divide the 1981 Tax Levy for Debt Service (I&S) (4A above) by the 1981 Assessed Value (4B above) X \$100 valuation	\$ 300,000 / \$180,000,000 = .001667
(D) Calculated Interest and Sinking (I&S) Rate for 1981	\$.21429 / \$100
5(A) Calculated Maintenance and Operation (M&O) Rate for 1981 (3C above)	\$.45294 / \$100
(B) Add Calculated Interest and Sinking Rate (4D above)	\$.21429 / \$100
(C) 1981 Effective Tax Rate Calculated	\$.66723 / \$100
<small>1981 Effective Tax Rate is the tax rate published by the tax assessor, as required by Art. 7244c, Sec. 11E. See sample form on page 20.</small>	
III. MAXIMUM TAX RATE	
1(A) 1981 Effective Tax Rate Calculated (5C above)	\$.66723 / \$100
(B) Multiplied by Three Percent (3%)	X .03
(C) Equals Amount of Increase Allowed by Statute	\$.0204 / \$100
(D) Add to 1981 Effective Tax Rate Calculated for 1981 Maximum Tax Rate	\$.70 / \$100
<small>1981 Maximum Tax Rate is the tax rate which, if exceeded, triggers the public notice and public hearing requirements of Art. 7244c, Secs. 2, 3 and 4. See sample forms on page 22 & 23.</small>	

**Sample Worksheet
for the Calculation of the Effective Tax Rate
by Counties**

SPECIAL NOTE TO COUNTIES: Three separate calculations would be performed, one each for the general fund tax, farm to market road/flood control tax, and public road maintenance tax. See also the discussion on page 7 about additional funds which may be authorized and which should be considered in the county calculation.

Both the general fund tax and the farm to market road/flood control tax can be broken down into maintenance and operation and debt service portions. The tax for public road maintenance is for debt service only, so the maintenance rate calculation would not be used.

The total assessed value of all property used in the calculation of the farm to market road/flood control tax must take into account the mandatory \$1,000 homestead exemption. Therefore, the total assessed value for this calculation will be less than for the other two calculations.

Remember that the sum of these three rates cannot, by law, exceed \$1.25. These limits are 80¢/\$100 valuation for the general fund, 30¢ for farm-to-market road/flood control and 15¢ for public road maintenance.

I. ASSUMPTIONS FOR <u>A</u>	
	(Type of Tax Levied)
1. 1980 Total Tax Levy from the 1980 Tax Roll for This Tax	\$ 304,513
2. 1980 Tax Rate (\$.20 M&O and \$.05 I&S) for This Tax	\$.25 / \$100
3. 1980 Debt Service (I&S) Levy for This Tax	\$ 60,903
4. 1980 Maintenance and Operation (M&O) Levy for This Tax on the 1981 Roll	\$ 243,610
5. 1980 Taxes Levied for Maintenance and Operation (M&O) on Real Property No Longer on the 1981 Roll	\$ 300
6. 1980 Taxes Levied for Maintenance and Operation (M&O) on Property Becoming Exempt in 1981	\$ 2,000
7. 1981 Total Assessed Value of All Property	\$130,900,000
8. 1981 Assessed Value of New Improvements Added since January 1, 1980	\$ 5,400,000
9. 1981 Tax Levy Needed to Satisfy Bonded Indebtedness or Debt Service (I&S) for This Tax	\$ 55,000
II. CALCULATION	
MAINTENANCE AND OPERATION (M&O) TAX RATE FOR 1981	
1(A) 1981 Total Assessed Value of All Property (Assumption No. 7)	\$130,900,000
(B) Subtract 1981 Assessed Value of New Improvements Added (Assumption No. 8)	\$ 5,400,000
(C) Adjusted 1981 Assessed Value for Calculation	\$ 125,500,000
2(A) 1980 Total Tax Levy From the 1980 Tax Roll (Assumption No. 1)	\$ 304,513
(B) Subtract 1980 Taxes Levied for Maintenance and Operation (M&O) on Real Property No Longer on the Roll (Assumption No. 5)	\$ 300
(C) Subtract 1980 Debt Service (I&S) Levy (Assumption No. 3)	\$ 60,903
(D) Subtract 1980 Taxes Levied for Maintenance and Operation (M&O) on Property Becoming Exempt in 1981 (Assumption No. 6)	\$ 2,000
(E) Adjusted 1980 Tax Levy for Calculation	\$ 241,310
(F) Divided by Adjusted 1981 Assessed Value for Calculation (1C above) X \$100 valuation	\$ 241,310 / \$125,500,000 = .0019228
(G) Calculated Maintenance and Operation (M&O) Rate for 1981	\$.19228 / \$100
INTEREST AND SINKING RATE FOR 1981	
4(A) 1981 Tax Levy Needed to Satisfy Bonded Indebtedness or Debt Service (I&S) (Assumption No. 9)	\$ 55,000
(B) 1981 Total Assessed Value of All Property (Assumption No. 7)	\$130,900,000
(C) Divide the 1981 Tax Levy for Debt Service (I&S) (4A above) by the 1981 Assessed Value (4B above) X \$100 valuation	\$ 55,000 / \$130,900,000 = .0004202
(D) Calculated Interest and Sinking (I&S) Rate for 1981	\$.04202 / \$100
5(A) Calculated Maintenance and Operation (M&O) Rate for 1981 (3C above)	\$.19228 / \$100
(B) Add Calculated Interest and Sinking (I&S) Rate for 1981 (4D above)	\$.04202 / \$100
(C) 1981 Effective Tax Rate Calculated for This Tax	\$.24 / \$100
<small>1981 Effective Tax Rate is the tax rate published by the tax assessor, as required by Art. 7244c, Sec. 11E. See sample form on page 20.</small>	
III. MAXIMUM TAX RATE (After Calculation of All Parts and Adding Together)	
1(A) 1981 Effective Tax Rate Calculated (5C above)	\$.11 / \$100
(B) Multiplied by Three Percent (3%)	X .03
(C) Equals Amount of Increase Allowed by Statute	\$.0333
(D) Add to 1981 Effective Tax Rate Calculated for 1981 Maximum Tax Rate	\$ 1.14 / \$100
<small>1981 Maximum Tax Rate is the tax rate which, if exceeded, triggers the public notice and public hearing requirements of Art. 7244c, Secs. 2, 3 and 4. See sample forms on page 22 & 23.</small>	

(C) Subtract 1980 Debt Service (I&S) Levy (Assumption No. 3)	\$ 60,903
(D) Subtract 1980 Taxes Levied for Maintenance and Operation (M&O) on Property Becoming Exempt in 1981 (Assumption No. 6)	\$ 2,000
(E) Adjusted 1980 Tax Levy for Calculation	\$ 241,310
3(A) Adjusted 1980 Tax Levy for Calculation (2E above)	\$ 241,310
(B) Divided by Adjusted 1981 Assessed Value for Calculation (1C above) X \$100 valuation	\$ 241,310 / \$125,500,000 = .0019228
(C) Calculated Maintenance and Operation (M&O) Rate for 1981	\$.19228 / \$100
INTEREST AND SINKING RATE FOR 1981	
4(A) 1981 Tax Levy Needed to Satisfy Bonded Indebtedness or Debt Service (I&S) (Assumption No. 9)	\$ 55,000
(B) 1981 Total Assessed Value of All Property (Assumption No. 7)	\$130,900,000
(C) Divide the 1981 Tax Levy for Debt Service (I&S) (4A above) by the 1981 Assessed Value (4B above) X \$100 valuation	\$ 55,000 / \$130,900,000 = .0004202
(D) Calculated Interest and Sinking (I&S) Rate for 1981	\$.04202 / \$100
5(A) Calculated Maintenance and Operation (M&O) Rate for 1981 (3C above)	\$.19228 / \$100
(B) Add Calculated Interest and Sinking (I&S) Rate for 1981 (4D above)	\$.04202 / \$100
(C) 1981 Effective Tax Rate Calculated for This Tax	\$.24 / \$100
<small>1981 Effective Tax Rate is the tax rate published by the tax assessor, as required by Art. 7244c, Sec. 11E. See sample form on page 20.</small>	
III. MAXIMUM TAX RATE (After Calculation of All Parts and Adding Together)	
1(A) 1981 Effective Tax Rate Calculated (5C above)	\$.11 / \$100
(B) Multiplied by Three Percent (3%)	X .03
(C) Equals Amount of Increase Allowed by Statute	\$.0333
(D) Add to 1981 Effective Tax Rate Calculated for 1981 Maximum Tax Rate	\$ 1.14 / \$100
<small>1981 Maximum Tax Rate is the tax rate which, if exceeded, triggers the public notice and public hearing requirements of Art. 7244c, Secs. 2, 3 and 4. See sample forms on page 22 & 23.</small>	

Reporting, Publishing Requirements, Notices and Meetings

Reporting/Publishing the Calculated Rate

After the tax assessor has calculated the tax rate, it is his duty to report this rate to his jurisdiction's governing body, in accordance with Art. 7244c, Sec. 1. This section also directs that the results of the calculation be published "in a manner designed to come to the attention of all residents". Although no specifications regarding advertisement of the rate are found in the statute, it would be advisable for the tax assessor to publish the calculated rate at least once in a newspaper having general circulation in the jurisdiction. The following is a sample form which could be used by any jurisdiction except a county. This form is not mandatory.

Notice of Calculation of Effective Tax Rate

I, _____ (name), tax assessor-collector for the (jurisdiction), in accordance with the provisions of Article 7244c, Sec. 1, VTCS, have calculated the tax rate which may not be exceeded by more than three percent by the governing body of the (jurisdiction) without holding a public hearing as required by Art. 7244c, Sec. 2, VTCS. That rate is as follows:

\$ _____ per \$100 of value

(name)
Tax Assessor-Collector
(date)

Since many counties have three separate tax rates, as authorized by the Texas Constitution, they must also calculate and publish these rates separately. The following

sample form has been designed for counties to use for reporting the calculated tax rates. This form is not mandatory.

Sample of Calculation of County's Effective Tax Rate

I, _____ (name), tax assessor-collector for _____ County, in accordance with the provisions of Article 7244c, Sec. 1, VTCS, have calculated the tax rate which may not be exceeded by more than three percent by the Commissioner's Court of _____ County without holding a public hearing as required by Art. 7244c, Sec. 2, VTCS. That rate is as follows:

\$ _____ per \$100 for farm to market/flood control tax rate;

\$ _____ per \$100 for the general fund, permanent improvement fund, jury fund, and road and bridge fund tax rate;

\$ _____ per \$100 for public road maintenance tax rate; thus

\$ _____ per \$100 total county tax rate

(date) _____ (name) _____
Tax Assessor-Collector

*Counties may have other special rates which should be included as noted on page 7.

Seminars for local tax administrators are being held in July at 13 locations throughout Texas to assist officials in complying with the tax-rate calculation, and notice and hearing requirements detailed in this pamphlet. The seminars devote mornings to any changes in tax law effected by the legislature and afternoons to truth-in-taxation compliance. The sessions are conducted by SPTB's Education & Standards Division and General Council staff.

This schedule and locations for 1981 are:

July 8 - Amarillo	- Education Service Ctr. 1801 Cleveland	July 16 - El Paso	- Education Service Ctr. 6611 Pacing Dr.
July 9 - Lubbock	- Evan* Junior H.S. 4211 58th Street	July 17 - Midland	- Allison Fine Arts Bldg. Midland Coll* 3600 N. Garfield
July 10 - Abilene	- Harrell Fine Arts Audit. Cisco Junior College Rt. 3	July 20 - Huntsville	- Huntsville H.S. Audit. FM 2821
July 13 - Edinburg	- Education Service Ctr. 1900 W. Schunior	July 21 - Beaumont	- Education Service Ctr. 2295 Delaware
July 14 - Corpus Christi	- Education Service Ctr. 209 N. Water	July 22 - Longview	- T.G. Field Audit. Second & Magill
July 15 - San Antonio	- Education Service Ctr. 1314 Hines Ave.	July 23 - Fort Worth	- Education Service Ctr. 3001 North Freeway
	July 24 - Waco - Connally H.S. 715 Rita		

Notices and Meetings

Article 7244c places certain responsibilities on the governing body of each taxing unit. Sections 2, 3 and 4 of the statute direct the taxing units to perform required functions in the process of adopting a tax rate higher than the rate calculated by the tax assessor. In addition, these sections provide for taxpayer awareness and participation in the events leading to the adoption of the taxing unit's tax rate.

3% limit for tax increase

After an effective tax rate has been calculated and published by the tax assessor according to Art. 7244c, Sec. 1, the governing body of the taxing unit has two options. The members may either (1) adopt a rate that does not exceed three percent of the calculated rate, or (2) propose to increase the calculated rate by more than three percent.

If the governing body does not wish to exceed the three percent limit, it need only adopt the intended tax rate at a public meeting. This may be a regularly scheduled meeting with other items on the agenda. However, the adoption of the tax rate should be a separate item and not included with the item to adopt the budget.

Procedures for exceeding 3% limit

If the governing body decides that a tax rate which exceeds the three percent limit is needed, there are certain actions which become mandatory. (Remember, these actions must be taken if the governing body wishes to exceed the calculated rate by more than three percent.)

First, a decision must be made to propose exceeding the three percent limit. To do this, the governing body would take a record vote at the meeting when the decision is made. The vote of each member of the governing body (trustee, commissioner, councilman, etc.) will later be published in a quarter-page newspaper ad discussed below.

Second, the members of the governing body would publish the first of two newspaper ads concerning the higher tax rate.

Third, the members of the governing body would schedule and hold a public hearing for the taxpayers of the taxing unit.

Public hearing requirements for tax increase

The governing body must set the date, time and place for a public hearing on the proposed increase of the calculated tax rate, as required by Art. 7244c, Sec. 3. Rules regarding this public hearing include:

- (1) The hearing must begin after 5 p.m. and before 9 p.m.;
- (2) The hearing must be held on a weekday that is not a public holiday;
- (3) The hearing must be held in a public building, or another suitable place if no public building is available, within the district's geographical boundaries; and,
- (4) Adequate opportunity must be given to both proponents and opponents of the increase.

Quarter-page ad #1 and open meetings notice

Pursuant to Sections 2 and 3, a public notice must be published before the tax rate can be discussed at the public hearing.

published before the tax rate can be discussed at the public hearing.

This public notice must be a quarter-page (or larger) advertisement in a local standard or tabloid-size newspaper. The ad must be published at least seven days before the public hearing and cannot appear in the legal notices or classified advertisements section of the newspaper. The ad's contents must conform exactly to the ad on page 22. The headline on the notice must be in 18-point (or larger) type.

In addition, a 72-hour or "Open Meetings" notice must be posted, in accordance with Art. 6263-17, VTCS, before the public hearing.

NOTE: In lieu of publishing the quarter-page ad in the newspaper, it may be mailed to each registered voter in the district by first class mail.

What happens at the public hearing?

At the public hearing, the proposed tax increase should be the only agenda item. Members of the governing body should be present to discuss the proposal with taxpayers, as required by Section 4 of the statute. Taxpayers should be given ample opportunity to express their opinions about the proposed tax increase. At the conclusion of the hearing, another record vote regarding the proposed increase must be taken. The date, time and place for a public meeting to adopt the actual tax rate must also be set and announced to those attending the public hearing, as well as included in a second required quarter-page ad.

Quarter-page ad #2

Following the public hearing, a second quarter-page ad notifying taxpayers of the meeting to adopt a tax rate must be published. This second notice has the same size, wording and placement specifications as the first quarter-page ad. It can be published anytime after the public hearing and before the actual meeting to adopt the tax rate. Its contents must conform exactly to the ad on page 23. In addition, the time set for adopting the tax rate must meet certain requirements.

Time limits for adopting a tax rate

The tax rate must be adopted at a meeting of the governing body no less than three days, nor more than 14 days, after the public hearing. The meeting must be held in a public building, or another suitable place if no building is available.

For counties, the tax rate must be adopted at a regular meeting of the commissioners' court, and all members must be present to vote. For other taxing units, the adoption of the tax rate may be at a regular meeting. If so, the official action to adopt a 1981 tax rate should be on the agenda as a separate item. It should not be passed in the same official action as the budget.

In the event the official tax rate is not adopted in the allotted time, the governing body must again set a date, time and place to adopt the tax rate. A quarter-page (or larger) ad must be published again. In the above prescribed time frame, to announce this meeting. The ad would follow the form on page 23 (notice of meeting to adopt tax rate).

Truth-In-Taxation



Senate Bill 2 by Bettencourt (86th Regular Session)

Texas Property Tax Reform & Transparency Act

- Over 160 pages
- Over 100 bill sections
- ADDED 20 New Sections to the Tax Code
- AMENDED 52 Sections of the Tax Code
- ADDED or AMENDED over 70 deadlines
- Plus
 - 15 AMENDMENTS
 - 3 ADDITIONS
 - 3 REPEALS in 5 other Codes



SB 2: Big Picture

Old

- Generally not schools; water districts under Water Code Chapter 49 →
- Adopted rate exceeds rollback tax rate →
subject to petition
- Tax rate elections in middle of year →
- Rollback tax rate included 8% M&O growth →

New

- Some Local Government statutes repealed, water districts remain under Water Code Chapter 49
- Adopted rate exceeds voter-approval tax rate automatic election
- Tax rate election on Nov. uniform election date
- Voter-approval tax rate includes 3.5% M&O growth

Generally effective Jan. 1, 2020

Other TNT Changes

- No-new-revenue M&O increases:
 - County indigent defense compensation expenditures
 - County hospital expenditures
- **Voter-approval tax rate:**
(No-New-Revenue M&O Rate x 1.035 + Debt Rate + Unused Increment Rate)
- Repealed simplified city/county tax rate notice in Local Government Code
- Longer tax rate notice in Tax Code changed; on webpage
- TNT worksheets in appendix of budget (effective 2021)
- Past TNT worksheets (2015-2019) to county assessor-collector to post on website Sept. 2019

Comptroller's TNT Role

- Comptroller must prescribe TNT forms
- Taxing units must use forms starting 2021
- Statutory advisory committee on forms for substantive changes
- Advisory committee with representation from taxing units, taxpayers, and assessors



Truth-in-Taxation Committee

- Tax Code §5.07(i)
- Effective Date: Jan. 1, 2020
- Comptroller Appointed Members
- Equal Representation
 - Taxpayers
 - Taxing Units or Designees
 - Assessors





Reduction in ~~Rollback~~ Voter-approval Tax Rate

(or threshold over which voters must approve tax increases)

Taxing Unit	Voter-Approval Tax Rate	Effective Date
Cities Counties	3.5%	Jan. 1, 2020
Special Taxing Units (Hospitals, Junior Colleges)	8%	No Change
School Districts	2.5%	Sept. 1, 2020

Special Taxing Units Keep 8%

Special
taxing unit
means:



Proposed M&O tax rate for current tax year is 2.5 cents or less per \$100 of taxable value (.025)



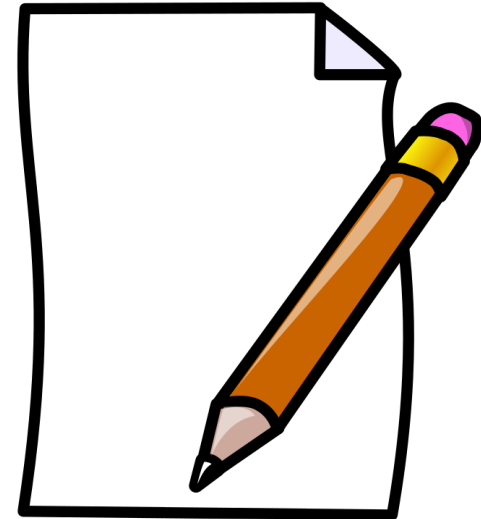
junior college district



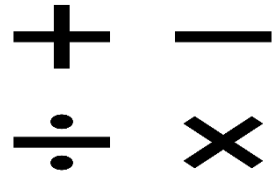
hospital district

Tax Rate Calculation Worksheets

- Tax Code §5.07
- Effective date: Jan. 1, 2020
- Electronic Forms
 - Fillable Blanks
 - Certification
 - Transmission






New Tax Rate Calculation Forms



- Comptroller will prescribe new tax rate calculation forms based on 2019 forms.
- Electronic format that can be electronically incorporated into the CAD's property tax database and submitted to the county assessor-collector of each county in the CAD.
- Comptroller will have a committee, equally representing taxpayers, taxing units and assessors to approve substantive changes to the forms

New Tax Rate Terms

- ~~Effective~~ Tax Rate  No-New-Revenue rate
- ~~Rollback~~ Rate  Voter-Approval rate
- ~~M&O~~ Rate  No-New-Revenue
M&O rate

Newly Added Tax Rate Terms

- **De minimis rate** – to allow certain taxing units an additional \$500,000 from last year plus debt rate.
- **Unused increment rate** – for a taxing unit other than a special taxing unit -if your actual tax rate doesn't go up to the voter-approval rate - taxing unit keeps unused pennies.



Voter-Approval Tax Rate Calculations

For Special Taxing Units

$(\text{No-New-Revenue M\&O Rate} \times 1.08) + \text{Debt Rate}$

For other taxing units

• $(\text{No-New-Revenue M\&O Rate} \times 1.035 + \text{Debt Rate} + \text{Unused Increment Rate})$

Sales and Use Tax for Property Tax Relief

Similar changes made for special taxing units and other types of taxing units (Tax Code Section 26.041)

Newly Added Tax Rate Terms

- **De minimis rate** – to allow certain taxing units an additional \$500,000 from last year plus debt rate.
- **Unused increment rate** – for a taxing unit other than a special taxing unit -if your actual tax rate doesn't go up to the voter-approval rate - taxing unit keeps unused pennies.



De Minimis Rate (not applicable to school districts)

De minimis rate The rate is equal to the sum of:

- (A) a taxing unit's no-new-revenue maintenance and operations rate;
- (B) the rate that when applied to a taxing unit's current total value, will impose an amount of taxes equal to \$500,000, and
- (C) a taxing unit's current debt rate.

De minimis rate calculation example:

Step 1:

$$\begin{array}{r}
 \$500,000 \\
 \div \\
 \text{CURRENT YEAR TOTAL TAXABLE VALUE} \\
 \times \\
 \$100 \\
 = \\
 \text{RATE NECESSARY TO IMPOSE \$500,000 IN TAXES}
 \end{array}$$

Step 2:

$$\begin{array}{r}
 \text{ADJUSTED CURRENT YEAR NNR M\&O TAX RATE} \\
 + \\
 \text{RATE NECESSARY TO IMPOSE \$500,000 IN TAXES} \\
 + \\
 \text{CURRENT YEAR DEBT RATE} \\
 = \\
 \text{DE MINIMIS RATE}
 \end{array}$$

Which taxing units calculate a de minimis rate?

TAXING UNIT	Yes	No
County	X	
Small City (population of 30,000 or less)	X	
Other Special Districts (M&O tax rate above 2.5 cents)	X	
City (population of 30,000 or more)		X
Hospital District		X
Junior College District		X
School District		X
Special Taxing Unit (M&O tax rate at 2.5 cents or less)	X	
Water District		X

Tax increase elections for taxing units that calculate a de minimis rate depend on whether the adopted tax rate is greater than or less than the voter-approval tax rate AND the de minimis rate.

What adopted tax rates trigger an election or petition for a taxing unit with a de minimis rate?

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. 26.963 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.

For more information, visit our website:
comptroller.texas.gov/taxes/property-tax
 Texas Comptroller of Public Accounts
 Publication #98-1083
 March 2022

- A city with a population of less than 30K, county or taxing unit other than a school district with a proposed M&O rate greater than 2.5 cents or more per \$100 of taxable value is authorized to raise an additional \$500K without triggering an automatic election, even if that rate exceeds the voter-approval tax rate. This does not apply to junior college districts and hospital districts.
- To calculate, the de minimis rate is the sum of: NNR M&O rate...the rate that, when applied to current value, will impose \$500K in levy; and the current debt rate.

Unused Increment Rate, Banking it

Unused Increment Rate (not applicable to school districts)

Unused Increment Rate

The unused increment rate can be used to increase the voter-approval tax rate, depending upon the tax rates adopted by a city in the previous three years. The unused increment rate is the three year rolling sum of the difference between the actual tax rate and the voter-approval tax rate. A city has the ability to bank any unused amounts below the voter-approval tax rate to use up to three years. Conversely, if a city adopts the voter-approval tax rate all three years, the unused increment rate would be zero. School districts do not calculate an unused increment rate.

VOTER-APPROVAL TAX RATE
(Tax rate used to levy taxes in preceding year(s))

— (MINUS)

ACTUAL TAX RATE
(Voter-approval tax rate in preceding tax year less unused increment rate for the preceding year)

=

UNUSED INCREMENT RATE

Maximum Unused Increment Rate – Three Year Look Back Calculation



Taxing units calculate the unused increment rate by comparing the actual tax rates in the previous three-years to the voter-approval tax rate, the maximum tax rate a unit can adopt without triggering an election. This comparison is made before considering the unused increment allowance in the voter-approval tax rate.

The unused increment for any year prior to 2020 is considered zero.

If a municipality is considered a defunding municipality, the difference between the municipality’s actual tax rate and the voter-approval tax rate is considered zero.

Counties that reduce the funding or allocate funding away from a law enforcement agency without voter approval, the difference between the actual tax rate and the voter-approval tax rate is considered zero.

Look back three years

2021 (Year 1)	2022 (Year 2)	2023 (Year 3)	2024
	 	 	
1¢	2¢	2¢	5¢ (Max)
Taxing unit adopts a tax rate \$0.01 less than the voter-approval tax rate.	Taxing unit adopts a tax rate \$0.02 less than the voter-approval tax rate.	Taxing unit adopts a tax rate \$0.02 less than the voter-approval tax rate.	Taxing unit may adjust the voter-approval tax rate higher by up to \$0.05 without triggering an election.

- Actual tax rate = tax rate used to levy taxes in preceding tax year(s)
- Voter-approval tax rate = voter-approval tax rate in preceding tax year less unused increment rate for that preceding tax year

Form 50-856 –Section 5 Current Version

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

Form 50-856

SECTION 5: Voter-Approval Tax Rate Adjustment for Unused Increment Rate

The unused increment rate is the rate equal to the difference between the adopted tax rate and voter-approval tax rate before the unused increment rate for the prior three years.³⁹ In a year where a taxing unit adopts a rate by applying any portion of the unused increment rate, the unused increment rate for that year would be zero.

The difference between the adopted tax rate and voter-approval tax rate is considered zero in the following scenarios:

- a tax year before 2020;⁴⁰
- a tax year in which the municipality is a defunding municipality, as defined by Tax Code Section 26.0501(a);⁴¹ or
- after Jan. 1, 2022, a tax year in which the comptroller determines that the county implemented a budget reduction or reallocation described by Local Government Code Section 120.002(a) without the required voter approval.⁴²

This section should only be completed by a taxing unit that does not meet the definition of a special taxing unit.⁴³

Line	Unused Increment Rate Worksheet	Amount/Rate
63.	2021 unused increment rate. Subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approval tax rate. If the number is less than zero, enter zero.	\$ _____ /\$100
64.	2020 unused increment rate. Subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approval tax rate. If the number is less than zero, enter zero.	\$ _____ /\$100
65.	2019 unused increment rate. Subtract the 2019 actual tax rate and the 2019 unused increment rate from the 2019 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2020 use zero.	\$ _____ /\$100
66.	2022 unused increment rate. Add Lines 63, 64 and 65.	\$ _____ /\$100
67.	2022 voter-approval tax rate, adjusted for unused increment rate. Add Line 66 to one of the following lines (as applicable): Line 49, Line D49 (disaster), Line 50 (counties), Line 58 (taxing units with the additional sales tax) or Line 62 (taxing units with pollution control).	\$ _____ /\$100



SECTION 5: Voter-Approval Tax Rate Adjustment for Unused Increment Rate

The unused increment rate is the rate equal to the difference between the adopted tax rate and voter-approval tax rate adjusted to remove the unused increment rate for the prior three years.³⁹ In a year where a taxing unit adopts a rate by applying any portion of the unused increment rate, the portion of the unused increment rate must be backed out of the calculation for that year.

The difference between the adopted tax rate and adjusted voter-approval tax rate is considered zero in the following scenarios:

- a tax year before 2020;⁴⁰
- a tax year in which the municipality is a defunding municipality, as defined by Tax Code Section 26.0501(a);⁴¹ or
- after Jan. 1, 2022, a tax year in which the comptroller determines that the county implemented a budget reduction or reallocation described by Local Government Code Section 120.002(a) without the required voter approval.⁴²

Individual components can be negative, but the overall rate would be the greater of zero or the calculated rate.

This section should only be completed by a taxing unit that does not meet the definition of a special taxing unit.⁴³

Line	Unused Increment Rate Worksheet	Amount/Rate
63.	<p>Year 3 component. Subtract the 2021 actual tax rate and the 2021 unused increment rate from the 2021 voter-approval tax rate.</p> <p>A. Voter-approval tax rate \$ _____ /\$100</p> <p>B. Unused increment rate \$ _____ /\$100</p> <p>C. Subtract B from A \$ _____ /\$100</p> <p>D. Actual Tax Rate \$ _____ /\$100</p> <p>E. Subtract D from C \$ _____ /\$100</p>	
64.	<p>Year 2 component. Subtract the 2020 actual tax rate and the 2020 unused increment rate from the 2020 voter-approval tax rate. If the number is less than zero, enter zero.</p> <p>A. Voter-approval tax rate \$ _____ /\$100</p> <p>B. Unused increment rate \$ _____ /\$100</p> <p>C. Subtract B from A \$ _____ /\$100</p> <p>D. Actual Tax Rate \$ _____ /\$100</p> <p>E. Subtract D from C \$ _____ /\$100</p>	
65.	<p>Year 1 component. Subtract the 2019 actual tax rate and the 2019 unused increment rate from the 2019 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2020 use zero.</p> <p>A. Voter-approval tax rate \$ _____ /\$100</p> <p>B. Unused increment rate \$ _____ /\$100</p> <p>C. Subtract B from A \$ _____ /\$100</p> <p>D. Actual Tax Rate \$ _____ /\$100</p> <p>E. Subtract D from C \$ _____ /\$100</p>	
66.	<p>2022 unused increment rate. Add Lines 63E, 64E and 65E.</p>	\$ _____ /\$100
67.	<p>Total 2022 voter-approval tax rate, including the unused increment rate. Add Line 66 to one of the following lines (as applicable): Line 49, Line D49 (disaster), Line 50 (counties), Line 58 (taxing units with the additional sales tax) or Line 62 (taxing units with pollution control).</p>	\$ _____ /\$100

2023
DRAFT

Optional Disaster Area Tax Rate Adoption (other than school districts) Tax Code Section 26.042

When an increased expenditure of money by a taxing unit other than a school district is necessary to respond to a disaster, including the following:



Tornado



Hurricane



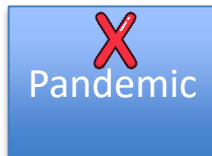
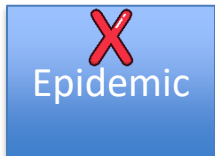
Flood



Wildfire



Calamity



Declared by the Governor or President and one person granted an exemption under Tax Code Section 11.35 for property located in the taxing unit.

Form 50-856-A

Supplemental Tax Rate Calculation Worksheet

Voter-Approval Tax Rate for Taxing Units in a Disaster Area Other Than School Districts or Water Districts **DRAFT**

Recalculation of Voter-Approval Tax Rate for Taxing Units in Disaster Area Worksheet

In the tax year after the end of the disaster calculation ~~time period~~ detailed in Tax Code Section 26.042(a), a taxing unit that calculated its voter-approval tax rate in the manner provided for a special taxing unit due to a disaster must calculate its emergency revenue rate and reduce its voter-approval tax rate for that year.

To do so, the taxing unit must recalculate the voter-approval tax rate the taxing unit would have calculated in 2024 if it had generated revenue based on an adopted tax rate using a multiplier of 1.035 in the year(s) following the disaster. The recalculated 2022 voter-approval tax rate for a taxing unit in a disaster area will be entered on Line 74 of the 2022 Tax Rate Calculation Worksheet.

This worksheet applies to a taxing unit other than a special taxing unit that:

- directed the designated officer or employee to calculate the voter-approval tax rate of the taxing unit in the manner provided for a special taxing unit in 2021; and
- 2022 is the first tax year in which the total taxable value of property taxable by the taxing unit as shown on the appraisal roll for the taxing unit submitted by the assessor for the taxing unit to the governing body exceeds the total taxable value of property taxable by the taxing unit on January 1 of the tax year in which the disaster occurred or the disaster occurred in 2022.

Complete applicable sections or lines.

Complete Section 1 if the disaster occurred in 2021 and the taxing unit has calculated its voter-approval tax rate using a multiplier of 1.08 since 2021.

Complete Section 2 if the disaster occurred in 2022 and the taxing unit has calculated its voter-approval tax rate using a multiplier of 1.08 since 2022.

Complete Section 3 if the disaster occurred in 2023 and the taxing unit has calculated its voter-approval tax rate using a multiplier of 1.08 since 2023.

Complete Section 4 if the disaster occurred in 2024 and the taxing unit calculated its voter-approval tax rate using a multiplier of 1.08 in 2024.

SECTION 1: Recalculated 2022 Voter-Approval Tax Rate for a 2021 Disaster

Line	Emergency Revenue Rate Worksheet	Amount/Rate
1.	<p>Recalculated 2021 voter-approval tax rate. Complete the following steps on the taxing unit's 2021 Tax Rate Calculation Worksheet:</p> <p>A. On Line 41, replace the multiplier used to calculate the 2021 voter-approval M&O rate with 1.035.</p> <p>B. Recalculate the 2021 voter-approval tax rate.</p> <p>Enter the final recalculated voter-approval tax rate from Section 7 of the 2021 Tax Rate Calculation Worksheet.</p>	\$ _____ /\$100

SECTION 2: Recalculated 2022 Voter-Approval Tax Rate for a 2021 Disaster

Line	Emergency Revenue Rate Worksheet	Amount/Rate
1.	<p>Recalculated 2022 voter-approval tax rate. Complete the following steps on the taxing unit's 2022 Tax Rate Calculation Worksheet:</p> <p>A. On Line 41, replace the multiplier used to calculate the 2022 voter-approval M&O rate with 1.035.</p>	

**2023
DRAFT**

Before you ask Scotty to beam you up---
you may decide to “re-gift” the next three slides!



SCHOOL DISTRICTS

- House Bill 3 addresses public school financing:
 - Maximum Compressed Rate (MCR)
 - Enrichment Tax Rate (DTR)
 - Added together comprise the ISD's M&O rate



Water Districts

- Water Districts follow the Water Code:
 - Developed Water District
 - Low Tax Rate Water District
 - Undeveloped Water District



Low Tax Rate water district, the **election tax rate** is the highest total tax rate the district may adopt without holding an automatic election to approve the adopted tax rate.

For a **Developing water district**, the **election tax rate** is the highest total tax rate the district may adopt before qualified voters of the district may petition for an election to lower the adopted tax rate

The **mandatory tax election rate** is the highest total tax rate a **Developed water district** may adopt without holding an election. The mandatory tax election rate is the rate that would impose 1.035 times the amount of tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the water district plus the unused increment rate. The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.

Contract tax rate – not defined in the Water Code.



Where To Find Truth-In-Taxation On PTAD Website

The screenshot shows a web browser window with the URL <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/index.php>. The page content includes a breadcrumb trail: [home](#) » [taxes](#) » [property tax](#) » [truth in taxation](#). Below this is a large blue circle containing a white percentage sign, followed by the word "Taxes" in a large blue font, and "Property Tax Assistance" in a smaller blue font. The main heading is "TRUTH-IN-TAXATION: TAX RATE ADOPTION". The text explains that truth-in-taxation is a concept in the Texas Constitution requiring local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to roll back or limit tax increases. It also describes the process of creating a budget and adopting a property tax rate, and the requirements for a hearing, notice, or tax rate adopting process. A "Resources" sidebar on the right lists links for "Tax Rate Calculations and Worksheets", "Notice Requirements", "Hearing Requirements", "Rollback Elections", "Forms for Tax Rate Adoption", "Important Dates (PDF)", "Texas Constitution Provisions (PDF)", "Truth-in-Taxation FAQ", and "Truth-in-Taxation Videos". At the bottom of the page, there is a navigation bar with icons for "Contact", "Share/Connect", "Subscribe", "Policies", and "Careers". A "+ Expand All" link is also visible.



Truth-in-Taxation

- Worksheets
- Notices
- TNT information
- Statutory citations
- Videos

NOTICE OF PUBLIC MEET BUDGET AND PROPT

The _____ (name of school district)
meeting at _____ (time, date, year)
_____ (city, state)

school district's budget that will determine the
in the discussion is invited.

The tax rate that is ultimately adopted at this meet
the proposed rate shown below unless the district
and comparisons set out below and holds anothe
\$ _____

Maintenance Tax
School Debt Service
Approved by _____

The applicable fiscal year and
for each of the _____

Mainte
Debt
Total

It is eligible for continuing
education credit for
property tax professionals
registered with the Texas
Department of Licensing
and Regulation (TDLR) in
the assessment and
collection category. Please
remember to print the
certificate at the end of the
video.

* Outstanding principal.

**Sample Rollback Ballot
for School Districts**

Tax Rate Rollback Election

For _____ (Name of School District)

OFFICIAL BALLOT

Place an "X" in the square beside the statement indicating the wa

FOR AGAINST

Truth-in-Taxation Important Dates

Date	Activity
April 1 ¹	Chief appraisers send notices of appraised value on single family residences by this date or as soon thereafter as practicable.
May 1 ²	Chief appraisers send notices of appraised value on all other property by this date or as soon thereafter as practicable.
April 30 ³	Chief appraisers prepare and certify the estimate of the taxable value of property in counties, cities and school districts to tax assessors.
July 20 ⁴	Appraisal review boards approve the appraisal records.
July 25 ⁵	This date may extend to Aug. 30 for certain larger counties.
Aug. 2 ⁶	Chief appraisers certify the approved appraisal roll to the taxing units.
August - Sept	Certain taxing units publish notice of rollback tax rates by _____ on thereafter as _____

Truth-in-Taxation - Overview (00:02 / 17:47)

Glenn Hegar Texas Comptroller of Public Accounts

Truth-in-Taxation: Overview

Texas Comptroller of Public Accounts

< PREV NEXT >

comptroller.texas.gov/taxes/property-tax/truth-in-taxation/index.php

WEB SITES & DATA BASES

IT IS ALL ABOUT TRANSPARENCY



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