

Setting Tax Rates

Once the ARB approves the appraisal records, the chief appraiser prepares an appraisal roll for each taxing unit. An appraisal roll lists the taxable property within the unit's boundaries. The appraisal district's job then is finished for the current year. It has, at least in theory, provided a set of equal and uniform values for the use of all local taxing units.

Now the taxing units decide what services they will provide in the coming year and how much money they will need. Each taxing unit adopts a tax rate that will raise the needed tax dollars.

How do tax rates work?

As a taxpayer, it's important for you to understand how government spending, property values and tax rates affect the size of your tax bill.

- **Property values determine each taxpayer's share of the total taxes.**

Changes in property values may affect the tax bills of individual owners, but they do not necessarily increase or decrease the total amount of taxes to a taxing unit.

- **A taxing unit's budget determines its total amount of taxes.**

Total taxes collected increase only when government spending increases.

- **The only meaningful way to compare tax rates is to consider the amount of tax revenue they will produce.**

"Truth-in-taxation" laws give taxpayers a voice in decisions affecting their property tax rates.

Beginning in early August, taxing units take the first step toward adopting a tax rate by calculating and publishing the effective and rollback tax rates.

The effective tax rate would provide the taxing unit with about the same amount of revenue it received in the year before, on properties taxed in both years. If property values rise, the effective tax rate will go down, and vice versa. Comparing property

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tax revenues from one year to the next year tells you whether there will be a tax increase.

The rollback rate, by contrast, would provide the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent cushion for operating money and sufficient funds to pay its debts in the coming year. (For school districts, the cushion is 4 cents per \$100 of property value rather than 8 percent.)

In addition to effective and rollback rates, effective maintenance and operations rates must also be calculated. Special notices of budget and tax rate hearings must be published and posted on the web.

If a unit adopts a tax rate that is higher than the rollback rate, voters in the unit can circulate a petition calling for an election to limit the size of the tax increase. For school districts, no petition is required. The school board simply calls for an election to ratify the adopted rate if the adopted rate exceeds the rollback rate.

Each taxing unit, other than a school district, a water district or small taxing unit (with a rate of less than 50 cents per \$100 of property value that raises less than \$500,000), publishes the effective and rollback rates in a local newspaper, along with a list of the debts it must pay and the amount of money left over from the previous year. A school district or water district must publish a special notice in the newspaper.

If taxpayers believe that the taxing unit hasn't calculated and published these rates or other required information in good faith, they can ask a district court to stop the taxing unit from adopting a tax rate until it complies with the law.

Additional laws apply to tax rate settings for school districts.

What if your taxing unit plans to increase the tax rate?

Taxing units hold budget hearings to discuss what services to provide in the coming year and how to pay for them. Taxpayers concerned about spending should attend these hearings.

If a governing body wants to increase its property tax rate above the effective or rollback rate, it must publish a quarter-page notice in a local newspaper, announcing special public

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hearings. School districts must publish a notice and hold a public hearing. (Small taxing units and certain water districts have a special notice process.)

The public hearings give taxpayers an opportunity to voice their opinions about the proposed tax increase and ask questions of the governing body.

Before the hearing's end, the governing body must set a date, time and place for the tax rate's formal adoption. The taxing unit then publishes another quarter-page ad announcing the meeting to adopt the tax rate.

If you believe that your taxing unit has failed to comply in good faith with these requirements, you can file a lawsuit in district court to stop tax collections until the taxing unit complies with the law. You must file the lawsuit before substantially all of the tax bills are mailed.

How can you limit a tax increase?

If a taxing unit adopts a tax rate that exceeds the rollback rate, the taxpayers may petition for an election to reduce the tax increase to the rollback rate. If a school district adopts a tax rate above the rollback rate, the district must hold an election to ratify the adopted rate; no petition is required.

For taxing units other than school districts, petitions for holding a tax rate rollback election must:

- **use specific legal wording. An attorney can assist you with the proper wording for a petition;**
- **be signed by at least 7 or 10 percent of the registered voters in the taxing unit, depending on whether the adopted tax rate raises more or less than \$5 million for maintenance and operations taxes.**

The number of registered voters is the number of voters included on the most recent official voter list; and

- **be presented to the taxing unit's governing body within 90 days after it adopts the tax rate.**

Once the governing body receives a petition, it has 20 days to determine if it is valid. If the governing body determines that the petition is valid, or if the governing body

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takes no action during the 20 days, it must set an election date 30 to 90 days from then.

If a majority votes in favor of the tax rollback, the tax rate is reduced to the rollback rate immediately. For school districts, if a majority votes against ratifying the school district's adopted tax rate, the calculated rollback rate will become the school's tax rate. In school districts, however, a rollback election is not required if the tax rate increase is intended to pay for responses to a natural disaster.

Source: Texas Comptroller of Public Accounts Internet site

http://www.window.state.tx.us/taxinfo/proptax/remedy10/remedy10_7.html