

OVERVIEW OF SENATE BILL 2

86th Legislature

Presentation overview

- Senate Bill 2 – Texas Property Tax Reform and Transparency Act of 2019
- Presentation by the Texas Association of Counties and the V.G. Young Institute of County Government
- Focus on provisions with greatest impact to Counties
- Major points will carry through all the presentations today
- Familiarize with major tenets of the bill
- Provide useful links and resources

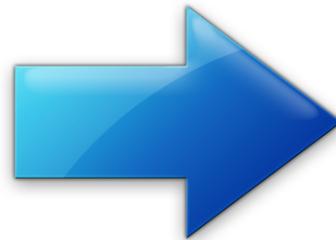
Terminology changes

Old terminology

Effective Tax Rate

Effective maintenance and operations tax rate

Rollback tax rate



New SB 2 terminology

No-new-revenue tax rate

No-new-revenue maintenance and operation tax rate

Voter-approval tax rate

Effective dates of the bill

- There is NO uniform effective date for the provisions of the bill; there's several different dates
- September 25, 2019 – all taxing units submit tax rate worksheets to the Tax Assessor Collector; post on web
- January 1, 2020 – Most provisions of the bill effective
- January 1, 2021 – Some provisions delayed until then; selection of items on next slides
- January 1, 2022 – Further revisions to notice of appraised value

Some Items delayed until January 1, 2021 – All counties

- Designated officer or employee must use tax rate calculation forms prescribed by the Comptroller
- May not adopt a tax rate until the designated officer or employee certifies the accuracy of the tax rate calculation forms
- Designated officer or employee must submit certified forms to the County assessor collector
- Include tax rate calculation forms as an appendix in the County budget

Tax Code 26.04
d-1, d-2, d-3, e-5

Effective dates – specific provisions by population

Bill provision	200,000 +	< 200,000
Chief appraiser to create a property tax database	1/1/2020	1/1/2021
Appraisal district notice to taxpayers about property tax database	8/7/2020	8/7/2021
Wait to have public hearing until 5 th day after appraisal district sends notices to taxpayers about the database	1/1/2020	1/1/2021
Additional postings required on County website in Tax Code 26.18	1/1/2020	1/1/2021

Tax Code 26.17

Tax Code 26.04 (e-2)

Tax Code 26.05 (d-1, d-2)

Tax Code 26.18

Modification of the tax rate calculation

- Previously, the rollback rate was 8% above the effective tax rate
- Now, the voter-approval rate is 3.5% above the no-new-revenue rate
- Automatic trigger: An automatic election will be triggered if you go higher than the voter-approval rate

- Calculations
 - Old: Rollback rate = (effective M&O rate x 1.08) + current debt service rate
 - New: Voter-approval rate = (no-new-revenue M&O rate x 1.035) + current debt service rate

Tax Code 26.04

Tax Code 26.07

Adjustments to the no-new-revenue rate

- Indigent Defense expenditures for appointed counsel
 - Adjust the tax rates by the increase in your expenses, year over year
 - Criminal AND Civil attorney appointments
 - Limited to 5% increase in expenditures that can be counted toward the adjustment

- County Hospital expenditures
 - Adjust the tax rates by the increase in your expenses, year over year
 - Limited to 8% increase in expenditures that can be counted toward the adjustment

Tax Code 26.0442

Tax Code 26.0443

Adjustments to the voter approval rate

Natural Disaster provisions

- If declared a disaster by the Governor of Texas or President of the United States, a Commissioners Court can decide to calculate tax rates as a special taxing unit
- A special taxing unit has a voter approval limit of 8%, instead of 3.5%
- Continue doing that until either:
 - Second year in which taxable value exceeds the value in the year the disaster occurred; OR
 - The third year after the disaster



Tax Code 26.04 (c-1)

Adjustments to the voter approval rate

- Debt service rate component adjusted by the anticipated collection rate, as usual
- Anticipated collection rate definition changed, however
 - If the appraiser's estimate is lower than the actual collection rate over the previous 3 years, then the anticipated collection rate is equal to the lowest actual collection rate in any of those preceding 3 years.
 - Regardless of whether that rate exceeds 100% due to delinquent collections



Tax Code 26.04 (h-1)

Unused increment rate

- If the adopted tax rate is less than the voter-approval rate, the difference or “unused” portion, is the unused increment rate.
- A county can “bank” up to three years worth of unused increment rate, which can be used to adjust a subsequent year’s voter-approval rate without triggering an automatic election.
- Tax years before 2020 start with zero, cannot look back prior to SB2.

Tax Code 26.013

Unused increment rate example

	Tax Year			
<u>Rates per \$100</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Voter-Approval Tax Rate	\$0.51750	\$0.51750	\$0.51750	
Adopted Tax Rate	\$0.50000	\$0.50000	\$0.50000	
Unused Increment Rate	\$0.01750	\$0.01750	\$0.01750	\$.05250

Unused increment rate example (continued)

Assume flat assessed valuation with no new property				
2023 No New Revenue Rate			\$0.50000	
Multiply by 1.035				\$0.51750
Unused Increment Rate 3 year total				\$0.05250
2023 Max for Voter Approval Tax Rate				\$0.57000

De minimis rate

➤ A County is authorized to raise an additional \$500,000 in taxes without triggering an automatic election, even if that rate exceeds the voter-approval rate.

➤ The de minimis rate is the sum of:

- The no-new-revenue M&O rate;
- The rate that, when applied to current value, will impose \$500,000 in taxes
- The current debt rate

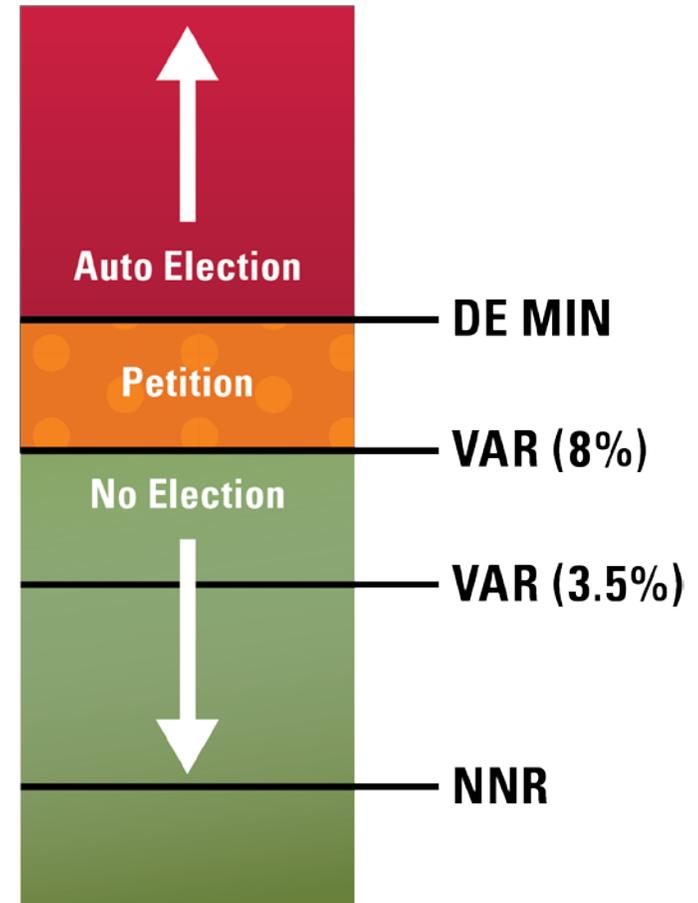
➤ IF you have (and adopt) a de minimis rate that is more than an 8% increase over the no-new-revenue rate; still subject to potential petition for an election. Petition now by 3% of qualified voters.



Tax Code 26.012 (8-a)
Tax Code 26.075

De minimis rate (continued)

Scenario	
The de minimis rate is greater than the voter approval rate	
Result if you adopt a rate:	
Greater than the de minimis rate	Automatic Election
Greater than 8% increase but less than or equal to the de minimis rate	Petition Allowed
Less than the voter-approval and the de minimis rate	No Election



New forms for tax rate calculation



- The State Comptroller is required to create tax rate calculation forms for us to use, to determine the no-new-revenue and voter-approval tax rates.
- Must be in a format capable of being electronically imported into a property tax database that will be maintained by each appraisal district.
- Must be certified, by the designated officer in your County, that the calculation is accurate and uses the values that match the certified values your appraisal district provided.

Tax Code 26.04
(d-1), (d-2)

New public notice and rate table

- Previously, the simplified notice in Local Government Code 140.010 was the most common notice that Counties utilized. That statute was repealed by SB 2, and replaced with other notices

- By August 7th, or as soon thereafter as practicable, must post on a County website:
 - The no-new-revenue rate
 - The voter-approval rate
 - An explanation of how those rates were calculated
 - The estimated amounts of interest & sinking fund balances at the end of the fiscal year
 - The estimated amounts of maintenance & operations fund balances at the end of the fiscal year
 - A schedule of the County's debt obligations

Tax Code 26.04 (e)

New public notices (continued)



- Notice for the public hearing on the tax rate
 - Loosely based upon the previous notice, will seem familiar
 - If the proposed rate exceeds the lower of the no-new-revenue or voter-approval rates, only ONE hearing required

- Requires a different notice for each of the following scenarios:
 - The proposed rate exceeds the no-new-revenue rate AND the voter-approval rate
 - The proposed rate exceeds the no-new-revenue rate but not the voter-approval rate
 - The proposed rate does not exceed the no-new-revenue rate but exceeds the voter-approval rate
 - The proposed rate does not exceed the de minimis rate, but does exceed the voter-approval rate

Tax Code 26.05 (d)
Tax Code 26.06 (b) series

New public notices (continued)

New tax table required to be included on the public hearing notice

	2019	2020	Change
Total Tax Rate (per \$100 of value)	<i>2019 adopted rate</i>	<i>2020 proposed rate</i>	<i>Statement of nominal & percentage difference</i>
Average Homestead Taxable Value	<i>2019 average taxable value of residence homestead</i>	<i>2020 average taxable value of residence homestead</i>	<i>Statement of percentage difference</i>
Tax on Average Homestead	<i>2019 Amount of taxes on average homestead</i>	<i>2020 Amount of taxes on average homestead</i>	<i>Statement of nominal & percentage difference</i>
Total tax levy on all properties	<i>2019 Levy</i>	<i>(Proposed rate x current total value) / 100</i>	<i>Statement of nominal & percentage difference</i>

Adopting the tax rate



- Still required to adopt the tax rate by September 30th or 60 days after receiving the certified roll
- Hearing may not be held before the 5th day after the date the notice is given
- Hearing may not be held before the 5th day after the chief appraiser delivers the tax estimate notice, and has made various tax rate information along with tax rate calculation forms available to the public in the property tax database
- May vote to adopt the tax rate at the public hearing; but if not, must vote not later than the 7th day after the hearing

Tax rates exceeding voter approval rate

- Going above the voter-approval rate moves the adoption timeline up!
- Timing is key, there's a very narrow window. Generally must occur in mid to late August depending on the uniform election date in November.
- SB 2 requires that such a vote occur 71 days prior to uniform election date.
- Does not supersede election code, however, which requires ordering an election 78 days before the uniform date
 - August 17, 2020

Tax Code 26.05 (a)

Election Code 3.005 (c)

Property tax database

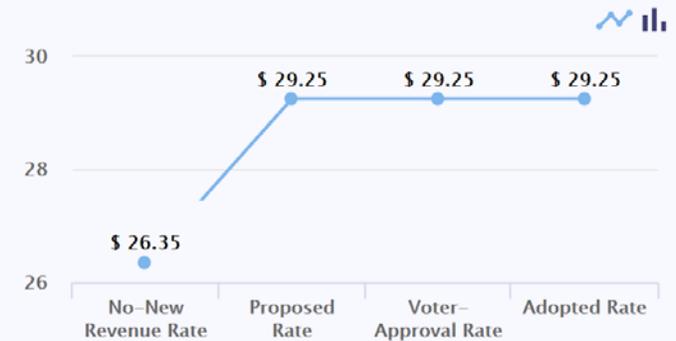
- SB 2 requires the chief appraiser to create and maintain a property tax database that:
 - Contains information provided by the taxing units
 - Is continuously updated as preliminary and revised data becomes available
 - Is accessible to the public
 - Is searchable by property address and owner
- The designated officer at the County is required to electronically incorporate items into that database as they become available
 - No-new-revenue tax rate and voter-approval tax rate
 - Proposed tax rate
 - The date, time, and location of the public hearing, if applicable, on the proposed tax rate
 - The date, time, and location of the public meeting, if applicable, at which the tax rate will be adopted
 - The tax rate calculation forms

Tax Code 26.17

Sample screenshot from www.travistaxes.com

TRAVIS COUNTY

No-New Revenue Rate	Taxable Value	Proposed Rate	Difference	Voter-Approval Rate	Adopted Rate
0.332751	\$7,920	0.369293		0.369293	0.369293
\$26.35		\$29.25	\$2.9	\$29.25	\$29.25
 Public Hearing on Property Tax Rate	2019-09-17 9:00:00 am	Commissioners Courtroom, 700 Lavaca Street, Austin, TX 78701			
 Public Hearing on Property Tax Rate	2019-09-20 9:00:00 am	Commissioners Courtroom, 700 Lavaca Street, Austin, TX 78701			
 Public Hearing on FY 2020 Proposed Budget	2019-09-24 9:00:00 am	Commissioners Courtroom, 700 Lavaca Street, Austin, TX 78701			



FEEDBACK

Additional website postings required

- Name of each member of the commissioners court
- Mailing address, email address, and telephone number of the County
- Official contact information for each member of the commissioners court
- County's budget for previous 2 years
- Proposed or adopted budget for current year
- Change in the amount of the budget from preceding to current year, by dollar amount and percentage
- Amount of property tax revenue budgeted for M&O for current year and preceding 2 years
- Amount of property tax revenue budgeted for debt service for the previous 2 years
- Tax rate for M&O proposed for the current year
- Tax rate for debt service proposed for the current year
- Most recent financial audit of the County
- Tax rate calculation forms

Tax Code 26.18

Voter Approval Election

- If voters DON'T approve the county's adopted tax rate, the county's tax rate is set at:
 - The Voter Approval Tax Rate
- Refund must be given for the difference of any taxes paid at the original (higher) tax rate

Miscellaneous

- First responders
 - Counties may not decrease the compensation of first responders
 - Applies only to the fiscal year that begins in 2020

Changes for appraisal districts

- The bulk of SB 2 relates to the operations of the Appraisal District
- A few highlights
 - Local administrative District Judge has new responsibilities relating to the Appraisal Review Board
 - New notices to taxpayers
 - Allows chief appraiser to provide a certified estimate of values if the ARB has not approved the appraisal records in time to certify values by July 25th
 - Will list an email address for the County in the property tax database, in which the County can receive written complaints about the proposed tax rate. Any property owner may comment.

Links and resources

- Texas Comptroller – Property Tax Assistance Division
 - <https://comptroller.texas.gov/taxes/property-tax/legal-resource.php>
 - Written notice of deadlines added or amended by Senate Bill 2

- Texas Association of Counties
 - www.county.org
 - SB 2 Explanatory Q&A, Budget timeline calendar

- Texas Constitution and Statutes online
 - <https://statutes.capitol.texas.gov/>



Presentation recap

➤ Key components

- Terminology
- Effective dates
- New notices and publications
- Modifications and adjustments to the tax rates

➤ Plan now, select your designated officer or employee and get them started

conclusion

THE END

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