



SETTING THE TAX RATE

Calculating Tax Rates and the Procedures to Adopt

SESSION OVERVIEW

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

EXPLAINING TAX RATES – RATES & COMPONENTS

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

EXPLAINING TAX RATES – PROPERTY TAX SAMPLE

Fiscal Year 2019

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

Fiscal Year 2020

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

EXPLAINING TAX RATES – EFFECTIVE TAX RATE

- Effective tax rate
 - Definition –
 - Inverse relationship to property value
- Calculating the effective rate
 - Property tax worksheet (Comptroller)
- Adjustments that can factor into the calculation
 - Lost value from prior years
 - Refunds for prior year
 - Tax Increment Funds (TIF)
 - Pollution control exemptions
 - Properties under protest
 - New Property

EXPLAINING TAX RATES – EFFECTIVE TAX RATE

Fiscal Year 2019

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

Fiscal Year 2020

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

Effective Tax Rate – rate that generates the same tax levy as year before. Ex:
\$0.47619

EXPLAINING TAX RATES – ROLLBACK RATE

- Definition –
- 8% generally, subject to some adjustments
 - Sales tax collection rate
 - Tax refunds from prior years
 - Enhanced indigent health expenditures
 - Taxes in a TIF
 - Property tax collection rate

EXPLAINING TAX RATES – ROLLBACK RATE

Fiscal Year 2019

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

Fiscal Year 2020

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

Tax Rate - \$0.50000
Effective Rate - \$0.47619
Rollback Rate - \$0.51428

Multiply effective rate by 1.08 to get rollback rate

EXPLAINING TAX RATES – ONE MORE LOOK

Fiscal Year 2019

Home Value	\$ 100,000.00
Tax Rate per \$100	\$ 0.50
Tax Levy	\$ 500.00

Fiscal Year 2020

Home Value	\$ 100,000.00
New Home	\$ 100,000.00
Tax Rate per \$100	\$ 0.50
Tax Levy	\$ 1,000.00

New value is excluded from effective tax rate calculation

TAX RATE CALENDAR

- Sync up with the budget calendar
- Key dates on the tax rate calendar (deadlines)
 - Value estimates – April 30
 - Certified values – July 25
 - Propose a tax rate – September 1
 - Adopt a tax rate – September 30

TAX RATE CALENDAR – ADDITIONAL TIMEFRAMES

- Going UP? - proposed rate exceeds the lower of the effective or rollback rates:
 - Publish required notice in paper
 - At least 7 days before the first public hearing
 - Schedule two public hearings prior to the meeting to adopt the tax rate
 - The second public hearing may not be earlier than 3 days after the first public hearing
 - Schedule meeting to adopt the tax rate (3 to 14 days after last hearing)

TAX RATE CALENDAR – ADDITIONAL TIMEFRAMES

- Going down, or proposing the effective rate
 - Propose a rate and publish the required notice in the paper
 - Schedule the meeting to adopt the tax rate

PROCEDURES – THE PUBLIC NOTICE IN THE PAPER

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

**NOTICE OF 2017 TAX YEAR
PROPOSED PROPERTY TAX RATE FOR
TOM GREEN COUNTY**

A tax rate of \$0.5450000 per \$100 valuation has been proposed for adoption by the governing body of TOM GREEN COUNTY. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of Tom Green County proposes to use revenue attributable to the tax rate for the purpose of cost related to prosecution and defense of multiple murder defendants.

PROPOSED TAX RATE	<u>\$0.54500</u> per \$100
PRECEDING YEAR'S TAX RATE	<u>\$0.51250</u> per \$100
EFFECTIVE TAX RATE	<u>\$0.48979</u> per \$100
ROLLBACK TAX RATE	<u>\$0.54607</u> per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for Tom Green County from the same properties in both the 2016 tax year and the 2017 tax year.

The rollback tax rate is the highest tax rate that Tom Green County may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

**YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES
CAN BE CALCULATED AS FOLLOWS:**

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

Tom Green County Appraisal District
2302 Pulliam Street
San Angelo, TX 76905
325-658-5575
Email: tgcad9@wcc.net
Website: www.isouthwestdata.com

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: Tuesday, August 15, 2017 at 9:30 a.m.

Second Hearing: Friday, August 18, 2017 at 6:00 p.m.

Hearings will be held at the
Tom Green County Commissioners' Court
Edd B. & Frances Frink Keyes Building
113 W. Beauregard
San Angelo, TX 76903

PROCEDURES – HEARINGS & MEETINGS

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

PROCEDURES – HEARINGS & MEETINGS

- Meeting to adopt the tax rate (continued)
 - If you are exceeding the effective rate, use the language required by statute for the motion:
 - "I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the effective tax rate) percent increase in the tax rate."
 - Statement required in the order or resolution adopting the rate
 - "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(insert amount)."

PROCEDURES – INTERNET POSTING

- Post public meeting and hearing notices
- If you adopted a rate that is higher than the effective rate, must place this on your internet homepage:
 - "(Insert name of unit) ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(Insert amount)."

SESSION REVIEW – WE HAVE PROBLEMS

- What happens if we don't do all of this?
- What if we are late and miss one of the deadlines?
- Someone else does all of this, and they just tell me when to be at the meeting...

SESSION REVIEW – STATUTES & REFERENCES

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

WHAT'S HAPPENING IN THE LEGISLATURE? NOTHING OFFICIAL YET

- Change the name... Effective Rate = No New Revenue tax rate
- Rollback tax rate - From 8% to 3.5%
- Automatic election trigger
- The de minimus amount
 - \$500,000
 - Comptroller to adjust for inflation in each subsequent year

WHAT'S HAPPENING IN THE LEGISLATURE? UNUSED INCREMENT RATE

Assume flat assessed valuation with no new property

2025 No New Revenue Rate		\$0.50000	
Multiply by 1.035			\$0.51750
Unused Increment Rate 5 year total			\$0.08750
2025 Max for Rollback Tax Rate			\$0.60500