Setting the Tax Rate

Calculating Tax Rates and the Procedures to Adopt
Overview

• The various tax rates
• The tax rate calendar
• Procedures to adopt
• Statutes and references
Rates & Components

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

<table>
<thead>
<tr>
<th>Fiscal Year 2018</th>
<th>Fiscal Year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll Value</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Tax Rate per $100</td>
<td>$ 0.50</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>$ 500.00</td>
</tr>
<tr>
<td>Roll Value</td>
<td>$ 105,000</td>
</tr>
<tr>
<td>Tax Rate per $100</td>
<td>$ 0.50</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>$ 525.00</td>
</tr>
</tbody>
</table>
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
## Effective Tax Rate

<table>
<thead>
<tr>
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<td></td>
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<td>$500.00</td>
</tr>
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<td></td>
</tr>
<tr>
<td>Roll Value</td>
<td>$105,000</td>
</tr>
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<td>$0.50</td>
<td></td>
</tr>
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<td>$525.00</td>
</tr>
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<td>$525.00</td>
<td></td>
</tr>
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</table>

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

- Definition –
- Applies to M&O portion of the rate only
- 8% generally, subject to some adjustments
  - Tax refunds from prior years
  - Enhanced indigent health expenditures
  - Taxes in a TIF
  - Property tax collection rate
  - Sales tax collection rate
Rollback Rate

<table>
<thead>
<tr>
<th>Fiscal Year 2018</th>
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</thead>
<tbody>
<tr>
<td>Roll Value</td>
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</tr>
<tr>
<td>$ 100,000</td>
<td>$ 105,000</td>
</tr>
<tr>
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<tr>
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<td>$ 0.50</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>Tax Levy</td>
</tr>
<tr>
<td>$ 500.00</td>
<td>$ 525.00</td>
</tr>
</tbody>
</table>

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

Multiply effective rate by 1.08 to get rollback rate
# New Value

## Fiscal Year 2018

<table>
<thead>
<tr>
<th>Roll Value</th>
<th>$100,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate per $100</td>
<td>$0.50</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>$500.00</td>
</tr>
</tbody>
</table>

## Fiscal Year 2019

<table>
<thead>
<tr>
<th>Roll Value</th>
<th>$200,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Value</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Tax Rate per $100</td>
<td>$0.50</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>$1,000.00</td>
</tr>
</tbody>
</table>

**Effective Rate is 0.50 – Why?** New value is excluded from effective tax rate calculation
YOU REALLY SHOULDN'T LET THE DEADLINE SNEAK UP ON YOU LIKE THAT.
Tax Rate Calendar

- Budget calendar must sync with the tax rate calendar
- Key dates on the tax rate calendar (deadlines)
  - Value estimates – from CAD – April 30
  - Certified values – from CAD – July 25
  - Notice of proposed tax rate – September 1
  - Adoption of a tax rate – before September 30
Additional Timeframes

- Going UP? - proposed rate exceeds the lower of the effective or rollback rates:
  - Schedule two public hearings prior to the meeting to adopt the tax rate – the dates are included in the published notice and on your website
    - WHEN SCHEDULING - The second public hearing may not be earlier than 3 days after the first public hearing – the date, time and place of this meeting should be announced at the end of the first public hearing.
  - Publish required notice in paper
    - At least 7 days before the first public hearing
  - Scheduled meeting to adopt the tax rate is 3 to 14 days after last hearing
What if?

- The proposed rate is the calculated effective rate or lower -
  - Propose a rate and publish the required notice in the paper
    - No hearings
  - Schedule the meeting to adopt the tax rate
Public Notice

- Use the simplified notice
  - Local Government Code 140.010
  - If someone else prepares it, CHECK IT for correctness

- Keep a copy handy for the public hearings

- Keep your proof copy from the newspaper
NOTICE OF 2018 TAX YEAR PROPOSED PROPERTY TAX RATE FOR MONTGOMERY COUNTY

A tax rate of $0.4667 per $100 valuation has been proposed for adoption by the governing body of Montgomery 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 Montgomery County proposes to use revenue attributable to the tax rate increase for the purpose of providing services including law enforcement, capital improvement plan and road & bridge improvements in a rapidly growing county.

<table>
<thead>
<tr>
<th>PROPOSED TAX RATE</th>
<th>$0.4667 per $100</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRECEDING YEAR'S TAX RATE</td>
<td>$0.4667 per $100</td>
</tr>
<tr>
<td>EFFECTIVE TAX RATE</td>
<td>$0.4556 per $100</td>
</tr>
<tr>
<td>ROLLBACK TAX RATE</td>
<td>$0.4894 per $100</td>
</tr>
</tbody>
</table>

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for Montgomery County from the same properties in both the 2017 tax year and the 2018 tax year.

The rollback tax rate is the highest tax rate that Montgomery 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:

\[
\text{property tax amount} = \text{(rate) x (taxable value of your property)/100}
\]

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

Tammy McRae
Montgomery County Tax Assessor-Collector
400 N. San Jacinto
Conroe, TX 77301
936-539-7897
tammy.mcrae@mctx.org
www.mctx.org

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

First Hearing: August 14, 2018 at 9:30 AM at COMMISSIONERS COURTROOM, 4th FLOOR, 501 N. THOMPSON, CONROE.

Second Hearing: August 24, 2018 at 9:30 AM at COMMISSIONERS COURTROOM, 4th FLOOR, 501 N. THOMPSON, CONROE.
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
Hearings & Meetings

- 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."
  
  - REMEMBER TO ADOPT THE M&O AND I&S RATES SEPARATELY!
  
  - 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)."
Website Posting

- Post public meeting and hearing notices
- If you adopted a rate that is higher than the effective rate, must place this on your website 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)."
Failure to Comply

• 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…
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
“If I find happiness in my own back yard, will it increase my property taxes?”
Contact Information

Tammy J. McRae
400 N. San Jacinto
Conroe, TX 77301
936-539-7897
		tammy.mcrae@mctx.org

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