

# SB 2: TNT ... Truth-in-Taxation: Property Tax Rate

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## TNT:

1. Got new rate names.
2. Got new revisions to calculations.
3. Got new notices.
4. Got new hearing process.
5. Got new postings.
6. Got new retirement plan.



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## Truth-in-Taxation Evolution

Past 40 years,  
Legislature  
took a simple  
Florida law in  
1979 and  
TEXAS –  
SIZED TNT.



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### 2019 Laws

- **School districts** (1999) – Education Code Sec. 44.004 & Tax Code Ch. 26
- **County, Cities** – Local Govt Code Ch. 140.010 (2014) & Ch. 26
- **Water districts** (2003) – Water Code Sec. 49.236
- **Special districts** – Tax Code Ch. 26




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### 2020 Laws

- **School districts** – Education Code Sec. 44.004 & Tax Code Ch. 26
- **Water districts** – Water Code Sec. 49.236
- **Counties, Cities, All Others** – Tax Code Ch. 26




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### Art. 8, Sec. 21 - TNT

Taxing unit duty to calculate and publish rates before adoption.

April 30 (ISD 7/1 budget) & July 25 Certified

**In 2020, ARB not finished, chief appraiser certifies July 25 estimate for rate calculations.**




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### Data by Appraisal District

- \* Certified taxable values
- \* Properties under protest
- \* Properties still being appraised
- \* Homesteads with tax ceilings
- \* New improvements (buildings)
- \* New exemptions and new ag value
- \* TIF captured value; Ch 313 ISDs




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### 1. New Rate Names

**Effective rate:** No-new-revenue rate  
NNR

**Rollback rate:** Voter-approval rate  
VAR

**De minimis rate:** No-new revenue rate,  
plus rate applied to total value imposes  
\$500,000, plus debt rate  
DMR




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### 2. New Revisions to Calculations

**No-new-revenue (effective) rate** raises  
*about* same total \$\$\$ as prior year on  
properties *taxed in both years*. 24 Steps!  
Adjust levy to use Ch 42 appeal value not  
in dispute.

$$\frac{2019 \text{ taxes} - \text{lost taxes}}{2020 \text{ value} - \text{new improvements}} \times \$100$$




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**Lost 2019 taxes:** NEW exemptions, NEW productivity land;

**Gain:** Add court decisions & tax refunds for years *preceding 2019* tax year

**This Year's 2020 Value:**

New improvements & new personal property in them – generates +\$\$\$;  
Uncertified properties with ARB



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**Voter-approval (rollback) rate**

Add 2 parts:

**Maintenance & Operations (M&O) –**  
2019 M&O taxes / 2020 values + %

**+ 2020 Debt Service Rate (I&S) –** Rate needed to meet upcoming payments on debt secured by property taxes.



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**Voter-approval (rollback) rate**

To M&O, add %:

**3.5% M&O increase** for county, city, other units.

**8% M&O increase** for hospital district, community college, other special unit (with 2.5 cents or less M&O rate); or any unit after disaster (2<sup>nd</sup> year, maybe 3<sup>rd</sup>)

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**Voter-approval (rollback) rate**

“Bank” unused increment rate.  
Average below 3.5% increase over 3 years. May bank portion not used for a larger increase for tough financial year.  
2020 tax year – unused increment is 0.



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**M&O Rollback Protection for Pollution Control – Any Type Taxing Unit**

Needed extra taxes to fix pollution problem. Requires letter from TCEQ certifying problem and \$\$ amount.



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**Voter-approval (rollback) rate  
Keeps current special provisions:**

additional sales tax, county criminal justice mandate, indigent health care

**Adds increased cost for:**

County indigent defense expenses  
County hospital eligible expenses



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**Voter-approval (rollback) rate**

County indigent defense expenses – July 1 to June 30, less state grants. Increase M&O rate by lesser of increase between 2 years or 5% of last year's expenses.

County hospital eligible expenses – Increase between 2 years or 8% of last year's expenses.



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**De minimis rate**

No-new revenue rate, plus rate applied to total value imposes \$500,000, plus debt rate

**Election provisions for some units that are under De Minimis Rate but above voter-approval rate**



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**No De Minimis Rate?**

- ❖ Special taxing unit with M&O rate of 2.5 cents or less,
- ❖ Junior college district,
- ❖ Hospital district,
- ❖ City with more than 30,000 population,
- ❖ School district,
- ❖ Water district (set out in Water Code).



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**Who has a De Minimis Rate?**

- ❖ County,
- ❖ Small city (must be under 30,000 population and even if it has an M&O rate of 2.5 cents or less),
- ❖ Other special districts with M&O tax rates above 2.5 cents.

**De Minimis Rate = \$500,000**




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**Debt Anticipated Collection Rate:**

not lower than any of three previous years; may exceed 100%.

Collector certifies collections (current, delinquent, rollback, etc.) from July 1, 2020 to June 30, 2021. Excess above that amount deducted from next year debt before deciding 2021 debt rate.




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**3. New Notices**

- ❖ 4 versions depending on proposed rate.
- ❖ Includes elected officials vote on rate.
- ❖ Includes statement about 86<sup>th</sup> Legislature modified rate calculation to limit growth.
- ❖ Includes chart at bottom of notice comparing average homestead taxes ...  
5 rows, 4 columns.
- ❖ Water districts different.




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### Notice Versions

- 4 notice versions depending on proposed rate.
- ❖ #1: Exceeds NNR & VAR ... Election required.
- ❖ #2: Exceeds NNR but not VAR ... No election.
- ❖ #3: Does not exceed NNR but exceeds VAR ... Election required.
- ❖ #4: Does not exceed NNR or VAR.




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### Small Unit

Section 26.052 for taxing unit with tax rate of 50 cents or less raising \$500,000 or less ...

Same small notice in newspaper **but must also post notice on website's home page.**




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### Water District

- ❖ Different water districts
- ❖ For "developed" 95% build out, reduces 8% to 3.5% on avg appraised value of homestead, plus unused increment
- ❖ For low rate of 2.5 cents or lower, stays at 8%.




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### Water District

- ❖ Revises **Notice of Public Hearing on Tax Rate**
- ❖ Adds **Notice of Vote on Tax Rate**
- ❖ **Budget Appendix** – audited financial statements, bond transcripts, engineer reports




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### What to do first in 2020?

Wait for rates to be calculated, submitted to county tax assessor-collector, posted to unit's website by August 7 and uploaded into **database** on website maintained by CAD & available to public within **3 business days**.  
 (Sec. 26.17 timing varies: 200,000 population or more starts 2020; others 2021).




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### 3. New Hearing Process

- ❖ Propose tax rate at meeting of governing body. Take record vote on proposed rate.
- ❖ Decide place, date and time for 1 required public hearing (not two).
- ❖ Place notice at least 5 days before hearing in newspaper **and** on website home page. Not ISDs – Ed. Code 44.004

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### Adopt Tax Rate

- ❖ In 2020, may adopt rate at the public hearing. If not, 7 days after public hearing.
- ❖ Adopt in 2-parts: M&O and I&S (debt)
- ❖ IF adopted rate exceeds no-new-revenue rate, governing body member reads motion from Tax Code 26.05. Language still added to resolution/ordinance/order and to Website.



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### Fiscal Year 2020:

Taxing unit may not adopt budget or take any other action that has effect of decreasing total compensation to which first responder employed by unit was entitled in the preceding fiscal year.



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### Additional Sales Tax:

Taxing unit's chief financial officer or auditor certifies the additional sales tax used to pay debt service before adopting tax rate.



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**Deadline to Adopt Rate**

Before Sept. 30 or 60th day after taxing unit received appraisal roll (if later).

Does not apply to **water districts**.

To exceed voter-approval rate, must adopt no later than **71 days** before November election date.



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**Failure to Comply**

Failed to comply with computation, publication or posting, property owner may seek injunction to stop rate adoption and/ or sending of tax bills **by filing within 15 days of rate adoption**. Includes award of **reasonable attorney fees, court costs**. Defense if failure was in good faith.



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**Voters' Right to Election**  
 Adopted rate exceeds voter-approval rate.  
**Section 26.07** – In 2020, automatic November election. No petition.  
**Section 26.075** – Petition process  
**Section 26.08** – School district (no petition required) – tax **approval** election (TAE??)

PERDUE BRANDON

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**New Section 26.075**  
**Petition process with 3% registered voters**  
 Not for ISD,  
 Not special unit (M&O rate 2.5 cents or less),  
 Not junior college district,  
 Not hospital district,  
 Not city with 30,000 or more.  
 If NOT one of the above, then petition if:

PERDUE BRANDON

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**Section 26.075** – Petition process

Adopted rate is **equal to or lower** than de minimis rate (raises \$500,000)

**and**

Adopted rate is **greater than the greater** of 2 voter-approval rates: one with 3.5% and one as if the taxing unit was a special taxing unit with 8%. Confused?



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**Water District**

- ❖ Automatic election for adopting above voter-approval rate
- ❖ Exception disaster response, up to 3 years
- ❖ Petition process if not one of the two types mentioned – not 95% developed or not low tax rate



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**5. New Postings**

- ❖ 5 years of rate info for each taxing unit in County per Tax Code 26.16
- ❖ Include calculation worksheets
- ❖ Include worksheets on taxing unit website
- ❖ **Section 26.18** – taxing units must maintain website or have access to one to post governing body info, budgets, audits

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### New Postings Effective 8/26/19

Requires tax rate calculation worksheets for tax years 2015 to 2019 for all taxing units in county to county TAC within 30 days of effective date (Sept. 25) to post to county website.



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### Texas Comptroller

- ❖ Electronic tax rate calculation forms.
- ❖ Certification by person completing that used values as those on certified appraisal roll or certified estimate (not ISDs).
- ❖ Upload into property tax database Sec. 26.17.
- ❖ New notices.



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### Texas Comptroller Tax Rate List

- ❖ Biennial report of values & rates to include **special districts**.
- ❖ Statewide list of tax rate info on website to include **school districts**.
- ❖ Lists according to county in which unit is located.



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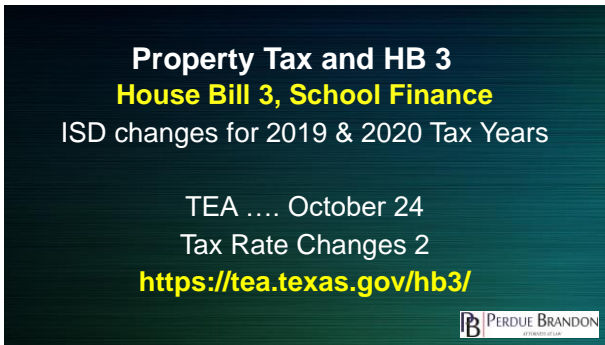
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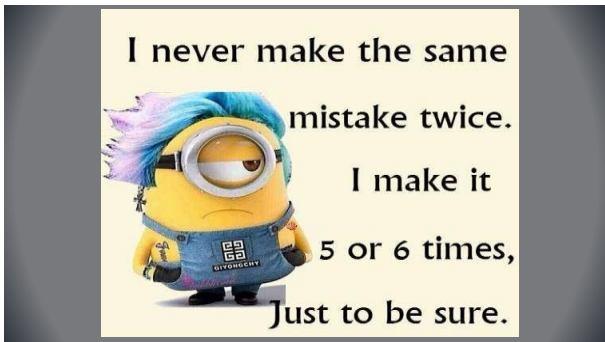
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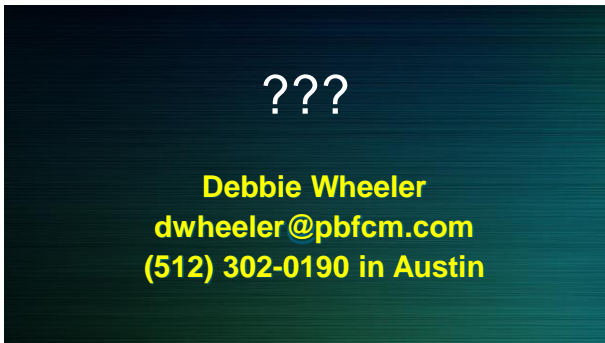
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