
Improving “Truth-in-Taxation”

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Texas’ “Truth-in-Taxation” (TNT) Tax Code provisions regulate the setting of property tax rates and dictate the information required to inform taxpayers about their taxes. Currently, jurisdictions other than school districts may not increase property tax revenues by more than 8 percent without being subject to a petition calling for a vote to *rollback* the tax rate. Unfortunately, the process is overly complex and cumbersome, does not reflect current economic realities, and ultimately offers taxpayers substantially less protections than originally intended.

- **Lower the Limitation:** The current 8 percent limit applies narrowly. By excluding new value and including debt service the actual revenue limit is much higher. Even at 8%, property tax revenues could double every 9 years. The 8% limit, enacted in 1981 when inflation was double-digits, was intended to offset uncontrollable governmental cost increases due to inflation. However, inflation has been substantially less than 8% since then, and less than half that for the past 25 years. The current 8 percent limit does not afford the protections to taxpayers that were originally intended.
- **Simplify Petition/Ratification:** If a taxing unit proposes a tax rate that would exceed the rollback “limit,” taxpayers are now faced with onerous rollback petition requirements to call for an election. The result is that the chance of forcing rollback elections in highly populated jurisdictions is virtually nil. Petition thresholds should either be lowered or replaced with an automatic tax rate ratification election if a governing board wants to raise taxes above a specified limit (currently, school district tax rate increases are automatically subject to an election above a certain rate level). **This is not a revenue cap;** instead it is the ultimate in local control—allowing citizens to better participate in the financial decisions that impact them.

BUT, lowering the rollback rate and requiring ratification elections is not enough...

- **Simplify the Calculation:** The current process for calculating tax rates is incredibly complex and cumbersome – 25 steps to calculate the effective rate and a minimum of 15 more for the rollback rate (up to a total of 8 pages of worksheets). Each of those adjustments is to allow for increased rates. Mistakes, unintentional or otherwise, can result in inaccurate tax notices and higher adopted tax rates than even current law allows.
- **Enhance Oversight:** There is no meaningful oversight of the tax rate adoption process. Taxing entities calculate their own effective and rollback tax rates – the very rates designed to limit their ability to raise taxes. The state should require that any property value numbers used in truth-in-taxation calculations be certified by the Chief Appraiser, after which those worksheets should be submitted to the Comptroller and posted on the Internet, as is now done with adopted tax rates. In the event taxpayers question the numbers, some form of appeal should be allowed. Further, if a taxpayer proves that the rollback rate was erroneously exceeded, the law should provide an ability to get a refund for excess taxes paid.
- **Reform the Treatment of Debt Service:** A district may raise its debt service tax rate by assuming a “collection rate” without regard to historical practice. Some floor, based on recent experience should be established. Further, under the current TNT calculations, reductions in debt service tax rates do not count against the 8 percent rollback limit, allowing jurisdictions to raise maintenance and operations tax rates as debt service tax rates decline.