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# Property Tax Rate Adoption: Deadlines, Notices, Hearings and Improvements

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# Tax Rate Adoption Deadlines

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## **April 30**

Chief appraiser certifies estimate of taxable value to counties, cities and school districts

## **July 20**

- Appraisal Review Board (ARB) approval of appraisal records
- May not approve if more than 5% of value remains under protest
- CADs over 1 million population may delay to Aug. 30 and increase value appeal threshold to 10% (Harris, Dallas, Tarrant, Bexar and Travis County)

## **July 25**

Chief Appraiser certifies appraisal roll to taxing units

## **August 1**

Taxing unit's assessor submits appraisal roll to governing body

## **August 7 (or as soon thereafter as practicable)**

Effective (ETR) and rollback (RTR) tax rates calculated

## **September 1 (or 30 days after receipt of appraisal roll)**

Proposed tax rate notices mailed or published

## **September 29 (or 60 days after receipt of appraisal roll)**

Tax rate adoption

## **October 1 (or as soon thereafter as practicable)**

Tax bills mailed



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## Tax Rate Notices

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- Proposed rate at or below effective tax rate – Proposed, preceding year's and effective tax rates
  - Proposed rate above effective tax rate – Proposed, preceding year's, effective and rollback tax rates
  - Mail or 1/4 page ad newspaper ad, website, one minute TV spot
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## Hearings: Proposed Rate Above Effective Rate

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- At least 7 days after proposed tax rate notice
  - At least 3 days after first hearing
  - Separate governing body meeting to adopt tax rate
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## Failure to Comply with Truth-in-Taxation

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- Taxpayer files for injunction to stop collection in District Court
  - Must file before substantially all tax bills are mailed
  - Must show failure to comply was not in good faith
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## Rollback Petition and Election

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- Petition submitted within 90 days from rate adoption
  - Requires 7% of registered voters if M&O taxes \$5 million plus and 10% if less
  - Governing body has 20 days to act or petition is presumed valid
  - Election held between 30 and 90 days after petition validated
  - If successful, tax rate reduced to rollback tax rate
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# 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 tax rate calculation 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 allows 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 taxing unit 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, 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. Debt service tax rates should only cover voter approved debt – not certificates of obligation.



# 2016 Effective Tax Rate Worksheet

## Taxing Units Other Than School Districts

Line	Activity	Amount/Rate
1.	<b>2015 total taxable value.</b> Enter the amount of 2015 taxable value on the 2015 tax roll today. Include any adjustments since last year's certification; exclude Tax Code § 25.25(d) one-third over-appraisal corrections from these adjustments. This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 14). <sup>1</sup>	\$
2.	<b>2015 tax ceilings.</b> Counties, cities and junior college districts. Enter 2015 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing units adopted the tax ceiling provision in 2015 or a prior year for homeowners age 65 or older or disabled, use this step. <sup>2</sup>	\$
3.	<b>Preliminary 2015 adjusted taxable value.</b> Subtract Line 2 from Line 1.	\$
4.	<b>2015 total adopted tax rate.</b>	\$ /\$100
5.	<b>2015 taxable value lost because court appeals of ARB decisions reduced 2015 appraised value.</b>  A. Original 2015 ARB values: \$ _____  B. 2015 values resulting from final court decisions: - \$ _____  C. 2015 value loss. Subtract B from A. <sup>3</sup>	\$
6.	<b>2015 taxable value, adjusted for court-ordered reductions.</b> Add Line 3 and Line 5C.	\$
7.	<b>2015 taxable value of property in territory the taxing unit deannexed after Jan. 1, 2015.</b> Enter the 2015 value of property in deannexed territory. <sup>4</sup>	\$
8.	<b>2015 taxable value lost because property first qualified for an exemption in 2016.</b> Note that lowering the amount or percentage of an existing exemption does not create a new exemption or reduce taxable value. If the taxing unit increased an original exemption, use the difference between the original exempted amount	\$

<sup>1</sup> Tex. Tax Code § 26.012(14)

<sup>2</sup> Tex. Tax Code § 26.012(14)

<sup>3</sup> Tex. Tax Code § 26.012(13)

<sup>4</sup> Tex. Tax Code § 26.012(15)

Line	Activity	Amount/Rate
	<p>and the increased exempted amount. Do not include value lost due to freeport or goods-in-transit exemptions.</p> <p>A. <b>Absolute exemptions.</b> Use 2015 market value: \$ _____</p> <p>B. <b>Partial exemptions.</b> 2016 exemption amount or 2016 percentage exemption times 2015 value: +\$ _____</p> <p>C. <b>Value loss.</b> Add A and B.<sup>5</sup></p>	
9.	<p><b>2015 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1), timber appraisal, recreational/scenic appraisal or public access airport special appraisal in 2016.</b> Use only properties that qualified in 2016 for the first time; do not use properties that qualified in 2015.</p> <p>A. <b>2015 market value:</b> \$ _____</p> <p>B. <b>2016 productivity or special appraised value: -</b> \$ _____</p> <p>C. <b>Value loss.</b> Subtract B from A.<sup>6</sup></p>	\$
10.	<b>Total adjustments for lost value.</b> Add Lines 7, 8C and 9C.	\$
11.	<b>2015 adjusted taxable value.</b> Subtract Line 10 from Line 6	\$
12.	<b>Adjusted 2015 taxes.</b> Multiply Line 4 by Line 11 and divide by \$100.	\$
13.	<b>Taxes refunded for years preceding tax year 2015.</b> Enter the amount of taxes refunded by the taxing unit for tax years preceding tax year 2015. Types of refunds include court decisions, Tax Code § 25.25(b) and (c) corrections and Tax Code § 31.11 payment errors. Do not include refunds for tax year 2015. This line applies only to tax years preceding tax year 2015. <sup>7</sup>	\$
14.	<b>Taxes in tax increment financing (TIF) for tax year 2015.</b> Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2016 captured appraised value in Line 16D, enter 0. <sup>8</sup>	\$
15.	<b>Adjusted 2015 taxes with refunds and TIF adjustment.</b> Add Lines 12 and 13, subtract Line 14. <sup>9</sup>	\$
16.	<b>Total 2016 taxable value on the 2016 certified appraisal roll today.</b> This value	\$

<sup>5</sup> Tex. Tax Code § 26.012(15)

<sup>6</sup> Tex. Tax Code § 26.012(15)

<sup>7</sup> Tex. Tax Code § 26.012(13)

<sup>8</sup> Tex. Tax Code § 26.03(c)

<sup>9</sup> Tex. Tax Code § 26.012(13)

Line	Activity	Amount/Rate
	<p>includes only certified values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 18). These homesteads include homeowners age 65 or older or disabled.<sup>10</sup></p> <p>A. <b>Certified values:</b> \$ _____</p> <p>B. <b>Counties:</b> Include railroad rolling stock values certified by the Comptroller's office: + \$ _____</p> <p>C. <b>Pollution control exemption:</b> Deduct the value of property exempted for the current tax year for the first time as pollution control property: - \$ _____</p> <p>D. <b>Tax increment financing:</b> Deduct the 2016 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the 2016 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 21 below.<sup>11</sup> - \$ _____</p> <p>E. <b>Total 2016 value.</b> Add A and B, then subtract C and D.</p>	
17.	<p><b>Total value of properties under protest or not included on certified appraisal roll.</b><sup>12</sup></p> <p>A. <b>2016 taxable value of properties under protest.</b> The chief appraiser certifies a list of properties still under ARB protest. The list shows the appraisal district's value and the taxpayer's claimed value, if any or an estimate of the value if the taxpayer wins. For each of the properties under protest, use the lowest of these values. Enter the total value.<sup>13</sup> \$ _____</p> <p>B. <b>2016 value of properties not under protest or included on certified appraisal roll.</b> The chief appraiser gives taxing units a list of those taxable properties that the chief appraiser knows about, but are not included in the appraisal roll certification. These properties also are not on the list of properties that are still under protest. On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value,</p>	\$

<sup>10</sup> Tex. Tax Code § 26.012(15)

<sup>11</sup> Tex. Tax Code § 26.03(c)

<sup>12</sup> Tex. Tax Code § 26.01(c)

<sup>13</sup> Tex. Tax Code §§ 26.04 and 26.041



Line	Activity	Amount/Rate
	appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value. <sup>14</sup> + \$ _____ <b>C. Total value under protest or not certified. Add A and B.</b>	
18.	<b>2016 tax ceilings.</b> Counties, cities and junior colleges enter 2016 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing units adopted the tax ceiling provision in 2015 or a prior year for homeowners age 65 or older or disabled, use this step. <sup>15</sup>	\$
19.	<b>2016 total taxable value.</b> Add Lines 16E and 17C. Subtract Line 18.	\$
20.	<b>Total 2016 taxable value of properties in territory annexed after Jan. 1, 2015.</b> Include both real and personal property. Enter the 2016 value of property in territory annexed. <sup>16</sup>	\$
21.	<b>Total 2016 taxable value of new improvements and new personal property located in new improvements.</b> New means the item was not on the appraisal roll in 2015. An improvement is a building, structure, fixture or fence erected on or affixed to land. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the taxing unit after Jan. 1, 2015, and be located in a new improvement. New improvements <b>do</b> include property on which a tax abatement agreement has expired for 2016. <sup>17</sup>	\$
22.	<b>Total adjustments to the 2016 taxable value.</b> Add Lines 20 and 21.	\$
23.	<b>2016 adjusted taxable value.</b> Subtract Line 22 from Line 19.	\$
24.	<b>2016 effective tax rate.</b> Divide Line 15 by Line 23 and multiply by \$100. <sup>18</sup>	\$ /\$100
25.	<b>COUNTIES ONLY.</b> Add together the effective tax rates for each type of tax the county levies. The total is the 2016 county effective tax rate. <sup>19</sup>	\$ /\$100

A county, city or hospital district that adopted the additional sales tax in November 2015 or in May 2016 must adjust its effective tax rate. The *Additional Sales Tax Rate Worksheet* sets out this adjustment. Do not forget to complete the *Additional Sales Tax Rate Worksheet* if the taxing unit adopted the additional sales tax on these dates.

<sup>14</sup> Tex. Tax Code §§ 26.04 and 26.041

<sup>15</sup> Tex. Tax Code § 26.012(6)

<sup>16</sup> Tex. Tax Code § 26.012(17)

<sup>17</sup> Tex. Tax Code § 26.012(17)

<sup>18</sup> Tex. Tax Code § 26.04(c)

<sup>19</sup> Tex. Tax Code § 26.04(d)





Line	Activity	Amount/Rate
	<p>F. <b>Enhanced indigent health care expenditures:</b> Enter the increased amount for the current year's enhanced indigent health care expenditures above the preceding tax year's enhanced indigent health care expenditures, less any state assistance.</p> <p style="text-align: right;">+ \$ _____</p> <p>G. <b>Taxes in TIF:</b> Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2016 captured appraised value in Line 16D, enter 0.</p> <p style="text-align: right;">- \$ _____</p> <p>H. <b>Adjusted M&amp;O Taxes.</b> Add A, B, C, E and F. For taxing unit with D, subtract if discontinuing function and add if receiving function. Subtract G.</p>	
29.	<p><b>2016 adjusted taxable value.</b> Enter Line 23 from the <i>Effective Tax Rate Worksheet</i>.</p>	\$
30.	<p><b>2016 effective maintenance and operations rate.</b> Divide Line 28H by Line 29 and multiply by \$100.</p>	\$ /\$100
31.	<p><b>2016 rollback maintenance and operation rate.</b> Multiply Line 30 by 1.08.</p>	\$ /\$100
32.	<p><b>Total 2016 debt to be paid with property taxes and additional sales tax revenue.</b> Debt means the interest and principal that will be paid on debts that: (1) are paid by property taxes, (2) are secured by property taxes, (3) are scheduled for payment over a period longer than one year, and (4) are not classified in the taxing unit's budget as M&amp;O expenses.</p> <p>A. <b>Debt</b> also includes contractual payments to other taxing units that have incurred debts on behalf of this taxing unit, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue. Do not include appraisal district budget payments. List the debt in Schedule B: Debt Service.</p> <p style="text-align: right;">\$ _____</p> <p>B. <b>Subtract unencumbered fund amount used to reduce total debt.</b></p> <p style="text-align: right;">- \$ _____</p> <p>C. <b>Subtract amount paid from other resources.</b></p> <p style="text-align: right;">- \$ _____</p> <p>D. <b>Adjusted debt.</b> Subtract B and C from A.</p>	\$

Line	Activity	Amount/Rate
33.	<b>Certified 2015 excess debt collections.</b> Enter the amount certified by the collector.	\$
34.	<b>Adjusted 2016 debt.</b> Subtract Line 33 from Line 32D.	\$
35.	<b>Certified 2016 anticipated collection rate.</b> Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	%
36.	<b>2016 debt adjusted for collections.</b> Divide Line 34 by Line 35	\$
37.	<b>2016 total taxable value.</b> Enter the amount on Line 19.	\$
38.	<b>2016 debt tax rate.</b> Divide Line 36 by Line 37 and multiply by \$100.	\$ /\$100
39.	<b>2016 rollback tax rate.</b> Add Lines 31 and 38.	\$ /\$100
40.	<b>COUNTIES ONLY.</b> Add together the rollback tax rates for each type of tax the county levies. The total is the 2016 county rollback tax rate.	\$ /\$100

A taxing unit that adopted the additional sales tax must complete the lines for the *Additional Sales Tax Rate*. A taxing unit seeking additional rollback protection for pollution control expenses completes the *Additional Rollback Protection for Pollution Control*.

# NOTICE OF TAX YEAR PROPOSED PROPERTY TAX RATE FOR

A tax rate of \$ \_\_\_\_\_ per \$100 valuation has been proposed by the governing body of  
(insert name of county or municipality) \_\_\_\_\_.

PROPOSED TAX RATE \$ \_\_\_\_\_ per \$100

PRECEDING YEAR'S TAX RATE \$ \_\_\_\_\_ per \$100

EFFECTIVE TAX RATE \$ \_\_\_\_\_ per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for  
(insert name of county or municipality) \_\_\_\_\_ from the same properties in both the (preceding)  
tax year and the (current) tax year.

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:

(insert name of county or municipal tax assessor-collector) \_\_\_\_\_

(insert name of county or municipality) \_\_\_\_\_ tax assessor-collector

(insert address) \_\_\_\_\_

(insert telephone number) \_\_\_\_\_

(insert email address) \_\_\_\_\_

(insert internet website address, if applicable) \_\_\_\_\_

# NOTICE OF (year) TAX YEAR PROPOSED PROPERTY TAX RATE FOR

A tax rate of \$ \_\_\_\_\_ per \$100 valuation has been proposed for adoption by the governing body of \_\_\_\_\_ (insert name of county or municipality). 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 \_\_\_\_\_ (insert name of county or municipality) proposes to use revenue attributable to the tax rate increase for the purpose of \_\_\_\_\_ (description of purpose of increase).

PROPOSED TAX RATE	\$ _____ per \$100
PRECEDING YEAR'S TAX RATE	\$ _____ per \$100
EFFECTIVE TAX RATE	\$ _____ per \$100
ROLLBACK TAX RATE	\$ _____ per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for \_\_\_\_\_ (insert name of county or municipality) from the same properties in both the \_\_\_\_\_ (preceding) tax year and the \_\_\_\_\_ (current) tax year.

The rollback tax rate is the highest tax rate that \_\_\_\_\_ (insert name of county or municipality) 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:

\_\_\_\_\_  
(insert name of county or municipality tax assessor-collector)

\_\_\_\_\_  
(insert name of county or municipality) tax assessor-collector

\_\_\_\_\_  
(insert address)

\_\_\_\_\_  
(insert telephone number)

\_\_\_\_\_  
(insert e-mail address)

\_\_\_\_\_  
(insert Internet website address, if applicable)

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

First Hearing: \_\_\_\_\_ (insert date and time) at \_\_\_\_\_ (insert location of meeting)

Second Hearing: \_\_\_\_\_ (insert date and time) at \_\_\_\_\_ (insert location of meeting)