2013 Truth-In-Taxation

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A Guide for Setting Tax Rates for Taxing Units Other than Schools

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Introduction

Truth-in-taxation is a concept embodied in the Texas Constitution (**Exhibit 1**) and the Tax Code that requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to roll back or limit tax increases.[1] This guide provides thousands of local taxing units in Texas guidance on how to comply with truth-in-taxation requirements when holding public hearings, considering budgets and setting rates to impose property taxes.[2]

By publishing this guide to instruct tax assessor-collectors, budget officers and elected officials, the Texas Comptroller of Public Accounts provides technical assistance — not legal advice. Interpretations of law must be made by legal counsel representing governmental entities. Questions about the meaning of the statutes, notice requirements and other matters that are unclear in the law or in this guide should be posed to legal counsel and not to the Comptroller's staff.

Some aspects of truth-in-taxation laws do not apply to every type of local government. This guide identifies those parts of the law and discusses their application to the appropriate taxing units.

There are four principles to truth-in-taxation:

- Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value.
- A taxing unit must publish its effective and rollback tax rates before adopting an actual tax rate.

EXHIBIT 1

Texas Constitution Truth-in-Taxation Provisions

The Texas Constitution sets out the general requirements for truth-in-taxation. Tax Code Chapter 26 provides the specifics.

Article VIII, Section 21. INCREASE IN TOTAL PROPERTY TAXES; NOTICE AND HEARING; CALCULATION.

(A) Subject to any exceptions prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed by that subdivision in the preceding year unless the governing body of the subdivision gives notice of its intent to consider an increase in taxes and holds a public hearing on the proposed increase before it increases those total taxes. The legislature shall prescribe by law the form, content, timing, and methods of giving the notice and the rules for the conduct of the hearing.

(B) In calculating the total amount of taxes imposed in the current year for the purposes of Subsection (a) of this section, the taxes on property in territory added to the political subdivision since the preceding year and on new improvements that were not taxable in the preceding year are excluded. In calculating the total amount of taxes imposed in the preceding year for the purposes of Subsection (a) of this section, the taxes imposed on real property that is not taxable by the subdivision in the current year are excluded.

(C) The legislature by general law shall require that, subject to reasonable exceptions, a property owner be given notice of a revaluation of his property and a reasonable estimate of the amount of taxes that would be imposed on his property if the total amount of property taxes for the subdivision were not increased according to any law enacted pursuant to Subsection (a) of this section. The notice must be given before the procedures required in Subsection (a) are instituted.

Source: Texas Constitution, Article VIII, § 21

[1] Texas Constitution Article VIII, § 21 and Tax Code Chapter 26.
[2] Tax Code § 26.04 et. seq.

- A taxing unit, other than a water district or small taxing unit which are covered by special provisions, must publish special notices and hold two public hearings before adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. A water district must publish a special notice of public hearing, and a small taxing unit must publish a simplified notice.
- If a taxing unit adopts a rate that exceeds the rollback rate, voters may petition for an election to limit the rate to the rollback rate.

Beginning in early August, taxing units take the first step toward adopting tax rates by calculating and publishing the effective and rollback tax rates.

The effective tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. If property values rise, the effective tax rate will go down and vice versa. The rollback rate is a calculated maximum rate allowed by law without voter approval. The rollback rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra eight percent increase for those operations, in addition to sufficient funds to pay debts in the coming year. If a taxing unit adopts a tax rate higher than the rollback rate, voters in the taxing unit can circulate a petition calling for an election to limit the size of the tax increase.

Each taxing unit, other than a water district or a small taxing unit, publishes — or mails to each taxpayer — the effective and rollback rates in a local newspaper, along with a list of the debts it must pay and the amount of money left over from the previous year. If taxpayers believe the taxing unit has not calculated and published these rates or other required information in good faith, they may ask a district court to stop the taxing unit from adopting a tax rate until it complies with the law.

CHAPTER 1:

Truth-in-Taxation Overview

Creating a budget and adopting a property tax rate to support that budget are major functions of a governing body. This is accomplished by following legislative guidelines to ensure the public is informed of any increases.

Important Dates

The Tax Code establishes target dates for many truth-in-taxation activities. Although circumstances may require an appraisal district or a taxing unit to alter the timetable, **Exhibit 2** sets out the framework for the required activities.

EXHIBIT 2

2013 Truth-in-Taxation Calendar

Date	Activity
April 1 – May 1	The chief appraiser sends notices of appraised value.
April 30	The chief appraiser prepares and certifies to the tax assessor an estimate of the taxable value of property in that taxing unit.
July 20* (Aug. 30)	The appraisal review board approves the appraisal records.
July 25	The chief appraiser certifies the approved appraisal roll to each taxing unit.
Aug. 7	A taxing unit publishes its notice of effective and rollback tax rates.
August – September	A taxing unit adopts its budget according to its fiscal year. After adopting the budget, the taxing unit adopts a tax rate.
Before Sept. 30	A taxing unit must adopt its tax rate by this date or 60 days after the taxing unit receives the appraisal roll, whichever date is later.

*Note: Tax Code § 1.06 states that "If the last day of the performance of an act is a Saturday, Sunday, or legal state or national holiday, the act is timely if performed on the next regular business day."

Source: Texas Comptroller of Public Accounts, 2013.

Appendix 1 provides a more detailed schedule taxing units can use when planning truth-in-taxation activities.

Taxing Unit Calculations

Truth-in-taxation requires most taxing units to calculate two rates after receiving a certified appraisal roll from the chief appraiser — the effective tax rate and the rollback tax rate. The type of taxing unit determines which truth-in-taxation steps apply. Generally, the governing body must take the following actions:

- determine and publish the effective tax rate and the rollback tax rate;
- decide how much revenue it needs;
- calculate the tax rate required to raise the amount it needs;
- publish notices;
- hold hearings if the proposed tax rate will exceed the rollback rate or the effective tax rate, whichever is lower;
- adopt the tax rate; and
- if necessary, administer a rollback election.

The following discussion covers rate calculation and adoption of the tax rate in greater detail. **Chapter 6** discusses rollback elections.

Before proceeding, it should be noted that water districts generally do not come under provisions of the Tax Code, but instead are governed by the Water Code.[3] A water district, however, must follow public hearing requirements on a proposed tax rate and publish a special hearing notice.[4]

[3] Water Code § 49.107(g) provides that Tax Code §§ 26.04, 26.05 and 26.07 do not apply to taxing units created under Water Code § 49.001 that levy and collect taxes under Water Code §§ 49.107 and 49.108. Other taxing entities exempt from these provisions of the Tax Code include those created under Texas Constitution Article III, §§ 52(b)(1) and (2) and Article XVI § 59; navigation districts or port authorities created under general or special law; and any conservation or reclamation districts created by Revised Civil Statutes Annotated Article 8280-141, (Vernon Supp. 1951).

[4] Water Code § 49.236.

Step 1: Calculate and publish required rates

All taxing units, other than water districts, that levied property taxes in 2012 and intend to levy them in 2013 must calculate an effective tax rate and a rollback tax rate. All taxing units, other than water districts and small taxing units, that levy a tax in 2013, must publish an effective tax rate and a rollback tax rate.

By Aug. 7, or as soon thereafter as practicable, the designated officer or employee who calculates these two rates submits them to the taxing unit's governing body and publishes them. The rates are published along with a statement of tax increase or decrease and other special schedules about fund balances, debt, sales tax, transferring a function and indigent health care. These schedules may vary, depending on the type and size of the taxing unit.

Taxing units publish the calculations in a newspaper in a form set out by the Comptroller's office, but they may mail them to each property owner. Small taxing units do not have to publish the two rates, but include information on their simplified notice.

Although the actual calculation can become more complicated, a taxing unit's effective tax rate is a calculated rate generally equal to the last year's taxes divided by the current taxable value of properties that were also on the tax roll last year. The resulting tax rate, used for comparison only, shows the relation between the last year's revenue and the current year's values.

A taxing unit's rollback tax rate is a calculated rate that divides the overall property taxes into two categories — maintenance and operations (M&O) and debt service, also called interest and sinking (I&S). This guide refers to it as debt service. Rollback rate calculations allow taxing units to raise the same amount of M&O money raised in the last year, plus an eight percent increase.

For all taxing units, the debt service portion of the rollback tax rate is the current year's debt payments divided by the current year's property values. The debt service tax rate may rise as high as necessary to cover debt expenses. The overall rollback rate calculation is explained in greater detail in **Chapter 3**.

Except for small taxing units and water districts, taxing units must publish notices and hold hearings if a proposed tax rate will exceed the lower of the rollback rate or the effective rate.

Once a taxing unit, other than a small taxing unit or water district, has determined its effective tax rate and its rollback rate, it must publish them in a specific legal form. **Chapter 5** discusses the publication requirements. If a taxing unit fails to calculate or publish the required rates and notices properly, a property owner in the taxing unit may seek an injunction to prohibit it from adopting a tax rate. The district court may issue the injunction if it finds that the taxing unit's failure to comply was not in good faith.

New taxing units

A taxing unit that did not levy property taxes in 2012 is not required to comply with truth-in-taxation laws in 2013. The Comptroller's office recommends that a new taxing unit consider publishing similar notices and holding a public hearing to inform taxpayers of its intention to levy a property tax.

Consolidation of two or more taxing units

A taxing unit that was two or more taxing units in the last year handles the effective and rollback rate calculations differently. The consolidated taxing unit combines the previous year's taxes for each taxing unit and divides them by the total values for the current year for the new consolidated taxing unit.

First, the previous year's taxes must be calculated for each taxing unit in lines 1-15 of the *Effective Tax Rate Worksheet* (**Appendix 2**). Then, the previous year's taxes must be combined on line 15 for each taxing unit to obtain the previous year's total taxes. For lines 26-28 of the *Rollback Tax Rate Worksheet* (**Appendix 3**), calculate the M&O taxes for the preceding year for each taxing unit and combine the M&O taxes for each taxing unit to obtain the previous year's total M&O taxes on line 28H. The remaining calculation steps are the same for the consolidated taxing unit's current values and current debt.

Small taxing units

Small taxing units may use a simplified tax rate notice process.[5] A small taxing unit is one that proposes a tax rate for the current year that is 50 cents or less per $100 of taxable

5 Tax Code § 26.052.

value and would impose taxes of $500,000 or less from the current total value for the taxing unit.

Small taxing units use a simplified notice process and should proceed to **Step 7**.

Step 2: Draft a budget and decide how much tax to levy

The taxing unit must identify its needs and draft a budget to meet those needs. To assist the taxing unit in this process, the chief appraiser prepares and certifies to the tax assessor, by April 30 (unless a weekend or holiday[6]), an estimate of the taxable value of property in that taxing unit. The taxing unit must decide the amount of property taxes necessary to fund that budget and, based on current year's values, what M&O rate is necessary for the general operating expenses. The taxing unit must also determine what its payments for debt service will be.

The taxing unit's governing body is now at a critical point in the truth-in-taxation process. It must determine the amount of surplus funds, if any, it plans to expend to reduce its M&O or debt levies. It must determine the final amount of property taxes needed for the budget. Certain proposed rates will trigger certain steps in adopting the final tax rate.

Truth-in-taxation laws, except for water districts, explicitly address the debt service rate component of a taxing unit's overall tax rate. For most taxing units, the adopted debt service rate must equal the debt service rate published.[7] If the taxing unit levies an additional sales tax, the debt service component of its rate cannot exceed the debt service rate that would levy the amount of debt payments published in the taxing unit's calculations, less any sales tax revenue that will be used to pay debt.

A taxing unit's governing body must follow Legislative guidelines for proposing and adopting a tax rate. If the tax rate proposed by the governing body exceeds the effective tax rate or rollback rate, whichever is lower, they must publish a public hearing notice (**Appendix 10**), post a website notice and hold two public hearings. If they do not exceed these rates, they may adopt the tax rate by following **Step 9**. Otherwise, for a tax increase, the taxing unit should proceed to **Step 3**.

[6] Tax Code § 1.06.
[7] Tax Code § 26.05(a)(1).

Small taxing units proceed to **Step 7**. Water districts go to **Step 8**.

Step 3: Vote by governing body to propose a tax increase

When a proposed rate exceeds the rollback rate or the effective rate, whichever is lower, the taxing unit's governing body, other than a small taxing unit or a water district, must vote to place a proposal to adopt the rate on the agenda of a future meeting as an action item. This vote must be recorded. The proposal must specify the desired rate. A taxing unit cannot vote to adopt a proposal to increase taxes by an unspecified amount.

If the motion passes, the governing body must schedule two public hearings on the proposal. These hearings must take place within the boundaries of the taxing unit; on a weekday that is not a holiday; and in a public building or, if a public building is not available, in a building normally open to the public. The second hearing may not be held earlier than the third day after the date of the first hearing.

Step 4: Publish first quarter-page notice

After proposing a tax increase and scheduling the two public hearings, the governing body must notify the public of the dates, times and place or places for these hearings and provide information about the proposed tax rate at least seven days before the public hearings. The law establishes specific requirements for this, which are contained in the Comptroller's model form *Notice of Public Hearing on Tax Increase* (**Appendix 10**).

The taxing unit will post notice of these hearings on its website, if it has one. A taxing unit is required to post specific language on the website that it operates at least seven days before the first public hearing. This notice will stay on the website until the second public hearing concludes. If the taxing unit has free access to a television channel, it will publish the notice as a 60-second notice. **Chapter 5** discusses publication requirements.

Step 5: Hold two public hearings

After publishing the first required notice, the taxing unit must hold two public hearings. A quorum of the governing body must be present at both hearings. Taxpayers must have the opportunity to express their views on the increase at each hearing. The governing body **may not** adopt the tax rate at either of these hearings. At each hearing, the governing body must announce the date, time and place of the meeting at which it will vote on the tax rate.

The governing body must follow a strict timetable once it holds these public hearings. The meeting to vote on the tax rate must take place no less than three days and no more than 14 days after the second public hearing. Like the public hearings, the meeting to vote must take place in a public building inside the taxing unit's boundaries. Unlike the public hearings, the meeting to vote on the tax rate can take place on any day, including a holiday.

Step 6: Publish second quarter-page notice

After the public hearings and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice entitled *Notice of Tax Revenue Increase* (**Appendix 11**). The taxing unit will post this notice on its website if it has one. A taxing unit must follow the wording and posting requirements regarding website postings. If the taxing unit has free access to a television channel, it will publish this notice as a 60-second notice.

Step 7: Small taxing unit adopts a tax rate

A small taxing unit may provide public notice of the proposed tax rate in one of two ways. The taxing unit may mail a notice of the proposed rate to each property owner in the taxing unit or may publish a notice of the proposed rate in the legal section of a newspaper having general circulation in the taxing unit (**Appendix 12**).

The taxing unit must do either notice seven days before the date on which it will adopt the proposed tax rate and the notice must contain the proposed tax rate and the date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate. If the proposed tax rate exceeds the taxing unit's effective tax rate, the notices must include the following statement: "The proposed tax rate would increase total taxes in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate)."

A small taxing unit that publicizes its tax rate in either of these methods is exempt from publishing two quarter-page ads when a taxing unit proposes a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, and from a taxpayer seeking an injunction to keep it from collecting taxes.

A small taxing unit, however, that uses the simplified notice provisions may not adopt a tax rate that exceeds the proposed tax rate set out in its notice unless the taxing unit provides an additional public notice of the higher tax rate or complies with the required Tax Code provisions for adopting the higher rate. Small taxing units should then follow the general rules in **Step 9** for the formal action of adopting a tax rate at the publicized public meeting.

Step 8: Adopt a water district's tax rate

While other taxing units are required to follow provisions of the Tax Code, water districts must follow notice and hearing provisions in the Water Code. Some provisions in the Water Code regarding a rollback election, however, refer to Tax Code § 26.07.

A water district's board of directors must publish the public hearing notice at least seven days before the hearing date or may mail it to each property owner at least 10 days before the hearing date. The quarter-page *Notice of Public Hearing on Tax Rate* includes a comparison of property tax rates and a comparison of property taxes on the average residence homestead. The notice includes a statement about the taxpayers' right to a rollback election.

The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback election. The rollback rate is the current year's debt service and contract tax rates, plus the M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district.[8] The average appraised value disregards any homestead exemption available only to people with disabilities or those 65 years of age or older. **Appendix 6** provides a sample worksheet to calculate the rollback tax rate for water districts.

Chapter 5 explains the notice requirements. Water districts then hold the publicized meeting to adopt the tax rate. **Step 9** provides the procedures to follow in adopting the tax rate.

Step 9: Adopt the tax rate in a public meeting

The following general rules apply to the formal tax rate adoption. If the taxing unit — other than a small taxing unit or a water district — proposes a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, it must follow

[8] Water Code § 49.236(d).

Step 3 through **Step 6**. Once the taxing unit publishes the second notice announcing the date, time and location of the meeting to vote on the tax rate, it must follow the provisions below to adopt the tax rate at that meeting.

The Tax Code requires that the governing body adopt the tax rate no less than three days but no more than 14 days after the second public hearing. If the taxing unit does not adopt during this time period, then it must republish the second notice of the meeting to adopt the tax rate, with the new date, time and location to adopt the rate.[9]

Please keep in mind that in addition to the following procedures, small taxing units may follow **Step 7** and water districts **Step 8**.

Open meetings notices

The taxing unit must post notice of the meeting in compliance with the open-meetings law.[10] The meeting must be open to the public.

Agenda item

Adoption of the tax rate must be a separate item on the agenda for the meeting. State law requires that most counties and general law cities adopt a budget before they adopt the tax rate.[11] These taxing units may adopt a budget and a tax rate at the same meeting as long as the budget is adopted first as a separate item. Counties with a population of more than 225,000 are not required to adopt the budget before adopting a tax rate. Other taxing units should refer to its enabling legislation for specific guidance.

Official action

A taxing unit's governing body must adopt a tax rate by official action and set it out in a written resolution, ordinance or order. General law cities should phrase the action as an ordinance. Home rule cities should phrase the action as an ordinance unless the charter provides otherwise. Counties should set out the tax rate in an order.

The Tax Code sets out specific wording for this resolution, ordinance or order. The wording for an ordinance, resolution or order must indicate an increase in the tax rate, and give the percentage increase the proposed rate is above the effective tax rate. The percentage increase must be included on the home page of the taxing unit's website.

Each type of taxing unit needs to refer to its enabling legislation to determine the proper form for the official adoption of a tax rate. A taxing unit, other than a water district, that adopts a rate above the effective tax rate must use special language in making the motion to adopt the rate (**Appendix 15**). In the order, ordinance or resolution the taxing units must use larger type, include an example of the tax increase on a $100,000 home and state that the adopted tax rate will raise more taxes for M&O.

Governing bodies with questions regarding the correct methods and phrasing of an ordinance, resolution or order to adopt a tax rate should discuss these questions with their legal counsel.

Two-part rate

A taxing unit authorized to pay both M&O and debt service with property taxes must adopt its rate as two separate components — one rate for M&O and one rate for debt service.

For most taxing units, the debt service component of the adopted tax rate must equal the calculated and published debt service rate that appeared in the rollback tax rate calculation and required notices.

A county may have several tax rates, depending on the kinds of taxes it levies. Each of these rates should be broken down into M&O and debt service components.

A taxing unit may adopt a final M&O rate that is lower than the proposed M&O rate. To adopt a higher M&O rate than proposed, the taxing unit would exceed the published increase percent. Taxpayers have the right to notice and the right to be present at a hearing about a proposed increase. A taxing unit wishing to adopt a higher M&O rate than proposed is advised to repeat the notice and hearing process to give taxpayers the opportunity to hear and comment about a higher tax increase.

Deadline to adopt rate

Other than a water district, a taxing unit must adopt its tax rate before Sept. 30 or by the 60th day after the taxing unit receives the certified appraisal roll, whichever date is later.[12]

9 Tax Code § 26.06(e)
10 Government Code Chapter 551.
11 Local Government Code §§ 111.007-111.010 and 102.006-102.009, and Education Code § 44.004.
12 Tax Code § 26.05(a).

If a taxing unit misses the deadline, the governing body must ratify either the effective tax rate or last year's rate, whichever is lower, as the adopted rate before the fifth day after establishing that tax rate.

County quorum

At least four members of the county commissioners court must be present for a county to adopt a tax rate; at least three must vote for the rate. The county judge is considered a member for this purpose.

Rate limitations for counties

A county rate may be composed of as many as three individual rates for a total rate not to exceed $1.25 per $100 of value. Not all counties levy all three taxes. The Texas Constitution sets the following rate limits:

- 30 cents per $100 for farm-to-market roads or flood control;[13]
- 80 cents per $100 for general fund, permanent improvement fund, road and bridge fund and jury fund;[14] and
- 15 cents per $100 for the maintenance of public roads, which is commonly referred to as the special road and bridge fund.[15]

Municipal school district and its city

A municipal school district follows the city boundaries where it is located. The municipal school district board and the city council must jointly hold any hearing required by law for adopting the school's annual budget and property tax rate. Adopting the school budget and the school tax rate requires an affirmative vote of a majority of the school board members present and voting and at least three-quarters of the total of the voting school board members and city council members that are present and voting. If a quorum of the city council is not present at the hearing to adopt the budget and tax rate, then the school board may adopt the budget and tax rate without regard to votes from the city council members.

Emergency services district

The maximum tax rate that an emergency services district may adopt will depend on what its voters approved. If the voters approved the district as a rural fire prevention district with a tax rate limit of 3 cents per $100, and the fire district converted to an emergency services district, it must comply with the maximum rate limit voters originally approved for the rural fire prevention district. To increase the maximum rate limit to 10 cents per $100 authorized by the Texas Constitution, the emergency services district must take that increase to the district voters to approve increasing the maximum rate.

Failure to comply

If the taxing unit's governing body fails to comply with the hearing, notice or rate adopting process in good faith, a property owner in the taxing unit may seek an injunction to stop the taxing unit from sending tax bills until it convinces the district court that it has complied with the law. A property owner must act to enjoin collections before the taxing unit delivers substantially all of its tax bills. This injunction process does not apply to water districts or small taxing units.

Step 10: Administer a rollback election, if necessary

If a taxing unit adopts a tax rate that exceeds the rollback rate, voters in the taxing unit may petition for an election on the tax increase. Chapter 6 provides information about administering a rollback election.

[13] Texas Constitution Article VIII, § 1-a.
[14] Texas Constitution Article VIII, § 9(a).
[15] Texas Constitution Article VIII, § 9(c).

CHAPTER 2:

The Effective Tax Rate

The effective tax rate enables the public to evaluate the relationship between taxes for the preceding year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll and the estimated values of properties under protest. The taxing unit's tax assessor-collector determines the following information:

- the total appraised and taxable value of property in the taxing unit;
- the total appraised and taxable value of new improvements; and
- the total taxable value of property annexed since the preceding year.

The tax assessor submits all of this information to the governing body. The governing body designates an officer or employee (often the tax assessor-collector, but not necessarily) to calculate the effective tax rate and the rollback tax rate.

Calculating the Effective Tax Rate

Calculating the effective tax rate requires the last year's taxes and the current year's taxable value for property taxed in both years. Dividing the taxes by the value (and multiplying by 100 to convert to a rate per $100 of value) produces the effective tax rate, as illustrated in **Exhibit 3**.

In practice, the calculation is slightly more complicated. The worksheet in **Appendix 2** provides step-by-step details of this calculation. What follows is a general summary.

Last Year's Taxes Less Taxes on Property Lost This Year

To calculate a 2013 effective tax rate, a taxing unit must first determine its total 2012 taxes. The effective and rollback rate calculations begin with the total taxes and values for the last year at the time of the rate calculations. These totals include all supplements and corrections that have occurred to the tax roll since the last year's certification and tax rate adoption. However, some corrections ordered prior to the date the taxes become delinquent are generally not included in these adjusted total taxes and values.[16]

These corrections are for late appraisal roll changes ordered by the appraisal review board (ARB) to correct one-third over-appraisal errors. Taxpayers may file for such corrections before taxes on the property become delinquent. Typically, taxpayers file for these corrections after receiving their tax bills. Some taxing units with substantial amounts of value reductions through these corrections experience revenue losses in that budget year. To include these changes in the adjusted total taxes and values in calculating the effective and rollback

EXHIBIT 3

Calculating the Effective Tax Rate

$$\frac{\text{Prior Year's Taxes } \textit{less} \text{ Taxes on Property Lost this Year}}{\text{Current Value of Property Taxed in the Prior Year}} \times \$100 = \text{Effective Tax Rate}$$

Prior Year's Taxes *less* Taxes on Property Lost this Year	÷	Current Value of Property Taxed in the Prior Year	x	$100	=	Effective Tax Rate

Source: Texas Comptroller of Public Accounts, 2013.

[16] These include corrections made under Tax Code § 25.25(d).

tax rates for the current year would result in lower effective and rollback rates for the taxing unit. The appraisal district should assist the taxing unit in identifying supplements and corrections for the last year.

Taxing units may be required to refund taxes for tax years previous to the last year. Taxing units include the refunded debt taxes in last year's debt levy and total refunded taxes in last year's levy. Taxing units include all types of refunds for years before the prior year — court decisions, corrections and payment errors — for tax years preceding the tax year.

For example, in 2013 a district court approved reducing a property owner's 2010, 2011 and 2012 taxable values, resulting in three years of tax refunds from the 2012 property taxes. The taxing unit includes the taxes refunded for 2010 and 2011. Taxes refunded for the 2012 tax year are not included. A second example is a taxing unit that refunded part of a 2008 payment for a clerical error. The taxing unit includes the refunded tax amount in the total 2012 taxes.

Any 2012 court-ordered refunds must be included as a separate step in the rate calculation. A taxing unit may increase the last tax year's taxes to reflect lost taxes in the last tax year because a court overruled an ARB decision with a lower taxable value.

The result of including these refunds in last year's levy is higher effective and rollback rates for taxing units. These higher rates give taxing units the ability to recapture revenue removed from last year's taxes to return money to taxpayers. The tax collector has information about refunds.

Truth-in-taxation laws require the taxing unit to reduce last year's total taxes for the amount of lost property levy. This is the amount of taxes on property value that was taxable in the preceding year but is not taxable in the current year. Property value not taxed in the current year may have been deannexed by the taxing unit, received a new exemption or qualified for special appraisal in the current year. The appraisal district has value information on these properties.

Property that first qualified for a new exemption does not include freeport property or goods-in-transit property.[17]

If a taxing unit adopted the tax ceiling provision in 2012 or a prior year for homeowners' aged 65 or older or disabled, the tax assessor adjusts last year's value by subtracting the value of homesteads with tax ceilings.

Subtracting the value lost because of the changes described above, results in the taxing unit's adjusted 2012 taxes.

Current Value of Property Taxed in the Last Year

Before calculating its effective rate, a taxing unit must adjust the 2013 values. The taxing unit begins with the total taxable value on the 2013 certified appraisal roll and adds the value of properties still under protest or known, but not appraised for 2013. The taxing unit then subtracts the value of new property — property annexed since Jan. 1, 2012, and improvements new to the 2013 tax roll. The result is the 2013 taxable values adjusted to include only the property that was taxed in both 2012 and 2013.

If a taxing unit adopted the tax ceiling provision in 2012 or a prior year, the tax assessor-collector adjusts its 2013 values by subtracting the 2013 values of homesteads with tax ceilings. The homesteads with tax ceilings are for both home owners age 65 or older and disabled home owners.

A taxing unit excludes the taxable value of property exempted for the current tax year for the first time as pollution control property. Since the taxable value of exempt property is zero, such an interpretation would not affect the current total value. Legislative intent appears to require some adjustment. Taxing units that wish to exclude the market value of this exempt property should consult with legal counsel.

Properties under protest

If a property's value is under protest when the taxing unit receives the certified appraisal roll, the chief appraiser submits both the appraisal district and the taxpayer's estimated values. In calculating the effective and rollback tax rates, the taxing unit uses the lower taxable value.

If the property owner did not estimate a value, the chief appraiser must estimate the outcome of the ARB appeal. The following two rules govern this estimate:

- If this year's appraised value is the same or less than last year's, the chief appraiser estimates the value that would be assigned if the property owner wins.

[17] Tax Code § 26.012(15).

- If this year's value is greater than last year's, the chief appraiser uses last year's value; however, if it's likely that the ARB will reduce the value, the chief appraiser should estimate the ARB value.

Properties not included at certification

The chief appraiser must give taxing units a list of taxable properties that the chief appraiser knows about but are not included at the time the chief appraiser certifies the appraisal roll. These properties 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, appraised value and exemptions for the current year.

A taxing unit's tax assessor must use the lower market, appraised or taxable value (as appropriate) for computing the taxing unit's effective and rollback tax rates.

New property value

New property value generates new revenue for a taxing unit. It helps offset property value losses for new exemptions and special appraisals granted for the first time in the current year. The taxing unit deducts new property value from the 2013 appraised values in the effective tax rate calculation.

The chief appraiser supplies the value of real and personal property new to the 2013 appraisal roll. For real property, new value includes additions to existing improvements (such as a garage) or new separate structures added to a property containing existing improvements (such as a company expansion) made after Jan. 1, 2012. Only the value of the individual new improvement is new value. The increased value on any existing structures is not new value.

For personal property, new value includes only the personal property that is located in a new improvement and that entered the taxing unit after Jan. 1, 2012.

New property value includes property value in the current year that was previously exempt under an abatement agreement. The amount includes the value of a property that had a portion of its value excluded because of a tax abatement agreement for all or a part of the property, less the value of the property included last year. New property value for tax abatements applies to agreements that are expiring and to agreements that have a declining percentage or amount of exemption each year.

Certain taxing units may include as new property value changes that increased a property's land value from the preceding year. In calculating the effective and rollback tax rates, the taxing units include as new property value from the preceding year the value added because the land was subdivided by plat; had water, sewer or drainage lines installed; or had paving of undeveloped land. The property's current year value would be increased for these changes and that added value would be considered new for the rate calculation.[18] This does not include new taxable value subject to limitation agreements under the Tax Increment Financing Act.[19]

Taxing units participating in tax increment financing (TIF)

A taxing unit excludes the taxes paid into a TIF and the portion of the captured appraised value that corresponds to the TIF payment in calculating both the effective and rollback rates.

The captured appraised value is the difference in value between the current appraised value and the base appraised value. The base appraised value is the value that existed at the time the TIF was created. The taxes on the base appraised value remain with the taxing unit. Only the portion of the captured appraised value that corresponds to the portion of the tax increment paid into the TIF fund may be excluded in the rate calculations.

If a taxing unit does not have TIF captured appraised value in the current year to exclude from the effective and rollback rate calculations, then it does not have any TIF taxes to exclude in those calculations. This provision addresses the situation when the taxable values in a TIF decline, rather than continue to increase.

The TIF captured appraised value to be deducted in the effective and rollback calculations do not include any value that was included as new property value in the calculations. This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

18 This provision applies only to taxing units created under Texas Constitution Article III, § 52 or Article XVI, § 59.
19 Tax Code Chapter 311.

The Calculation

Dividing the adjusted 2012 taxes by the adjusted 2013 taxable values and multiplying by $100 produces the 2013 effective tax rate, as illustrated in **Exhibit 4**.

EXHIBIT 4

Detailed Steps in Calculating the Effective Tax Rate

2012 Taxes (on date of calculation)*	**Total value on the 2013 certified appraisal roll**
+	+
Taxes on 2012 values lowered in court decisions	Estimated value that will be placed on property under protest or not included in certification
+	–
Taxes refunded for tax years preceding tax year 2012	Value of property annexed after Jan. 1, 2012
–	–
Taxes on deannexed territory	Value of new improvements built after Jan. 1, 2012
–	–
Taxes on property value not taxable in 2013 because it received an exemption or special appraisal for the first time	Value of pollution control property exempted from the first time
–	–
Taxes paid to a TIF Fund**	Captured appraised value in a TIF Fund
=	=
Adjusted 2012 Taxes	**Adjusted 2013 Taxable Values**

Adjusted 2012 Taxes	÷	**Adjusted 2013 Taxable Value**	**x**	$100	**=**	Effective Tax Rate

** Do not include Tax Code § 25.25(d) for one-third over-appraised errors.*
*** Do not include TIF taxes if there is no TIF captured appraised value.*
Source: Texas Comptroller of Public Accounts, 2013.

CHAPTER 3:
The Rollback Tax Rate

Calculating the rollback tax rate is more complicated than the effective tax rate calculation. The Legislature wanted to avoid injuring a taxing unit's ability to pay its debt service. Thus, the rollback rate calculation splits the rate into two separate components — a maintenance and operations (M&O) rate and a debt service rate. M&O includes such things as salaries, utilities and day-to-day operations. Debt service covers the interest and principal on bonds and other debt secured by property tax revenues.

Calculating an effective tax rate does not require the taxing unit to distinguish between M&O and debt service. The rollback tax rate, however, is the sum of M&O and debt service rates. In most cases, the rollback tax rate exceeds the effective tax rate. Occasionally, however, decreases in a taxing unit's debt service will create a situation where the effective rate might be higher than the rollback rate.

Calculating the Rollback Tax Rate

The M&O portion of the rollback tax rate is the tax rate that would be needed to raise the amount the taxing unit levied in the preceding year plus eight percent. This portion of the rollback rate calculation is similar to the effective rate calculation.

The debt service rate portion is the tax rate necessary to pay the taxing unit's debt payments in the coming year. This part of the calculation does not depend on the last year's debt taxes at all; it considers the amount the taxing unit will need for the current year. The debt service portion of the overall rate may rise as high as necessary without triggering the threat of a rollback.

Water districts have a special calculation of a rollback tax rate discussed at the end of this chapter.

M&O Component

To calculate the M&O rate, taxing units — other than water districts — begin with the adjusted 2012 total taxable value used to calculate the effective tax rate. They then multiply that adjusted taxable value by the 2012 M&O rate, divide it by $100, arriving at the adjusted 2012 M&O taxes. Dividing the adjusted 2012 M&O taxes by the adjusted 2013 taxable value used to calculate the effective tax rate yields the effective 2013 M&O rate. **Exhibit 5** illustrates these steps.

Special provisions

Some taxing units must perform special steps that allow them to adjust their rollback tax rates. Many of these adjustments provide for a higher rollback tax rate.

County criminal justice mandate

Counties may increase their rollback rate to replace funds spent to house prisoners sentenced to state correctional facilities. The amount spent by a county includes the cost during the previous 12 months to keep inmates in county-paid facilities after they have been sentenced to a Texas Department of Criminal Justice facility.

The county auditor certifies the amount, based on information provided by the county sheriff, minus any amount received from the state for reimbursement. If the amount is the same or less, the county does not adjust the M&O rate.

EXHIBIT 5

Calculating the M&O Limit of the Rollback Tax Rate

(Adjusted 2012 Value **x** 2012 M&O Rate) ——— *divided by* ——— Adjusted 2013 Taxable Values	x	$100	x	1.08	=	M&O Portion of Rollback Rate

Source: Texas Comptroller of Public Accounts, 2013.

The county continues to use the same 12-month period in subsequent years. The county must publish a special notice about the county criminal justice mandate — *Schedule D*, discussed in **Chapter 5**.

Currently, the state pays for most state prisoner expenses, so only a few counties should be paying an increased amount to take care of them. Thus, most counties should enter 0 in the calculation and in *Schedule D*. For more information on this mandate, call the Texas Commission on Jail Standards at (512) 463-5505.

TIF

A taxing unit excludes the taxes paid into a TIF and the captured appraised value that corresponds to the TIF payment in calculating the rollback rate. The captured appraised value is the difference in value between the current appraised value and the base appraised value. The base appraised value is the value that existed at the time the TIF was created. The taxes on the base appraised value remain with the taxing unit. Only the portion of the captured appraised value that corresponds to the portion of the tax increment paid into the tax increment fund may be excluded in the rollback rate calculation.

If a taxing unit does not have any TIF captured-appraised value in the current year to exclude from the effective and rollback rate calculations, then it does not have any tax increment from the last year to exclude in those calculations. This provision applies when the taxable values in a TIF decline, rather than continue to increase.

The TIF captured appraised value, to be deducted in the effective and rollback calculations, does not include any value that was included in the new property value step of the calculations. This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

Taxing units transferring a function

If a taxing unit discontinues all of a department, function or activity and transfers it to another taxing unit by written contract, the two taxing units must adjust their M&O rates for the transfer. The taxing unit discontinuing the function subtracts the amount spent for the function in the 12 months preceding the month of the rollback rate calculation. If the taxing unit did not operate this function for this 12-month period, the discontinuing taxing unit uses the amount spent in the last full fiscal year in which the taxing unit operated the function. The taxing unit receiving the function adds this amount to the rollback rate for the function's expenses.

Tax collections contracts are not subject to this provision since the original taxing unit never fully transfers and discontinues operating its collections function. The taxing unit publishes a special notice about the transferred function—*Schedule E*, discussed in **Chapter 5**.

Additional rollback protection for pollution control

Any taxing unit may increase its rollback rate by the rate that generates the amount of funds the taxing unit spends for pollution control property, divided by the taxing unit's current total value. Lines 49 – 52 of the *Rollback Tax Rate Worksheet* in **Appendix 5** provide the information needed for calculating the additional rate to add to the rollback rate. The additional rate is added to the taxing unit's rollback rate.

The Legislature provided this additional protection to allow a taxing unit to raise its rate for M&O funds used to pay for a facility, device or method for the control of air, water or land pollution.[20] The taxing unit's expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).

The taxing unit must provide its tax assessor with a copy of a required letter from TCEQ. The tax assessor must accept the copy stating the cost of the pollution control property as conclusive evidence and shall adjust the rollback tax rate. Taxing units should check for rules regarding this process by calling TCEQ's Air Quality Division at (512) 239-6348.

Additional rollback protection for enhanced indigent health care expenditures

A taxing unit may increase its rollback rate to generate funds the taxing unit will spend for enhanced indigent health care expenses. Line 28F of the *Rollback Tax Rate Worksheet* provides for calculating the increased amount for these expenditures above the preceding year, less the amount of any state assistance.

A taxing unit may increase its effective M&O rate to reflect these enhanced indigent health care expenditures.[21] The enhanced expenditures are defined as the amount spent by the taxing unit for M&O costs of providing indigent health care

[20] Tax Code § 26.045.
[21] Tax Code § 26.0441.

at the increased minimum eligibility standards.[22] The taxing unit deducts any state assistance received for these expenses.

For calculating the effective M&O rate for tax year 2013, a taxing unit's enhanced indigent health care expenditures for the preceding 2012 tax year are computed using the taxing unit's expenditures for the increased standards from July 1, 2011, through June 30, 2012. The taxing unit subtracts this amount and the amount of any state assistance from the enhanced expenditures for the current year (July 1, 2012, through June 30, 2013). Any remaining amount is the increased amount for the current year.

The taxing unit must publish a special notice about the enhanced indigent health care expenditures, as discussed in **Chapter 5**.

Debt Component

The debt service portion of the rollback rate differs entirely from the M&O portion. The debt service rate is the tax rate necessary to pay the taxing unit's debt payments in the coming year. This part of the calculation does not depend on the last year's debt taxes; it simply concerns what the taxing unit will actually need for the current year.

The debt service component does not use the adjusted 2013 taxable value (the current value of properties taxed in the last year). Instead, it uses the 2013 taxable value (the current value of all properties) in the lower part of the formula less the 2013 taxable values of homesteads with tax ceilings; less the appropriate portion of any TIF captured appraised value.

Debt payments

The top half of the formula concerns the actual debt payments required for the 2013-14 fiscal year, not the last fiscal year's debt. Remember that these are debt payments that 2013 property taxes will pay. A taxing unit that pays debt with other funds should not include those payments in the calculation.

Certain types of taxing units may increase their current debt service tax rate to pay for debts that the taxing units anticipate incurring in the next calendar year. These taxing units will include these payments in their published schedule of debt payments, *Schedule B* discussed in **Chapter 5**.[23]

Adjustments to the 2013 debt service are for excess collections from the previous year and anticipated collection rate for the current year. The taxing unit subtracts the amount of 2012 excess debt tax collections from the current year's debt payments and divides the resulting figure by the anticipated 2013 collection rate. The taxing unit's tax collector certifies these excess debt tax collections and the anticipated collection rate. The following section on anticipated and excess collections tells the tax collector how to calculate these figures.

Anticipated and excess debt collections

A taxing unit that levies a debt service tax must consider anticipated collections in calculating the debt service component of its rollback tax rate. The collector for such a taxing unit must certify, to the governing body, the estimated debt collection rate for 2013 and the excess debt tax collections for 2012.

Estimated debt collection rate for 2013

To find the estimated collection rate, the collector must first estimate the taxing unit's total debt collections from July 1, 2013, through June 30, 2014. This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes, penalties and interest. The collector will not know the precise amount until this collection period is completed. Truth-in-taxation laws, however, require the collector's estimate. The collector will compare this amount to what the taxing unit plans to levy for paying debt service in the 2013-2014 fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate. For example, the collector projects the taxing unit will take in $950,000 in debt revenues before July 1 of next year. The taxing unit's budget calls for it to levy $1 million in debt service taxes for 2013. The anticipated collection rate is $950,000 divided by $1 million, or 95 percent.

Using an anticipated collection rate of less than 100 percent in the calculations creates a higher debt levy.

If the collector's anticipated collection rate exceeds 100 percent, the collector uses 100 percent in the calculation. Delinquent taxes from prior years may generate more than a 100 percent rate.

22 Health and Safety Code § 61.006.
23 These taxing units are created in Texas Constitution Article III, § 52 or Article XVI, § 59.

Excess debt tax collections for 2012

The law requires the collector to compare the amount of taxes actually collected in current taxes, delinquent taxes, special appraisal rollback taxes, penalties and interest for debt in 2012 from July 1, 2012, through June 30, 2013. The collector compares this collected amount with the amount that the collector estimated to collect according to the 2012 anticipated collection rate. If the taxing unit took in more debt tax dollars than should have been collected, the collector certifies the amount of excess debt tax collections to the governing body.

For example, last year the collector projected a 2012 collection rate of 95 percent and the governing body levied $500,000 in 2012 debt service taxes. The anticipated debt tax collections for 2012 were $475,000 (.95 x $500,000). The collector determines whether the total amount of debt service taxes collected from July 1, 2012 through June 30, 2013, exceeds $475,000 and determines the amount of any excess. If the taxing unit collected $485,000 in 2012 debt service taxes, the collector certifies excess debt tax collections of $10,000. The taxing unit subtracts this $10,000 from the 2013 debt payments to lower the 2013 debt service rate.

If the collector projected a 2012 collection rate of 100 percent and collected more than 100 percent, the collector may certify excess debt collections of 0.

Dividing the adjusted debt payments by the total 2013 taxable values, times $100, gives the debt service portion of the rollback rate. **Exhibit 6** illustrates the debt service calculation.

Total Rollback Tax Rate

Totaling the M&O rollback rate and the debt service rate gives the rollback tax rate.

Water District Rollback Tax Rate

None of the provisions on calculating a rollback tax rate previously discussed apply to water districts.[24] The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback election.

The rollback rate is the current year's debt service and contract tax rates plus the M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district. The average appraised value disregards any homestead exemption available only to disabled persons or persons 65 years of age or older.

A sample worksheet for water districts to calculate a rollback tax rate is in **Appendix 6**.

EXHIBIT 6

Calculating the Debt Service Portion of the Rollback Rate

$$\frac{\text{(2013 debt payments} - \text{2012 excess debt tax collections)}}{\text{2013 anticipated collection rate}} = \text{Adjusted 2013 debt}$$

$$\frac{\text{Adjusted 2013 debt}}{\text{2013 total taxable values*} - \text{2013 captured appraised value in a TIF fund}} \times \$100 = \text{2013 debt service rate}$$

** Counties, cities and junior college districts that adopted the tax ceiling provision exclude the total taxable value of the 2013 homesteads with tax ceilings for homeowners age 65 or older or disabled.*
Source: Texas Comptroller of Public Accounts, 2013.

[24] Water districts follow Water Code § 49.236(d) to calculate a rollback tax rate.

CHAPTER 4:

The Additional Sales Tax

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes.

In each case, the taxing unit reduces its effective and rollback tax rates to offset the expected sales tax revenue. Tax Code provisions refer to the tax as the additional sales tax for the reduction of property taxes and this guide refers to the tax as the additional sales tax.

Timing a Sales Tax Election

Local voters by election must approve imposing or abolishing the additional sales tax. Elections may be held on either of the two general election dates held in May or November.[25] If the additional sales tax to reduce property taxes passes, the taxing unit may use the instructions in this guide to calculate the reduced effective and rollback tax rates.

Collecting the sales tax begins on Oct. 1 following the first full quarter after the taxing unit notifies the Comptroller's office of the election results. A taxing unit that held a successful election in November 2012 or held a successful election in May 2013 adjusts its 2013 rates.

Impact on Effective and Rollback Tax Rates

A taxing unit that adopted the additional sales tax in November 2012 or in May 2013 must adjust both its effective and rollback tax rates. A taxing unit that adopted the tax in prior years, however, adjusts only its rollback rate.

Steps for First Year

A taxing unit that adopted the additional sales tax in November 2012 or in May 2013 makes a first-year adjustment to both the effective and the rollback tax rates. The taxing unit computes an additional rate based on an estimate of sales tax revenue and subtracts that rate from the effective and rollback rates. The adjustment rate is called the sales tax gain rate. Taxing units can use the *Additional Sales Tax Rate Worksheet* in **Appendix 4** to calculate this rate.

The sales tax gain rate

To calculate a sales tax gain rate, the taxing unit must first contact the Comptroller's office to obtain an estimate of the last four quarters' total dollar-volume of business activity subject to sales tax. It then multiplies that estimate by the adopted additional sales tax rate (usually .005), and multiplies that by 95 percent. By using 95 percent, the Legislature provided for a conservative amount to offset low first-year estimates of the total taxable sales. The taxing unit then divides the sales tax estimate by total 2013 taxable values, as illustrated in **Exhibit 7**.

A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.[26] The county subtracts this amount from the total estimated sales tax revenue in the first-year rate calculations. Subtracting the sales tax gain rate from the effective tax rate and the rollback rate adjusts those rates for the anticipated additional sales tax, as shown in **Exhibit 8**.

Steps for Following Years

Once a taxing unit has collected the additional sales tax for a year, its property tax revenues will reflect any rate reduction arising from the additional sales tax. As a result, calculating the effective tax rate will not require an adjustment for the additional sales tax. Follow the steps described in **Chapter 2** for calculating the effective tax rate.

Calculating the rollback rate after the first year, however, uses the last year's sales tax revenue in calculating the M&O component of the rollback rate. The taxing unit subtracts a sales tax adjustment rate. The resulting calculation includes three components, as shown in **Exhibit 9**.

[25] Election Code § 41.001.

[26] Tax Code § 26.041(i); Development grants are created and authorized by Local Government Code Chapter 381.

EXHIBIT 7

Calculating the Sales Tax Gain Rate

(Estimated Taxable Sales **x** Additional Sales Tax Rate **x** .95) —— *divided by* —— 2013 Total Taxable Values	x	$100	=	2013 Sales Tax Gain Rate

Source: Texas Comptroller of Public Accounts, 2013.

EXHIBIT 8

Adjusting for Sales Tax

Effective Ta Rate	–	Sales Tax Gain Rate	=	Adjusted Effective Tax Rate
Rollback Tax Rate	–	Sales Tax Gain Rate	=	Adjusted Rollback Tax Rate

Source: Texas Comptroller of Public Accounts, 2013.

EXHIBIT 9

Calculating Rollback Rate for Second and Later Years

Effective M&O Rate (Based on prior year's M&O property taxes and sales tax revenue spent for M&O)	x	1.08	+	Current debt service rate	–	Sales tax adjustment rate	=	Rollback Rate

Source: Texas Comptroller of Public Accounts, 2013.

The debt service component of the rollback rate is identical to that described earlier. See **Chapter 3** for a full explanation of the rollback tax rate. Use the *Additional Sales Tax Rate Worksheet* for these calculations.

Sales tax in the M&O rate

To calculate the effective M&O rate, add the last year's sales tax revenue spent on M&O to the adjusted M&O levy.

The last year's sales tax revenue is the amount from the first full year of sales tax revenue spent for M&O. This adjustment is necessary to properly account for sales tax revenue received in the preceding year. If this component were not added, the sales tax adjustment would not properly reflect the change in sales tax revenue from one year to the next.

A county excludes the amount of sales tax revenue that was distributed by the county for economic development grants.[27] The county subtracts this amount from the sales tax revenue spent in the calculation of the county's effective M&O rate.

[27] Tax Code § 26.041(i).

Sales tax adjustment rate

After the first year, the sales tax adjustment rate is based on actual sales tax collections in the previous four quarters. As in the first year, the Comptroller's office supplies this amount on request. Unlike the first year, there is no 95-percent adjustment. To calculate the sales tax adjustment rate, the taxing unit must divide the additional sales tax revenue from the last four quarters by the total 2013 taxable values, as shown in **Exhibit 10**.

A taxing unit can get its historical summary of monthly local sales and use tax allocation payments on the Comptrollers' website at https://ourcpa.cpa.state.tx.us/allocation/AllocHist.jsp.

Changing the Additional Sales Tax Rate

If the taxing unit either increases or decreases the sales tax rate from last year, the taxing unit must perform an additional step to determine the projected sales tax.

EXHIBIT 10

Calculating the Sales Tax Adjustment Rate for Second and Later Years

Sales Tax Revenue Last Four Quarters —— *divided by* —— Total 2013 Taxable Values	x	$100	=	2013 Sales Tax Adjustment Rate

Source: Texas Comptroller of Public Accounts, 2013.

EXHIBIT 11

Adjusting Effective Tax Rate after Abolishing Additional Sales Tax

Adjusted 2012 Tax Levy —— *divided by* —— Adjusted 2013 Taxable Values	+	Sales Tax Loss Rate	x	$100	=	Adjusted Effective Tax Rate

Source: Texas Comptroller of Public Accounts, 2013.

If the sales tax rate increased (for example, from $0.0025 to $0.005), the taxing unit must have two sales tax projections. The first projection uses the increased rate; the second projection does not. The difference between the two projections is the extra revenue generated by the rate increase. In the first year that the rate changed, the effective tax rate is the rate before the increase, less a rate for the extra revenue. To determine the revenue gain rate to subtract, divide the revenue gain by the current total property values (less new property value).

If the sales tax rate decreased (for example, from $0.005 to $0.0025), then the taxing unit has two sales tax projections — the first on the new decreased rate and the second on the old rate. The difference between the two projections is the revenue loss for the rate change. In the first year that the rate changed, the effective tax rate is the rate before the decrease, plus a rate for the revenue loss. To determine the revenue loss rate to add, divide the revenue loss by the current total property values (less new property value).

Taxing units should contact legal counsel for special instructions on calculating the sales tax projection for the first year after a sales tax rate change.

Abolishing the Additional Sales Tax

If voters abolish the additional sales tax to reduce property taxes, the taxing unit adjusts its effective tax rate upward by adding a sales tax loss rate. To calculate this rate, the taxing unit divides sales tax revenues for the last four quarters by the current year's property value. It then adds the result in calculating the effective tax rate, as shown in **Exhibit 11**.

To calculate the rollback rate, the taxing unit includes the sales tax in the M&O rate but does not include the sales tax loss rate, as shown in **Exhibit 12**.

Tax Bills and the Additional Sales Tax

Taxing units that levy the additional sales tax must show on tax bills the amount of additional property taxes that the taxpayer would have paid had the additional sales tax not been adopted. The Comptroller's office recommends calculating this amount by applying the sales tax adjustment rate (Line 44 from the *Additional Sales Tax Rate Worksheet*) to each property's total taxable value.

City Mass Transit Sales Tax

In the tax year in which a city has set an election on the question of whether to impose a local sales and use tax for mass transit, the city may not make effective and rollback calculations until the outcome of the election is determined. If the election is determined in favor of the imposition of the tax, the city must subtract from the city's rollback and effective tax rates the amount that, if applied to the city's current total value, would impose an amount equal to the amount of property taxes budgeted in the current tax year to pay for expenses related to mass transit services.[28]

[28] Tax Code § 26.043.

A city must make a one-time adjustment to its effective and rollback tax rates in the year it elects to impose a transit tax.

In general, instead of subtracting a sales tax adjustment rate, these cities subtract a mass transit expense rate. The city divides the amount budgeted in property taxes for mass transit expenses in the current year by the total taxable value. **Exhibit 13** illustrates these steps.

Mass transit services do not include the construction, reconstruction or general maintenance of municipal streets.[29]

EXHIBIT 12

Adjusting Rollback Rate after Abolishing Additional Sales Tax

Effective M&O Rate (Based on prior year's sales and property taxes.)	x	1.08	+	Debt Service Rate	=	Rollback Rate

Source: Texas Comptroller of Public Accounts, 2013.

EXHIBIT 13

Calculating One-Time Adjustment for Mass Transit Sales Tax

Effective Tax Rate	–	Mass Transit Expenses *divided by* Current Year Values	x	$100	=	Adjusted Effective Tax Rate
Rollback Tax Rate	–	Mass Transit Expenses *divided by* Current Year Values	x	$100	=	Adjusted Rollback Tax Rate

Source: Texas Comptroller of Public Accounts, 2013.

[29] Tax Code § 26.043.

CHAPTER 5:

Required Public Notices and Hearings

Truth-in-taxation laws require a number of public notices to inform taxpayers about local property taxes. The first notice is an individual notice to a property owner.

The chief appraiser sends a *Notice of Appraised Value* to inform a property owner of proposed property values and other necessary information. The notice includes an estimate of current year taxes based on the current year's proposed taxable value and the last year's tax rate.[30]

The other truth-in-taxation notices discussed below are for taxing units when they publish effective and rollback tax rates. If a taxing unit's proposed tax rate exceeds a certain level, the taxing unit must publish public notices that meet legal requirements of the Tax Code.

Some taxing units follow a different process. Small taxing units have less restrictive notice requirements. Water districts must follow notice requirements required by the Water Code.

Part A: Most Taxing Units

Notice of Calculated Rates

The law requires taxing units, other than small taxing units and water districts, to mail to each property owner the effective and rollback rates, or to publish them in a newspaper of general circulation. The notice must conform to the Comptroller's prescribed form. Taxing units must follow the requirements for the format and wording of the notice. The Comptroller's office recommends the notice be printed in at least 8-point type.

The Comptroller's model forms for these notices appear in this guide's appendices. **Appendix 7** shows the general form for taxing units other than counties. A similar form for counties appears in **Appendix 8**. The county form has additional columns for county property taxes for funds other than the general fund. The county may add more columns if needed; but the notice must show the total effective and rollback tax rates. This notice may appear in any section of the newspaper.

Notices prepared for a number of taxing units may combine the information for several in a single notice, as long as the notice clearly identifies the information for each taxing unit. This notice may be published at the same time the taxing unit publishes its *Notice of Public Hearing of Tax Increase*.

Statement and Schedules

Taxing units, other than a small taxing unit or a water district, must publish a special statement about increasing or decreasing taxes. Since all of these taxing units include this statement, it is the first part of the form that appears in **Appendix 9**.

These taxing units must publish schedules showing unencumbered fund balances in *Schedule A*. Debt needs, if any, are published in *Schedule B* and (if adopted) anticipated revenues from the additional sales tax in *Schedule C*. All taxing units use the same form for this part of the notice.

Counties must include a *Schedule D* for the state criminal justice mandate. A taxing unit that transfers all or part of a department, function or activity to another taxing unit must publish a *Schedule E*. *Schedule F* is for taxing units with enhanced indigent health care expenditures.

There are several important items to note about the statement and schedules published with the notice. These are discussed in the following pages.

Statement of Increase/Decrease

A statement of increase or decrease is required to be published with the effective and rollback rates. The taxing unit includes a statement that adopting a tax rate equal to the effective tax rate would result in either an increase or decrease in the taxing unit's taxes compared to last year's taxes and the amount of the increase or decrease.

[30] Tax Code § 25.19

To calculate last year's taxes for this increase/decrease statement, multiply the adjusted 2012 values (Line 6) from the *Effective Tax Rate Worksheet* by last year's total rate (Line 4) divide by $100 and add the refunded taxes (Line 13).

To calculate this year's taxes for this statement, multiply 2013 total values (Line 19) by the 2013 effective tax rate (Line 24 or Line 25 for a county) and divide by $100. Subtract the two numbers for the difference.

Schedule A

This schedule lists unencumbered fund balances remaining in each tax fund at the end of the current fiscal year. Fund balances are unencumbered if they are not needed to meet a corresponding debt obligation.

Obtain a written estimate of these balances from the taxing unit's budget officer. A taxing unit must report its entire estimated unencumbered fund balances regardless of the revenue source.[31] Such taxpayer notification provides information that taxpayers need to know to evaluate a tax increase proposal.

Schedule B

The entity must list in this schedule only debts that meet the four-part test specified in Line 32 of the *Rollback Tax Rate Worksheet*. Report only the amount paid from property taxes. The taxing unit's budget officer can provide this listing.

On *Schedule B*, taxing units must subtract excess collections from debt service for the upcoming year. See **Chapter 3** for more information about excess debt collections. To complete *Schedule B*, the taxing unit's governing body must decide whether to use surplus or unencumbered funds to retire any debt.

Schedule C

The taxing unit must list, in *Schedule C*, the amount of additional sales tax revenue it expects. A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.

Schedule D

This schedule provides the amount spent by the county for housing state prisoners, less the state reimbursement for such costs. The county auditor certifies the amount spent by the county in the previous 12 months for state prisoners.

31 *Gilbert v. El Paso County Hospital District*, 38 S.W.3d 85, (Tex. 2001).

The expenses are for the M&O cost of keeping inmates sentenced to the Texas Department of Criminal Justice. The county sheriff provides the auditor with information on these costs, less any reimbursement by the state. The county continues to use the same 12-month period in subsequent years.

Counties should enter $0 if the state met all state costs. For state information, call the Texas Commission on Jail Standards at (512) 463-5505.

Schedule E

A taxing unit that transfers all of a department, function or activity to another taxing unit by written contract must use this schedule. In the first year of the transfer, both taxing units publish a special schedule. The schedules include the name of the taxing unit discontinuing the function, the amount spent by the taxing unit to operate the discontinued function in the preceding 12 months and the name of the taxing unit that receives the function. If the taxing unit discontinuing the function did not operate the function for a full 12 months before the calculation, then the taxing unit uses the last full fiscal year in which it operated the function.

In the second year after the transfer, the taxing unit that received the function publishes an updated *Schedule E*. This second year schedule states the amount of property tax revenue spent for the 12 months preceding the month of the calculations and the amount published in the preceding year's *Schedule E*. Taxpayers can see what the transferred function has cost in the current year versus the last year in property tax revenue.

The taxing unit discontinuing the function does not publish a *Schedule E* in the second year. Tax collection contracts are not subject to this provision.

Schedule F

This schedule is used by a taxing unit that has enhanced indigent health care expenditures. It gives a brief description and the amount of the enhanced indigent health care expenditures.

The taxing unit states the amount of the enhanced expenditures in the preceding year and the current year, less any state assistance. For the preceding tax year 2012, the taxing unit's enhanced expenditures are computed from July 1, 2011 through June 30, 2012. The current year is from July 1, 2012 through June 30, 2013.

Failure to comply

If the taxing unit does not calculate or publish these required rates and schedules, a property owner in the taxing unit may seek an injunction to prohibit the taxing unit from adopting a tax rate. The district court may grant an injunction if it finds that the taxing unit did not act in good faith.

Notice of Public Hearing on Tax Increase

Once the taxing unit's representative publishes the effective and rollback tax rates and reports them to the governing body, the governing body — other than one for a small taxing unit or a water district — assumes the duty of complying with truth-in-taxation laws. Failure to carry out this duty in good faith could carry a high price: any property owner in the taxing unit believing the taxing unit has violated the law may go to district court and enjoin tax collections. The injunction stops the delivery of tax bills until the taxing unit convinces the court that it has complied with the law. The property owner must act to enjoin before the date the taxing unit delivers substantially all of its tax bills. A taxing unit must hold two public hearings and publish newspaper ads before adopting a tax rate that exceeds the rollback rate or the effective tax rate, whichever rate is lower.[32]

If proposing a tax increase, the governing body must issue the first of two public notices. This first notice is titled *Notice of Public Hearing on Tax Increase*. The Comptroller's model form appears in **Appendix 10**. Taxing units must publish the notice in a newspaper or mail it to each property owner at least seven days before the public hearings.

Content of the notice

The first part of the notice states that the taxing unit is proposing to increase tax revenues and states the percentage increase that the proposed rate exceeds in relation to the effective or rollback rate. It gives the times, dates and places of the two public hearings and tells how members of the governing body voted on the proposal.[33]

Next, the taxing unit states the average taxable value of a residence homestead in the taxing unit in 2012, the total 2012 tax rate for the taxing unit and the amount of taxes imposed on the average home last year.

The notice then lists the 2013 average taxable value of a residence homestead in the taxing unit and the 2013 taxes that would be imposed on the average home if the governing body of the taxing unit adopts the effective tax rate and the taxes that would be imposed if the governing body adopts the proposed tax rate. The effective and proposed tax rates must be stated on the notice.

There are several ways to calculate the average taxable value of a residence homestead in the taxing unit. The taxing unit could average the value of all residential property, or only homes with general homestead exemptions. In each instance, the total appraised value of the properties (before exemptions) is divided by the number of properties. Then, if the taxing unit offers a general homestead exemption, that amount is subtracted from the average appraised value to determine the average taxable value. The taxing unit disregards the age 65 or older and disabled homestead exemptions.

For the current year average taxable value the taxing unit must take into account the 110-percent appraisal limitation for residence homesteads.[34] The appraisal district can assist with this calculation. Legal advice should be requested if a question arises concerning the appropriate methodology for this calculation.

If applicable, counties must add a paragraph on the criminal justice mandate, and a taxing unit with enhanced indigent health care expenditures adds a sentence stating those costs. The last portion of the notice states that members of the public are encouraged to attend the hearings and express their views.

The law does not require that taxing units use the Comptroller's model form for the *Notice of Public Hearing on Tax Increase*, but the statutory language must be strictly followed. The model form strictly follows this language. All notices should be prepared or reviewed by legal counsel.

Newspaper requirements

The required newspaper notice must be at least a quarter-page in a standard-size or tabloid-size newspaper. Its headline must appear in 24-point type or larger. It may not appear in the legal or classified section of the newspaper. The taxing unit must publish the notice at least seven days before the date of the first public hearing.[35]

[32] Tax Code § 26.05(d)
[33] Tax Code § 26.06(b)
[34] Tax Code § 23.23
[35] Tax Code § 26.06

Website and TV

If the taxing unit owns, operates or controls a website, it must post on its website a supplemental notice for the hearing on a tax rate increase, at least seven days immediately before the first hearing on the proposed tax rate increase and leave the notice there until the second hearing is concluded. If the taxing unit has free access to a television channel, it must request that the station carry a 60-second notice of the public hearing at least five times a day between 7 a.m. and 9 p.m. The notice will run at least seven days immediately before the public hearing on the proposed tax rate increase and at least seven days immediately before the date of the vote proposing the increase in the tax rate.[36]

The additional public hearing notice must contain substantially the same information that is in the quarter-page notice published by the taxing unit. This additional notice does not apply to a taxing unit that is unable to comply due to other circumstances beyond its control such as failure of an electronic or mechanical device including a computer or server. A property owner is not entitled to an injunction restraining the collection of the taxing unit's taxes if it has, in good faith, attempted to comply with the additional notice requirement.

Notice of Tax Revenue Increase

After the public hearings and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice titled *Notice of Tax Revenue Increase*. This notice must meet the same requirements as the first:

- at least a quarter-page of a standard newspaper;
- headline in 24-point type or larger;
- general circulation newspaper published at least once a week for 12 months before the date of the notice;
- placed in a newspaper section other than the classified ads or legal notices; and
- strictly follow the wording set out in the Tax Code.

Content of the notice

The Comptroller's *Model Form 50-198, Notice of Tax Revenue Increase,* contains the statutory language for this notice (**Appendix 11**). The notice must contain the following information:

- the percentage by which the proposed tax rate exceeds the lower of the rollback or effective tax rate;
- the dates of the two public hearings;
- the time, location and mailing address where the governing body is scheduled to vote on the tax rate; and
- revenue comparisons.

First, the taxing unit states last year's total tax rate and the revenue raised last year from that tax rate. The taxing unit then states the total proposed tax rate for this year and the total proposed tax revenue excluding revenue from new property added to the tax roll in 2013. Just below this amount, the taxing unit states the total proposed tax rate for 2013 and the total proposed tax revenue including tax revenue from new property added to the roll this year.

The taxing unit's governing body must meet to vote on the tax rate no fewer than three days and no more than 14 days after the second public hearing. This meeting to vote must take place in a public building inside the taxing unit's boundaries. The taxing unit must follow the *Open Meetings Act* when announcing the meeting.

Website and TV

Like the *Notice of Public Hearing on Tax Increase*, the law requires additional electronic postings for this notice if the taxing unit owns, operates or controls a website or has free access to a television channel (see discussion above for website and television requirements). The taxing unit must run the electronic postings at least seven days immediately before the date of the vote on the proposed tax rate.

Part B: Small Taxing Units

The Tax Code provides for a simplified tax rate notice for small taxing units. A small taxing unit is a taxing unit that proposes a tax rate for the current year that is 50 cents or less per $100 of taxable value and would impose taxes of $500,000 or less from the current total value for the taxing unit. A small taxing unit must meet both conditions.[37]

Exempt from certain requirements

A small taxing unit is exempt from the notice and publication requirements and the injunction provisions of the Tax Code.[38] Ordinarily a taxing unit is required to publish the effective tax rate, rollback tax rate and certain special sched-

[36] Tax Code § 26.065

[37] Tax Code § 26.052

[38] Tax Code §§ 26.04(e) and 26.04(g)

ules. Additionally, a property owner may seek an injunction to prohibit the taxing unit from adopting the tax rate until it has complied with the publication requirements.

A small taxing unit is exempt from publishing two quarter-page ads when it proposes a tax rate that exceeds the rollback rate or the effective tax rate, whichever is lower. Finally, a taxpayer is barred from seeking an injunction to keep the taxing unit from collecting taxes until it has complied with the requirements applicable to the larger taxing units.

Different public notice

A small taxing unit may provide public notice of the proposed tax rate in one of two ways. The taxing unit may mail a notice of the proposed rate to each property owner in the taxing unit or publish a notice of the proposed rate in the legal section of a newspaper having general circulation in the taxing unit. The taxing unit must provide either notice seven days before the date on which the taxing unit will adopt the proposed tax rate.

Content of the notice

The notice must contain the proposed tax rate and the date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate. If the proposed tax rate exceeds the taxing unit's effective tax rate, the notice must include a statement that says, "The proposed tax rate would increase total taxes in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate)".

The effective tax rate is Line 24 (Line 25 for counties) of the *Effective Tax Rate Worksheet*. To calculate the percentage above the effective rate, the taxing unit subtracts the effective tax rate from the proposed rate, divides the difference by the effective tax rate and multiplies by 100.

A small taxing unit, however, that uses the simplified notice requirement may not adopt a tax rate that exceeds the proposed tax rate set out in its notice unless it provides an additional public notice of the higher tax rate or complies with the Tax Code provision for adopting the higher rate. **Appendix 12** provides a sample notice for small taxing units to use.

Part C: Water Districts

The Water Code requires a different meeting notice for the proposed tax rate for water districts, rather than the public notices required in the Tax Code.[39] **Appendix 13** provides a sample notice that water districts can use.

One public notice

The water district board publishes one public hearing notice at least seven days before the public hearing date in a local newspaper that has general circulation in the water district. In the alternative, the water district may mail the notice to each property owner at least 10 days before the public hearing date.

Content of the notice

The *Notice of Public Hearing on Tax Rate* is different than the notice published by other types of taxing units for public hearings. This notice includes the following information:

- name of the water district;
- date, time and place of the public hearing;
- names of the governing body members and their vote on the proposed tax rate;
- a table of tax rate and value information for the average residence homestead in the water district; and
- a statement about the taxpayers' right to a rollback election.

The table in the notice compares the preceding year's taxes on the average home to the taxes the proposed rate would impose on the average home. This table compares the following information:

- last year's adopted tax rate and this year's proposed tax rate;
- difference in the tax rates, expressed in an amount per $100 and as a percent increase or decrease;
- average appraised value last year and this year of a residence homestead in the water district;
- amount of the homestead exemptions that would apply to the average home last year and this year, disregarding age 65 or older or disabled homeowners' exemptions;
- taxable value of the average residence homestead after exemptions last year and this year, disregarding age 65 or older or disabled homeowners' exemptions;

[39] Water Code § 49.236

- amount of tax imposed on last year's average home's taxable value and the amount that would be imposed on this year's average taxable value; and
- difference between the amounts of taxes in dollars and cents and described as the annual percentage increase or decrease if the proposed tax rate is adopted.

There are several ways to calculate the average home value in the water district. The water district may use the average value of all residences or the average value of homes with general homestead exemptions. In each instance, divide the total appraised value of the properties (before exemptions are removed) by the number of properties. The appraisal district can assist with this step.

Newspaper requirements

The *Notice of Public Hearing on Tax Rate* must be at least one-quarter page in a standard-size or tabloid-size newspaper of general circulation and the headline must be 18-point or larger type. The notice may appear in a newspaper having general circulation in the taxing unit.

CHAPTER 6:
Rollback Elections

If a taxing unit — other than a school district — adopted a tax rate that exceeds the rollback rate, voters in the taxing unit may petition for an election on the tax increase. A successful election limits the taxing unit's current rate to the rollback rate. While water districts follow Water Code provisions in most truth-in-taxation matters, they must follow procedures in the Tax Code when it comes to a rollback election.

Step 1: Petition for an election

The rollback process starts after the taxing unit formally adopts the tax rate. If the adopted rate exceeds the rollback rate, voters may start the petition drive.

A petition must meet specific requirements. It must state that it is intended to require an election to reduce the tax rate for the current year. If the tax rate adopted for the current year by the taxing unit imposes M&O taxes of $5 million or more, seven percent of the registered voters shown on the most recent official voter list must sign the petition. If the tax rate adopted by a taxing unit imposes taxes for M&O of less than $5 million, the signatures of 10 percent of the registered voters in that taxing unit are required on a petition. Signatures collected by a paid person are valid.

Voters must submit the petition to the taxing unit's governing body within 90 days of the tax rate adoption. A sample petition appears in **Appendix 14**. This rollback petition is an example for information purposes only. The Tax Code does not specify the wording required for a rollback petition, nor does it state the form that the petition must take.

Taxpayers must include several items of information on a rollback petition to assist the governing body in determining validity: date of signature, printed name of voter, birth date and home address. If the taxing unit is located in more than one county, the voter must include the name of the county in which he or she resides.

To be valid, a voter's signature is not required to appear exactly as the voter's name appears on the most recent official voter registration list. If the taxing unit's governing body is unable to verify a particular voter's signature, it will look to the petition for some reasonable means to verify, such as home address. The governing body may require the petition's organizer to provide such information for that particular voter, if the organizer wishes for the signature to be counted.[40] Signatures collected more than 180 days before the petition is presented are not valid.[41]

Persons who are considering circulation of a rollback petition or a governing body that is considering the validity of a rollback petition should consult legal counsel for guidance.

Step 2: Determine if the petition is valid

The taxing unit's governing body is responsible for determining if a rollback petition presented to it is valid.[42] Once the governing body determines that a petition is valid, it must adopt a resolution regarding its validity within 20 days of receiving it. If the governing body takes no action within that time, the petition is automatically valid.

If the governing body finds the petition invalid, it may be a good practice for the resolution or order setting it aside to specify the reasons why it is invalid. The taxing unit should consult its legal counsel on this matter.

Step 3: Hold election, if necessary

If the governing body for a taxing unit determines the rollback petition is valid, the governing body must set a rollback election date. This date cannot be earlier than 30 days or later than 90 days after the last date the governing body could have ruled on the validity of the petition.

[40] Tax Code § 26.081.
[41] Tax Code § 26.277(e).
[42] Election Code Chapter 277 describes the requirements on a petition for an election.

The requirement that local elections be held on a specified date does not apply to this election, unless a specified date falls within the permitted 30 to 90 days.[43] **Appendix 14** provides a sample rollback election ballot.

More information about election dates may be obtained from the Election Division of the Secretary of State's Office at 1-800-252-8683.

Step 4: Act on election results

If the rollback fails, the taxing unit's adopted tax rate stands. A simple majority is necessary for passing the rollback election.

If the rollback election passes, a taxing unit must reduce its tax rate for the current year to the rollback rate. The taxing unit's tax assessor must prepare and mail new tax bills.

Tax collections

If the taxing unit has begun collecting taxes at the time of the election, some taxpayers will have paid taxes under the original rate. The taxing unit must refund the difference between the taxes levied under the original rate and taxes levied under the rollback rate. The taxing unit has 60 days from the date the election results are counted to send refunds. The taxing unit's delinquency date is postponed by the number of days between the date original bills were mailed and the date the corrected bills were mailed.

Refunds

A taxing unit sends refunds resulting from a rollback election if the refund amount is $1 or more. If the amount is less than $1, the taxing unit shall refund the difference upon the taxpayer's request. The taxpayer must apply for the refund of less than $1 within 90 days after the date the refund becomes due or forfeit the right to the refund.[44]

After 60 days, taxing units must pay interest on refunds. The interest is 1 percent per month, or part of a month, from the date that the election results were certified to the date the refund is mailed.

[43] Election Code § 41.001.

[44] Tax Code § 26.07.

APPENDIX 1:

2013 Planning Calendar

(Taxing Unit Other than Small Taxing Unit or Water District)

Date	Activity
April – May	Mailing of notices of appraised value by chief appraiser.
April 30	The chief appraiser prepares and certifies to the tax assessor for each county, municipality, and school district participating in the appraisal district an estimate of the taxable value.
May 15	Deadline for submitting appraisal records to ARB.
July 20* (Aug. 30)	Deadline for ARB to approve appraisal records.
July 25	Deadline for chief appraiser to certify rolls to taxing units.
________________	Certification of anticipated collection rate by collector.
________________	Calculation of effective and rollback tax rates.
________________	Publication of effective and rollback tax rates, statement and schedules; submission to governing body.
________________	72-hour notice for meeting (*Open Meetings Notice*).
________________	Meeting of governing body to discuss tax rate; if proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule public hearing.
________________	Notice of Public Hearing on Tax Increase is the first quarter-page notice in newspaper and on TV and website, if available, published at least seven days before public hearing.
________________	72-hour notice for public hearing (*Open Meetings Notice*).
________________	Public hearing.
________________	72-hour notice for second public hearing (*Open Meetings Notice*).
________________	Second public hearing (may not be earlier than 3 days after first public hearing); schedule and announce meeting to adopt tax rate 3-14 days from this date.
________________	Notice of Tax Revenue Increase published before meeting** to adopt tax rate is the second quarter-page notice in newspaper before meeting and published on TV and website (if available, at least seven days before meeting).
________________	72-hour notice for meeting at which governing body will adopt tax rate (*Open Meetings Notice*).
________________	Meeting to adopt tax rate. Meeting is 3 to 14 days after second public hearing. Taxing unit must adopt tax rate before Sept. 30 or 60 days after receiving certified appraisal roll, whichever is later.

* *Tax Code § 81.06 directs that if a date falls on a weekend, the deadline is extended to the following regular business day.*

** *Advice of taxing unit legal counsel should be sought to determine which approach to take in notifying the public of the meeting at which the governing body will vote on the tax rate.*

Source: Texas Comptroller of Public Accounts, 2013.

APPENDIX 2:

2013 Effective Tax Rate Worksheet

See Chapter 2 for an explanation of the effective tax rate.

Line	Activity	Amount/Rate
1.	**2012 total taxable value.** Enter the amount of 2012 taxable value on the 2012 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).	$
2.	**2012 tax ceilings.** Counties, cities and junior college districts. Enter 2012 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 2012 or a prior year for homeowners age 65 or older or disabled, use this step.	$
3.	**Preliminary 2012 adjusted taxable value.** Subtract Line 2 from Line 1.	$
4.	**2012 total adopted tax rate.**	$ /$100
5.	**2012 taxable value lost because court appeals of ARB decisions reduced 2012 appraised value.** A. **Original 2012 ARB values:** $__________ B. **2012 values resulting from final court decisions:** - $__________ C. **2012 value loss.** Subtract B from A.	$
6.	**2012 taxable value, adjusted for court-ordered reductions.** Add Line 3 and Line 5C.	$
7.	**2012 taxable value of property in territory the taxing unit deannexed after Jan. 1, 2012.** Enter the 2012 value of property in deannexed territory.	$
8.	**2012 taxable value lost because property first qualified for an exemption in 2013.** 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 and the increased exempted amount. Do not include value lost due to freeport or goods-in-transit exemptions. A. **Absolute exemptions.** Use 2012 market value: $__________ B. **Partial exemptions.** 2013 exemption amount or 2013 percentage exemption times 2012 value: + $__________ C. **Value loss.** Add A and B.	$
9.	**2012 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 2013.** Use only properties that qualified in 2013 for the first time; do not use properties that qualified in 2012. A. **2012 market value:** $__________ B. **2013 productivity or special appraised value:** - $__________ C. **Value loss.** Subtract B from A.	$

Line	Activity	Amount/Rate
10.	**Total adjustments for lost value.** Add Lines 7, 8C and 9C.	**$**
11.	**2012 adjusted taxable value.** Subtract Line 10 from Line 6	**$**
12.	**Adjusted 2012 taxes.** Multiply Line 4 by Line 11 and divide by $100.	**$**
13.	**Taxes refunded for years preceding tax year 2012.** Enter the amount of taxes refunded by the taxing unit for tax years preceding tax year 2012. 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 2012. This line applies only to tax years preceding tax year 2012.	**$**
14.	**Taxes in tax increment financing (TIF) for tax year 2012.** Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2013 captured appraised value in Line 16D, enter 0.	**$**
15.	**Adjusted 2012 taxes with refunds and TIF adjustment.** Add Lines 12 and 13, subtract Line 14.	**$**
16.	**Total 2013 taxable value on the 2013 certified appraisal roll today.** This value 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. A. **Certified values:** $__________ B. **Counties:** Include railroad rolling stock values certified by the Comptroller's office: + $__________ C. **Pollution control exemption:** Deduct the value of property exempted for the current tax year for the first time as pollution control property (use this line based on legal counsel's advice): - $__________ D. **Tax increment financing:** Deduct the 2013 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the 2013 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 21 below. - $ __________ E. **Total 2013 value.** Add A and B, then subtract C and D.	**$**
17.	**Total value of properties under protest or not included on certified appraisal roll.** A. **2013 taxable value of properties under protest.** 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. $ __________ B. **2013 value of properties not under protest or included on certified appraisal roll.** 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, appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value. $__________ C. **Total value under protest or not certified.** Add A and B.	**$**

Line	Activity	Amount/Rate
18.	**2013 tax ceilings.** Enter 2013 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 2012 or a prior year for homeowners age 65 or older or disabled, use this step.	**$**
19.	**2013 total taxable value.** Add Lines 16E and 17C. Subtract Line 18.	**$**
20.	**Total 2013 taxable value of properties in territory annexed after Jan. 1, 2012.** Include both real and personal property. Enter the 2013 value of property in territory annexed.	**$**
21.	**Total 2013 taxable value of new improvements and new personal property located in new improvements.** New means the item was not on the appraisal roll in 2012. An improvement is a building, structure, fixture or fence erected on or affixed to land. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the taxing unit after Jan. 1, 2012, and be located in a new improvement. New improvements **do** include property on which a tax abatement agreement has expired for 2013.	**$**
22.	**Total adjustments to the 2013 taxable value.** Add Lines 20 and 21.	**$**
23.	**2013 adjusted taxable value.** Subtract Line 22 from Line 19.	**$**
24.	**2013 effective tax rate.** Divide Line 15 by Line 23 and multiply by $100.	**$ /$100**
25.	**COUNTIES ONLY.** Add together the effective tax rates for each type of tax the county levies. The total is the 2013 county effective tax rate.	**$ /$100**

A county, city or hospital district that adopted the additional sales tax in November 2012 or in May 2013 must adjust its effective tax rate. The *Additional Sales Tax Rate Worksheet* (**Appendix 4**) 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.

APPENDIX 3:

2013 Rollback Tax Rate Worksheet

See Chapter 3 for an explanation of the rollback tax rate.

Line	Activity	Amount/Rate
26.	**2012 maintenance and operations (M&O) tax rate.**	**$ /$100**
27.	**2012 adjusted taxable value. Enter the amount from Line 11.**	**$**
28.	**2012 M&O taxes.** A. Multiply Line 26 by Line 27 and divide by $100. $ ______________ B. **Cities, counties and hospital districts with additional sales tax:** Amount of additional sales tax collected and spent on M&O expenses in 2012. Enter amount from full year's sales tax revenue spent for M&O in 2012 fiscal year, if any. Other taxing units enter 0. Counties exclude any amount that was spent for economic development grants from the amount of sales tax spent. + $ ______________ C. **Counties:** Enter the amount for the state criminal justice mandate. If second or later year, the amount is for increased cost above last year's amount. Other taxing units enter 0. + $ ______________ D. **Transferring function:** If discontinuing all of a department, function or activity and transferring it to another taxing unit by written contract, enter the amount spent by the taxing unit discontinuing the function in the 12 months preceding the month of this calculation. If the taxing unit did not operate this function for this 12-month period, use the amount spent in the last full fiscal year in which the taxing unit operated the function. The taxing unit discontinuing the function will subtract this amount in H below. The taxing unit receiving the function will add this amount in H below. Other taxing units enter 0. +/- $ ______________ E. **Taxes refunded for years preceding tax year 2012:** Enter the amount of M&O taxes refunded in the preceding year for taxes before that year. 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 2012. This line applies only to tax years preceding tax year 2012. + $ ______________ F. **Enhanced indigent health care expenditures:** 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. + $ ______________ G. **Taxes in TIF:** 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 2013 captured appraised value in Line 16D, enter 0. – $ ______________ H. **Adjusted M&O Taxes.** Add A, B, C, E and F. For taxing unit with D, subtract if discontinuing function and add if receiving function. Subtract G.	**$**
29.	**2013 adjusted taxable value.** Enter Line 23 from the *Effective Tax Rate Worksheet*.	**$**
30.	**2013 effective maintenance and operations rate.** Divide Line 28H by Line 29 and multiply by $100.	**$ /$100**

Line	Activity	Amount/Rate
31.	**2013 rollback maintenance and operation rate.** Multiply Line 30 by 1.08.	**$ /$100**
32.	**Total 2013 debt to be paid with property taxes and additional sales tax revenue.** 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&O expenses. A. **Debt** 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. $______________ B. Subtract **unencumbered fund amount** used to reduce total debt. - $______________ C. Subtract **amount paid** from other resources. - $______________ D. **Adjusted debt.** Subtract B and C from A.	**$**
33.	**Certified 2012 excess debt collections.** Enter the amount certified by the collector.	**$**
34.	**Adjusted 2013 debt.** Subtract Line 33 from Line 32D.	**$**
35.	**Certified 2013 anticipated collection rate.** Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	**%**
36.	**2013 debt adjusted for collections.** Divide Line 34 by Line 35	**$**
37.	**2013 total taxable value.** Enter the amount on Line 19.	**$**
38.	**2013 debt tax rate.** Divide Line 36 by Line 37 and multiply by $100.	**$ /$100**
39.	**2013 rollback tax rate.** Add Lines 31 and 38.	**$ /$100**
40.	**COUNTIES ONLY.** Add together the rollback tax rates for each type of tax the county levies. The total is the 2013 county rollback tax rate.	**$ /$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*.

APPENDIX 4:

Additional Sales Tax Rate

Line	Activity	Amount/Rate
41.	**Taxable Sales.** For taxing units that adopted the sales tax in November 2012 or May 2013, enter the Comptroller's estimate of taxable sales for the previous four quarters. Taxing units that adopted the sales tax before November 2012, skip this line.	$
42.	Estimated sales tax revenue. Counties exclude any amount that is or will be spent for economic development grants from the amount of estimated sales tax revenue. **Taxing units that adopted the sales tax in November 2012 or in May 2013.** Multiply the amount on Line 41 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95. **- or -** **Taxing units that adopted the sales tax before November 2012.** Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	$
43.	**2013 total taxable value.** Enter the amount from Line 37 of the *Rollback Tax Rate Worksheet*.	$
44.	**Sales tax adjustment rate.** Divide Line 42 by Line 43 and multiply by $100.	$ /$100
45.	**2013 effective tax rate, unadjusted for sales tax.** Enter the rate from Line 24 or 25, as applicable, on the *Effective Tax Rate Worksheet*.	$ /$100
46.	**2013 effective tax rate, adjusted for sales tax.** **Taxing units that adopted the sales tax in November 2012 or in May 2013.** Subtract Line 44 from Line 45. Skip to Line 47 if you adopted the additional sales tax before November 2012.	$ /$100
47.	**2013 rollback tax rate, unadjusted for sales tax.** Enter the rate from Line 39 or 40, as applicable, of the *Rollback Tax Rate Worksheet*.	$ /$100
48.	**2013 rollback tax rate, adjusted for sales tax.** Subtract Line 44 from Line 47.	$ /$100

APPENDIX 5:

Additional Rollback Protection for Pollution Control

Line	Activity	Amount/Rate
49.	**Certified expenses from the Texas Commission on Environmental Quality (TCEQ).** Enter the amount certified in the determination letter from TCEQ. The taxing unit shall provide its tax assessor-collector with a copy of the letter. See **Chapter 3**, the Rollback Rate, for more details.	**$**
50.	**2013 total taxable value.** Enter the amount from Line 37 of the *Rollback Tax Rate Worksheet*.	**$**
51.	**Additional rate for pollution control.** Divide Line 49 by Line 50 and multiply by $100.	**$ /$100**
52.	**2013 rollback tax rate, adjusted for pollution control.** Add Line 51 to one of the following lines (as applicable): Line 39, Line 40 (counties) or Line 48 (taxing units with the additional sales tax).	**$ /$100**

APPENDIX 6:

Water District Tax Rate Rollback Worksheet

Line	Maintenance and Operations (M&O) Rate:	Amount/Rate
1.	**2012 average appraised value of residence homestead.**	$
2.	**2012 general exemptions available for the average homestead** (excluding senior citizen's or disabled person's exemptions).	-$
3.	**2012 average taxable value of residence homestead** (Line 1 minus Line 2).	$
4.	**2012 adopted M&O tax rate** (per $100 of value).	$ /$100
5.	**2012 M&O tax on average residence homestead** (Multiply Line 3 by Line 4, divide by $100).	$
6.	**Highest M&O tax on average residence homestead with increase** (Multiply Line 5 by 1.08).	$
7.	**2013 average appraised value of residence homestead.**	$
8.	**2013 general exemptions available for the average homestead** (Excluding senior citizen's or disabled person's exemptions).	-$
9.	**2013 average taxable value of residence homestead** (Line 7 minus Line 8).	$
10.	**Highest 2013 M&O Tax Rate** (Line 6 divided by Line 9, multiply by $100)	$ /$100
11.	**2013 Debt Tax Rate.**	$ /$100
12.	**2013 Contract Tax Rate**	$ /$100
13.	**2013 Rollback Tax Rate** (add Lines 10, 11 and 12).	$ /$100

This is the highest rate that the water district may adopt without triggering a rollback.
The Comptroller's office provides this sample worksheet as a service to water districts.

APPENDIX 7:

Notice of Effective Tax Rate for Most Taxing Units

Notice of Effective Tax Rate
(for use by most taxing units)

Comptroller of Public Accounts FORM 50-212
(Rev. 06-13/11)

________(insert year)________ Property Tax Rates in ________insert taxing unit name________

This notice concerns ______(insert year)______ property tax rates for ______insert taxing unit name______. It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's *rollback* tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per $100 of property value.

Last year's tax rate:

Last year's operating taxes	$ ________
Last year's debt taxes	$ ________
Last year's total taxes	$ ________
Last year's tax base	$ ________
Last year's total tax rate	$ ________ /$100

This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	$ ________
÷ This year's adjusted tax base (after subtracting value of new property)	$ ________
= This year's effective tax rate	$ ________ /$100

(Maximum rate unless taxing unit publishes notices and holds hearings.)

In the first year a hospital district or city collects the additional sales tax to reduce property taxes, it must insert the following lines unless its first adjustment was made last year:

− Sales tax adjustment rate	$ ________ /$100
= Effective tax rate	$ ________ /$100

This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	$ ________
÷ This year's adjusted tax base	$ ________
= This year's effective operating rate	$ ________ /$100
x 1.08 = this year's maximum operating rate	$ ________ /$100
+ This year's debt rate	$ ________ /$100
= This year's total rollback rate	$ ________ /$100

A hospital district or city that collects the additional sales tax to reduce property taxes, including one that collects the tax for the first time this year, must insert the following lines:

− Sales tax adjustment rate	$ ________ /$100
= Rollback tax rate	$ ________ /$100

For a taxing unit with additional rollback rate for pollution control, insert the following lines:

+ Additional rollback rate for pollution control	$ ________ /$100
= Rollback tax rate	$ ________ /$100

APPENDIX 8:

Notice of Effective Tax Rate for Counties

Notice of Effective Tax Rate
(for use by counties)

Comptroller of Public Accounts FORM 50-211 (Rev. 06-13/9)

(insert year) Property Tax Rates in (insert county name)

This notice concerns (insert year) property tax rates for (insert county name). It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's *rollback* tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per $100 of property value.

	General Fund	Farm to Market/ Flood Control Fund	Special Road/ Bridge Fund
Last year's tax rate:			
Last year's operating taxes	$	$	$
Last year's debt taxes	$	$	$
Last year's total taxes	$	$	$
Last year's tax base	$	$	$
Last year's total tax rate	$ /$100	$ /$100	$ /$100
This year's effective tax rate:			
Last year's adjusted taxes (after subtracting taxes on lost property)	$	$	$
÷ This year's adjusted tax base (after subtracting value of new property)	$	$	$
= This year's effective tax rate for each fund	$ /$100	$ /$100	$ /$100
Total effective tax rate	$ /$100		
(Maximum rate unless taxing unit publishes notices and holds hearings.)			

In the first year a county collects the additional sales tax to reduce property taxes, it must insert the following lines unless its first adjustment was made last year:

– Sales tax adjustment rate	$ /$100
= Effective tax rate	$ /$100

	General Fund	Farm to Market/ Flood Control Fund	Special Road/ Bridge Fund
This year's rollback tax rate:			
Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	$	$	$
÷ This year's adjusted tax base	$	$	$
= This year's effective rate	$ /$100	$ /$100	$ /$100
x 1.08 = this year's maximum operating rate	$ /$100	$ /$100	$ /$100
+ This year's debt rate	$ /$100	$ /$100	$ /$100
= This year's rollback rate for each fund	$ /$100	$ /$100	$ /$100
This year's total rollback rate	$ /$100		

A county that collects the additional sales tax to reduce property taxes, including one that collects the tax for the first time this year, must insert the following lines:

– Sales tax adjustment rate	$ /$100
= Rollback tax rate	$ /$100

For a county with additional rollback rate for pollution control, insert the following lines:

+ Additional rollback rate for pollution control	$ /$100
= Rollback tax rate	$ /$100

APPENDIX 9:

Statement of Increase/Decrease

Statement of Increase/Decrease

Property Tax
Form 50-179

If ______________________ (name of taxing unit) adopts a ________ (current year) tax rate equal to the effective tax rate of $ ____________ (taxing unit's effective tax rate) per $100 of value, taxes would ______________ (increase or decrease) compared to ________ (previous year) taxes by $ ____________ (amount of increase or decrease).

Schedule A – Unencumbered Fund Balances

The following estimated balances will be left in the taxing unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

Type of Property Tax Fund	Balance
	$

Schedule B – Current Year Debt Service

The taxing unit plans to pay the following amounts for long-term debts that are secured by property taxes. These amounts will be paid from property tax revenues (or additional sales tax revenues, if applicable).

Description of Debt	Principal or Contract Payment To Be Paid From Property Taxes	Interest To Be Paid From Property Taxes	Other Amounts To Be Paid	Total Payment
	$	$	$	$

(expand as needed)

Total required for ________ (current year) debt service $ ____________

– Amount (if any) paid from funds listed in Schedule A $ ____________

– Amount (if any) paid from other resources $ ____________

– Excess collections last year $ ____________

= Total to be paid from taxes in ________ (current year) $ ____________

\+ Amount added in anticipation that the taxing unit will collect only ________ % of its taxes in ________ (current year) $ ____________

= Total Debt Levy $ ____________

Schedule C – Expected Revenue from Additional Sales Tax

(For hospital districts, cities and counties with additional sales tax to reduce property taxes)

In calculating its effective and rollback tax rates, the taxing unit estimated that it will receive $ ____________ (amount) in additional sales and use tax revenues.

For County: The county has excluded any amount that is or will be distributed for economic development grants from this amount of expected sales tax revenue.

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.

For more information, visit our website:
www.window.state.tx.us/taxinfo/proptax

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Property Tax
Form 50-179

Statement of Increase/Decrease

Schedule D – State Criminal Justice Mandate (For Counties)

The ______________________ *(county name)* County Auditor certifies that ______________________ *(county name)* County has spent

$ ______________ *(amount)* in the previous 12 months beginning ______________ *(date)* , ________ , for the maintenance and operations

cost of keeping inmates sentenced to the Texas Department of Criminal Justice. ______________________ *(county name)* County Sheriff has

provided information on these costs, minus the state revenues received for reimbursement of such costs.

Schedule E – Transfer of Department, Function or Activity

The ______________________ *(name of taxing unit discontinuing the function)* spent $ ______________________ *(amount spent in the preceding 12 months before the rate calculations)* from ______________ *(beginning date)* to

______________ *(ending date)* on the ______________________ *(name of discontinuing function)*. The ______________________ *(name of taxing unit receiving the function)* operates this

function in all or a majority of the ______________________ *(name of taxing unit discontinuing the function)* .

[Second Year of Transfer: Modify schedule to show comparison of amount this year and preceding year by taxing unit receiving the function.]

Schedule F – Enhanced Indigent Health Care Expenditures

The ______________________ *(name of taxing unit)* spent $ ______________ *(amount)* from ______________ *(beginning date)* to ______________ *(ending date)*

on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of

increase above last year's enhanced indigent health care expenditures is $ ______________ *(amount of increase)* .

This notice contains a summary of actual effective and rollback tax rates' calculations.
You can inspect a copy of the full calculations at:

Insert address ______________________________________

____

Name of person preparing this notice ______________________________________

Title ______________________________________

Date prepared ______________________________________

For more information, visit our Web site: **www.window.state.tx.us/taxinfo/proptax**

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APPENDIX 10:

Notice of Public Hearing on Tax Increase

Comptroller of Public Accounts FORM 50-197 (Rev. 6-13/16)

Notice of Public Hearing on Tax Increase

The ________ (name of taxing unit) ________ will hold two public hearings on a proposal to increase total tax revenues from properties on the tax roll in the preceding tax year by ___________ percent (percentage by which proposed tax rate exceeds lower of rollback tax rate or effective tax calculated under Tax Code, Chapter 26). Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

The first public hearing will be held on __(date and time)__ at ____(meeting place)____.

The second public hearing will be held on __(date and time)__ at ____(meeting place)____.

The members of the governing body voted on the proposal to consider the tax increase as follows:

FOR:
AGAINST:
PRESENT and not voting:
ABSENT:

The average taxable value of a residence homestead in _____________ last year was $ (average taxable value of a residence homestead in the taxing unit for the preceding tax year, disregaring residence homestead exemptions available only to disabled persons or persons 65 years of age or older)__________. Based on last year's tax rate of $ (preceding year's adopted tax) per $100 of taxable value, the amount of taxes imposed last year on the average home was $ (tax on average taxable value of a residence homestead in the taxing unit for the preceding tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older)_____.

The average taxable value of a residence homestead in _____________ this year is $ (average taxable value of a residence homestead in the taxing unti for the current tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older)______________. If the governing body adopts the effective tax rate for this year of $_________ per $100 of taxable value, the amount of taxes imposed this year on the average home would be $ (tax on average taxable value of a residence homestead in the taxing unit for the current tax year, disregardng residence homestead exemptions available only to disabled persons or persons 65 years of age or older)___________.

If the governing body adopts the proposed tax rate of $_________ per $100 of taxable value, the amount of taxes imposed this year on the average home would be $ (tax on the average taxable value of a residence homestead in the taxing unit for the current tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older)___.

Special Provisions if Applicable

Criminal Justice Mandate *(use for counties, if applicable)*:
The ________________ County Auditor certifies that __________________ County has spent $____________ in the previous 12 months beginning ______________, ________, for the maintenance and operations cost of keeping inmates sentenced to the Texas Department of Criminal Justice. ___________________ County Sheriff has provided information on these costs, minus the state revenues received for reimbursement of such costs.

Enhanced Indigent Health Care Expenditures *(use if applicable)*:
The ______________________ spent $_________ from ___________ to ___________ on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of increase above last year's enhanced indigent health care expenditures is ________________.

Members of the public are encouraged to attend the hearings and express their views.

APPENDIX 11:

Notice of Tax Revenue Increase

Comptroller of Public Accounts FORM 50-198 (10-11/08) [41.41,41.70]

NOTICE OF TAX REVENUE INCREASE

The ______ *(name of taxing unit)* ______

conducted public hearings on *(date of first hearing)* and *(date of second hearing)* on a proposal to increase the total tax revenues of the ______ *(name of taxing unit)* ______ from properties on the tax roll in the preceding year by ______ *(percentage by which proposed tax rate exceeds lower of rollback rate or effective tax rate calculated under this chapter)* ______ percent.

The total tax revenue proposed to be raised last year at last year's tax rate of *(insert tax rate for the preceding year)* for each $100 of taxable value was ____ *(insert total amount of taxes imposed for the preceding year)*.

The total tax revenue proposed to be raised this year at the proposed tax rate of *(insert proposed tax rate)* for each $100 of taxable value, excluding tax revenue to be raised from new property added to the tax roll this year, is *(insert amount computed by multiplying proposed tax rate by the difference between current total value and new property value.)*.

The total tax revenue proposed to be raised this year at the proposed tax rate of *(insert proposed tax rate)* for each $100 of taxable value, including tax revenue to be raised from new property added to the tax roll this year, is *(insert amount computed by multiplying proposed tax rate by current total value.)*.

The ______ *(governing body of the taxing unit)* ______ is scheduled to vote on the tax rate that will result in that tax increase at a public meeting to be held on ______ *(date of meeting)* ______

at ______ *(location of meeting, including mailing address)* ______

at ______ *(time of meeting)* ______ .

APPENDIX 12:

Small Taxing Unit Notice

Small Taxing Unit Notice
(Sample)

Property Tax
Form 50-757

The ______________________ will hold a meeting at ______________________
(name of taxing unit) (time)

on ______________________ at ______________________
(date) (location)

to consider adopting a proposed tax rate for tax year ______________ . The proposed tax rate is
(year)

______________ per $100 of value.
(rate)

*(*Include this statement if the proposed tax rate exceeds the taxing unit's effective tax rate calculated under Tax Code § 26.04.)*

The proposed tax rate would increase total taxes in ______________________
(name of taxing unit)

by ______________ %.*
(percentage by which the proposed tax rate exceeds the effective tax rate)

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.

For more information, visit our website:
www.window.state.tx.us/taxinfo/proptax

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APPENDIX 13:

Water District Notice of Public Hearing on Tax Rate

Property Tax
Form 50-304

Water District
Notice of Public Hearing on Tax Rate

The ______________________________ will hold a public hearing on a proposed tax rate for the tax year ____________ on ___________________________ at ____. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

FOR the proposal: ______________________________

AGAINST the proposal: ______________________________

PRESENT and not voting: ______________________________

ABSENT: ______________________________

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year	This Year
Total tax rate (per $100 of value)	____________/$100 Adopted	____________/$100 Proposed
Difference in rates per $100 of value	$____________/$100	
Percentage increase/decrease in rates(+/-)	____________%	
Average appraised value	$____________	$____________
General exemptions available (excluding senior citizen's or disabled person's exemptions)	$____________	$____________
Average taxable value	$____________	$____________
Tax on average residence homestead	$____________	$____________
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)	$____________	
and percentage of increase (+/-)	____________%	

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than 8 percent, the qualified voters of the water district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under § 49.236(d), Water Code.

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.

For more information, visit our website:
www.window.state.tx.us/taxinfo/proptax

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APPENDIX 14:

Tax Rate Rollback Petition and Ballots

Sample Rollback Petition for a Taxing Unit Other Than a School District

This petition, signed by the following registered voters in the taxing unit of ___(*name of taxing unit*)___ is intended to require that an election be held in the ___(*name of taxing unit*)___ concerning the question of reducing the tax rate for the current year, _____________. The provisions for this petition are set forth in Tax Code § 26.07 or 26.085.

Date Signed	Voter Signature	Printed Name	Residence Address	Birth Date

1. ____

2. ____

and so on

Note: Add county of residence if taxing unit is located in more than one county.

Tax Rate Rollback Election

For ______*(name of taxing unit)*______

_________*(date of election)*_________

OFFICIAL BALLOT

Place an "X" in the square beside the statement indicating the way you wish to vote.

❑ FOR

❑ AGAINST

Reducing the tax rate in ___*(name of taxing unit)*___ for the current year from ___*(the rate adopted)*___ to ___*(the rollback rate calculated according to Tax Code § 26.04)*___.

APPENDIX 15:

Tax Rate

Tax Code § 26.05(b)	A motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the effective tax rate must be made in the following form: "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."

Tax Code § 26.05(b)(1)	(1) Include in the ordinance, resolution, or order in type larger than the type used in any other portion of the document: (A) The following statement: "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."; and (B) If the tax rate exceeds the effective maintenance and operations rate, the following statement: "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*)."

Tax Code § 26.05(b)(2)	(2) Include on the homepage of any Internet website operated by the unit: (A) The following statement: "(*Insert name of unit*) ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."; and (B) If the tax rate exceeds the effective maintenance and operations rate, the following statement: "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*)."

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