



# **YOUNG CENTRAL APPRAISAL DISTRICT**

## **Truth-In-Taxation (TNT) & Taxing Unit Informational Guide**



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The [www.youngcad.org](http://www.youngcad.org) website is constantly updated and reviewed to provide important links to various websites, but also for district specific information. The Tax Information tab / section of the website contains a multitude of appraisal information as well as annual reports, Reappraisal Plans, etc. Access to the district's Truth-In-Taxation website <https://young.truthintaxation.com/property-search> is listed in the links section, as well as our GIS mapping, Property Search and Tax Payment sites.

### State Comptroller – Property Tax Assistance Division (PTAD):

Comptroller of Public Accounts  
Attn: Property Tax Assistance Division  
Central Services Building  
1711 San Jacinto, Third Floor  
Austin, TX 78701  
512-305-9999  
800-252-9121  
(press 2 for menu and press 1 for Information Services)  
<https://comptroller.texas.gov/taxes/property-tax/>

#### Resources:

Property Tax Rules: <https://comptroller.texas.gov/taxes/property-tax/rules/index.php>  
Property Tax Code: <https://comptroller.texas.gov/taxes/property-tax/docs/96-297-21.pdf>  
Property Tax Laws: <https://comptroller.texas.gov/taxes/property-tax/docs/96-298-21.pdf>  
Property Tax Calendars: <https://comptroller.texas.gov/taxes/property-tax/calendars/index.php>

## INTRODUCTION

Your local property tax system has several main components.

The **property owner**, whether residential or business, is responsible for paying taxes and has a reasonable expectation that the taxing process will be fairly administered. The property owner is also referred to as the **taxpayer**.

An **appraisal district** in each county, administered by a chief appraiser, appraises the value of your property each year. The appraisal district's board of directors hires the chief appraiser. Local taxing units elect the board directors and fund the appraisal district based on the amount of taxes levied in each taxing unit. For more information about your local appraisal process, please contact your county's appraisal district. The appraisal district can answer questions about exemptions and how your appraised value was determined.

An **appraisal review board (ARB)** is a board of local citizens that hears disagreements between property owners and the appraisal district about the taxability and value of property. In counties with a population of 120,000 or more, members of the ARB are appointed by the local administrative district judge in the county in which the appraisal district is located. The board of directors appoints ARB members in all other counties. Protests concerning the appraised value of your property should be directed to your ARB. Your appraisal district can provide you with contact information for the ARB.

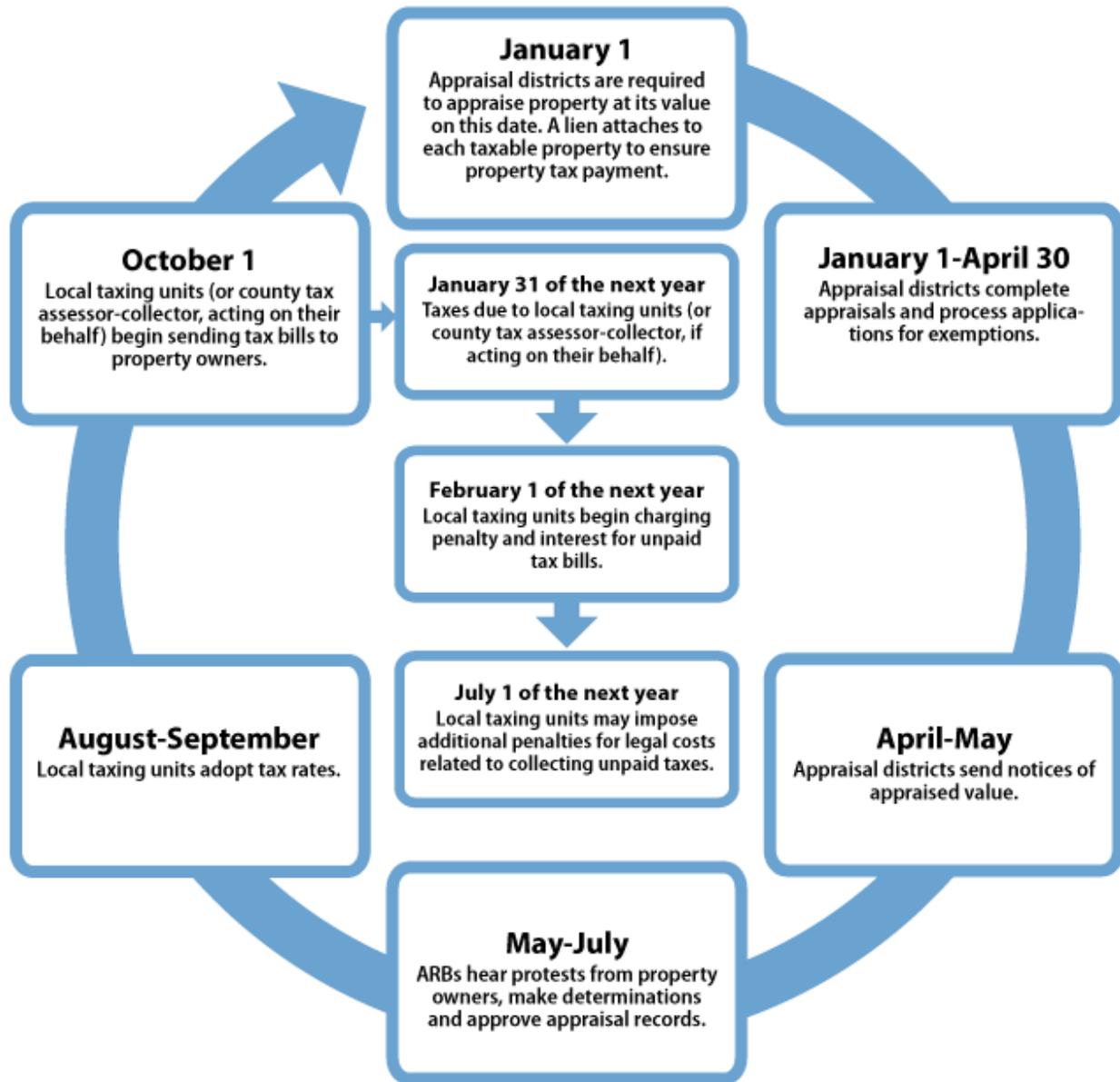
Local **taxing units**, including the school districts, counties, cities, junior colleges and special districts, decide how much money they must spend to provide public services. Property tax rates are set according to taxing unit budgets. Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

In many counties, taxing units contract with the **county tax assessor-collector** to collect all property taxes due in that county. The assessor-collector then transfers the appropriate amounts to each taxing unit. Although some taxing units, such as in Young County, may contract with an appraisal district to collect their taxes, the appraisal district does not levy a property tax. For information about local taxing unit budgets and tax rates, please contact the individual school district, county, city, junior college or special district.

The role of the Comptroller's **Property Tax Assistance Division (PTAD)** is primarily limited to monitoring responsibilities. PTAD conducts a biennial Property Value Study (PVS) for each school district for state funding purposes. The PVS, an independent estimate mandated by the Texas Legislature, ensures that property values within a school district are at or near market value for equitable school funding. The Comptroller's values do not directly affect local values or property taxes, which are determined locally.

PTAD also performs Methods and Assistance Program (MAP) reviews of all appraisal districts every two years. The reviews address four issues: governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodologies. PTAD reviews approximately half of all appraisal districts each year. School districts located in counties that do not receive a MAP review in a year will be subject to a PVS in that year.

The property tax process for each tax year includes a series of steps:



When the last day for performing an act falls on a Saturday, Sunday or legal holiday, Tax Code Section 1.06 designates the deadline as the next regular business day.

**The Texas Constitution sets out five basic rules for property taxes in our state:**

1. Taxation must be **equal and uniform**. No single property or type of property should pay more than its fair share. The property taxes you pay are based on the value of property you own. If, for instance, your property is worth half as much as the property owned by your neighbor (after any exemptions that apply), your tax bill should be one-half of your neighbor's. This means that *uniform appraisal* is very important.
2. Generally, all property must be taxed based on its **current market value**. That's the price it would sell for when both buyer and seller seek the best price and neither is under pressure to buy or sell. The Texas Constitution provides certain exceptions to this rule, such as the use of "productivity values" for agricultural and timberland. This means that the land is taxed based on the value of *what it produces*, such as crops and livestock, rather than its sale value. This lowers the tax bill for such land.
3. Each property in a county must have a **single appraised value**. This means that the various local governments to which you pay property taxes cannot assign different values to your property; all must use the same value. This is guaranteed by the use of county appraisal districts.
4. All property is taxable unless federal or state law **exempts it from the tax**. These exemptions may exclude all or part of your property's value from taxation.
5. Property owners have a right to **reasonable notice of increases** in their appraised property value.

**TRUTH-IN-TAXATION (TNT): IMPORTANT DATES**

**April 1** - Chief appraisers send notices of appraised value on single family residences by this date or as soon thereafter as practicable.

**April 30** - Chief appraisers prepare and certify the estimate of the taxable value of property in counties, cities and school districts to tax assessors.

**May 1** - Chief appraisers send notices of appraised value on all other property by this date or as soon thereafter as practicable.

**July 20** - Appraisal review boards approve the appraisal records. This date may extend to Aug. 30 for certain larger counties.

**July 25** - Chief appraisers certify the approved appraisal roll to the taxing units.

**August 7** - Certain taxing units publish notice of no-new-revenue and voter-approval tax rates by this date or as soon thereafter as practicable.

**August – September** - Taxing units adopt their budgets according to their fiscal years. School districts must publish a Notice of Public Meeting to Discuss Budget and Proposed Tax Rate 10 to 30 days before the public meeting date. (School districts with a July 1 fiscal year adopt budgets in June and follow a different schedule). Most taxing units adopt a tax rate after adopting their budgets.

**Before September 30** - Taxing units other than water districts must adopt their tax rate before this date or 60 days after receiving the appraisal roll, whichever date is later. The governing body must adopt a tax rate that exceeds the voter-approval tax rate no later than the 71st day before the next uniform election date that occurs in November of that year.

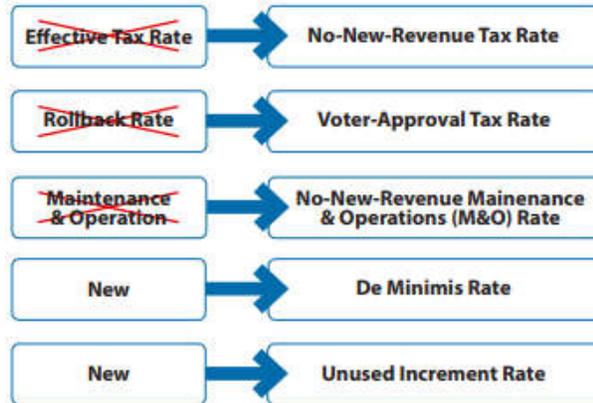
**October 1** - Tax assessors prepare and mail tax bills by this date or as soon thereafter as practicable.

# Truth-In-Taxation (TNT) Basics

(For Taxing Units Other Than School Districts)

## Terminology and Calculations for Taxing Units

Senate Bill 2, 86th Legislative Session made several significant changes to the truth-in-taxation process. Below is new terminology and calculations from this legislation.



### The calculations are:

#### (1) "No-New-Revenue Tax Rate"

means a rate expressed in dollars per \$100 of taxable value calculated to the following formula:

$$\text{NO-NEW-REVENUE} = \frac{(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY})}{(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})}$$

#### (2) "Voter-Approval Tax Rate"

means a rate expressed in dollars per \$100 of taxable value calculated to one of the following applicable formulas:

(A) For a special taxing unit:

$$\text{VOTER-APPROVAL TAX RATE} = (\text{NO-NEW-REVENUE M\&O RATE} \times 1.08) + \text{CURRENT DEBT}$$

(B) For a taxing unit other than a special taxing unit:

$$\text{VOTER-APPROVAL TAX RATE} = (\text{NO-NEW-REVENUE M\&O RATE} \times 1.035) + \text{CURRENT DEBT RATE} + \text{UNUSED INCREMENT RATE}$$

### What adopted tax rates trigger an election or petition

#### ADOPTED TAX RATE IS:

BELOW voter-approval tax rate	No election required
ABOVE voter-approval tax rate but BELOW de minimis rate	Voters may petition for an election*
ABOVE voter-approval tax rate; Taxing unit does not calculate a de minimis rate	Election required**
ABOVE voter-approval tax rate and ABOVE the de minimis rate	Election required

\* The election trigger in a municipality with a population of less than 30,000 that does not meet the definition of a special taxing unit may differ. See Tax Code Secs. 26.063 and 26.075 for details on when voters may petition for an election.

\*\* See Water Code Secs. 49.23601, 49.23602, and 49.23603 for details on election requirements for water districts.

### Revenue Threshold in Voter-Approval Tax Rate

(or threshold over which voters must approve tax increases)

Taxing Unit	Voter-Approval Tax Rate
Cities / Counties	3.5%
Special Taxing Units*	8%

\* Hospitals, Junior Colleges and Special Districts with M&O tax rate of 2.5 cents or less

## Where can I find more information?

Information is typically obtained from the resources below, but may be different for your taxing unit.

## What information is available from my appraisal district?

1. Certified taxable values
2. Property value under protest
3. New real property and improvement value
4. Value of property lost
5. Captured appraisal values for tax increment financing (TIFs)
6. Property known, but not certified
7. Property with tax ceiling

## What information is available from my governing body?

1. Debt information
2. Unencumbered fund balance
3. TIF payments
4. Amount if transferring a function
5. Sales tax spent for no-new-revenue maintenance and operations
6. Enhanced indigent health care information
7. Criminal justice mandate information

## What information is available from Texas Comptroller of Public Accounts?

1. Railroad rolling stock value
2. Sales tax information (if applicable)

## What information is available from collectors?

1. Refund information
2. Excess collections

## Terms and Definitions

### No-new-revenue tax rate

(Last year's levy minus lost property levy) divided by (current total value minus new property value).

### Voter-approval tax rate for a special taxing unit

Voter-approval tax rate equals (no-new-revenue maintenance and operations tax rate times 1.08) plus current debt rate.

### Voter-approval tax rate for a taxing unit other than a special taxing unit

(No-new-revenue maintenance and operations tax rate times 1.035) plus current debt plus unused increment rate.

### No-new-revenue maintenance and operations rate

(Last year's levy minus last year's debt minus last year's junior college levy) divided by (current total value minus new property value).

### De minimis rate

The rate is equal to the sum of:

- (A) a taxing unit's no-new-revenue maintenance and operations rate;
- (B) the rate that when applied to a taxing current total value, will impose an amount of taxes equal to \$500,000, and
- (C) a taxing unit's current debt rate.

### Unused increment rate

A taxing unit that did not use all of its revenue growth may bank that unused growth as long as the taxing unit averaged below 3.5 percent of the voter-approval rate over three years.

For more information, visit our website:  
[comptroller.texas.gov/taxes/property-tax](https://comptroller.texas.gov/taxes/property-tax)

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## **TRUTH-IN-TAXATION (TNT): TAX RATE ADOPTION**

Truth-in-taxation is a concept embodied in the Texas Constitution that requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to limit tax increases.<sup>1</sup> 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.<sup>2</sup>

Creating a budget and adopting a property tax rate to support that budget are major functions of a taxing unit's governing body. This is accomplished by following truth-in-taxation requirements to ensure the public is informed of any increases. The type of taxing unit determines its applicable truth-in-taxation requirements.

Appraisal districts and local taxing units must publish detailed information at [Texas.gov/PropertyTaxes](http://Texas.gov/PropertyTaxes) to assist residents with understanding proposed budgets and tax rates.<sup>3</sup>

If certain taxing units fail to comply with the hearing, notice or tax 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.<sup>4</sup> A property owner must act to enjoin collections before the taxing unit delivers substantially all of its tax bills.<sup>5</sup> This injunction process does not apply to taxing units with low levies or water districts.<sup>6</sup>

By providing the following information, the Comptroller's office provides technical assistance and not legal advice. Taxing units should consult legal counsel for questions about the meaning of statutes, notice and hearing requirements and other matters that are unclear in the law.

Generally, the governing body must take the following actions:

### **Draft a Budget**

The taxing unit must identify its needs and draft a budget to meet those needs.<sup>7</sup> To assist the taxing unit in this process, the chief appraiser prepares and certifies an estimate of the taxable value of property in that taxing unit to the tax assessor by April 30 (unless the date falls on a weekend or holiday).<sup>8</sup> To determine the amount of property taxes necessary to fund that budget, the taxing unit must decide:

- the maintenance and operations (M&O) rate necessary for the general operating expenses (based on current year's values);
- the payments for debt service; and
- the amount of surplus funds, if any, it plans to expend to reduce its M&O or debt levies.

### **Calculate the Tax Rate**

Truth-in-taxation requires most taxing units to calculate two rates after receiving a certified appraisal roll or certified estimate of taxable value from the chief appraiser - the no-new-revenue tax rate and the voter-approval tax rate.<sup>9</sup> The type of taxing unit determines which truth-in-taxation steps apply.

#### ***No-New-Revenue Tax Rate (NNR)***

The no-new-revenue tax rate enables the public to evaluate the relationship between taxes for the prior 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.<sup>10</sup>

Although the actual calculation is more complicated, a taxing unit's no-new-revenue tax 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.<sup>11</sup> The resulting tax rate, used for comparison only, shows the relation between the last year's revenue and the current year's values.

### ***Voter-Approval Tax Rate (VAR)***

The voter-approval tax rate is a calculated maximum rate allowed by law without voter approval.<sup>12</sup> Most taxing units calculate a voter-approval tax rate that divides the overall property taxes into two categories - M&O and debt service.<sup>13</sup>

The voter-approval tax rate provides cities and counties with about the same amount of tax revenue it spent the previous year for day-to-day operations plus an extra three and a half percent for operations and sufficient funds to pay debts in the coming year. For special taxing units, junior college districts and hospital districts, the voter-approval tax rate provides an extra eight percent increase for operations and sufficient funds to pay debts in the coming year.<sup>14</sup>

School districts voter-approval rate is equal to the district's maximum compressed rate plus the greater of the previous year's enrichment rate or five cents per \$100 of taxable value. They then add the debt rate to get the final voter-approval tax rate.<sup>15</sup> School districts should consult the Texas Education Agency for guidance on compression rates.

For all taxing units, the debt rate portion of the voter-approval tax rate is the current year's debt payments divided by the current year's property values.<sup>16</sup> The debt rate may rise as high as necessary to cover debt expenses.

### **Publish Notices**

Most taxing units are required to publish their calculated no-new-revenue and voter-approval tax rates on the home page of the taxing unit's website. Most taxing units are required to file one notice before adoption of a tax rate in compliance with Tax Code requirements.<sup>17</sup> School districts must comply with notice requirements in the Education Code,<sup>18</sup> local government taxing units and special districts must comply with notice requirements in the Property Tax Code,<sup>19</sup> and water districts must comply with requirements defined in the Water Code.<sup>20</sup> All notices provide details on the no-new-revenue tax rate, voter-approval tax rate and proposed tax rate. The notice includes the date and time of the meeting to adopt a tax rate.<sup>21</sup> Generally, if the proposed rate is higher than the voter-approval rate, the notice will also include information about the next uniform election date when voters would have to vote on the tax rate.

### **Hold Public Hearings**

After the taxing unit publishes the required notice, taxpayers must have the opportunity to express their views on tax increases at hearings.<sup>22</sup> The type of taxing unit determines the hearing requirements.

Small taxing units have no public hearing requirement.<sup>23</sup> All other taxing units hold one public hearing.<sup>24</sup> A quorum of the governing body must be present at all hearings.<sup>25</sup> All public hearings and public meetings must be open to the public and follow Texas Open Meetings Act requirements.<sup>26</sup>

### **Adopt a Tax Rate**

A taxing unit other than a water district must adopt its tax rate before Sept. 30 or by the 60th day after the taxing unit receives the certified appraisal roll. The taxing unit is required to hold an election to approve the tax rate on the next uniform election date if it adopts a tax rate that exceeds the voter-approval rate. In this case, Tax Code requires the governing body to adopt the tax rate no later than the 71st day before the next uniform election date.<sup>27</sup>

If a taxing unit misses the deadline, the governing body must ratify either the no-new-revenue tax rate or last year's tax rate, whichever is lower, as the adopted tax rate before the fifth day after establishing that tax rate.<sup>28</sup>

#### Hold Automatic Elections to Approve Tax Rate, if Necessary

In most cases, if a taxing unit adopts a tax rate that exceeds the voter-approval tax rate, the taxing unit must hold an election on the next uniform election date. To do this, the taxing unit must order the election no later than the 78th day before election day.

If a taxing unit calculates a de minimis rate and it adopts a tax rate greater than its voter-approval rate but less than its de minimis rate, the voters in the taxing unit may petition for an election on the tax increase.

If the taxing unit is in an area declared a disaster by the Governor and increased revenue is needed to respond to the disaster, the taxing unit is not required to hold an election to approve the tax rate in the year following the year in which a disaster occurs.<sup>29</sup>

A school district must automatically hold a tax rate ratification election (TRE) if the trustees vote to adopt a tax rate that exceeds the voter-approval tax rate.<sup>30</sup>

In all cases, if the majority of ballots are cast in favor of the proposition, the tax rate for the current year is the rate that was adopted by the governing body.<sup>31</sup>

If the proposition fails, the taxing unit may not adopt a tax rate that exceeds the voter-approval tax rate.<sup>32</sup>

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- <sup>1</sup>[Tex. Const. art VIII §21\(a\)](#)
  - <sup>2</sup>[Tex. Tax Code §25.19\(a\)](#)
  - <sup>3</sup>[Tex. Tax Code §26.17](#)
  - <sup>4</sup>[Tex. Tax Code §§26.04\(g\) and 26.05\(e\)](#)
  - <sup>5</sup>[Tex. Tax Code §26.05\(e\)](#)
  - <sup>6</sup>[Tex. Tax Code §26.052\(b\) and \(d\) and Tex. Water Code §§49.107\(g\) and 49.108\(f\)](#)
  - <sup>7</sup>[Tex. Loc. Gov't Code §§102.002 and 103.003, Tex. Educ. Code §44.002\(a\) and Tex. Water Code §49.057\(b\)](#)
  - <sup>8</sup>[Tex. Tax Code §§1.06 and 26.01\(e\)](#)
  - <sup>9</sup>[Tex. Tax Code §26.04\(c\)](#)
  - <sup>10</sup>[Tex. Tax Code §26.05\(a\)\(2\)](#)
  
  - <sup>11</sup>[Tex. Tax Code §26.04\(c\)\(1\)](#)
  - <sup>12</sup>[Tex. Tax Code §§26.07\(a\) and 26.08\(a\) and Tex. Water Code §49.236\(d\)](#)
  - <sup>13</sup>[Tex. Tax Code §26.04\(c\)\(2\)](#)
  - <sup>14</sup>[Tex. Tax Code §26.04\(c\)\(2\)](#)
  - <sup>15</sup>[Tex. Tax Code §26.08\(n\)](#)
  - <sup>16</sup>[Tex. Tax Code §26.012\(4\)](#)
  - <sup>17</sup>[Tex. Local Gov't Code §140.010\(b\) and Tex. Tax Code §26.052\(e\)](#)
  - <sup>18</sup>[Tex. Educ. Code §44.004\(b\)](#)
  - <sup>19</sup>[Tex. Local Gov't Code §140.010\(d\), \(e\) and \(f\)](#)
  - <sup>20</sup>[Tex. Water Code §49.236](#)
  - <sup>21</sup>[Tex. Tax Code §26.04\(e\)](#)
  
  - <sup>22</sup>[Tex. Tax Code §26.06\(a\)](#)
  - <sup>23</sup>[Tex. Tax Code §26.052](#)
  - <sup>24</sup>[Tex. Tax Code §26.05\(d\)](#)
  - <sup>25</sup>[Tex. Gov't Code §551.001\(4\)](#)

- <sup>26</sup>[Tex. Gov't Code §551.002](#)
- <sup>27</sup>[Tex. Tax Code §26.05\(a\)](#)
- <sup>28</sup>[Tex. Tax Code §26.05\(c\)](#)
- <sup>29</sup>[Tex. Tax Code §§26.07\(a\) and 26.08\(a-1\)](#)
- <sup>30</sup>[Tex. Tax Code §26.08\(a\)](#)
- <sup>31</sup>[Tex. Tax Code §§26.07\(d\) and 26.08\(c\)](#)
- <sup>32</sup>[Tex. Tax Code §§26.07\(e\) and 26.08\(d\)](#)

## **TRUTH-IN-TAXATION (TNT): TAX RATE CALCULATION**

Truth-in-taxation requires most taxing units to calculate two rates after receiving a certified appraisal roll from the chief appraiser — the no-new-revenue tax rate and the voter-approval tax rate.<sup>1</sup> The type of taxing unit determines which truth-in-taxation steps apply.

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes.<sup>2</sup> These taxing units reduce the no-new-revenue tax rate in the first year only and voter-approval tax rates every year thereafter to account for the property tax reduction paid for by the expected sales tax revenue.

Any taxing unit may increase its voter-approval tax rate for maintenance and operations (M&O) funds used to pay for a facility, device or method for the control of air, water or land pollution.<sup>3</sup> The taxing unit must provide its tax assessor with a copy of a determination letter from the Texas Commission on Environmental Quality stating the portion of the cost of the installation for pollution control.<sup>4</sup>

A county may increase its no-new-revenue M&O rate, and therefore its voter-approval tax rate, for funds used to pay for the state criminal justice mandate, indigent health care, indigent defense and a county hospital. Other taxing units that pay for indigent health care may also increase their no-new-revenue M&O rate.

Generally, tax rate calculations for water districts are governed by the Water Code instead of the Tax Code. Water Code Sections 49.107(g) and 49.108(f) provide that Tax Code Sections 26.04, 26.05 and 26.07 do not apply to taxing units created under Water Code Section 49.001 that levy and collect taxes under Water Code Section 49.107 or 49.108. Information regarding water district calculations can be found in the Water District Voter-Approval Tax Rate section below.

The Comptroller's office prescribes the tax rate calculation forms taxing units are required to use in determining tax rates. The taxing unit's designated officer or employee may not submit the no-new-revenue tax rate and the voter-approval tax rate to the governing body of the taxing unit and the taxing unit may not adopt a tax rate until the designated officer or employee certifies on the tax rate calculation forms that the designated officer or employee has accurately calculated the tax rates and has used the same values as the values shown in the taxing unit's certified appraisal roll in performing the calculations.<sup>5</sup>

School districts should seek legal counsel for interpretations of law regarding tax rate preparation, adoption and certification.<sup>6</sup>

By providing the information below, the Comptroller's office provides technical assistance and not legal advice. Taxing units should consult legal counsel for interpretations of law regarding tax rate calculations.

## No-New-Revenue Tax Rate

The no-new-revenue tax rate enables the public to evaluate the relationship between taxes for the prior 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.<sup>7</sup>

To do this, several adjustments must be made. Those adjustments are found in Section 1 of the Comptroller's tax rate calculation worksheets. The formula assumes that if values increase, the tax rate should decrease to create the same amount of revenue as it did the year before, or if values decrease, the tax rate will increase to produce the same amount of revenue.<sup>8</sup>

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll (or in some circumstances, the certified estimate of taxable value) and the estimated values of properties under protest.<sup>9</sup> The taxing unit's tax assessor 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 prior year.<sup>10</sup>

The tax assessor submits this information to the taxing unit's governing body. The governing body designates an officer or employee (often the tax assessor-collector, but not necessarily) to calculate the no-new-revenue tax rate and the voter-approval tax rate.<sup>11</sup>

Calculating the no-new-revenue tax rate requires the prior year's taxes and the current year's taxable value for property taxed in both years.<sup>12</sup> Dividing the taxes by the value (and multiplying by 100 to convert to a rate per \$100 of value) produces the no-new-revenue tax rate.<sup>13</sup> [[See Tax Rate Calculation Example 1](#) (PDF)]

Taxing units that have properties that are valued differently for M&O taxes, such as school districts with Tax Code Chapter 313 limitation agreements, must calculate the no-new-revenue M&O rate and the no-new-revenue debt service rate separately and add them together to create the no-new-revenue tax rate.

### **Last Year's Taxes**

To calculate the no-new-revenue tax rate, a taxing unit must first determine its total taxes for the prior year. The total includes all supplements, court-ordered adjustments and most corrections that have occurred to the tax roll since the prior year's certification and tax rate adoption. It also includes an adjustment for the undisputed portion of value that is under Chapter 42 appeal as of July 25.<sup>14</sup>

#### *Tax Ceiling*

If a county, city or junior college adopted the tax ceiling provision in the prior tax year or a prior tax year for homeowners age 65 or older or disabled, the taxing unit 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 taxes for the prior tax year.<sup>15</sup>

#### *Prior Year Corrections*

Taxing units required to refund taxes for tax years prior to the last year must add these refunded taxes in last year's levy.<sup>16</sup> 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.

The taxing unit's total taxes for the prior year does not include corrections ordered pursuant to Tax Code Section 25.25(d) for late appraisal roll changes ordered by the appraisal review board (ARB).<sup>17</sup> If Tax Code Section 25.25(d) corrections were mistakenly included in the tax rate calculations, the taxing unit would calculate lower no-new-revenue and voter-approval tax rates for the taxing unit.

### *Court-Ordered Adjustments*

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. Including these refunds in last year's levy results in higher no-new-revenue and voter-approval tax rates that give taxing units the ability to recapture revenue removed from last year's taxes to return money to taxpayers. Any court-ordered refunds made in the prior year must be included as a separate step in the tax rate calculation.<sup>18</sup>

### *Lost Property*

Taxing units must reduce last year's total taxes for the amount of lost property levy. This is the amount of taxes levied on property value that was taxable in the prior year, but not in the current year.<sup>19</sup> Property value not taxed in the current year may have been de-annexed or the property is located in territory that has ceased to be a part of the unit since the preceding year by the taxing unit. Last year's taxes also need to be reduced by the amount of taxes on property that received a new exemption or qualified for special appraisal in the current year. Property that first qualified for a new exemption does not include property that had an exemption amount lowered, freeport property or goods-in-transit property.<sup>20</sup>

### *Tax Increment Financing (TIF)*

Taxing units other than school districts exclude the taxes paid into a TIF and the portion of the captured appraised value that corresponds to the TIF payment in calculating both the no-new-revenue and voter-approval tax rates.<sup>21</sup>

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 tax rate calculations.

If a taxing unit does have TIF captured appraised value in the current year, the taxing unit must reduce last year's taxes by the amount of taxes paid into the TIF in the prior year. If a taxing unit does not have TIF captured appraised value in the current year to exclude from the no-new-revenue tax rate, 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 no-new-revenue tax rate calculation does not include any value that was included as new property value in the calculations.<sup>22</sup> This provision prevents a taxing unit from including the same value in two different deductions in the calculations. [See [Tax Rate Calculation Example 3](#) (PDF)]

### **Current Value of Property Taxed in the Prior Year**

Before calculating its no-new-revenue tax rate, a taxing unit must adjust the current tax year property values.<sup>23</sup> The calculation begins with the total taxable value on the certified appraisal roll or certified estimate for the current year and adds railroad rolling stock values, if applicable. The taxing unit then deducts the current year's captured appraised value for which the taxes will be deposited into a TIF fund and the taxable value of property exempted for the current tax year for the first time as pollution control property.<sup>24</sup>

### **Properties Under Protest**

If a property's value is under protest when the taxing unit receives the certified appraisal roll or certified estimate, the chief appraiser submits both the appraisal district and the taxpayer's estimated values.<sup>25</sup> In calculating the tax rates, the taxing unit must add the total value of properties under protest to the current tax year property values by using 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.
- 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.<sup>26</sup>

### **Properties Not Included at Certification**

The chief appraiser must give taxing units a list of taxable properties that the chief appraiser knows about, but that are not included on the certified appraisal roll or in the certified estimate. These properties are not on the list of properties that are still under protest.<sup>27</sup> The taxing unit adds the value of properties known, but not appraised for the current year.

The chief appraiser includes the market value, appraised value and exemptions for the prior 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 of the market, appraised or taxable value for computing the taxing unit's no-new-revenue and voter-approval tax rates.<sup>28</sup>

#### *Tax Ceilings*

If a county, city or junior college adopted the tax ceiling provision in the prior tax year, the current year's values are adjusted by subtracting the current year's values of homesteads with tax ceilings for both age 65 or older and disabled homeowners.<sup>29</sup> The taxing unit then subtracts the value of new property - property annexed since Jan. 1 of the prior tax year and improvements new to the current year's tax roll.<sup>30</sup>

These steps adjust the current year's taxable values to include only property taxed in the current tax year and the prior tax year.

### **New Property Value**

The taxing unit deducts new property value from the current year's appraised values in the no-new-revenue tax rate calculation.

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 of the prior tax year.<sup>31</sup> 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 of the prior tax year.<sup>32</sup>

New property value also includes property value in the current year that was previously exempt under an abatement agreement.<sup>33</sup> 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 include value changes that increased a property's land value from the preceding year as new property. This includes land value that increased from the prior year because the land was subdivided by plat; had water, sewer or drainage lines installed; or had paving of undeveloped land.<sup>34</sup>

New property does not include new taxable value subject to limitation agreements under the Tax Increment Financing Act.<sup>35</sup> [[See Tax Rate Calculation Example 2](#) (PDF)]

## **Consolidated Taxing Units**

A taxing unit that was two or more taxing units in the last year handles the no-new-revenue and voter-approval tax 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.<sup>36</sup>

### **Voter-Approval Tax Rate**

The voter-approval tax rate is a calculated maximum rate allowed by law without voter approval. The calculation splits the voter-approval tax rate into two separate components - a no-new-revenue M&O rate and a debt service rate.<sup>37</sup> 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.<sup>38</sup> The voter-approval tax rate is the sum of no-new-revenue M&O and debt service rates, plus the unused increment rate, if applicable.<sup>39</sup>

In most cases, the voter-approval tax rate exceeds the no-new-revenue tax rate, but occasionally decreases in a taxing unit's debt service will cause the no-new-revenue tax rate to be higher than the voter-approval tax rate.

If the comptroller determines that a county has implemented a budget that proposes to reduce or reallocate funds from certain law enforcement agencies without voter approval, the county may not adopt a tax rate that exceeds the no-new-revenue tax rate unless they reverse the funding reduction or restore the allocated funds.<sup>40</sup>

### **No-New-Revenue M&O Rate**

School districts calculate the M&O portion of voter-approval rate by using the rate per \$100 of taxable value that is equal to the district's maximum compressed rate times \$1.00 plus the greater of: the previous year's enrichment rate or \$0.05 per \$100 of taxable value. The school district's current debt rate is then added to equal the school district voter-approval rate.<sup>41</sup> [[See Tax Rate Calculation Example 4](#) (PDF)]

Other taxing units calculate a no-new-revenue M&O rate by dividing the adjusted prior year's levy by the adjusted prior year's total taxable value used to calculate the no-new-revenue tax rate and multiplying it by the prior year's M&O rate, and then dividing the product by the adjusted current year's taxable value to get the current year's no-new-revenue M&O rate.

### ***Special Provisions***

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

### ***County Criminal Justice Mandate***

Counties may increase their voter-approval tax rate to replace funds spent to house prisoners sentenced to state correctional facilities.<sup>42</sup> 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.<sup>43</sup>

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 no-new-revenue M&O rate. The county continues to use the same 12-month period in subsequent years.

For more information on this mandate, contact the Texas Commission on Jail Standards.

### ***Indigent Health Care Expenditures***

A taxing unit other than a school district can increase its voter-approval tax rate to generate funds it will spend for enhanced indigent health care expenses. Enhanced expenditures are defined as the amount spent by the taxing unit for M&O costs of providing indigent health care at the increased minimum eligibility standards. The taxing unit deducts any state assistance received for these expenses.

To calculate the no-new-revenue M&O rate for the current tax year, a taxing unit's enhanced indigent health care expenditures for the prior tax year are computed by subtracting the taxing units increased expenditures from July 1 of the year preceding last year through June 30 of last year and the amount of any state assistance from the enhanced expenditures for the current year (July 1 of the prior year through June 30 of the current year). Any remaining amount is the increased amount for the current year.<sup>44</sup>

#### ***County Indigent Defenses Compensation Expenditures***

A county that pays for indigent criminal or civil defense costs may incorporate that increased cost to its voter-approval tax rate by converting the expenditure to a rate and adding it to the county's no-new-revenue M&O rate. The amount of the expenditure is equal to the amount a county paid to provide for appointed counsel or to fund the operations of a public defender's office for indigent individuals in criminal or civil proceedings in the period beginning July 1 of the year preceding the tax year for which the tax is adopted and ending June 30 of the tax year for which the rate is adopted, less the amount of any state grants received by the county during that time period. If the county expenditures exceed the amount for the preceding tax year, the county may increase the no-new-revenue M&O rate by the lesser of (1) increased expenditures between two years or (2) 5 percent of the preceding year's indigent expense compensation expenditures.<sup>45</sup>

#### ***Eligible County Hospital Expenditures***

A county or city that pays to maintain or operate an eligible county hospital may incorporate that increased cost in its voter-approval rate by converting the expenditure to a rate and adding it to its no-new-revenue M&O rate. This applies to an "eligible county hospital" which is located in an area not serviced by a hospital district and which is a hospital owned or leased by a county and operated under Health and Safety Code Chapter 263; or is owned or leased jointly by a city and a county and operated under Health and Safety Code Chapter 265. "Eligible county hospital expenditures" means the amount paid by a county or city in the period beginning July 1 of the preceding tax year and ending June 30 of the current year. If those expenditures exceed the amount for the preceding tax year, the city or county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 8 percent of the preceding tax year's eligible expenditures.<sup>46</sup>

#### ***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 voter-approval tax 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 voter-approval tax rate for the function's expenses.<sup>47</sup>

#### ***Tax Increment Financing (TIF)***

Taxing units other than school districts exclude the taxes paid into a TIF and the captured appraised value that corresponds to the TIF payment in calculating the voter-approval tax rate.<sup>48</sup> The TIF captured appraised value to be deducted in the voter-approval tax rate calculation does not include any value that was included as new property value in the calculations.<sup>49</sup> This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

#### **Debt Service Rate**

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.<sup>50</sup> The debt service portion of the overall tax rate may rise as high as necessary without triggering an election to approve the tax rate-because most debt is already approved by voters in bond elections.

#### ***Debt Payments***

This step concerns the actual debt payments required for the current fiscal year, not the last fiscal year's debt. Remember that these are debt payments that the current year's property taxes will pay.<sup>51</sup> A taxing unit that pays debt with other funds should not include those payments in the calculation.

School districts are required to consider the amount of facilities state aid (Existing Debt Allotment and/or Instructional Facilities Allotment) they will receive in setting their local debt service rates.<sup>52</sup> Doing so reduces the amount of debt that school districts pay from local funds and produces a lower debt service tax rate. School districts that do not take the state funding into account will both violate state law and levy rates that are too high.

### ***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 voter-approval tax rate. The collector for such a taxing unit must certify the current year's certified anticipated debt collection rate and last year's excess debt tax collections to the governing body.<sup>53</sup>

Adjustments to the current year's debt service rate include excess collections from the previous year and the anticipated collection rate for the current year.<sup>54</sup> The taxing unit subtracts the amount of last year's excess debt tax collections from the current year's debt payments and divides the resulting figure by the anticipated current year's collection rate.<sup>55</sup> If the anticipated current year's collection rate is less than 100 percent, this will increase the amount of levy needed to pay debt service. The taxing unit's tax collector certifies the excess debt tax collections and the anticipated collection rate.<sup>56</sup>

### ***Estimated Debt Collection Rate for Current Tax Year***

To find the estimated collection rate, the collector must first estimate the taxing unit's total debt collections from July 1 of the current year through June 30 of the next year.<sup>57</sup> This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes (e.g. agriculture, etc.), penalties and interest.<sup>58</sup> The anticipated collection rate of a taxing unit is a rate certified by the collector and can be no lower than the lowest actual collection rate of the taxing unit for any of the preceding three years and may even exceed 100%.<sup>59</sup>

The collector compares this amount to what the taxing unit plans to levy for paying debt service in the current fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate.<sup>60</sup> 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 the current year. 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. Delinquent taxes from prior years may generate more than a 100 percent rate.<sup>61</sup>

### ***Excess Debt Tax Collections for Prior Year***

The law requires the collector to compare the amount of taxes actually collected in current taxes, delinquent taxes, special appraisal rollback taxes (e.g. agriculture, etc.), penalties and interest for last year's debt from July 1 of last year through June 30 of the current year. The collector compares this collected amount with the amount that the collector estimated to collect according to last year's anticipated collection rate. If the taxing unit took in more debt tax dollars than the estimated collection, the collector certifies the amount of excess debt tax collections to the governing body.<sup>62</sup>

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

Dividing the adjusted debt payments by the current year's total taxable values, times \$100, gives the debt service portion of the voter-approval tax rate. [[See Tax Rate Calculation Example 6](#) (PDF)]

## **Unused Increment Rate**

The unused increment rate is the three-year rolling sum of the difference between the adopted tax rate and the voter-approval tax rate and is only available to a taxing unit other than a special taxing unit. The unused increment rate can be used to increase the voter-approval tax rate, depending upon the tax rates adopted by the taxing unit in the previous three years. For example, a city has the ability to “bank” any unused amounts below the voter-approval tax rate to use for up to three years.<sup>63</sup>

For counties that implemented a proposed reduction or reallocation of certain law enforcement agency budgets without voter approval, the difference between the actual tax rate and the voter-approval tax rate is considered to be zero.<sup>64</sup>

For each tax year before the 2020 tax year, the difference between the voter-approval tax rate and the actual tax rate is considered to be zero.<sup>65</sup>

## **Total Voter-Approval Tax Rate**

Totaling the M&O rate, the debt service rate, and the unused increment rate, if applicable, gives the total voter-approval tax rate.<sup>66</sup>

Special taxing units calculate the M&O rate by multiplying their no-new-revenue M&O rate by 1.08. [See [Tax Rate Calculation Example 5](#) (PDF)]

Taxing units other than special taxing units calculate the M&O rate by multiplying their no-new-revenue M&O rate by 1.035. The voter-approval tax rate for these taxing units also includes the unused increment rate.

If the taxing unit is affected by a disaster and certain requirements are met, the governing body of the taxing unit may direct the voter-approval tax rate to be calculated in the manner provided for a special taxing unit. Additional information on the calculation and adoption of tax rates in a disaster area can be found under Emergency Revenue Rate section.

## **Additional Sales Tax Rate**

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes.<sup>67</sup> In which case, the taxing unit reduces its no-new-revenue and voter-approval tax rates to offset the expected sales tax revenue.<sup>68</sup>

## **Timing a Sales Tax Election**

Local voters by election must approve imposing or abolishing the additional sales tax.<sup>69</sup> Elections may be held on either of the two general election dates held in May or November.<sup>70</sup> If the additional sales tax to reduce property taxes passes, the taxing unit may use Section 3 of the Comptroller's *Tax Rate Worksheet* to calculate the reduced no-new-revenue and voter-approval 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.<sup>71</sup>

## **Impact on No-New-Revenue and Voter-Approval Tax Rates**

A taxing unit that adopted the additional sales tax in November of the previous year or in May of the current year must adjust both its no-new-revenue and voter-approval tax rates. A taxing unit that adopted the tax in prior years, however, adjusts only its voter-approval tax rate.<sup>72</sup>

## Steps for First Year

A taxing unit that adopted the additional sales tax in November of the previous year or in May of the current year makes a first-year adjustment to both the no-new-revenue and the voter-approval tax rates. The taxing unit computes an additional tax rate based on an estimate of sales tax revenue and subtracts that rate from the no-new-revenue and voter-approval tax rates. The adjustment rate is called the sales tax gain rate.<sup>73</sup>

### Sales Tax Gain Rate

To calculate a sales tax gain rate for the first time, 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, a conservative amount is used to offset low first-year estimates of the total taxable sales. The taxing unit then divides the sales tax estimate by current year's total taxable values.<sup>74</sup> [[See Tax Rate Calculation Example 7](#) (PDF)]

A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.<sup>75</sup> The county subtracts this amount from the total estimated sales tax revenue in the first-year tax rate calculations.

Subtracting the sales tax gain rate from the no-new-revenue tax rate and the voter-approval tax rate adjusts those tax rates for the anticipated additional sales tax.<sup>76</sup> [[See Tax Rate Calculation Example 8](#) (PDF)]

## Steps for Following Years

Once a taxing unit has collected the additional sales tax for a year, its property tax revenues will reflect any tax rate reduction arising from the additional sales tax. As a result, calculating the no-new-revenue tax rate will not require an adjustment for the additional sales tax.

Calculating the voter-approval tax rate after the first year, however, uses the last year's sales tax revenue in calculating the M&O component of the voter-approval tax rate. The taxing unit subtracts a sales tax adjustment rate.<sup>77</sup> [[See Tax Rate Calculation Example 9](#) (PDF)]

### Sales Tax in the No-New-Revenue M&O Rate

To calculate the no-new-revenue M&O rate, add the last year's sales tax revenue spent on M&O to the adjusted M&O levy.<sup>78</sup>

The last year's sales tax revenue is the amount from the first full year of sales tax revenue spent for M&O.<sup>79</sup> 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.<sup>80</sup> The county subtracts this amount from the sales tax revenue spent in the calculation of the county's no-new-revenue M&O rate.

### 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.<sup>81</sup> 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 this year's total taxable values.<sup>82</sup> [[See Tax Rate Calculation Example 10](#) (PDF)]

A taxing unit can get its historical summary of monthly local sales and use tax allocation payments on the Comptrollers' [Allocation Historical Summary](#) website.

### **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.<sup>83</sup>

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 no-new-revenue 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).<sup>84</sup>

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 no-new-revenue 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).<sup>85</sup>

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 no-new-revenue 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 no-new-revenue tax rate.<sup>86</sup> [[See Tax Rate Calculation Example 11](#) (PDF)]

To calculate the voter-approval tax rate, the taxing unit includes the sales tax in the no-new-revenue M&O rate but does not include the sales tax loss rate.<sup>87</sup> [[See Tax Rate Calculation Example 12](#) (PDF)]

### **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 no-new-revenue and voter-approval tax rate 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 voter-approval and no-new-revenue 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.<sup>88</sup>

A city must make a one-time adjustment to its no-new-revenue and voter-approval 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. [[See Tax Rate Calculation Example 13](#) (PDF)]

Mass transit services do not include the construction, reconstruction or general maintenance of municipal streets.<sup>89</sup>

### **Additional Voter-Approval Protection for Pollution Control**

A taxing unit or school district may increase its voter-approval tax 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. Section 4 of the Comptroller's *Tax Rate Calculation Worksheet* provides information needed for calculating the additional tax rate to add to the voter-approval tax rate.

A taxing unit may 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.<sup>90</sup> This includes any land, structure, building, installation, excavation, machinery, equipment or device that is used, constructed, acquired or installed wholly or partly to meet or exceed pollution control requirements.<sup>91</sup> The taxing unit's expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).<sup>92</sup>

The TCEQ executive director issues a determination letter stating the portion of the cost of the installation for pollution control.<sup>93</sup> The taxing unit must provide its tax assessor with a copy of the TCEQ letter.<sup>94</sup> The tax assessor must accept the copy stating the cost of the pollution control property as conclusive evidence and shall adjust the voter-approval tax rate.<sup>95</sup> Taxing units should check with TCEQ's Air Quality Division for rules regarding this process.

### **De Minimis Rate**

The de minimis rate is a tax rate calculation designed to give smaller taxing units, including cities with a population of less than 30,000, some flexibility to budget for extraordinary costs that may not be possible under the three and a half percent voter-approval tax rate. The de minimis rate is the sum of a taxing unit's no-new-revenue M&O rate; the rate that, when applied to a taxing unit's current total value, will impose an amount of taxes equal to \$500,000; and a taxing unit's current debt rate.<sup>96</sup>

Voters may petition to hold a tax approval election if the de minimis rate exceeds the voter-approval tax rate and the adopted tax rate is equal to or lower than the de minimis rate but higher than the voter-approval tax rate.<sup>97</sup> The voter-approval tax rate in this instance may be calculated in one of two ways, depending on the qualifications of the taxing unit. These voter-approval tax rate calculations are either:

- (a) a three and half percent increase to maintenance and operations plus the unused increment plus debt or
- (b) if a city were also a special taxing unit with an eight percent rate increase to maintenance and operations plus debt.

### **Emergency Revenue Rate**

A taxing unit, other than a school district or a special taxing unit, located in an area declared to be a disaster area by the Governor may, under certain circumstances, elect to calculate the voter-approval tax rate in the manner provided for a special taxing unit. The taxing unit may continue to calculate the voter-approval tax rate using the multiplier of 1.08 until the disaster calculation time period ends.

In the tax year after the end of the disaster calculation time period, the taxing unit must calculate its emergency revenue rate and reduce its voter-approval tax rate for that year.

To do so, the taxing unit must recalculate the voter-approval tax rate the taxing unit would have calculated in the preceding year if it had generated revenue based on an adopted tax rate using a multiplier of 1.035 in the year(s) following the disaster.<sup>98</sup>

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- [<sup>1</sup>Tex. Tax Code §26.04\(c\)](#)
  - [<sup>2</sup>Tex. Tax Code §26.012\(1\)](#)
  - [<sup>3</sup>Tex. Tax Code §26.045\(a\)](#)
  - [<sup>4</sup>Tex. Tax Code §26.045\(i\)](#)
  - [<sup>5</sup>Tex. Tax Code §26.04\(c-2\) and \(d-2\)](#)
  - [<sup>6</sup>Tex. Tax Code §26.04\(e-1\)](#)
  - [<sup>7</sup>Tex. Tax Code §26.05\(a\)\(2\)](#)
  - [<sup>8</sup>Tex. Tax Code §26.04\(c\)\(1\)](#)
  - [<sup>9</sup>Tex. Tax Code §§26.01\(a\) and 26.05\(a\)](#)
  - [<sup>10</sup>Tex. Tax Code §26.04\(a\)](#)
  - [<sup>11</sup>Tex. Tax Code §26.04\(b\) and \(c\)](#)
  - [<sup>12</sup>Tex. Tax Code §26.04\(c\)\(1\)](#)
  - [<sup>13</sup>Tex. Tax Code §26.05\(c\)\(1\)](#)
  - [<sup>14</sup>Tex. Tax Code §26.012\(13\)\(A\)](#)
  - [<sup>15</sup>Tex. Tax Code §26.012\(13\)\(A\)](#)
  - [<sup>16</sup>Tex. Tax Code §26.012\(13\)\(B\)](#)
  - [<sup>17</sup>Tex. Tax Code §26.012\(14\)](#)
  - [<sup>18</sup>Tex. Tax Code §26.012\(13\)\(A\)\(i\)](#)
  - [<sup>19</sup>Tex. Tax Code §26.012\(15\)](#)
  - [<sup>20</sup>Tex. Tax Code §26.012\(15\)](#)
  - [<sup>21</sup>Tex. Tax Code §26.03\(c\)](#)
  - [<sup>22</sup>Tex. Tax Code §26.03\(c\)](#)
  - [<sup>23</sup>Tex. Tax Code §26.012\(6\)](#)
  - [<sup>24</sup>Tex. Tax Code §26.045\(a\)](#)
  - [<sup>25</sup>Tex. Tax Code §26.01\(c\)](#)
  - [<sup>26</sup>Tex. Tax Code §26.01\(c\)](#)
  - [<sup>27</sup>Tex. Tax Code §26.01\(d\)](#)
  - [<sup>28</sup>Tex. Tax Code §26.01\(d\)](#)
  - [<sup>29</sup>Tex. Tax Code §26.012\(6\)\(B\)](#)
  - [<sup>30</sup>Tex. Tax Code §§26.012\(17\) and 26.04\(c\)\)](#)
  - [<sup>31</sup>Tex. Tax Code §26.012\(17\)\(A\)](#)
  - [<sup>32</sup>Tex. Tax Code §26.012\(17\)\(A\)](#)
  - [<sup>33</sup>Tex. Tax Code §26.012\(17\)\(B\)](#)
  - [<sup>34</sup>Tex. Tax Code §26.012\(17\)\(c\)](#)
  - [<sup>35</sup>Tex. Tax Code §26.03\(c\)](#)
  
  - [<sup>36</sup>Tex. Tax Code §26.04\(f\)](#)
  - [<sup>37</sup>Tex. Tax Code §26.005\(a\)](#)
  - [<sup>38</sup>Tex. Tax Code §26.012\(8\)](#)
  - [<sup>39</sup>Tex. Tax Code §26.04\(c\)\(2\)](#)
  - [<sup>40</sup>Tex. Local Gov't Code §§120.002 and 120.007](#)
  - [<sup>41</sup>Tex. Tax Code §26.048\(n\)](#)
  - [<sup>42</sup>Tex. Tax Code §26.044](#)
  - [<sup>43</sup>Tex. Tax Code §26.044\(d\)](#)
  - [<sup>44</sup>Tex. Tax Code §26.0441](#)
  - [<sup>45</sup>Tex. Tax Code §26.0442](#)
  - [<sup>46</sup>Tex. Tax Code §26.0443](#)
  - [<sup>47</sup>Tex. Tax Code §26.04\(i\) and \(j\)](#)
  - [<sup>48</sup>Tex. Tax Code §§26.03\(c\) and 26.08\(h\)](#)
  - [<sup>49</sup>Tex. Tax Code §26.03\(c\)](#)
  - [<sup>50</sup>Tex. Tax Code §26.012\(8\)](#)
  - [<sup>51</sup>Tex. Tax Code §26.012\(3\) and \(8\)](#)

- [52 Tex. Educ. Code §46.009\(d\)](#)
- [53 Tex. Tax Code §26.04\(b\)](#)
- [54 Tex. Tax Code §26.05\(a\)\(1\)](#)
- [55 Tex. Tax Code §26.012\(2\)](#)
- [56 Tex. Tax Code §26.04\(b\)](#)
- [57 Tex. Tax Code §§26.012\(2\) and 26.04\(h\)\(2\)](#)
- [58 Tex. Tax Code §26.012\(2\)](#)
- [59 Tex. Tax Code §26.04\(h-1\)](#)
- [60 Tex. Tax Code §26.012\(2\)\(B\)](#)
- [61 Tex. Tax Code §26.04\(h\)\(1\)](#)
- [62 Tex. Tax Code §26.04\(b\)](#)
- [63 Tex. Tax Code §26.013](#)
- [64 Tex. Tax Code §120.007\(d\)](#)
- [65 Tex. Tax Code §26.013\(c\)](#)
- [66 Tex. Tax Code §26.05\(a\)](#)
- [67 Tex. Tax Code §26.012\(1\)](#)
- [68 Tex. Tax Code §26.041](#)
- [69 Tex. Tax Code §§321.101 and 323.101](#)
  
- [70 Tex. Elec. Code §41.001\(a\)](#)
- [71 Tex. Tax Code §§321.102\(b\) and 323.102\(a\)](#)
- [72 Tex. Tax Code §26.041\(a\) and \(b\)](#)
- [73 Tex. Tax Code §26.041\(a\)](#)
- [74 Tex. Tax Code §26.041\(d\)](#)
- [75 Tex. Tax Code §26.041\(i\)](#)
- [76 Tex. Tax Code §26.041\(a\)](#)
- [77 Tex. Tax Code §26.041\(b\)](#)
- [78 Tex. Tax Code §26.041\(b\)](#)
- [79 Tex. Tax Code §26.041\(b\)](#)
- [80 Tex. Tax Code §26.041\(i\)](#)
- [81 Tex. Tax Code §26.041\(d\)](#)
- [82 Tex. Tax Code §26.041\(d\)](#)
- [83 Tex. Tax Code §26.041\(g\) and \(h\)](#)
- [84 Tex. Tax Code §26.041\(g\)](#)
- [85 Tex. Tax Code §26.041\(h\)](#)
- [86 Tex. Tax Code §26.041\(c\)](#)
- [87 Tex. Tax Code §26.041\(c\)](#)
- [88 Tex. Tax Code §26.041\(a\)](#)
- [89 Tex. Tax Code §26.043\(a\)](#)
- [90 Tex. Tax Code §26.045\(a\)](#)
- [91 Tex. Tax Code §26.045\(b\)](#)
- [92 Tex. Tax Code §26.045\(c\)](#)
- [93 Tex. Tax Code §26.045\(d\)](#)
- [94 Tex. Tax Code §26.045\(i\)](#)
- [95 Tex. Tax Code §26.045\(i\)](#)
- [96 Tex. Tax Code §26.012\(8-a\)](#)
- [97 Tex. Tax Code §26.075](#)
- [98 Tex. Tax Code §26.042](#)
- [101 Tex. Water Code §§49.23601\(a\) and 49.23603\(a\)](#)
- [102 Tex. Water Code §§49.23601\(c\), 49.23602\(2\)\(a\), and 49.23603\(a\)\(3\)](#)
- [103 Tex. Water Code §49.23602\(d\)](#)

## **NOTICE REQUIREMENTS**

Texas law requires a number of public notices to inform taxpayers about local property taxes. The first notice is the *Notice of Appraised Value*.<sup>1</sup> It is an individual notice sent by the chief appraiser to a property owner for property on which the appraised value increased from the previous year.<sup>2</sup> It informs the property owner of proposed property values and other necessary information. It may also include an estimate of the current year taxes based on the current year's proposed taxable value and the previous year's tax rate though this is no longer required on notices in large counties and will no longer be required on notices in smaller counties in 2022.<sup>3</sup>

The Tax Code requires some taxing units to publish their calculated no-new-revenue and voter-approval tax rates or to mail them to each property owner.<sup>4</sup> School districts and water districts are not subject to the notice requirements in the Tax Code, but are subject to notice requirements specified in other statutes.

The Comptroller's office provides the following information as technical assistance and not legal advice. Taxing units should consult legal counsel for interpretations of law regarding tax rate preparation and adoption.

### **Local Government Taxing Units**

#### **Notice of Tax Rate**

Tax Code Section 26.04(e) requires local government taxing units to publish a Notice of Tax Rate and sets out the requirements for the format and content of the notice.<sup>5</sup> This notice provides information about two tax rates used in adopting the current year's tax rate. The notice will include:

- no-new revenue tax rate, the voter-approval tax rate, and an explanation of how they were calculated;
- unencumbered fund balances;<sup>6</sup>
- current year debt service; and<sup>7</sup>
- for counties only:
  - state justice criminal mandate;<sup>8</sup>
  - indigent health care compensation expenditures;
  - indigent defense compensation expenditures; and<sup>9</sup>
  - eligible county hospital expenditures.<sup>10</sup>

The Comptroller's office provides Form 50-212, *Notice of Tax Rate* which includes the statutory requirements.<sup>11</sup> The taxing unit's notice must conform to the Comptroller's prescribed form.<sup>12</sup>

#### **Publication requirements**

Form 50-212, *Notice of Tax Rate* is not required to be published in a newspaper.<sup>13</sup>

**Website:** The notice must be posted on the city or county website, as applicable. The taxing unit shall post the notice prominently on the homepage of the taxing unit's website.<sup>14</sup>

- [50-212, Notice of Tax Rate](#) (PDF)

#### **Notice of Public Hearing or Meeting**

Local government taxing units must provide notice of a public hearing using language specified in the Property Tax Code, if that taxing unit proposes a tax rate that:

- exceeds the no-new-revenue tax rate and the voter-approval tax rate<sup>15</sup>;
- exceeds the no-new-revenue tax rate and is less than or equal to the voter-approval tax rate<sup>16</sup>; or
- is less than or equal to the no-new-revenue tax rate and exceeds the voter-approval tax rate<sup>17</sup>.

If a taxing unit proposes a tax rate that is less than or equal to the no-new-revenue tax rate and the voter-approval tax rate, the taxing unit must provide notice of a public meeting<sup>18</sup>.

The Comptroller's office provides model forms that include the required statutory language.

- [Form 50-873- Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate exceeds the no-new-revenue tax rate and the voter-approval tax rate*
- [Form 50-874- Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate is greater than the voter-approval tax rate and the de minimis rate*
- [Form 50-875 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate exceeds the no-new-revenue tax rate and the voter-approval tax rate but does not exceed the de minimis rate*
- [Form 50-876 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate exceeds the no-new-revenue tax rate but does not exceed the voter-approval tax rate*
- [Form 50-877 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate does not exceed the no-new-revenue tax rate but exceeds the voter-approval tax rate*
- [Form 50-878 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate exceeds the no-new-revenue tax rate and the voter-approval tax rate, and de minimis rate exceeds the voter-approval tax rate*
- [Form 50-879 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate does not exceed the no-new-revenue tax rate or the de minimis rate but exceeds the voter-approval tax rate*
- [Form 50-880 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate does not exceed the no-new-revenue tax rate but exceeds the voter-approval tax rate and the de minimis rate exceeds the voter-approval rate*
- [Form 50-887 – Notice of Public Hearing on Tax Increase](#) (PDF), used if the *proposed tax rate exceeds the voter-approval tax rate but not the no-new-revenue tax rate and de minimis rate exceeds the voter-approval rate*

### **Publication requirements**

The required notice may be published in a newspaper or by mailing it to each property owner in the city or county, as applicable.<sup>19</sup> If published, it must also be placed on the homepage of the taxing unit's website.

**Newspaper:** If the notice is published in a newspaper, it may not be in the part of the paper in which the legal notices and classified advertisements appear.<sup>20</sup> The notices must be at least a quarter-page in a standard-size or tabloid-size newspaper with a headline in 24-point type or larger.<sup>21</sup>

**Website:** The notice must be posted on the city or county website, as applicable. The taxing unit shall post notice of the public hearing prominently on the homepage of the taxing unit's website continuously at least seven days 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.<sup>22</sup> It must remain on the taxing unit's website until the public hearing is concluded.

**Television:** If the taxing unit has free access to a television channel, the taxing unit shall request that the station carry a 60-second notice of the public hearing at least five times a day between the hours of 7 a.m. and 9 p.m. for at least seven days immediately before the date of the vote proposing the increase in the tax rate.<sup>23</sup>

### **Notice of Meeting to Vote on Tax Rate**

If a vote is not taken at the public hearing or meeting, the governing body must announce the date, time and place of the meeting at which it will vote on the proposed tax rate.<sup>24</sup> If the governing body proposes to adopt a tax rate that does not exceed the lower of the no-new-revenue tax rate or the voter-approval tax rate, it must provide notice of the meeting to vote on the tax rate. This Notice of Meeting to Vote on Tax Rate must strictly follow the wording set out in the Tax Code.<sup>25</sup> The Comptroller's office provides Form 50-883 *Proposed Rate Does Not Exceed No-New-Revenue or Voter-Approval Tax Rate* which includes the statutory language.<sup>26</sup>

### **Publication requirements**

The required notice may be published in a newspaper or by mailing it to each property owner in the city or county, as applicable.<sup>27</sup> If published, it must also be placed on the homepage of the taxing unit's website.<sup>28</sup>

**Newspaper:** The Notice of Meeting to Vote on Tax Rate may not be smaller than one-quarter page of a standard-size or tabloid-size newspaper and the headline on the notice must be in 24-point or larger type.<sup>29</sup> It may not be published in the part of the newspaper in which legal notices and classified advertisements appear.<sup>30</sup>

- [50-883, Proposed Rate Does Not Exceed No-New-Revenue or Voter-Approval Tax Rate](#) (PDF)

### **School Districts**

School districts are not required to publish the no-new-revenue tax rate and other schedules required by law for other types of taxing units.<sup>31</sup> School districts file one notice for budget and tax rate adoption.<sup>32</sup> Education Code Section 44.004(c) specifies the content requirements for this notice.<sup>33</sup> The Comptroller's office provides model Form 50-280 *Notice of Public Meeting to Discuss Budget and Proposed Tax Rate* which includes the statutory requirements.

- [50-280, Notice of Public Meeting to Discuss Budget and Proposed Tax Rate](#) (PDF)

### **Publication Requirements**

A school district must publish its meeting notice to adopt the proposed budget and tax rates, together with a summary of the proposed budget, but there is no requirement to publish a summary of the proposed budget on a website.<sup>34</sup>

**Newspaper:** The notice must be at least a quarter-page in a standard-size or tabloid-size newspaper. Its headline must appear in 18-point type or larger.<sup>35</sup>

The school district may publish the notice in a daily, weekly or biweekly newspaper that is published in the school district.<sup>36</sup> If there is not a daily, weekly or biweekly newspaper in the school district, the school board president must provide for publication in at least one general circulation newspaper in the county in which the school district's central administrative office is located.<sup>37</sup>

A legal newspaper must devote a certain percentage of its space to general interest items. It must have been regularly published for at least 12 months before the notice is placed and be entered as periodical postal matter in the county where it is published.<sup>38</sup>

### **School District with July 1 Fiscal Year**

A school district may begin its fiscal year July 1 rather than Sept. 1.<sup>39</sup> The chief appraiser prepares and certifies to the school assessor an estimate of the taxable value of property in that school district by April 30.<sup>40</sup> If a school district with a July 1 fiscal year does not receive the certified appraisal roll by June 7, the district uses the certified estimate in preparing its budget and tax rate hearing notice.<sup>41</sup> In this case, the school district with a July 1 fiscal year uses the notice required under Education Code Section 44.004(c).

- [50-280, Notice of Public Meeting to Discuss Budget and Proposed Tax Rate](#) (PDF)

While the school district with a July 1 fiscal year may prepare its notice using the certified estimate, the school district may not adopt a tax rate before the district receives the certified appraisal roll for the district.<sup>42</sup>

After receiving a certified appraisal roll, the school district must publish a revised notice and hold another public meeting to adopt a tax rate that exceeds:

- the tax rate proposed in the first notice using the estimated values; or

- the school district's voter-approval tax rate calculated using the final certified values.<sup>43</sup>

If a school district elects to adopt a tax rate before adopting a budget, it must publish notice and hold a meeting for the purpose of discussing the proposed tax rate.<sup>44</sup> Following adoption of the tax rate, the school district must publish notice and hold another public meeting before it may adopt a budget.<sup>45</sup> The school district should consult with legal counsel before using either of the model forms provided by the Comptroller's office:

- [50-777, Notice of Public Meeting to Discuss Proposed Tax Rate](#) (PDF)
- [50-786, Notice of Public Meeting to Discuss Budget](#) (PDF)

### **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.<sup>46</sup>

A small taxing unit is exempt from the notice and publication requirements of Tax Code Section 26.04(e) that are applicable to larger taxing units.<sup>47</sup> Additionally, 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.<sup>48</sup>

A small taxing unit may instead provide a simplified notice of its proposed tax rate that includes the information specified in Tax Code Section 26.052(e).<sup>49</sup> Alternatively, if a small taxing unit is a county or city, it may publish the proposed tax rate notice as provided in Tax Code Sections 26.06(b-1), (b-2), (b-3), (b-4-c) and 26.061(a).<sup>50</sup> The Comptroller's office provides Form 50-757 *Small Taxing Unit Notice* as a model for the simplified notice.

- [50-757, Small Taxing Unit Notice](#) (PDF)

A small taxing unit 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 tax rate.<sup>51</sup>

### **Publication Requirements**

A small taxing unit may provide public notice of the proposed tax rate in one of two ways:

- mail a notice of the proposed tax rate to each property owner in the taxing unit; or
- publish a notice of the proposed tax rate in the legal section of a newspaper having general circulation in the taxing unit.<sup>52</sup>

The taxing unit must do either notice no later than seven days before the date on which it will adopt the proposed tax rate.<sup>53</sup>

A small taxing unit must also provide public notice of its proposed tax rate by posting notice of the proposed tax rate prominently on the home page of the internet website of the taxing unit.

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 voter-approval rate or the no-new-revenue rate, whichever is lower, and from a taxpayer seeking an injunction to keep it from collecting taxes.<sup>54</sup>

### **Taxing Unit that is not a School District or Water District**

A local municipality with a population of less than 30,000 that do not meet the definition of a special taxing unit may instead provide a simplified notice of its proposed tax rate that includes the information specified in Tax Code Section 26.06 (b-1), (b-3) and Section 26.063. The Comptroller's office provides a model for the simplified notice.

- [Form 50-878 Notice of Public Hearing on Tax Increase \(PDF\)](#)—Proposed tax rate exceeds the no-new-revenue tax rate and the voter-approval tax rate and the de minimis rate exceeds the voter-approval tax rate
- [Form 50-887 Notice of Public Hearing on Tax Increase \(PDF\)](#)—Proposed tax rate exceeds the no-new-revenue tax rate exceeds the voter-approval tax rate but does not exceed the no-new-revenue tax rate and the de minimis rate exceeds the voter-approval tax rate.

- [<sup>1</sup>Tex. Tax Code §26.06\(b-1\)](#)
- [<sup>2</sup>Tex. Tax Code §26.06\(b-2\)](#)
- [<sup>3</sup>Tex. Tax Code §26.06\(b-3\)](#)
- [<sup>4</sup>Tex. Tax Code §26.061](#)
- [<sup>5</sup>Tex. Tax Code § 26.065\(b\)](#)
- [<sup>6</sup>Tex. Tax Code § 26.04\(e\)\(2\)](#)
- [<sup>7</sup>Tex. Tax Code § 26.04\(e\)\(3\)](#)
- [<sup>8</sup>Tex. Tax Code § 26.044](#)
- [<sup>9</sup>Tex. Tax Code § 26.0442](#)
- [<sup>10</sup>Tex. Tax Code § 26.0443](#)
- [<sup>11</sup>Tex. Tax Code § 26.04\(e\)](#)
- [<sup>12</sup>Tex. Tax Code § 26.04\(e\)](#)
- [<sup>13</sup>Tex. Tax Code § 26.06\(c\)](#)
- [<sup>14</sup>Tex. Tax Code § 26.065\(b\)](#)
- [<sup>15</sup>Tex. Tax Code § 26.04\(e\)](#)
- [<sup>16</sup>Tex. Tax Code § 26.04\(e\)\(2\)](#)
- [<sup>17</sup>Tex. Tax Code § 26.04\(e\)\(3\)](#)
- [<sup>18</sup>Tex. Tax Code § 26.044](#)
- [<sup>19</sup>Tex. Tax Code § 26.0442](#)
- [<sup>20</sup>Tex. Tax Code § 26.0443](#)
- [<sup>21</sup>Tex. Tax Code § 26.04\(e\)](#)
- [<sup>22</sup>Tex. Tax Code § 26.04\(e\)](#)
- [<sup>23</sup>Tex. Tax Code § 26.06\(c\)](#)
- [<sup>24</sup>Tex. Tax Code § 26.06\(d\)](#)
- [<sup>25</sup>Tex. Tax Code § 26.061](#)
- [<sup>26</sup>Tex. Tax Code § § 26.061\(b\) and \(c\)](#)
- [<sup>27</sup>Tex. Tax Code § 26.06\(c\)](#)
- [<sup>28</sup>Tex. Tax Code § 26.06\(c\)](#)
- [<sup>29</sup>Tex. Tax Code § 26.06\(b\)](#)
- [<sup>30</sup>Tex. Tax Code § 26.06\(c\)](#)
- [<sup>31</sup>Tex. Tax Code §§ 26.04\(e-1\) and 26.06\(g\)](#)
- [<sup>32</sup>Tex. Educ. Code § 44.004\(b\)](#)
- [<sup>33</sup>Tex. Educ. Code § 44.004\(c\)](#)
- [<sup>34</sup>Tex. Educ. Code § 44.001](#)
- [<sup>35</sup>Tex. Educ. Code § 44.004\(b\)](#)
- [<sup>36</sup>Tex. Educ. Code § 44.004\(b\)](#)
- [<sup>37</sup>Tex. Educ. Code § 44.004\(b\)](#)
- [<sup>38</sup>Tex. Gov't Code §§ 2051.044 and 2051.0441](#)
- [<sup>39</sup>Tex. Educ. Code § 44.0011](#)
- [<sup>40</sup>Tex. Tax Code § 26.01\(e\)](#)
- [<sup>41</sup>Tex. Educ. Code § 44.004\(h\)](#)
- [<sup>42</sup>Tex. Educ. Code § 44.004\(i\)](#)
- [<sup>43</sup>Tex. Educ. Code § 44.004\(i\)](#)

- [44Tex. Educ. Code § 44.004\(j\)](#)
- [45Tex. Educ. Code § 44.004\(j\)](#)
- [46Tex. Tax Code § 26.052\(a\)](#)
- [47Tex. Tax Code § 26.052\(b\)](#)
- [48Tex. Tax Code § 26.052\(b\)](#)
- [49Tex. Tax Code § 26.052\(e\)](#)
- [50Tex. Tax Code §§ 26.06\(b-1\),\(b-2\),\(b-3\),\(b-4-c\), and 26.061\(a\)](#)
- [51Tex. Tax Code § 26.052\(d\)](#)
- [52Tex. Tax Code § 26.052\(c\)\(1\) and \(2\)](#)
- [53Tex. Tax Code § 26.052\(c\)](#)
- [54Tex. Tax Code § 26.052\(d\)](#)

## **HEARING REQUIREMENTS**

After publishing the required notice, taxpayers have the opportunity to express their views on tax increases at hearings.<sup>1</sup> The type of taxing unit determines the hearing requirements.

Small taxing units have no public hearing requirement.<sup>2</sup> School districts, water districts and all other taxing units must hold one public hearing.<sup>3</sup>

All taxing units must post notice of the meetings in compliance with the Texas Open Meetings Act.<sup>4</sup> The meetings must be open to the public.<sup>5</sup>

By providing the information and provisions below concerning tax rate hearings, the Comptroller's office provides technical assistance and not legal advice. Taxing units should consult legal counsel for interpretations of law regarding tax rate hearings.

### **Ordinance, Resolution or Order**

No taxing unit or school district may impose property taxes in any year until its governing body has adopted a tax rate for that year and set it out in an ordinance, resolution or order.<sup>6</sup> Taxing units should consult legal counsel regarding the correct instrument and wording to use for tax rate adoption, but the Tax Code sets out specific wording to be included.<sup>7</sup>

**School Districts:** If a proposed tax rate exceeds the sum of no-new-revenue maintenance and operation (M&O) tax rate and debt rate, at least 60 percent of the governing body must vote in favor of the ordinance, resolution or order by a record vote.

**Taxing Units Other Than School Districts:** If a proposed tax rate exceeds the no-new-revenue tax rate, at least 60 percent of the governing body must vote in favor of the ordinance, resolution or order by a record vote.<sup>8</sup>

### **Motion to Adopt Requirements**

A motion to adopt an ordinance, resolution or order setting a tax rate that exceeds the no-new-revenue 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 no-new-revenue tax rate) percent increase in the tax rate."<sup>9</sup>*

## **Ordinance, Resolution or Order Requirements**

If the ordinance, resolution or order sets a tax rate that imposes an amount of taxes to fund M&O expenditures that exceeds the amount of taxes imposed for that purpose in the preceding year, it must include the following statements in type larger than the type used in any other portion of the document:

*"THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."* [10](#)

and

*"THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(INSERT AMOUNT)."* [11](#)

## **Website Requirements**

If the taxing unit adopted a tax rate that exceeds the no-new-revenue M&O rate, the home page of its website must include the following statements:

*"(INSERT NAME OF UNIT) ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."* [12](#)

and

*"THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE NO-NEW-REVENUE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$(INSERT AMOUNT)."* [13](#)

## **School Districts**

Usually a school district adopts its tax rate after it adopts its budget. [14](#) The school board may adopt the budget and tax rate after the public meeting, but the budget must be adopted before the tax rate. [15](#)

A school district with a fiscal year beginning July 1 that adopts a budget based on an estimated appraisal roll must wait to adopt the tax rate until after the certified appraisal roll or certified estimate of taxable value is received. [16](#)

### **Adopting a tax rate before the budget**

If the school district elects to adopt a tax rate before receiving the certified appraisal roll, it may adopt its budget after it adopts a tax rate for the tax year in which the fiscal year covered by the budget begins. [17](#)

If a school district elects to adopt a tax rate before adopting a budget, it must publish notice and hold a meeting for the purpose of discussing the proposed tax rate. [18](#)

Following adoption of the tax rate, the school district must publish notice and hold another public meeting before it may adopt a budget. [19](#)

## **Municipal School District**

A municipal school district has special requirements for the public hearing on the annual budget and tax rate. A municipal school district follows the city boundaries in which the school district 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.<sup>20</sup> 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.<sup>21</sup>

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.<sup>22</sup> Both the school district and the city must follow all other procedures for the truth-in-taxation process.

### **Deadline to Adopt**

A school district must adopt the tax rate before Sept. 30 or 60 days after receiving the certified appraisal roll, whichever date is later, except that governing body must adopt a tax rate that exceeds the voter-approval tax rate not later than the 71st day before the next uniform election date that occurs in November of that year.<sup>23</sup>

### **All Other Taxing Units**

These hearing requirements do not apply to school districts, small taxing units or water districts.

### **Public Hearings on Tax Increase**

After publishing the required notice, taxing units must hold one public hearing.<sup>25</sup> A quorum of the governing body must be present at the hearing.<sup>26</sup> 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 tax rate.<sup>27</sup> The county judge is considered a member for this purpose.<sup>28</sup>

The public hearing must be held at least five days after the date notice of public hearing is given.<sup>29</sup> This hearing must be held on a weekday that is not a public holiday and must take place in a public building inside the taxing unit's boundaries or a suitable building to which the public have normal access.<sup>30</sup> Taxpayers must have the opportunity to express their views on the increase at the hearing.<sup>31</sup>

The governing body may adopt the tax rate at this hearing. If the governing body does not vote on the proposed tax rate at the public hearing, the governing body must announce at the public hearing the date, time and place of the meeting at which it will vote on the tax rate.<sup>32</sup>

### **Meeting to Adopt Tax Rate**

The governing body must follow a strict timetable once it holds a public hearing. The meeting to vote on adoption of the tax rate must take place no less than the seventh day after the public hearing.<sup>33</sup> Like the public hearings, the meeting to vote must take place in a public building inside the taxing unit's boundaries.<sup>34</sup>

### **Deadline to Adopt**

Taxing units other than water districts must adopt the tax rate before Sept. 30 or 60 days after receiving the certified appraisal roll, whichever date is later, except that governing body must adopt a tax rate that exceeds the voter-approval tax rate not later than the 71st day before the next uniform election date that occurs in November of that year and it must order the election no later than the 78th day before the November uniform election date.<sup>35</sup>

- <sup>1</sup>[Tex. Tax Code § 26.06\(a\)](#)
- <sup>2</sup>[Tex. Tax Code § 26.052](#)
- <sup>3</sup>[Tex. Educ. Code § 44.004, Tex. Tax Code § 26.05\(d\) and Tex. Water Code § 49.236](#)
- <sup>4</sup>[Tex. Gov't Code § 551.001\(3\)](#)
- <sup>5</sup>[Tex. Gov't Code § 551.002](#)
- <sup>6</sup>[Tex. Tax Code § 26.05\(b\)](#)
- <sup>7</sup>[Tex. Tax Code § 26.05\(b\)](#)
- <sup>8</sup>[Tex. Tax Code § 26.05\(b\)](#)
- <sup>9</sup>[Tex. Tax Code § 26.05\(b\)](#)
- <sup>10</sup>[Tex. Tax Code § 26.05\(b\)\(1\)\(A\)](#)
- <sup>11</sup>[Tex. Tax Code § 26.05\(b\)\(1\)\(B\)](#)
- <sup>12</sup>[Tex. Tax Code § 26.05\(b\)\(2\)\(A\)](#)
  
- <sup>13</sup>[Tex. Tax Code § 26.05\(b\)\(2\)\(B\)](#)
- <sup>14</sup>[Tex. Educ. Code § 44.004\(g\)](#)
- <sup>15</sup>[Tex. Educ. Code § 44.004\(g\)](#)
- <sup>16</sup>[Tex. Educ. Code § 44.004\(i\)](#)
- <sup>17</sup>[Tex. Educ. Code § 44.004\(j\)](#)
- <sup>18</sup>[Tex. Educ. Code § 44.004\(j\)](#)
- <sup>19</sup>[Tex. Educ. Code § 44.004\(j\)](#)
- <sup>20</sup>[Tex. Educ. Code § 11.303\(c\)](#)
- <sup>21</sup>[Tex. Educ. Code § 11.303\(d\)](#)
- <sup>22</sup>[Tex. Educ. Code § 11.303\(e\)](#)
- <sup>23</sup>[Tex. Tax Code § 26.05\(a\)](#)
- <sup>25</sup>[Tex. Tax Code § 26.05\(d\)](#)
  
- <sup>26</sup>[Tex. Gov't Code § 551.001\(4\)](#)
- <sup>27</sup>[Tex. Local Gov't Code § 81.006\(b\) and \(c\)](#)
- <sup>28</sup>[Tex. Local Gov't Code § 81.001](#)
- <sup>29</sup>[Tex. Tax Code § 26.06\(a\)](#)
- <sup>30</sup>[Tex. Tax Code § 26.06\(a\)](#)
- <sup>31</sup>[Tex. Tax Code § 26.06\(a\)](#)
- <sup>32</sup>[Tex. Tax Code § 26.06\(d\)](#)
- <sup>33</sup>[Tex. Tax Code § 26.06\(e\)](#)
- <sup>34</sup>[Tex. Tax Code § 26.06\(e\)](#)
- <sup>35</sup>[Tex. Tax Code § 26.05\(a\)](#)

## **DATABASE/WEBSITE REQUIREMENTS**

Appraisal districts and local taxing units must publish detailed information online to assist residents with understanding proposed budgets and tax rates. The data must include current and historical information on budgets, tax revenue and tax rates. Property owners can use this information to gain knowledge about and provide feedback on tax rate proposals. Property owners can go to [Texas.gov/PropertyTaxes](http://Texas.gov/PropertyTaxes) to view the database for their county and look up their property information.

### **Database of Property-Tax-Related Information**

Tax Code Section 26.04(e-2) requires that, by August 7 or soon as practicable, the chief appraiser notify all property owners in the appraisal district by regular mail or by email that the estimated taxes imposed on their property may be found on their local property tax database at [Texas.gov/PropertyTaxes](http://Texas.gov/PropertyTaxes). The chief appraiser may develop his or her own notice that complies with Tax Code requirements or may use the Comptroller's model form:

[Form 50-313, Notice of Estimated Taxes](#) (PDF)

Tax Code Section 26.17 also requires the chief appraiser to create and maintain a publicly-accessible, county property tax database with a website name that identifies the county not the appraisal district. The chief appraiser must continuously update it with information provided by the taxing units located in the appraisal district. The website must:

1. be searchable by property address, owner (unless owner information is restricted by Tax Code Section 25.025 or 25.026);
2. include a statement that "The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state."; and
3. include for each property listed on the appraisal roll for the appraisal district:
  - a. the property's identification number;
  - b. the property's market value;
  - c. the property's taxable value;
  - d. the name of each taxing unit in which the property is located;
  - e. for each taxing unit other than a school district with authority to tax the property:
    - i. the no-new-revenue tax rate; and
    - ii. the voter-approval tax rate;
  - f. for each school district with authority to tax the property:
    - i. the tax rate that would maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year; and
    - ii. the voter-approval tax rate;
  - g. the tax rate proposed by each taxing unit's governing body with authority to tax the property;
  - h. the taxes that would be imposed by each taxing unit other than the school district, if that taxing unit adopted the tax rate equal to:
    - i. the no-new-revenue tax rate; and
    - ii. the proposed tax rate;
  - i. the taxes that would be imposed by the school district if that school district adopted a tax rate equal to:
    - i. the tax rate that would maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year; and
    - ii. the proposed tax rate;
  - j. for each taxing unit other than a school district, the difference between the no-new-revenue tax rate and the proposed tax rate;
  - k. for school districts, the difference between the tax rate that would maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year and the proposed tax rate;
  - l. the date, time and location of the public hearing, if applicable, on the proposed tax rate;
  - m. the date, time and location of the public meeting, if applicable, on the adopted tax rate; and
  - n. each taxing unit's email address to receive comments on the proposed tax rate.

The database must provide a link to each taxing unit's website where the taxing unit's tax rate and budget information is posted. The database must also provide a form for property owners to submit their opinions to the taxing units on whether to adopt the proposed tax rates. The form must request the property owner's name, contact information and physical address of the property located in the taxing unit. Property owners must be able to complete and submit the forms from the date the tax rate is proposed until it is adopted.

The taxing unit must electronically incorporate the above-described property information and upload the required tax rate calculation forms. The chief appraiser must make the provided information available to the public within three business days of receiving the information and forms.

### Taxing Unit Website Requirements

Tax Code Section 26.18 requires each taxing unit to maintain a website or have access to a generally accessible website that contains the following information on one page:

1. each taxing unit governing body member's name;
2. the taxing unit mailing address, email address and telephone number;
3. each taxing unit governing body member's official contact information if different from the taxing unit's;
4. the taxing unit's budget for the preceding two years;
5. the taxing unit's proposed or adopted budget for the current year;
6. the change in the taxing unit's budget amount from the preceding year to the current year, by the dollar amount and percentage;
7. the property tax revenue amount budgeted for a taxing unit's (other than a school district) maintenance and operations (M&O) for:
  - a. the preceding two years; and
  - b. the current year
8. the property tax revenue amount budgeted for a taxing unit's (other than a school district) debt service for:
  - a. the preceding two years; and
  - b. the current year;
9. the taxing unit's adopted M&O tax rate for the preceding two years;
10. the taxing unit's (other than a school district) adopted debt service tax rate for the preceding two years;
11. the school district's adopted interest and sinking fund (I&S) tax rate for the preceding two years;
12. the taxing unit's proposed M&O tax rate for the current year;
13. the taxing unit's (other than a school district) proposed debt service tax rate for the current year;
14. the school district's proposed I&S tax rate for the current year; and
15. the taxing unit's most recent financial audit.