



Susan Combs Texas Comptroller of Public Accounts



Truth-In-Taxation

A Guide for Setting Tax Rates for Taxing Units
Other Than School Districts

July 2009
Texas Property Tax



Table of Contents

Introduction.....	1
Part 1: Truth-in-Taxation Overview	3
Part 2: The Effective Tax Rate	11
Part 3: The Rollback Tax Rate	15
Part 4: The Additional Sales Tax	21
Part 5: Required Public Notices and Hearings	25
A. Most Taxing Units	25
B. Small Taxing Units	28
C. Water Districts	29
Part 6: Rollback Elections.....	31
Appendix 1: 2009 Planning Calendar.....	33
Appendix 2: 2009 Effective Tax Rate Worksheet.....	34
Appendix 3: 2009 Rollback Tax Rate Worksheet.....	37
Appendix 4: Additional Sales Tax Rate	39
Appendix 5: Additional Rollback Protection for Pollution Control	40
Appendix 6: Water District Tax Rate Rollback Worksheet.....	41
Appendix 7: Notice of Effective Tax Rate (for use by most taxing units) — Form #50-212.....	42
Appendix 8: Notice of Effective Tax Rate (for use by counties) — Form #50-211.....	43
Appendix 9: Statement of Increase/Decrease — Form #50-179	44
Appendix 10: Notice of Public Hearing on Tax Increase — Form #50-197	45
Appendix 11: Notice of Tax Revenue Increase — Form #50-198	46
Appendix 12: Small Taxing Unit Notice (Sample).....	47
Appendix 13: Water District Notice of Public Hearing on Tax Rate — Form #50-304.....	48
Appendix 14: Tax Rate Rollback Petition and Ballots	49
Appendix 15: Tax Code Section 26.05(b).....	51



Truth-In-Taxation – 2009

A Guide for Setting Tax Rates for Taxing Units Other Than School Districts

The Texas Constitution and Property Tax Code embody the concept of truth-in-taxation to require taxing units to comply with certain steps in adopting their tax rates. The truth-in-taxation laws have two purposes:

- to make taxpayers aware of tax rate proposals; and
- to allow taxpayers, in certain cases, to roll back or limit a tax increase.

The Texas Comptroller of Public Accounts is authorized to issue publications concerning the administration of the local property tax in Tax Code Section 5.05. This guide to tax rate setting — also known as “truth-in-taxation” — is prepared as a public service to the thousands of taxing units in the state that will hold public hearings, consider budgets and set rates to impose property taxes this year.

By publishing this guide and by conducting statewide seminars to instruct tax assessor-collectors, budget officers and elected officials, the Comptroller’s office is providing technical assistance — not offering legal advice. Interpretations of law must be made by lawyers representing governmental entities. Questions about the meaning of the statutes, notice requirements and other matters that are unclear in the law and in this manual should be posed to lawyers and not to the Comptroller’s technical assistance staff.

Some aspects of truth-in-taxation laws do not apply to every type of local government. This guide will identify those parts of the law and discuss their application to the appropriate taxing units. This publication incidentally mentions school district requirements for purposes of discussion.

There are four principles to truth-in-taxation:

- Property owners have the right to know about increases in their properties’ appraised value and to be notified of the estimated taxes that could result from the new value.

- A taxing unit must publish its effective and rollback tax rates before adopting an actual tax rate.
- A taxing unit, other than water districts and small taxing units, with a rate of 50 cents or less per \$100 of property value that raises \$500,000 or less in property taxes, must publish special notices and hold two public hearings before adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. A water district must publish a special notice of public hearing. Finally, a small taxing unit must publish a simplified notice.
- If a taxing unit adopts a rate that exceeds the rollback rate, voters may petition for an election to limit the rate to the rollback rate.

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

Effective tax rate. The effective tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. If property values rise, the effective tax rate will go down and vice versa.

Rollback tax rate. The rollback rate is a calculated maximum rate allowed by law without voter approval. The rollback rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent increase for those operations, in addition to sufficient funds to pay debts in the coming year.

If a unit adopts a tax rate higher than the rollback rate, voters in the unit can circulate a petition calling for an election to limit the size of the tax increase.

Each taxing unit, other than a water district or a small taxing unit, publishes the effective and rollback rates in a local newspaper, along with a list of the debts it must pay and the amount of money left over from the previous year.

Introduction

If taxpayers believe the taxing unit has not calculated and published these rates or other required information in good faith, they may ask a district court to stop the taxing unit from adopting a tax rate until it complies with the law.

2009 Law Changes

House Bill (H.B.) 2291, 81st Texas Legislature, Regular Session amends Tax Code Section 26.05 (b) by changing the wording of the motion used to adopt a tax rate that exceeds the effective tax rate. The wording for an ordinance, resolution or order now must indicate an increase in the tax rate, not taxes as was previous law, and give the percentage increase the proposed rate is above the effective tax rate. The percentage increase is also included in the written ordinance, resolution or order and on the home page of any Internet web site operated by the unit. Effective June 19, 2009.

H.B. 3646, 81st Texas Legislature, Regular Session amends Tax Code Section 26.01(e) requiring the chief appraiser to prepare and certify by April 30, to the assessor for each county, municipality and school district an estimate of the taxable value in that unit. This replaces the June 7 deadline.

The changes described in H.B. 3646 apply to ad valorem taxes imposed for 2010.

H.B. 1309, 81st Texas Legislature, Regular Session amends Tax Code Section 24.38. This would change the date that the counties are sent the certified values of railroad rolling stock from August 1 to July 26. Counties will receive the certified railroad rolling stock values at the same time they get the certified values from appraisal districts. Effective January 1, 2010.

Texas Constitution Provisions

The Texas Constitution sets out the general requirements for truth-in-taxation. The Texas Legislature amended Chapter 26, Property Tax Code, to set out the specifics.

Article VIII, Section 21. Increase in Total Property Taxes; Notice and Hearing; Calculation.

- (a) Subject to any exceptions prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed by that subdivision in the preceding year unless the governing body of the subdivision gives notice of its intent to consider an increase in taxes and holds a public hearing on the proposed increase before it increases those total taxes. The Legislature shall prescribe by law the form, content, timing and methods of giving the notice and the rules for the conduct of the hearing.
- (b) In calculating the total amount of taxes imposed in the current year for the purposes of Subsection (a) of this section, the taxes on property in territory added to the political subdivision since the preceding year and on new improvements that were not taxable in the preceding year are excluded. In calculating the total amount of taxes imposed in the preceding year for the purposes of Subsection (a) of this section, the taxes imposed on real property that is not taxable by the subdivision in the current year are excluded.
- (c) The Legislature by general law shall require that, subject to reasonable exceptions, a property owner be given notice of a revaluation of his property and a reasonable estimate of the amount of taxes that would be imposed on his property if the total amount of property taxes for the subdivision were not increased according to any law enacted pursuant to Subsection (a) of this section. The notice must be given before the procedures required in Subsection (a) are instituted.



PART 1:

Truth-in-Taxation Overview

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

Important Dates in Truth-In-Taxation

The Property Tax Code establishes target dates for many truth-in-taxation activities. Although circumstances may require appraisal districts or taxing units to alter their timetables, this typical calendar should provide a framework for activities.

April 1 – May 1	The chief appraiser sends notices of appraised value.
July 20 (Aug. 31)	The appraisal review board approves the appraisal records.
July 27	The chief appraiser certifies the approved appraisal roll to each taxing unit.
Aug. 7	A taxing unit publishes its notice of effective and rollback tax rates
Aug. – Sept.	A taxing unit adopts its budget according to its fiscal year. After adopting the budget, the unit adopts a tax rate.
Sept. 29	A taxing unit must adopt its tax rate BY this date or 60 days after the taxing unit receives the appraisal roll, whichever date is later.

Taxing Unit Calculations

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

- determine and publish the effective tax rate and the rollback tax rate,

- decide how much revenue it needs, and calculate the rate required to raise that amount,
- publish notices and holds hearings if the proposed tax rate will exceed the rollback rate or the effective tax rate, whichever is lower,
- adopt the tax rate and (possibly)
- administer a rollback election.

Water districts have a different process as discussed next.

A planning calendar for these steps appears in Appendix 1 for most taxing units. The following discussion covers rate calculation and adoption in greater detail. Part 6 of the manual discusses rollback elections.

Special Calculations for Water Districts

Water Code Section 49.107(g) provides that Tax Code Sections 26.04, 26.05 and 26.07 do not apply to a tax levied and collected under Water Code Section 49.107. These Tax Code sections address calculating an effective and rollback tax rate, adopting a tax rate and having a rollback election for a tax increase above the rollback rate. These Tax Code sections also do not apply to a tax levied and collected for payments made under a contract set out in Water Code Section 49.108.

The taxing units to which Tax Code Sections 26.04, 26.05 and 26.07 do not apply are defined in Water Code Section 49.001 and include any district or authority created by either Section 52(b)(1) and (2), Article III or Section 59, Article XVI, Texas Constitution. These Tax Code sections do apply to any navigation district or port authority created under general or special law, or any conservation or reclamation district created by Chapter 62, 52nd Legislature, 1951 (Article 8280-141, Vernon’s Texas Civil Statutes) or by Chapter 36, unless a special law states that Water Code Section 49.001 applies.

Water districts, however, must follow Water Code Section 49.236, requiring a public hearing on a proposed tax rate and publishing a special hearing notice. Proceed to Step 8 in this section for a water district's requirements.

STEP 1: Calculate and publish required rates.

All taxing units, other than water districts, that levied property taxes in 2008 and intend to levy them in 2009 must calculate an effective tax rate and a rollback tax rate. All taxing units, other than water districts and small taxing units, that levy a tax in 2009 must publish an effective tax rate and a rollback tax rate.

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

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

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

A unit's rollback tax rate is a calculated rate that divides the overall property taxes into two categories — maintenance and operations (M&O) and debt service, also called interest and sinking or I&S. This manual will refer to it as the debt service. Rollback rate calculations allow units, other than school districts, to raise the same amount of M&O money raised in the prior year, plus an 8 percent increase.

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

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

Once a taxing unit — other than a small taxing unit or water district — has determined its effective tax rate and its rollback rate, it must publish them in a specific legal form. Part 5 of this manual discusses the publication requirements.

Failure to comply. If a taxing unit fails to calculate or publish the required rates and notices properly, a property owner in the unit may seek an injunction to prohibit the unit from adopting a tax rate. The district court may issue the injunction if it finds that the unit's failure to comply was not in good faith.

New taxing units. A taxing unit that did not levy property taxes in 2008 is not required to comply with truth-in-taxation laws in 2009 unless it levied the additional sales tax to reduce property taxes in 2008. However, the Comptroller's office recommends that a new unit consider publishing similar notices and holding a public hearing to inform taxpayers of its intention to levy a property tax. Part 4 discusses the additional sales tax.

Consolidation of two or more taxing units. A taxing unit that was two or more taxing units in the prior year handles the effective and rollback rate calculations differently. The consolidated unit combines last year's taxes for each unit and divides by the total values for the current year for the new consolidated unit. First, calculate last year's taxes for each unit in lines 1-15 of the Effective Tax Rate Worksheet in Appendix 2. Then, combine last year's taxes on line 15 for each unit to obtain last year's total taxes. For lines 26-28 of the Rollback Tax Rate Worksheet in Appendix 3, calculate the M&O taxes for the preceding year for each unit and combine the M&O taxes for each unit to obtain last year's total M&O taxes on line 28H. The remaining calculation steps are the same for the consolidated unit's current values and current debt.

Small taxing units. Small taxing units may use a simplified tax rate notice process to publish the effective and rollback rates and other notices, as provided in Tax Code Section 26.052. A small taxing unit is one that proposes a tax rate for the current year that is 50 cents or less per \$100 of taxable value and would impose taxes of \$500,000 or less from the current total value for the unit.

Small taxing units that decide to use Section 26.052 should proceed to Step 7.

**STEP 2:
Draft a budget and decide how much tax to levy.**

The taxing unit must identify its needs and draft a budget to meet those needs. The taxing unit must decide how much property taxes are necessary to fund that budget and, based on current year's values, what M&O rate is necessary for the general operating expenses. The taxing unit must also determine what its payments for debt service will be.

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

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

A taxing unit's governing body must follow legislative guidelines for proposing and adopting a tax rate. If the tax rate proposed by the governing body exceeds the effective tax rate or rollback rate, whichever is lower, they must publish a new public hearing notice (see Appendix 10), post a new Internet Web site notice and hold two public hearings. If they do not exceed these rates, they may adopt the tax rate by following

Step 9. Otherwise, for a tax increase, the taxing unit should proceed to Step 3.

The Local Government Code requires cities and counties that are proposing budgets that raise more property tax revenue than the preceding year's budget to include the amount of the increase in large type on the cover page of the budget. That page must also state the amount to be raised from taxes on new properties. The public notice of the budget hearing must contain this information as well. The proposed budget must be posted on the unit's web site. In order to adopt the budget, the governing body must take a vote on the budget separately from its vote on the tax increase and its vote on the tax rate. You may call the Comptroller's Local Government Assistance Division at (800) 531-5441, extension 3-4679 for more information about city and county budget adoption procedures.

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

**STEP 3:
Vote by governing body to propose a tax increase.**

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

If the motion passes, the governing body must schedule two public hearings on the proposal. These hearings must take place:

- within the boundaries of the unit;
- on a weekday that is not a holiday; and
- in a public building or, if a public building isn't available, in a building normally open to the public.

Note: The second hearing may not be held earlier than the third day after the date of the first hearing.

STEP 4: Publish first quarter-page notice.

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

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

STEP 5: Hold two public hearings.

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

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

STEP 6: Publish second quarter-page notice.

After the public hearings and before the meeting scheduled for the vote, the governing body must publish a second

quarter-page notice titled *Notice of Tax Revenue Increase*. A model form for this notice appears in Appendix 11.

The taxing unit also will post this notice on its Web site if it has one. A taxing unit must follow the wording and posting requirements regarding Web site postings.

If the unit has free access to a television channel, it will publish this notice as a 60-second notice. Part 5 discusses publication requirements.

STEP 7: Adopt a small taxing unit's tax rate.

Small taxing units have a different process under Tax Code Section 26.052. A small taxing unit is one that proposes a tax rate for the current year that is 50 cents or less per \$100 of taxable value and would impose taxes of \$500,000 or less from the current total value for the unit.

A small taxing unit must meet both conditions above to be exempt from the notice and publication requirements of Section 26.04(e) and the injunction provision of Section 26.04(g). Section 26.04(e) requires a taxing unit to publish the effective tax rate, rollback tax rate and certain special schedules. Section 26.04(g) provides that a property owner may seek an injunction to prohibit the taxing unit from adopting the tax rate until it has complied with the publication requirements.

Under Section 26.052, a small taxing unit may provide public notice of the proposed tax rate in one of two ways. The unit may mail a notice of the proposed rate to each property owner in the unit or may publish a notice of the proposed rate in the legal section of a newspaper having general circulation in the unit. The unit must do either notice seven days before the date on which the taxing unit will adopt the proposed tax rate.

The notice must contain:

- (1) the proposed tax rate;
- (2) date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate; and
- (3) the following statement if the proposed tax rate exceeds the unit's effective tax rate calculated under Section 26.04: "The proposed tax rate would increase total taxes

in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate).”

A small taxing unit that publicizes its tax rate under Section 26.052 is also exempt from Sections 26.05(d) and 26.06. Section 26.05(d) requires publishing two quarter-page ads when a taxing unit proposes a tax rate that exceeds the rollback rate or the effective rate, whichever is lower. Section 26.06 provides that a taxpayer may seek an injunction to keep the taxing unit from collecting taxes until it has complied with Section 26.05(d).

A small taxing unit, however, that uses the Section 26.052 notice requirement 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 Section 26.05(d) and 26.06 in adopting the higher rate.

A sample notice for small taxing units appears in Appendix 12.

Small taxing units then should follow the general rules in Step 9 for the formal action of adopting a tax rate at the publicized public meeting.

STEP 8: Adopt a water district’s tax rate.

Water districts have a different notice for the public meeting on their proposed tax rate. While other taxing units are required to follow Tax Code Chapter 26, water districts must follow notice and hearing provisions in the Water Code. Some provisions for a rollback election, however, refer to Tax Code Section 26.07.

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

The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback

election. Water Code Section 49.236(d) sets the rollback rate as the current year’s debt service and contract tax rates, plus the M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the district in the preceding year on the average appraised value of a residence homestead in the district. The average appraised value disregards any homestead exemption available only to people with disabilities or those 65 years of age or older. The rollback election procedures follow those found in Tax Code Section 26.07(b) – (g). A sample worksheet to calculate the rollback tax rate is in Appendix 6.

Part C of Part 5 of this manual explains the notice requirements.

Water districts then hold the publicized meeting to adopt the tax rate. See Step 9 for procedures to follow in adopting the tax rate.

STEP 9: Adopt the tax rate in a public meeting.

The following general rules apply to the formal tax rate adoption.

If the taxing unit — other than a small taxing unit or a water district — proposed a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, it must follow Steps 3 through 6. Once the taxing unit publishes the second notice announcing the date, time and location of the meeting to vote on the tax rate, it must follow the provisions below to adopt the tax rate at that meeting. The Tax Code requires that the governing body adopt the tax rate no less than three days but no more than 14 days after the second public hearing. If the taxing unit does not adopt during this time period, then it must republish the second notice of the meeting to adopt the tax rate, with the new date, time and location to adopt the rate.

Remember that small taxing units may follow Step 7 and the procedures below. Water districts follow Step 8 and the procedures below.

Open meetings notices. The taxing unit must post notice of the meeting in compliance with the open-meetings law, Government Code Chapter 551. The meeting must be open to the public.

Part 1: Truth-in-Taxation Overview

Agenda item. Adoption of the tax rate must be a separate item on the agenda for the meeting. State law requires most counties (Sections 111.007-111.010, Local Government Code), general law cities (Sections 102.006-102.009, Local Government Code) and school districts (Section 44.004, Education Code) to adopt a budget before they adopt the tax rate. These units may adopt a budget and a tax rate at the same meeting as long as the budget is adopted first as a separate item. Other taxing units should refer to their enabling legislation for specific guidance.

For counties with a population of more than 225,000, the Local Government Code does not require specifically that the county adopt the budget before it adopts the tax rate.

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

The Property Tax Code sets out specific wording for this resolution, ordinance or order. This wording has been changed for 2009 and additional information must be added. Each type of taxing unit — city, county or special district — will have to refer to its own enabling legislation to determine the proper form for the official adoption of a tax rate. Taxing units, other than water districts, that adopt a rate above the effective tax rate must use special language in the motion to adopt. In the order, ordinance or resolution the taxing units must use larger type, include an example of the tax increase on a \$100,000 home and state that the adopted tax rate will raise more taxes for M&O. Please refer to Property Tax Code Section 26.05(b) for the required language (see Appendix 15).

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

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

For most taxing units, the debt service component of the adopted tax rate must equal the calculated and published debt service rate that appeared in the rollback tax rate calculation and required notices. Units collecting the additional sales tax may not adopt a debt service rate that will levy more than the published debt payments, less any additional sales tax revenue that will be used to pay debt.

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

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

Deadline to adopt rate. Tax Code Section 26.05 requires a taxing unit, other than a water district, to adopt its tax rate before Sept. 30 or by the 60th day after the taxing unit receives the certified appraisal roll, whichever date is later. Failure to adopt a tax rate by this deadline results in the unit adopting its effective tax rate or last year's rate, whichever is lower, as its tax rate for the current year.

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

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

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

- 30 cents per \$100 for farm-to-market roads or flood control (Article VIII, Section 1-a, Texas Constitution);
- 80 cents per \$100 for general fund, permanent improvement fund, road and bridge fund and jury fund (Article VIII, Section 9, Texas Constitution); and
- 15 cents per \$100 for the maintenance of public roads, commonly referred to as the special road and bridge fund (Article VIII, Section 9, Texas Constitution).

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

Emergency services district. The maximum tax rate that an emergency services district may adopt will depend on what voters in the district approved. If the voters approved

the district as a rural fire prevention district with a tax rate limit of 3 cents per \$100, then the fire district converted to an emergency services district has that maximum rate limit. To increase the maximum rate limit to 10 cents per \$100 as provided in Article III, Section 48-e, Texas Constitution, the emergency services district must take that increase to the district voters to approve increasing the maximum rate.

Failure to comply. If the taxing unit's governing body fails to comply with the hearing, notice or rate adopting process in good faith, a property owner in the unit may seek an injunction. The injunction stops the unit from sending tax bills until the unit convinces the district court that it has complied with the law. A property owner must act to enjoin collections before the taxing unit delivers substantially all of its tax bills. This injunction process does not apply to water districts or small taxing units that follow Section 26.052.

**STEP 10:
Administer a rollback election, if necessary.**

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



PART 2:

The Effective Tax Rate

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

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

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

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

Calculating the Effective Tax Rate

Calculating the effective tax rate requires the prior year’s taxes and the current year’s taxable value for property taxed in both years. Dividing the taxes by the value (and multiplying by 100 to convert to a rate per \$100 of value) produces the effective tax rate, as illustrated in **Exhibit 1**.

EXHIBIT 1: Calculating the Effective Tax Rate

$$\left[\begin{array}{r} \text{Prior Year's Taxes} \\ \text{Less} \\ \text{Taxes on Property Lost This Year} \\ \hline \text{(divided by)} \\ \hline \text{Current Value of Property} \\ \text{Taxed in the Prior Year} \end{array} \right] \times \$100$$

In practice, the calculation is slightly more complicated. The worksheets in Appendix 2 provide step-by-step details of these calculations. What follows is a general summary.

Prior Year’s Taxes Less Taxes on Property Lost This Year

To calculate a 2009 effective tax rate, a taxing unit must first determine its total 2008 taxes. The effective and rollback rate calculations begin with the total taxes and values for the prior year *at the time of the rate calculations*. These totals include all supplements and corrections that have occurred to the tax roll since the prior year’s certification and tax rate adoption. However, corrections ordered under Tax Code Section 25.25(d) are not included in these adjusted total taxes and values.

Section 25.25(d) corrections are late appraisal roll changes ordered by the appraisal review board (ARB) to correct one-third over-appraisal errors. Taxpayers may file for such corrections before taxes on the property become delinquent. Typically, taxpayers file for these corrections after receiving their tax bills. Some taxing units with substantial amounts of value reductions through Section 25.25(d) experience revenue losses in that budget year. To include these changes in the adjusted total taxes and values in calculating the effective and rollback tax rates for the current year would result in lower effective and rollback rates for the taxing unit. Thus, the Section 25.25(d) corrections are excluded.

The appraisal district may be able to assist the taxing unit in identifying supplements and corrections for the prior year.

Taxing units also may be required to refund taxes for tax years preceding last year. Units include the refunded debt taxes in “last year’s debt levy” and total refunded taxes in “last year’s levy.” Taxing units include all types of refunds for years *preceding the prior year* — court decisions, Section 25.25(b)

and (c) corrections and Section 31.11 payment errors — for tax years preceding tax year 2008.

For example, in 2009 a district court approved reducing a property owner's 2006, 2007 and 2008 taxable values, resulting in three years of tax refunds from the 2008 property taxes. The taxing unit includes the taxes refunded for 2006 and 2007. Taxes refunded for the 2008 tax year are not included. A second example is a taxing unit that refunded part of a 2003 payment for a Section 25.25(c) clerical error. The taxing unit includes the refunded tax amount in the total 2008 taxes.

A separate provision provides for any 2008 court-ordered refunds to be included as a separate step in the rate calculation. A taxing unit may increase the prior tax year's taxes to reflect lost taxes in the prior tax year because a court overruled an ARB decision with a lower taxable value.

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

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

Property that first qualified for a new exemption does not include freeport property under Tax Code Section 11.251, "goods-in-transit" property, Section 11.253, or property receiving a tax abatement.

If a taxing unit adopted the tax ceiling provision in 2008 or a prior year for homeowners age 65 or older or disabled, the district adjusts last year's value by subtracting the value of homesteads with tax ceilings. These homesteads are for both homeowners who are age 65 or older or disabled.

Subtracting the revenue lost because of these changes gives the taxing unit's adjusted 2008 taxes.

Current Value of Property Taxed in the Prior Year

Before calculating its effective rate, a taxing unit must also adjust the 2009 values. The taxing unit begins with the total taxable value on the 2009 certified appraisal roll and adds the value of properties still under protest or known but not appraised for 2009. The unit then subtracts the value of new property — property annexed since Jan. 1, 2008 and improvements new to the 2009 tax roll. The result is the 2009 taxable values adjusted to include only the property that was taxed in both 2008 and 2009.

If a taxing unit adopted the tax ceiling provision in 2008 or a prior year, the district adjusts its 2009 values by subtracting the 2009 values of homesteads with tax ceilings and any new value subject to a Chapter 313 limitation agreement. The homesteads with tax ceilings are for both the homeowners age 65 or older or disabled.

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

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

If the property owner did not estimate a value, the chief appraiser must estimate the outcome of the ARB appeal. 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.

Properties not included at certification. Tax Code Section 26.01(d) also requires the chief appraiser to give taxing units a list of those taxable properties that the chief appraiser knows about but are not included at the time the chief appraiser certifies the appraisal roll. These properties also are not on the list of properties that are still under protest.

On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year.

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

New property value. New property value will generate new revenue for a taxing unit. It helps to offset property value losses for new exemptions and special appraisals granted for the first time in the current year. The taxing unit will deduct new property value from the 2009 appraised values in the effective tax rate calculation.

The chief appraiser will supply the value of real and personal property new to the 2009 appraisal roll. For real property, new value includes additions to existing improvements (such as a garage) or new separate structures added to a property containing existing improvements (such as a company expansion) made after Jan. 1, 2008. 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, 2008. New inventory in an existing building, new mobile homes and new vehicles do not count as new personal property value.

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

Certain taxing units may include as new property value changes that increased a property's land value from the preceding year. In calculating the effective and rollback tax rates, the taxing units include as new property value from the preceding year the value added because the land was subdivided by plat; had water, sewer or drainage lines installed; or had paving of undeveloped land. The property's current year value would be increased for these changes and that added value would be considered "new" for the rate calculation. This provision applies only to taxing units created under Section 52, Article III, Texas Constitution or Section 59, Article XVI, Texas Constitution. It does not include new taxable value subject to a limitation agreement under Tax Code Chapter 313.

Taxing units participating in tax increment financing (TIF). A taxing unit excludes the taxes paid into a TIF and also excludes the portion of the captured appraised value that corresponds to the TIF payment in calculating both the effective and rollback rates.

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

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

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

The Calculation

Dividing the adjusted 2008 taxes by the adjusted 2009 taxable values and multiplying by \$100 produces the 2009 effective tax rate, as illustrated in **Exhibit 2** on the following page.

EXHIBIT 2: Detail Steps in Calculating the Effective Tax Rate

2008 Taxes (on date of the calculation)*	Total Value on the 2009 Certified Appraisal Roll
+	+
Taxes on 2008 values lowered in court decisions	Estimated value that will be placed on property under protest or not included in certification
+	-
Taxes refunded for tax years preceding tax year 2008	Value of property annexed after January 1, 2008
-	-
Taxes on deannexed territory	Value of new improvements built after January 1, 2008**
-	-
Taxes on property value not taxable in 2009 because it received an exemption or special appraisal for the first time	Value of pollution control property exempted for the first time
-	-
Taxes paid to a TIF fund**	Captured appraised value in a TIF fund**
<hr/>	
=	=
Adjusted 2008 Taxes	Adjusted 2009 Taxable Values
$\left[\frac{\text{Adjusted 2008 Taxes}}{\text{Adjusted 2009 Taxable Value}} \right] \times \$100 = \text{2009 Effective Tax Rate}$	

* Do not include Section 25.25(d) corrections for one-third over-appraisal errors.

** Do not include TIF taxes if there is no TIF captured appraised value. Do not include as part of the TIF captured appraised value any value classified as new property value. Include only the portion of the captured appraised value that corresponds to the portion of the increment paid into the TIF fund.



PART 3:

The Rollback Tax Rate

Calculating the rollback tax rate is more complicated than the effective tax rate calculation. The Texas Legislature wanted to avoid injuring a taxing unit’s ability to pay its debt service. Thus, the rollback rate calculation splits the rate into two separate components—a maintenance and operations (M&O) rate and a debt service rate.

For most taxing units, revenue falls into two general categories — M&O and debt service. 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, also called “interest and sinking” or I&S. Tax Code Section 26.012, subsections (7) and (8), states the full legal definition of debt. Line 32 of the **Rollback Tax Rate Worksheet** outlines the four-part test based on that legal definition.

Calculating an effective tax rate does not require the taxing unit to distinguish between M&O and debt service. The rollback tax rate, however, is the sum of M&O and debt service rates.

In most cases, the rollback tax rate exceeds the effective tax rate. Occasionally, however, decreases in a taxing unit’s debt service will create a situation where the effective rate might be higher than the rollback rate.

Calculating the Rollback Tax Rate

The M&O portion of the rollback tax rate is the tax rate that would be needed to raise 8 percent more operating funds than the unit levied in the preceding year. This portion of

the rollback rate calculation is similar to the effective rate calculation.

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

Water districts have a special calculation of a rollback tax rate discussed at the end of Part 3.

M&O Component

To calculate the M&O rate, a taxing unit — other than a water district — begins with the adjusted 2008 total taxable value used to calculate the effective tax rate. Multiplying that adjusted taxable value by the 2008 M&O rate, divided by \$100, gives the adjusted 2008 M&O taxes. Dividing the adjusted 2008 M&O taxes by the adjusted 2009 taxable value used to calculate the effective tax rate yields the “effective 2009 M&O rate.” **Exhibit 3** illustrates these steps.

Special provisions. Some taxing units have special steps discussed below that allow the taxing unit to adjust their rollback tax rates. Many of these adjustments provide for a higher rollback tax rate.

County criminal justice mandate. Counties may increase their rollback rate to replace funds spent to house prisoners

EXHIBIT 3: Calculating the M&O Portion of the Rollback Tax Rate

$$\frac{\text{Adjusted 2008 Value} \times \text{2008 M\&O Rate}}{\text{Adjusted 2009 Taxable Values}} \quad \times \quad \$100 \quad \times \quad 1.08 \quad = \quad \text{M\&O Portion of Rollback Rate}$$

Part 3: The Rollback Tax Rate

sentenced to state correctional facilities. The amount spent by a county includes the cost during the previous 12 months to keep inmates in county-paid facilities after they have been sentenced to a Texas Department of Criminal Justice facility. The county auditor certifies the amount, based on information provided by the county sheriff, minus any amount received from the state for reimbursement. If the amount is the same or less, the county does not adjust the M&O rate. The county continues to use the same 12-month period in subsequent years.

The county publishes a special notice about the county criminal justice mandate — *Schedule D*, discussed in Part 5 of this manual.

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

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

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

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

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

Tax collections contracts are not subject to this provision since the original taxing unit never fully transfers and discontinues operating its collections function.

The taxing unit publishes a special notice about the transferred function—*Schedule E*, discussed in Part 5 of this manual.

Additional rollback protection for pollution control. Any taxing unit may increase its rollback rate by the rate that generates the amount of funds the unit will spend for pollution control property, divided by the unit’s current total value. Lines 49 – 52 of the *Rollback Tax Rate Worksheet in Appendix 5* provide for calculating the additional rate to add to the rollback rate.

Tax Code Section 26.045 permits the additional protection to allow the taxing unit to raise its rate for maintenance and operation funds used to pay for a facility, device or method for the control of air, water or land pollution. The unit’s expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).

The taxing unit must provide its tax assessor with a copy of a required letter from TCEQ. The assessor shall accept the copy stating the cost of the pollution control property as conclusive evidence and shall adjust the rollback tax rate. Taxing units should check for rules regarding this process by calling TCEQ’s Policy and Research Division at (512) 239-6348. The additional lines on Page 40 provide for entering the amount of pollution control expenditures and the 2009 total taxable value. The additional rate is added to the unit’s rollback rate.

Taxing units also are able to *exclude* the taxable value of property exempted for the current tax year for the first time

as pollution control property. Because the taxable value of exempt property is zero, and the law does not state that the “taxable value” for this purpose is the prior year’s taxable value, this provision read literally, has no effect. Taxing units that wish to exclude the market value of the exempted pollution control property should consult with their attorneys. A unit subtracts the exempted properties’ appraised values from the current total value in the calculation.

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

Tax Code Section 26.0441 allows a taxing unit to increase its effective M&O rate to reflect these enhanced indigent health care expenditures. The 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 under Health and Safety Code Section 61.006. The unit deducts any state assistance received for these expenses.

For calculating the effective M&O rate for tax year 2009, a unit’s enhanced indigent health care expenditures for the preceding 2008 tax year are computed using the unit’s expenditures for the increased standards from July 1, 2007 through June 30, 2008. The unit subtracts this amount and the amount of any state assistance from the enhanced expenditures for the current year (July 1, 2008 through June 30, 2009). Any remaining amount is the increased amount for the current year.

The taxing unit publishes a special notice about the enhanced indigent health care expenditures: *Schedule F*, discussed in Part 5 of this manual.

Debt Component

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

rate used to retire debt may rise as high as necessary without triggering the threat of a rollback.

The debt service component also does not use the adjusted 2009 taxable value (the current value of properties taxed in the prior year). Instead, it uses the 2009 taxable value (the current value of all properties) in the lower part of the formula less the 2009 taxable values of homesteads with tax ceilings, less the appropriate portion of any TIF captured appraised value.

Debt payments. The top half of the formula concerns the actual debt payments required for the 2009-2010 fiscal year, not the prior fiscal year’s debt. Remember that these are debt payments that 2009 property taxes will pay. A taxing unit that pays debt with other funds should not include those payments in the calculation.

Certain types of taxing units may increase their current debt service tax rate to pay for debts that the units anticipate incurring in the next calendar year. These units will include these payments in their published schedule of debt payments, *Schedule B* discussed in Part 5. These taxing units are created under Section 52, Article III, Texas Constitution or Section 59, Article XVI, Texas Constitution.

The only adjustment to the 2009 debt service is for anticipated collection losses. The taxing unit subtracts the amount of 2008 excess debt tax collections from the current year’s debt payments and divides the resulting figure by the anticipated 2009 collection rate. The unit’s tax collector will certify these excess debt tax collections and the anticipated collection rate. The following section on anticipated and excess collections tells the tax collector how to calculate these figures.

Anticipated and excess debt collections. A taxing unit that levies a debt service tax must consider anticipated collections in calculating the debt service component of its rollback tax rate. The collector for such a unit must certify two items to the governing body:

- estimated debt collection rate for 2009 and
- excess debt tax collections for 2008.

Estimated debt collection rate for 2009. To find the estimated collection rate, the collector must first estimate the unit’s total debt collections from July 1, 2009, through June

Part 3: The Rollback Tax Rate

30, 2010. This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes, penalties, and interest. The collector will not know the precise amount until this collection period is completed. Truth-in-taxation laws, however, require the collector's estimate. The collector will compare this amount to what the unit plans to levy for paying debt service in the 2009-2010 fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate. For example, the collector projects the unit will take in \$950,000 in debt revenues during the period. The unit's budget calls for it to levy \$1 million in debt service taxes for 2009. The anticipated collection rate is \$950,000 divided by \$1 million, or 95 percent.

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

Excess debt tax collections for 2008. The law also requires the collector to compare the amount of taxes actually collected in current taxes, delinquent taxes, special appraisal rollback taxes, penalties, and interest. for debt in 2008 from July 1, 2008 through June 30, 2009. The collector compares this collected amount with the amount that the collector estimated to collect according to the 2008 anticipated collection rate. If the unit took in more debt tax dollars than should have been collected, the collector certifies the amount of excess debt tax collections to the governing body.

For example, last year the collector projected a 2008 collection rate of 95 percent and the governing body levied \$500,000 in 2008 debt service taxes. The anticipated debt tax collections for 2008 were \$475,000 (.95 x \$500,000). The collector determines whether the total amount of debt service taxes collected from July 1, 2008 through June 30, 2009,

exceeds \$475,000 and determines the amount of any excess. If the unit collected \$485,000 in 2008 debt service taxes, the collector certifies excess debt tax collections of \$10,000. The taxing unit will subtract this \$10,000 from the 2009 debt payments to lower the 2009 debt service rate.

If the collector projected a 2008 collection rate of 100 percent and collected more than 100 percent, the collector certifies excess debt collections of "0."

Dividing the adjusted debt payments by the total 2009 taxable values, times \$100, gives the debt service portion of the rollback rate. **Exhibit 4** illustrates the debt service calculation.

Total Rollback Tax Rate

Totaling the M&O rollback rate and the debt service rate and multiplying by 100 (to convert to a rate per \$100 of value) gives the rollback tax rate.

Water District Rollback Tax Rate

None of the above provisions on calculating a rollback tax rate apply to water districts. Water districts follow Water Code Section 49.236(d) to calculate a rollback tax rate. The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback election.

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

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

EXHIBIT 4: Calculating the Debt Service Portion of the Rollback Rate

$$\left[\begin{array}{l} 2009 \text{ debt payments} \\ \text{Less} \\ 2008 \text{ excess debt tax collections} \\ \text{————— (divided by) —————} \\ 2009 \text{ anticipated collection rate} \end{array} \right] = \text{Adjusted 2009 debt}$$

$$\left[\begin{array}{l} \text{Adjusted 2009 debt} \\ \text{————— (divided by) —————} \\ 2009 \text{ total taxable values*} \\ \text{Less} \\ 2009 \text{ captured appraised} \\ \text{value in a TIF fund} \end{array} \right] \times \$100 = \text{2009 debt service rate}$$

*Counties, cities and junior college districts that adopted the tax ceiling provision exclude the total taxable value of the 2009 homesteads with tax ceilings for homeowners age 65 or older or disabled.



PART 4:

The Additional Sales Tax

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes. Some hospital districts, created after September 1, 2001, in counties with a population of 75,000 or less, may levy the sales tax without reducing their property taxes.

In each case, the taxing unit reduces its effective and rollback tax rates to offset the expected sales tax revenue. The Tax Code provisions refer to the tax as the *additional* sales tax for the reduction of property taxes and this manual refers to the tax as the additional sales tax. For more information about imposing and administering the additional sales tax, call the Comptroller’s Local Government Assistance Section at (800) 531-5441, ext. 3-4679.

Timing a Sales Tax Election

Local voters by election must approve imposing or abolishing the additional sales tax. Elections may be held on any of the two general election dates—in May, or November. If the additional sales tax to reduce property taxes passes, the taxing unit follows the instructions in this booklet for calculating reduced effective and rollback tax rates.

Collecting the sales tax begins on Oct. 1 following the first full quarter after the taxing unit notifies the Comptroller’s office of the election results. A taxing unit that held a successful election in November 2008 or held a successful election in May 2009 will adjust its 2009 rates. A taxing unit that holds

a successful election in November 2009 will adjust its 2010 rates for the first time.

Impact on Effective and Rollback Tax Rates

A taxing unit that adopted the additional sales tax in November 2008 or in May 2009 must adjust both its effective and rollback tax rates. A taxing unit that adopted the tax in prior years, however, will adjust only its rollback rate.

Steps for First Year

A taxing unit that adopted the additional sales tax in November 2008 or in May 2009 makes a first-year adjustment to both the effective and the rollback tax rates. The taxing unit computes an additional rate based on an estimate of sales tax revenue and subtracts that rate from the effective and rollback rates. The adjustment rate is called the “sales tax gain rate.” Use the *Additional Sales Tax Rate Worksheet* in Appendix 4 to calculate this rate.

The sales tax gain rate. To calculate a sales tax gain rate, the 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. Multiply that estimate by the adopted additional sales tax rate (normally .005), and multiply that by 95 percent. By using 95 percent, the Texas Legislature allowed a conservative amount to offset low first-year estimates of the total taxable sales. Divide the sales tax estimate by total 2009 taxable values, as illustrated in **Exhibit 5**.

Section 26.041(i) provides that a county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants. The county subtracts this amount from the total estimated sales tax revenue in the first-year rate calculations. The development

EXHIBIT 5: Calculating the Sales Tax Gain Rate

$$\left[\begin{array}{r} \text{Estimated} \quad \text{Additional} \\ \text{Taxable} \quad \times \quad \text{Sales Tax} \quad \times \quad .95 \\ \text{Sales} \quad \quad \quad \text{Rate} \\ \hline \text{2009 Total Taxable Values} \end{array} \right] \times \$100 = \text{2009 Sales Tax Gain Rate}$$

(divided by)

Note: Divide by the total 2009 taxable values, not by the adjusted values used in calculating the effective tax rate.

Part 4: The Additional Sales Tax

grants are created and authorized by Local Government Code Chapter 381.

Subtracting the sales tax gain rate from the effective tax rate and the rollback rate adjusts those rates for the anticipated additional sales tax, as shown in **Exhibit 6**.

EXHIBIT 6: Adjusting for Additional Sales Tax

$$\begin{array}{rclcl}
 \text{Effective} & - & \text{Sales Tax} & = & \text{Adjusted} \\
 \text{Tax Rate} & & \text{Gain Rate} & & \text{Effective} \\
 & & & & \text{Tax Rate} \\
 \\
 \text{Rollback} & - & \text{Sales Tax} & = & \text{Adjusted} \\
 \text{Tax Rate} & & \text{Gain Rate} & & \text{Rollback} \\
 & & & & \text{Tax Rate}
 \end{array}$$

Steps for Following Years

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

Calculating the rollback rate after the first year, however, uses the prior year's sales tax revenue in calculating the M&O component of the rollback rate. The unit also subtracts a "sales tax adjustment rate." The resulting calculation includes three components, as shown in **Exhibit 7**.

EXHIBIT 7: Calculating Rollback Rate for Second and Prior Years

$$\begin{array}{r}
 \text{Effective M\&O rate based on prior year's} \\
 \text{M\&O property taxes and} \\
 \text{sales tax revenue spent for M\&O} \\
 \quad \times \\
 \quad 1.08 \\
 \quad + \\
 \text{Current debt service rate} \\
 \quad - \\
 \text{Sales tax adjustment rate} \\
 \quad = \\
 \text{Rollback Rate}
 \end{array}$$

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

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

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

Section 26.041(i) provides that a county excludes the amount of sales tax revenue that was distributed by the county for economic development grants. The county subtracts this amount from the sales tax revenue spent in the calculation of the county's effective 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. Unlike the first year, there is no 95-percent adjustment. To calculate the sales tax adjustment rate, divide the additional sales tax revenue from the last four quarters by the total 2009 taxable values, as shown in **Exhibit 8**.

A taxing unit's historical summary of monthly local sales and use tax allocation payments is available on the Comptroller's Web site at www.window.state.tx.us/taxinfo/local/ under the link "Allocation Payment Detail." Or, call the Comptroller's Tax Allocation Section at (800) 531-5441, ext. 3-4530.

EXHIBIT 8: Calculating the Sales Tax Adjustment Rate for Second and Prior Years

$$\left[\begin{array}{l} \text{Sales Tax Revenue} \\ \text{Last Four Quarters} \\ \text{--- (divided by) ---} \\ \text{Total 2009} \\ \text{Taxable Values} \end{array} \right] \times \$100 = \text{2009 Sales Tax Adjustment Rate}$$

Note: To calculate the rollback rate, subtract the sales tax adjustment rate from the sum of the M&O and debt service rates.

EXHIBIT 9: Adjusting Effective Tax Rate after Abolishing Additional Sales Tax

$$\left[\begin{array}{c} \text{Adjusted 2008} \\ \text{Tax Levy} \\ \text{--- (divided by) ---} \\ \text{Adjusted 2009} \\ \text{Taxable Values} \end{array} \right] \times \$100 + \text{Sales Tax Loss Rate} = \text{Adjusted Effective Tax Rate}$$

Changing the Additional Sales Tax Rate

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

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

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

Taxing units should contact the Comptroller’s Property Tax Assistance Division at (800) 252-9121 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 unit adjusts its effective tax rate upward by adding a “sales tax loss rate.” To calculate this rate, the unit divides sales tax revenues for the last four quarters by the current year’s property value. It then adds the result in calculating the effective tax rate, as shown in **Exhibit 9**.

To calculate the rollback rate, the unit includes the sales tax in the M&O rate but does not include the sales tax loss rate, as shown in **Exhibit 10**.

Tax Bills and the Additional Sales Tax

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

City Mass Transit Sales Tax

Vernon’s Texas Civil Statutes, Article 1118(z), authorizes a city with a population of at least 56,000 to impose a sales tax to operate a public transportation system. A city that imposes a mass transit sales tax under this article cannot impose an additional sales tax and vice versa.

A city must make a one-time adjustment to its effective and rollback tax rates in the year it elects to impose a transit tax. In general, instead of subtracting a sales tax adjustment rate, these cities subtract a mass transit expense rate. The city

EXHIBIT 10: Adjusting Rollback Rate After Abolishing Additional Sales Tax

$$\begin{array}{r} \text{*Effective M\&O Rate} \\ \times \\ 1.08 \\ + \\ \text{Debt Service Rate} \\ = \\ \text{Rollback Rate} \end{array}$$

*Based on prior year’s sales tax and property tax.

Part 4: The Additional Sales Tax

divides the amount budgeted in property taxes for mass transit expenses in the current year by the total taxable value. **Exhibit 11** illustrates these steps.

Tax Code Section 26.043 states that mass transit services do not include the construction, reconstruction or general maintenance of municipal streets.

EXHIBIT 11: Calculating One-Time Adjustment for Mass-Transit Sales Tax

$$\text{Effective Tax Rate} - \left[\frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} \right] \times \$100 = \text{Adjusted Effective Tax Rate}$$

$$\text{Rollback Tax Rate} - \left[\frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} \right] \times \$100 = \text{Adjusted Rollback Tax Rate}$$



PART 5:

Required Public Notices and Hearings

Truth-in-taxation laws require a number of public notices to inform taxpayers about local property taxes.

The first notice is an individual notice to a property owner. The chief appraiser sends a *Notice of Appraised Value* to inform a property owner of proposed property values and other necessary information. This notice must meet standards specified in the Tax Code Section 25.19. The notice includes an estimate of current year taxes based on the current year's proposed taxable value and the prior year's tax rate.

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

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

PART A. Most Taxing Units, Except School Districts

Notice of Calculated Rates

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

The Comptroller's model forms for these notices appear in this guide's appendices. Appendix 7 shows the general form for units other than counties. A similar form for counties

appears in Appendix 8. The county form has additional columns for county property taxes for funds other than the general fund. The county may add more columns if needed; but the notice must show the total effective and rollback tax rates. This notice may appear in any section of the newspaper.

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

Statement and Schedules

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

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

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

There are several important items to note about the statement and schedules published with the notice:

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

and the amount of the increase or decrease. To calculate last year's taxes for this increase/decrease statement, multiply the adjusted 2008 values (Line 6) from the *Effective Tax Rate Worksheet* by last year's total rate (Line 4), divide by \$100 and add the refunded taxes (Line 13). To calculate this year's taxes for this statement, multiply 2009 total values (Line 19) by the 2009 effective tax rate (Line 24, or Line 25 for a county) and divide by \$100. Subtract the two numbers for the difference.

- **Schedule A** lists unencumbered fund balances remaining in each tax fund at the end of the current fiscal year. Fund balances are "unencumbered" if they are not needed to meet a corresponding debt obligation. Obtain a written estimate of these balances from the unit's budget officer. In 2001, the Texas Supreme Court (*Gilbert v. El Paso County Hospital District* 38 S.W. 3d 85, 2001) ruled that the Tax Code requires a taxing unit to report all of its estimated unencumbered fund balances regardless of the revenue source. Such taxpayer notification provides information that taxpayers need to know to evaluate a tax increase proposal.
- **Schedule B** must list only debts that meet the four-part test specified in line 32 of the *Rollback Tax Rate Worksheet*. Report only the amount paid from property taxes. The unit's budget officer can provide this listing. On *Schedule B*, units must subtract excess collections from debt service for the upcoming year. See Part 3 for further information about excess debt collections. To complete *Schedule B*, the unit's governing body must decide whether to use surplus or unencumbered funds to retire any debt.
- **Schedule C** will list the amount of additional sales tax revenue the unit expects. A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants. The development grants are created and authorized by Local Government Code Chapter 381.
- **Schedule D** gives the amount spent by the county for housing state prisoners, less the state reimbursement for such costs. The county auditor certifies the amount spent by the county in the previous 12 months for state prisoners. The expenses are for the M&O cost of keeping inmates sentenced to the Texas Department of Criminal Justice. The county sheriff provides the auditor with information on these costs, less any reimbursement by the state. The county continues to use the same 12-month period in subsequent years. Counties should enter \$0 if

the state met all state costs. For state information, call the Texas Commission on Jail Standards at (512) 463-5505.

- **Schedule E** applies to a taxing unit that transfers all of a department, function or activity to another taxing unit by written contract. In the first year of the transfer, both units publish a special schedule. The schedules include the name of the unit discontinuing the function, the amount spent by the unit to operate the discontinued function in the preceding 12 months and the name of the unit that will receive the function. If the unit discontinuing the function did not operate the function for a full 12 months before the calculation, then the unit uses the last full fiscal year in which it operated the function. In the second year after the transfer, the unit that received the function publishes an updated *Schedule E*. This second year schedule states the amount of property tax revenue spent for the 12 months preceding the month of the calculations and the amount published in the preceding year's *Schedule E*. Taxpayers can see what the transferred function has cost in the current year versus the prior year in property tax revenue. The unit discontinuing the function does not publish a *Schedule E* in the second year. Tax collection contracts are not subject to this provision.
- **Schedule F** applies to a taxing unit that has enhanced indigent health care expenditures. It gives a brief description and the amount of the enhanced indigent health care expenditures. The unit states the amount of the enhanced expenditures in the preceding year and the current year, less any state assistance. For the preceding tax year 2008, the unit's enhanced expenditures are computed from July 1, 2007 through June 30, 2008. The current year is from July 1, 2008 through June 30, 2009.

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

Notice of Public Hearing on Tax Increase

Once the taxing unit's representative publishes the effective and rollback tax rates and reports them to the governing body, the governing body—other than one for a small taxing unit or a water district—assumes the duty of complying with truth-in-taxation laws. Failure to carry out this duty in good faith carries a high price: any property owner in the unit believing

the unit has violated the law may go to district court and enjoin tax collections. The injunction stops the delivery of tax bills until the unit convinces the court that it has complied with the law. The property owner must act to enjoin before the date the taxing unit delivers substantially all of its tax bills.

Section 26.05(d) requires a taxing unit to hold two public hearings and publish newspaper ads before adopting a tax rate that exceeds the rollback rate or the effective tax rate, whichever rate is lower.

If proposing a tax increase, the governing body must issue the first of two public notices. This first notice is titled *Notice of Public Hearing on Tax Increase*. The Comptroller's model forms appear in Appendix 10. Units must publish the notice in a newspaper or mail it to each property owner in the unit at least seven days before the public hearings. This notice has new information for 2009.

Content of the notice. The notice has information required by Section 26.06(b). The first part of the notice states that the unit is proposing to increase tax revenues and states the percentage increase that the proposed rate exceeds in relation to the effective or rollback rate. It gives the times, dates and places of the two public hearings and tells how members of the governing body voted on the proposal.

Next, the taxing unit states the average taxable value of a residence homestead in the taxing unit in 2008, the total 2008 tax rate for the unit and the amount of taxes imposed on the average home last year.

The notice then lists the 2009 average taxable value of a residence homestead in the unit and the 2009 taxes that would be imposed on the average home if the governing body of the taxing unit adopts the effective tax rate and the taxes that would be imposed if the governing body adopts the proposed tax rate. The effective and proposed tax rates must be stated on the notice.

There are several ways to calculate the average taxable value of a residence homestead in the taxing unit. The taxing unit could average the value of all residential property, Category A property (coded using the state code system), or only homes with general homestead exemptions. In each instance, the total appraised value of the properties (before exemptions

are removed) is divided by the number of properties. Then, if the taxing unit offers a general homestead exemption, that amount is subtracted from the average appraised value to determine the average taxable value. The taxing unit disregards the age 65 and over and disabled homestead exemptions. For the current year average taxable value the unit must take into account the 110-percent appraisal limitation for residence homesteads under Property Tax Code Section 23.23. The appraisal district can assist with this calculation. Legal advice should be requested if a question arises concerning the appropriate methodology for this calculation.

The last portion of the notice states that members of the public are encouraged to attend the hearings and express their views.

(Note: If applicable, counties must add a paragraph on the criminal justice mandate, and a taxing unit with enhanced indigent health care expenditures adds a sentence stating those costs.)

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

Newspaper requirements. Tax Code Section 26.06 requires the notice be at least a quarter page in a standard-size or tabloid-size newspaper. Its headline must appear in 24-point type or larger. It may not appear in the legal or classified section of the newspaper. The unit must publish the notice at least seven days before the date of the first public hearing.

The newspaper must devote at least 25 percent of its space to general interest items. It must be published at least once a week and must have been regularly published for at least 12 months before the notice is placed. Finally, it must be entered as second-class postal matter in the county where it is published.

The United States Postal Service's change in name of "second-class" mail to "periodicals" is fundamentally a name change only.

Web site and TV. Tax Code Section 26.065 requires a supplemental notice for the hearing on a tax rate increase. If the

Part 5: Required Public Notices and Hearings

taxing unit owns, operates or controls a Web site, the unit shall post on its Web site this additional notice of the public hearings at least seven days immediately before the first hearing on the proposed tax rate increase and leave the notice there until the second hearing is concluded. If the taxing unit has free access to a television channel, the unit shall request that the station carry a 60-second notice of the public hearing at least five times a day between 7 a.m. and 9 p.m. The notice will run for at least seven days. This posting is immediately before the first public hearing on the proposed tax rate increase.

The additional public hearing notice must contain substantially the same information that is in the quarter-page notice published by the taxing unit.

This additional notice does not apply to a taxing unit that is unable to comply because of the failure of an electronic or mechanical device (including a computer or server) or due to other circumstances beyond its control.

A property owner is not entitled to an injunction restraining the collection of the taxing unit's taxes if the unit has, in good faith, attempted to comply with the additional notice requirement.

Notice of Tax Revenue Increase

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

- At least a quarter-page of a standard newspaper;
- Headline in 24-point type or larger;
- General circulation newspaper published at least once a week for 12 months before the date of the notice;
- Placed in a newspaper section other than the classified ads or legal notices; and
- Strictly follow the wording set out in Tax Code Section 26.06(d).

Content of the notice. New for 2009, this notice, in addition to stating the percentage by which the proposed tax rate exceeds the lower of the rollback or effective tax rate, the dates of the two public hearings, and the date, time and location, including mailing address, where the governing body is scheduled to vote on the tax rate, contains revenue comparisons.

First, the taxing unit states last year's total tax rate and the revenue raised last year from that tax rate. The unit then states the total proposed tax rate for this year and the total proposed tax revenue *excluding* revenue from new property added to the tax roll in 2009. Just below this amount, the unit states the total proposed tax rate for 2009 and the total proposed tax revenue *including* tax revenue from new property added to the roll this year.

The unit's governing body must meet to vote on the tax rate no fewer than three (3) days and no more than 14 days after the second public hearing. This meeting to vote must take place in a public building inside the unit's boundaries. The unit must follow the Open Meetings Act when announcing the meeting.

The Comptroller's Model Form 50-198 contains the statutory language for this notice in Appendix 11.

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

PART B. Small Taxing Units

Tax Code Section 26.052 provides for a simplified tax rate notice for small taxing units.

Small taxing unit defined. A small taxing unit is a 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 unit. A small taxing unit must meet both conditions.

Exempt from certain requirements. A small taxing unit is exempt from the notice and publication requirements of Section 26.04(e) and the injunction provision of Section 26.04(g). Section 26.04(e) requires a taxing unit to publish the effective tax rate, rollback tax rate and certain special schedules. Section 26.04(g) specifies that a property owner may seek an injunction to prohibit the taxing unit from adopting the tax rate until it has complied with the publication requirements.

A small taxing unit that publicizes its tax rate under Section 26.052 is also exempt from Sections 26.05(d) and 26.06. Section 26.05(d) requires publishing two quarter-page ads when a taxing unit proposes a tax rate that exceeds the rollback rate or the effective tax rate, whichever is lower. Section 26.06 specifies that a taxpayer may seek an injunction to keep the taxing unit from collecting taxes until it has complied with Section 26.05(d).

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

Content of the notice. The notice must contain the following three items:

- proposed tax rate;
- date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate; and
- the following statement if the proposed tax rate exceeds the unit's effective tax rate calculated under Section 26.04: The proposed tax rate would increase total taxes in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate).

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

A small taxing unit, however, that uses the Section 26.052 notice requirement 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 Section 26.05(d) and 26.06 in adopting the higher rate.

See the sample notice in Appendix 12.

Newspaper requirements. This small taxing unit notice may appear in the legal section of a newspaper having general circulation in the taxing unit.

A legal newspaper must devote at least 25 percent of its space to general interest items. It must be published at least once a week and must have been regularly published for at least 12 months before the notice is placed. Finally, it must be entered as second-class postal matter in the county where it is published.

PART C. Water Districts

Water Code Section 49.236 requires a different meeting notice for the proposed tax rate for water districts, rather than the public notices required in Tax Code Chapter 26. Water districts do not follow the notice and hearing requirements of Tax Code Chapter 26.

One public notice. The water district board publishes one public hearing notice at least seven days before the public hearing date in a local newspaper that has general circulation in the district. Or, the water district may mail the notice to each property owner at least 10 days before the public hearing date. The Notice of Public Hearing on Tax Rate must be at least one-quarter page in a standard-size or tabloid-size newspaper of general circulation and the headline must be 18-point or larger type.

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

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

The text wording on the notice is set out in Water Code Section 49.236. The table in the notice compares the preceding year's taxes on the average home to the taxes the proposed

Part 5: Required Public Notices and Hearings

rate would impose on the average home. This table compares the following information:

- Last year's adopted tax rate and this year's proposed tax rate;
- Difference in the tax rates, expressed in an amount per \$100 and as a percent increase or decrease;
- Average appraised value last year and this year of a residence homestead in the water district;
- Amount of the homestead exemptions that would apply to the average home last year and this year, disregarding over-65 or disabled homeowner's exemptions;
- Taxable value of the average residence homestead after exemptions last year and this year, disregarding over-65 or disabled homeowner's exemptions;
- Amount of tax imposed on last year's average home's taxable value and the amount that would be imposed on this year's average taxable value; and

- Difference between the amounts of taxes in dollars and cents and described as the annual percentage increase or decrease if the proposed tax rate is adopted.

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

A sample notice is the Comptroller's Model Form 50-304 in Appendix 13.

Newspaper requirements. This notice may appear in a newspaper having general circulation in the taxing unit.



PART 6:

Rollback Elections

Taxing Units Other than School Districts

If a taxing unit — other than a school district — adopted a tax rate that exceeds the rollback rate, voters in the unit may petition for an election on the tax increase. A successful election limits the unit's current rate to the rollback rate.

The Texas Supreme Court decision in *Vinson v. Burgess* has established that county tax rates are subject to rollback elections, reversing earlier lower court and attorney general's decisions. The attorney general has ruled that rollback elections are constitutional for hospital districts (Opinion No. JM-859 in 1988). The Supreme Court decision appears to establish that rollback elections are constitutional for other taxing units as well.

Water Code Section 49.236 states that the water district will follow the rollback election procedures in Tax Code Section 26.07(b)–(g). Those procedures are listed below.

STEP 1: **Petition for an election.**

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

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

Voters must submit the petition to the taxing unit's governing body within 90 days of the tax rate adoption. A sample petition appears in Appendix 14. Petition signatures are also discussed on that page.

STEP 2: **Determine if the petition is valid.**

The taxing unit's governing body must determine if the petition is valid and pass a resolution regarding its validity within 20 days of receiving it. If the governing body takes no action within that time, the petition is automatically valid.

The Comptroller's office recommends that if the governing body finds the petition invalid, the resolution or order setting it aside should specify the reasons why it is invalid.

STEP 3: **Hold elections, if necessary.**

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

Election Code Section 41.001 requiring local elections to be held on a specified date does not apply to this election unless a specified date falls within the permitted 30 to 90 days. More information about election dates may be obtained from the Election Division of the Secretary of State's Office at (800) 252-8683.

Tax Code Section 26.07 specifies the wording for a rollback election ballot. A sample ballot appears in Appendix 14. Section 26.085 addresses the election to limit dedication of school funds to a junior college.

**STEP 4:
Act on election results.**

If the rollback election passes, a taxing unit must reduce its tax rate for the current year to the rollback rate. If the rollback fails, the unit's adopted tax rate stands. A simple majority is necessary for passing the rollback election.

**STEP 5:
Send out new bills and refund taxes paid under original rates.**

If a rollback election passes, the adopted tax rate is reduced by law to the rollback rate. The unit's assessor must prepare and mail new tax bills. The taxing unit's delinquency date is postponed by the number of days between the date original bills were mailed and the date the corrected bills were mailed.

If the taxing unit has begun collecting taxes at the time of the election, some taxpayers will have paid taxes under the

original rate. The unit must refund the difference between the taxes levied under the original rate and taxes levied under the rollback rate. The taxing unit has 60 days from the date the election results are counted to send refunds.

Small refunds. A taxing unit sends refunds resulting from a rollback election if the refund amount is \$1 or more. If the amount is less than \$1, the unit shall refund the difference upon the taxpayer's request. The taxpayer must apply for the refund of less than \$1 within 90 days after the date the refund becomes due or forfeits the refund right. The refund becomes due on the date the election results are counted. This refund requirement is specified in Tax Code Section 26.07. School districts are under Section 26.08 for rollback elections and, therefore, do not fall under this provision on rollback election refunds.

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

APPENDIX 1:

2009 Planning Calendar

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

April - May	Mailing of notices of appraised value by chief appraiser.
May 15	Deadline for submitting appraisal records to ARB.
June 9	Chief appraiser certifies estimate of taxable values to counties, cities.
July 20 (Aug. 31)	Deadline for ARB to approve appraisal records.
July 27	Deadline for chief appraiser to certify rolls to taxing units.
_____	Certification of anticipated collection rate by collector.
_____	Calculation of effective and rollback tax rates.
_____	Publication of effective and rollback tax rates, statement and schedules; submission to governing body.
_____	72-hour notice for meeting (<i>Open Meetings Notice</i>).
_____	Meeting of governing body to discuss tax rate; if proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule public hearing.
_____	<i>Notice of Public Hearing on Tax Increase</i> is the first quarter-page notice in newspaper and on TV and Web site, if available, published at least seven days before public hearing.
_____	72-hour notice for public hearing (<i>Open Meetings Notice</i>).
_____	Public hearing.
_____	72-hour notice for second public hearing (<i>Open Meetings Notice</i>).
_____	Second public hearing (may not be earlier than 3 days after first public hearing); schedule and announce meeting to adopt tax rate 3-14 days from this date.
_____	<i>Notice of Tax Revenue Increase</i> published before meeting* to adopt tax rate is the second quarter-page notice in newspaper before meeting and published on TV and Web site (if available, at least seven days before meeting).
_____	72-hour notice for meeting at which governing body will adopt tax rate (<i>Open Meetings Notice</i>).
_____	Meeting to adopt tax rate. Meeting is 3 to 14 days after second public hearing. Taxing unit must adopt tax rate by Sept. 29 or 60 days after receiving certified appraisal roll, whichever is later

* *Property Tax Code Section 26.06(d) may be interpreted as requiring one or two notices of tax revenue increase. Either interpretation is reasonable, and advice of taxing unit legal counsel should be sought to determine which approach to take in notifying the public of the meeting at which the governing body will vote on the tax rate.*

APPENDIX 2:

2009 Effective Tax Rate Worksheet

See pages 11 to 14 for an explanation of the effective tax rate.

1.	2008 total taxable value. Enter the amount of 2008 taxable value on the 2008 tax roll today. Include any adjustments since last year's certification; exclude Section 25.25(d) one-third over-appraisal corrections from these adjustments. This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 14).	\$
2.	2008 tax ceilings. Counties, Cities and Junior College Districts. Enter 2008 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other units enter "0." If your taxing units adopted the tax ceiling provision in 2008 or a prior year for homeowners age 65 or older or disabled, use this step.	\$
3.	Preliminary 2008 adjusted taxable value. Subtract Line 2 from Line 1.	\$
4.	2008 total adopted tax rate.	\$ /\$100
5.	<p>2008 taxable value lost because court appeals of ARB decisions reduced 2008 appraised value.</p> <p>A. Original 2008 ARB values: \$ _____</p> <p>B. 2008 values resulting from final court decisions: - \$ _____</p> <p>C. 2008 value loss. Subtract B from A.</p>	\$
6.	2008 taxable value, adjusted for court-ordered reductions. Add Line 3 and Line 5C.	\$
7.	2008 taxable value of property in territory the unit deannexed after January 1, 2008. Enter the 2008 value of property in deannexed territory.	\$
8.	<p>2008 taxable value lost because property first qualified for an exemption in 2009. Note that lowering the amount or percentage of an existing exemption does not create a new exemption or reduce taxable value. If the taxing unit increased an original exemption, use the difference between the original exempted amount and the increased exempted amount. Do not include value lost due to freeport, "goods-in-transit" exemptions or tax abatements.</p> <p>A. Absolute exemptions. Use 2008 market value: \$ _____</p> <p>B. Partial exemptions. 2009 exemption amount or 2009 percentage exemption times 2008 value: + \$ _____</p> <p>C. Value loss. Add A and B.</p>	\$

<p>9.</p>	<p>2008 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1), timber appraisal, recreational/scenic appraisal or public access airport special appraisal in 2009. Use only those properties that first qualified in 2009; do not use properties that qualified in 2008.</p> <p>A. 2008 market value: \$ _____</p> <p>B. 2009 productivity or special appraised value: - \$ _____</p> <p>C. Value loss. Subtract B from A. \$</p>	<p>\$</p>
<p>10.</p>	<p>Total adjustments for lost value. Add Lines 7, 8C and 9C.</p>	<p>\$</p>
<p>11.</p>	<p>2008 adjusted taxable value. Subtract Line 10 from Line 6</p>	<p>\$</p>
<p>12.</p>	<p>Adjusted 2008 taxes. Multiply Line 4 by Line 11 and divide by \$100.</p>	<p>\$</p>
<p>13.</p>	<p>Taxes refunded for years preceding tax year 2008. Enter the amount of taxes refunded during the last budget year for tax years preceding tax year 2008. Types of refunds include court decisions, Section 25.25(b) and (c) corrections and Section 31.11 payment errors. Do not include refunds for tax year 2008. This line applies only to tax years preceding tax year 2008.</p>	<p>\$</p>
<p>14.</p>	<p>Taxes in tax increment financing (TIF) for tax year 2008. Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the unit has no 2009 captured appraised value in Line 16D, enter "0."</p>	<p>\$</p>
<p>15.</p>	<p>Adjusted 2008 taxes with refunds. Add Lines 12 and 13, subtract Line 14.</p>	<p>\$</p>
<p>16.</p>	<p>Total 2009 taxable value on the 2009 certified appraisal roll today. This value includes only certified values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 18). These homesteads include homeowners age 65 or older or disabled.</p> <p>A. Certified values only: \$ _____</p> <p>B. Counties: Include railroad rolling stock values certified by the Comptroller's office: + \$ _____</p> <p>C. Pollution control exemption: Deduct the value of property exempted for the current tax year for the first time as pollution control property (use this Line based on attorney's advice): - \$ _____</p> <p>D. Tax increment financing: Deduct the 2009 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the 2009 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 21 below. - \$ _____</p> <p>E. Total 2009 value. Add A and B, then subtract C and D. \$</p>	<p>\$</p>

Appendix 2: Effective Tax Rate Worksheet

<p>17.</p>	<p>Total value of properties under protest or not included on certified appraisal roll.</p> <p>A. 2009 taxable value of properties under protest. The chief appraiser certifies a list of properties still under ARB protest. The list shows the district's value and the taxpayer's claimed value, if any or an estimate of the value if the taxpayer wins. For each of the properties under protest, use the lowest of these values. Enter the total value. \$ _____</p> <p>B. 2009 value of properties not under protest or included on certified appraisal roll. The chief appraiser gives taxing units a list of those taxable properties that the chief appraiser knows about but are not included at appraisal roll certification. These properties also are not on the list of properties that are still under protest. On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value. \$ _____</p> <p>C. Total value under protest or not certified. Add A and B. \$ _____</p>	<p>\$</p>
<p>18.</p>	<p>2009 tax ceilings. Enter 2009 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other units enter "0." If your taxing units adopted the tax ceiling provision in 2008 or a prior year for homeowners age 65 or older or disabled, use this step.</p>	<p>\$</p>
<p>19.</p>	<p>2009 total taxable value. Add Lines 16E and 17C. Subtract Line 18.</p>	<p>\$</p>
<p>20.</p>	<p>Total 2009 taxable value of properties in territory annexed after Jan. 1, 2008. Include both real and personal property. Enter the 2009 value of property in territory annexed.</p>	<p>\$</p>
<p>21.</p>	<p>Total 2009 taxable value of new improvements and new personal property located in new improvements. "New" means the item was not on the appraisal roll in 2008. An improvement is a building, structure, fixture or fence erected on or affixed to land. A transportable structure erected on its owner's land is also included unless it is held for sale or is there only temporarily. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the unit after January 1, 2008 and be located in a new improvement. New improvements do include property on which a tax abatement agreement has expired for 2009. New improvements do not include mineral interests produced for the first time, omitted property that is back assessed and increased appraisals on existing property.</p>	<p>\$</p>
<p>22.</p>	<p>Total adjustments to the 2009 taxable value. Add Lines 20 and 21.</p>	<p>\$</p>
<p>23.</p>	<p>2009 adjusted taxable value. Subtract Line 22 from Line 19.</p>	<p>\$</p>
<p>24.</p>	<p>2009 effective tax rate. Divide Line 15 by Line 23 and multiply by \$100.</p>	<p>\$ /\$100</p>
<p>25.</p>	<p>COUNTIES ONLY. Add together the effective tax rates for each type of tax the county levies. The total is the 2009 county effective tax rate.</p>	<p>\$ /\$100</p>

A county, city or hospital district that adopted the additional sales tax In November 2008 or in May 2009 must adjust its effective tax rate. The *Additional Sales Tax Rate Worksheet* on page 39 sets out this adjustment. Do not forget to complete the *Additional Sales Tax Rate Worksheet* if the taxing unit adopted the additional sales tax on these dates.

APPENDIX 3:

2009 Rollback Tax Rate Worksheet

See pages 15 to 20 for an explanation of the rollback tax rate.

26.	2008 maintenance and operations (M&O) tax rate.	\$	/\$100
27.	2008 adjusted taxable value. Enter the amount from Line 11.	\$	
28.	2008 M&O taxes.		
	A. Multiply Line 26 by Line 27 and divide by \$100.	\$ _____	
	B. Cities, counties and hospital districts with additional sales tax: Amount of additional sales tax collected and spent on M&O expenses in 2008. Enter amount from full year's sales tax revenue spent for M&O in 2008 fiscal year, if any. Other units, enter "0." Counties exclude any amount that was spent for economic development grants from the amount of sales tax spent.	+ \$ _____	
	C. Counties: Enter the amount for the state criminal justice mandate. If second or later year, the amount is for increased cost above last year's amount. Other units, enter "0."	+ \$ _____	
	D. Transferring function: If discontinuing all of a department, function or activity and transferring it to another unit by written contract, enter the amount spent by the unit discontinuing the function in the 12 months preceding the month of this calculation. If the unit did not operate this function for this 12-month period, use the amount spent in the last full fiscal year in which the unit operated the function. The unit discontinuing the function will subtract this amount in H below. The unit receiving the function will add this amount in H below. Other units, enter "0."	+/- \$ _____	
	E. Taxes refunded for years preceding tax year 2008: Enter the amount of M&O taxes refunded during the last budget year for tax years preceding tax year 2008. Types of refunds include court decisions, Section 25.25(b) and (c) corrections and Section 31.11 payment errors. Do not include refunds for tax year 2008. This line applies only to tax years preceding tax year 2008.	+ \$ _____	
	F. Enhanced indigent health care expenditures: Enter the increased amount for the current year's enhanced indigent health care expenditures above the preceding tax year's enhanced indigent health care expenditures, less any state assistance.	+ \$ _____	
	G. Taxes in tax increment financing (TIF): Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the unit has no 2009 captured appraised value in Line 16D, enter "0."	- \$ _____	
	H. Adjusted M&O Taxes. Add A, B, C, E and F. For unit with D, subtract if discontinuing function and add if receiving function. Subtract G.		\$

Appendix 3: Rollback Tax Rate Worksheet

29.	2009 adjusted taxable value. Enter Line 23 from the <i>Effective Tax Rate Worksheet</i> .	
30.	2009 effective maintenance and operations rate. Divide Line 28H by Line 29 and multiply by \$100.	\$ /\$100
31.	2009 rollback maintenance and operation rate. County, cities and others: Multiply Line 30 by 1.08. (See Lines 49 to 52 for additional rate for pollution control expenses.	\$ /\$100
32.	Total 2009 debt to be paid with property taxes and additional sales tax revenue. "Debt" means the interest and principal that will be paid on debts that: (1) are paid by property taxes, (2) are secured by property taxes, (3) are scheduled for payment over a period longer than one year and (4) are not classified in the unit's budget as M&O expenses. Debt also includes contractual payments to other taxing units that have incurred debts on behalf of this taxing unit, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue (or additional sales tax revenue). Do not include appraisal district budget payments. List the debt in " <i>Schedule B: Debt Service</i> ." If using unencumbered funds, subtract unencumbered fund amount used from total debt and list remainder.	\$
33.	Certified 2008 excess debt collections. Enter the amount certified by the collector.	\$
34.	Adjusted 2009 debt. Subtract Line 33 from Line 32.	\$
35.	Certified 2009 anticipated collection rate. Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	%
36.	2009 debt adjusted for collections. Divide Line 34 by Line 35	\$
37.	2009 total taxable value. Enter the amount on Line 19.	\$
38.	2009 debt tax rate. Divide Line 36 by Line 37 and multiply by \$100.	\$ /\$100
39.	2009 rollback tax rate. Add Lines 31 and 38.	\$ /\$100
40.	COUNTIES ONLY. Add together the rollback tax rates for each type of tax the county levies. The total is the 2009 county rollback tax rate.	\$ /\$100

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

APPENDIX 4:

Additional Sales Tax Rate

41.	For units that adopted the sales tax in August or November 2008 or in January or May 2009, enter the Comptroller's estimate of taxable sales for the previous four quarters. Units that adopted the sales tax before August 2008, skip this line.	\$
42.	Estimated sales tax revenue. Counties exclude any amount that is or will be spent for economic development grants from the amount of estimated sales tax revenue. UNITS THAT ADOPTED THE SALES TAX IN NOVEMBER 2008 or IN MAY 2009. Multiply the amount on Line 41 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95. - OR - UNITS THAT ADOPTED THE SALES TAX BEFORE AUGUST 2008. Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	\$
43.	2009 total taxable value. Enter the amount from Line 37 of the <i>Rollback Tax Rate Worksheet</i>	\$
44.	Sales tax adjustment rate. Divide Line 42 by Line 43 and multiply by \$100	\$ /\$100
45.	2009 effective tax rate, unadjusted for sales tax. Enter the rate from Line 24 or 25, as applicable, on the <i>Effective Tax Rate Worksheet</i> .	\$ /\$100
46.	2009 effective tax rate, adjusted for sales tax. UNITS THAT ADOPTED THE SALES TAX IN NOVEMBER 2008 or IN MAY 2009. Subtract Line 44 from Line 45.* *Skip to Line 47 if you adopted the additional sales tax before Aug. 2008.	\$ /\$100
47.	2009 rollback tax rate, unadjusted for sales tax. Enter the rate from Line 39 or 40, as applicable, of the <i>Rollback Tax Rate Worksheet</i> .	\$ /\$100
48.	2009 rollback tax rate, adjusted for sales tax. Subtract Line 44 from Line 47.	\$ /\$100

If the additional sales tax rate increased or decreased from last year, contact the Comptroller's office for special instructions on calculating the sales tax projection for the first year after the rate change.

APPENDIX 5:

Additional Rollback Protection for Pollution Control

49.	Certified expenses from TCEQ. Enter the amount certified in the determination letter from TCEQ. The taxing unit shall provide its assessor with a copy of the letter. See Part 3, the Rollback Rate, for more details.	\$
50.	2009 total taxable value. Enter the amount from Line 37 of the <i>Rollback Tax Rate Worksheet</i> .	\$
51.	Additional rate for pollution control. Divide Line 49 by Line 50 and multiply by \$100.	\$ /\$100
52.	2009 rollback tax rate, adjusted for pollution control. Add Line 51 to one of the following lines (as applicable): Line 39, Line 40 (counties) or Line 48 (units with the additional sales tax).	\$ /\$100

APPENDIX 6:

Water District Tax Rate Rollback Worksheet

Maintenance and Operations (M&O) Rate:		
1.	2008 average appraised value of residence homestead.	\$ _____
2.	2008 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions).	- \$ _____
3.	2008 average taxable value of residence homestead (Line 1 minus Line 2).	\$ _____
4.	2008 adopted M&O tax rate (per \$100 of value).	\$ _____ /\$100
5.	2008 M&O tax on average residence homestead (multiply Line 3 by Line 4, divide by \$100).	\$ _____
6.	Percentage increase to the M&O taxes.	x 8 %
7.	Highest M&O tax on average residence homestead with increase (multiply Line 5 by 1.08).	\$ _____
8.	2009 average appraised value of residence homestead.	\$ _____
9.	2009 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions).	- \$ _____
10.	2009 average taxable value of residence homestead (Line 8 minus Line 9).	\$ _____
11.	Highest 2009 M&O Tax Rate (Line 7 divided by Line 10, multiply by \$100)	\$ _____ /\$100
12.	2009 Debt Tax Rate.	\$ _____ /\$100
13.	2009 Contract Tax Rate	\$ _____ /\$100
14.	2009 Rollback Tax Rate (add Lines 11, 12 and 13).	\$ _____ /\$100

This is the highest rate that the water district may adopt without triggering the rollback provisions in Water Code Section 49.236.

The Comptroller's office provides this sample worksheet as a service to water districts.

APPENDIX 7:

Notice of Effective Tax Rate

(for use by most taxing units)


 50-212
 (Rev. 04-08/9)

_____ (insert year) **Property Tax Rates in** _____ (insert taxing unit name)

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

Last year's tax rate:

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

This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	\$ _____	(15)	
This year's adjusted tax base (after subtracting value of new property)	\$ _____	(23)	
= This year's effective tax rate	\$ _____	(24)	/ \$100

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

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

Sales tax adjustment rate	\$ _____	(44)	/ \$100
= Effective tax rate	\$ _____	(46)	/ \$100

This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	\$ _____	(28)	
This year's adjusted tax base	\$ _____	(29)	
= This year's effective operating rate	\$ _____	(30)	/ \$100
x 1.08 = this year's maximum operating rate	\$ _____	(31)	/ \$100
+ This year's debt rate	\$ _____	(38)	/ \$100
= This year's total rollback rate	\$ _____	(39)	/ \$100

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

Sales tax adjustment rate	\$ _____	(44)	/ \$100
= Rollback tax rate	\$ _____	(48)	/ \$100

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

+ Additional rollback rate for pollution control	\$ _____	(51)	/ \$100
= Rollback tax rate	\$ _____	(52)	/ \$100

APPENDIX 8:

Notice of Effective Tax Rate
(for use by counties)

 50-211
(Rev. 05-06/8)

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

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

	General Fund	Farm to Market/ Flood Control Fund	Special Road/ Bridge Fund
Last year's tax rate:			
Last year's operating taxes	\$ _____	\$ _____	\$ _____
Last year's debt taxes	\$ _____	\$ _____	\$ _____
Last year's total taxes	\$ _____	\$ _____	\$ _____
Last year's tax base	\$ _____	\$ _____	\$ _____
Last year's total tax rate	\$ _____ /\$100	\$ _____ /\$100	\$ _____ /\$100

This year's effective tax rate:			
Last year's adjusted taxes (after subtracting taxes on lost property)	\$ (15) _____	\$ (15) _____	\$ (15) _____
÷ This year's adjusted tax base (after subtracting value of new property)	\$ (23) _____	\$ (23) _____	\$ (23) _____
= This year's effective tax rate for each fund	\$ (24) /\$100	\$ (24) /\$100	\$ (24) /\$100
Total effective tax rate	\$ (25) /\$100		
<i>(Maximum rate unless unit publishes notices and holds hearings.)</i>			

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

- Sales tax adjustment rate	\$ (44) /\$100
= Effective tax rate	\$ (46) /\$100

This year's rollback tax rate:			
Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	\$ (28) _____	\$ (28) _____	\$ (28) _____
÷ This year's adjusted tax base	\$ (29) _____	\$ (29) _____	\$ (29) _____
= This year's effective rate	\$ (30) /\$100	\$ (30) /\$100	\$ (30) /\$100
x 1.08 = this year's maximum operating rate	\$ (31) /\$100	\$ (31) /\$100	\$ (31) /\$100
+ This year's debt rate	\$ (38) /\$100	\$ (38) /\$100	\$ (38) /\$100
= This year's rollback rate for each fund	\$ (39) /\$100	\$ (39) /\$100	\$ (39) /\$100
This year's total rollback rate	\$ (40) /\$100		

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

- Sales tax adjustment rate	\$ (44) /\$100
= Rollback tax rate	\$ (48) /\$100

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

+ Additional rollback rate for pollution control	\$ (51) /\$100
= Rollback tax rate	\$ (52) /\$100

APPENDIX 9:



Statement of Increase/Decrease

If _____ adopts a 2009 tax rate equal to the effective tax rate of \$ _____ per \$100 of value, taxes would _____ compared to 2008 taxes by \$ _____.

Schedule A Unencumbered Fund Balances

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

Type of Property Tax Fund **Balance**

Schedule B 2009 Debt Service

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

Description of Debt	Principal or Contract Payment to be Paid from Property Taxes	Interest to Be Paid from Property Taxes	Other Amounts to be Paid	Total Payment
	\$	\$	\$	\$
<i>(expand as needed)</i>				
Total required for 2009 debt service			\$ _____	
- Amount (if any) paid from funds listed in Schedule A			\$ _____	
- Amount (if any) paid from other resources			\$ _____	
- Excess collections last year			\$ _____	
= Total to be paid from taxes in 2009			\$ _____	
Amount added in anticipation that the unit will				
+ collect only _____ % of its taxes in 2009			\$ _____	
= Total Debt Levy			\$ _____	

Schedule C Expected Revenue from Additional Sales Tax

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

In calculating its effective and rollback tax rates, the unit estimated that it will receive \$ _____ in additional sales and use tax revenues. **For County:** The county has excluded any amount that is or will be distributed for economic development grants from this amount of expected sales tax revenue.

Schedule D State Criminal Justice Mandate (For Counties)

The _____ County Auditor certifies that _____ County has spent \$ _____ in the previous 12 months beginning _____, _____, for the maintenance and operations cost of keeping inmates sentenced to the Texas Department of Criminal Justice. _____ County Sheriff has provided information on these costs, minus the state revenues received for reimbursement of such costs.

Schedule E Transfer of Department, Function or Activity

The _____ spent \$ _____ from _____ to _____ on the _____. The _____ operates this function in all or a majority of the _____. [Second Year of Transfer: Modify schedule to show comparison of amount this year and preceding year by unit receiving the function.]

Schedule F Enhanced Indigent Health Care Expenditures

The _____ spent \$ _____ from _____ to _____ on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of increase above last year's enhanced indigent health care expenditures is \$ _____.

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

Name of person preparing this notice _____

Title _____

Date prepared _____

APPENDIX 10:

Comptroller of Public Accounts
50-197
(Rev. 02-08/11)

Notice of Public Hearing on Tax Increase

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

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

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

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

- FOR:
- AGAINST:
- PRESENT and not voting:
- ABSENT:

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

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

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

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

Special Provisions if Applicable

Criminal Justice Mandate (use for counties, if applicable):

The _____ County Auditor certifies that _____ County has spent \$_____ in the previous 12 months beginning _____, _____, for the maintenance and operations cost of keeping inmates sentenced to the Texas Department of Criminal Justice. _____ County Sheriff has provided information on these costs, minus the state revenues received for reimbursement of such costs.

Enhanced Indigent Health Care Expenditures (use if applicable):

The _____ spent \$_____ from _____ to _____ on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of increase above last year's enhanced indigent health care expenditures is _____.

 50-198
(Rev. 04-08/6)

Notice of Tax Revenue Increase

The _____ (name of taxing unit)
conducted public hearings on _____ (date of first hearing) and _____ (date of second hearing)
on a proposal to increase the total tax revenues of the
_____ (name of taxing unit)
from properties on the tax roll in the preceding year
by _____ (percentage) percent .

The total tax revenue raised last year at last year's tax rate
of _____ (tax rate for the preceding year) for each \$100 of taxable value was
_____ (total amount of taxes imposed for the preceding year) .

The total tax revenue proposed to be raised this year at the
proposed tax rate of _____ (proposed tax rate) for each \$100 of taxable
value, excluding tax revenue to be raised from new property
added to the tax roll this year, is

_____ .
(insert amount computed by multiplying proposed tax rate by the
difference between current total value and new property value.)

The total tax revenue proposed to be raised this year at the
proposed tax rate of _____ (proposed tax rate) for each \$100 of
taxable value, including tax revenue to be raised from new
property added to the tax roll this year, is

_____ .
(insert amount computed by multiplying
proposed tax rate by current total value.)

The _____ (governing body of the taxing unit)
is scheduled to vote on the tax rate that will result in that tax
increase at a public meeting to be held on _____ (date of meeting)
at _____ (location of meeting, including mailing address) at _____ (time of meeting) .

APPENDIX 12:



Small Taxing Unit Notice (Sample)

The _____ (*name of taxing unit*) will hold a meeting at _____ (*time*) on _____ (*date*) at _____ (*location*) to consider adopting a proposed tax rate for tax year _____ (*year*). The proposed tax rate is _____ (*rate*) per \$100 of value.

The proposed tax rate would increase total taxes in _____ (*name of taxing unit*) by _____ (*percentage by which the proposed tax rate exceeds the effective tax rate*).*

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



Water District

Notice of Public Hearing on Tax Rate

The _____ *(name of the district)* will hold a public hearing on a proposed tax rate for the tax year _____ *(year of tax levy)* on _____ *(date and time)* at _____ *(meeting place)*. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

FOR the proposal:

AGAINST the proposal: _____ *(names of all members of the governing body*

PRESENT and not voting: _____ *and how each voted on the proposed tax rate)*

ABSENT:

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

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

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

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

Tax Rate Rollback Election

For _____
(name of taxing unit)

(date of election)

OFFICIAL BALLOT

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

FOR

AGAINST

Reducing the tax rate in _____
(name of taxing unit)

for the current year from _____
(the rate adopted)

to _____
(the rollback rate calculated by

_____ *Section 26.04 of the Property Tax Code)* _____.

APPENDIX 15:

Tax Code Section 26.05(b)

The following statement is required wording for a motion by a governing body to adopt a tax rate that exceeds the effective tax rate.

“I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the effective tax rate) percent increase in the tax rate.”

If the adopted tax rate exceeds the effective maintenance and operations rate, a governing body must include the following statements in the ordinance, resolution or order, in larger type than the type used in any other portion.

“THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR’S RATE.”

-and-

“THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$ (insert amount).”

If the adopted tax rate exceeds the effective maintenance and operations rate, a taxing unit must include the following statements on the home page of any Internet website it operates.

“(Insert name of unit) ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR’S TAX RATE.”

-and-

“THE TAX RATE WILL EFFECTIVELY BE RAISED BY (INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE) PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$ (Insert amount).”

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

For additional copies write:
Texas Comptroller of Public Accounts
Property Tax Assistance Division
P.O. Box 13528
Austin, Texas 78711-3528

The Texas Comptroller of Public Accounts is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of any services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling toll free (800) 252-5555 or by calling in Austin (512) 463-4600.



Sign up to receive e-mail updates on the Comptroller topics of your choice at www.window.state.tx.us/subscribe.

Texas Comptroller of Public Accounts
Publication #96-312
Revised July 2009

www.window.state.tx.us/taxinfo/proptax/tnt09/