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# Truth-In-Taxation

A Guide for Setting School District Tax Rates

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Texas Property Tax





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# Truth-In-Taxation – 2009

## A Guide for Setting School District Tax Rates

The Texas Constitution, Property Tax Code and Education Code embody the concepts of truth-in-taxation to require school districts 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 school districts in the state that will hold public hearings, consider budgets and set rates to impose property taxes. This guide is specifically intended to help school districts set 2009 tax rates.

By publishing this guide and by conducting seminars to instruct tax assessor collectors, budget officers and elected officials, the Comptroller’s office is providing technical assistance. It is 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.

There are four principles to truth-in-taxation as it relates to school districts:

- Property owners have the right to know of increases in their properties’ appraised value and to be notified of the estimated taxes that could result from the new value.
- A school district must publish its proposed tax rate, rollback tax rate and other specific information about its proposed taxes.

- A school district must publish a budget and proposed tax rate hearing notice and hold a public hearing to provide an opportunity for citizen input concerning these issues.
- A school district must hold an election to ratify a tax rate adopted above its rollback rate.

After the appraisal district certifies appraised values, school districts take the first step toward adopting a tax rate by calculating the *effective, effective maintenance and operations (M&O) and rollback tax rates*.

**Effective tax rate.** The effective tax rate is a calculated rate that would provide the school district 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.

**Effective M&O tax rate.** The effective maintenance and operations rate is the rate that, when imposed on the current year’s taxable value, yields state and local revenue per student equal to the state and local revenue per student for the preceding year, including the new funds distributed for property tax relief and additional funding for teacher pay raises and high schools.

**Rollback tax rate.** The rollback rate is a calculated maximum rate allowed by law without voter approval. The rollback rate is the LESSER of (1) the sum of the current compression percentage (0.6667 for 2009) times \$1.50 (or times the 2005 M&O rate for school districts with 2005 M&O rates above \$1.50), plus 4 cents, plus the rate that is equal to the sum of any differences between the adopted tax rate and the rollback tax rate approved by the voters for 2006 and subsequent years, plus the current debt rate OR (2) the sum of the effective M&O tax rate (previously defined) plus the rate equal to the current state compression percentage times 0.06 (this amounts to 4 cents in 2009), plus the current debt rate. In future years, the commissioner of education may determine a different compression percentage.

## Introduction

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If a school district adopts a tax rate that is higher than the rollback rate, school board trustees must hold an election to ask voters to approve the rate.

School districts publish their rollback rates in local newspapers, along with other information about budget and tax revenues in a notice titled *Notice of Public Meeting to Discuss Budget and Proposed Tax Rate*.

If taxpayers believe that the school district has not calculated these rates, published the required notice or otherwise complied with other tax rate adoption laws in good faith, they may ask a district court to stop the school from adopting a tax rate until it complies with the laws.

## 2009 Law Changes

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**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.

**Senate Bill (S.B.) 1024**, 81st Texas Legislature, Regular Session amends Tax Code Section 26.08 to allow school districts to mail tax statements before an adopted tax rate, that exceeds the rollback rate, has been ratified by the voters. The procedures for processing refunds and postponing the delinquency date will mirror those provisions in Section 26.07 for other taxing units, if a school district's tax rate is not ratified. Effective Sept. 1, 2009.

**S.B. 2274**, 81st Texas Legislature, Regular Session amends Tax Code Section 26.08 by adding subsection (p) which directs a school district that adopted a maintenance and operations rate that was less than its *effective* maintenance and operations rate for the preceding year, to use that previous

year's *effective* maintenance and operations rate when calculating the rollback rate for this year. Effective June 19, 2009.

**H.B. 3646**, 81st Texas Legislature, Regular Session amends Tax Code Section 26.01(e) requires 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.

**H.B. 3646** amends the Education Code Section 44.004 and Tax Code Section 26.05 to allow a school district to adopt its budget after it has adopted the tax rate if that tax rate is adopted before the district received the certified appraisal roll. Usually, a taxing unit must adopt its budget before it can adopt a tax rate. This allows the school district to use the certified estimate of taxable value it receives from the appraisal district(s) to set the tax rate. If the school district takes this action they must publish a notice and hold a meeting for the purpose of discussing the proposed tax rate. After the adoption of the tax rate, the unit must publish another notice and hold another public meeting to discuss the budget. The unit must use the notice prescribed by the Comptroller.

**H.B. 3646** amends the Election Code Section 3.005 to allow a school district to order an election to ratify a tax rate not later than the 30th day before the election date. Previous law stated that school district had to order or call an election at least 62 days before the election date.

**H.B. 3646** amends the Education Code Section 45.001 to allow a district to retire debt early and to include that early payment in the calculation of the debt rate.

The changes described in H.B. 3646 apply only to ad valorem taxes imposed for a tax year beginning on or after the effective date of September 1, 2009.

**H.B. 3676** repeals Tax Code Section 313.029. This section prohibited a school district from adopting a tax rate that was above the rollback rate for two tax years after entering into a value limitation agreement. Effective Sept. 1, 2009.

## Texas Constitution

The Texas Constitution sets out the general requirements for truth-in-taxation. The Texas Legislature amended Chapter 26, 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 school board. 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 force appraisal districts or school districts to alter their timetables, this typical calendar should provide a framework for activities.

EXHIBIT 1: Truth-In-Taxation Target Dates	
<b>April 1-May 1</b>	The chief appraiser sends notices of appraised value.
<b>June 8</b>	The chief appraiser certifies an estimate of taxable value for schools with a July 1 fiscal year.
<b>July 20 (or Aug. 31)</b>	The appraisal review board approves the appraisal records.
<b>July 27</b>	The chief appraiser certifies the approved appraisal roll to each school district.
<b>Aug.-Sept.*</b>	A school district adopts its budget according to its fiscal year but first must publish a NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE 10 to 30 days before a public meeting date. (School districts with a July 1 fiscal year adopt budgets in June and comply with notice and hearing provisions during June). After adopting the budget, the school adopts a tax rate.
<b>Sept. 29</b>	A school district must adopt its tax rate BY this date or 60 days after the school district receives the appraisal roll, whichever date is later.
<b>October</b>	The assessor-collector prepares and mails tax bills.

\* Note: A school district that receives an equalized wealth notice from the commissioner of education may not adopt its tax rate until the commissioner certifies that the district has reached its equalized wealth level [Sec. 41.004(c), Education Code]. At the same time it publishes the tax rate meeting notice, a school district must post a summary of its proposed budget.

## School District Calculations

Truth-in-taxation requires school districts to calculate two rates after receiving a certified appraisal roll from the chief appraiser — the effective tax rate and the rollback tax rate. School districts are not required to publish the effective tax rate, but must publish the rollback rate in a public meeting notice. The school board must:

- determine the effective tax rate and the rollback tax rate;
- decide how much revenue it needs and calculate the rate required to raise that amount;
- concurrently post a budget summary on its Web site and publish notice on the budget and proposed tax rate;
- hold a hearing on the budget and proposed tax rate;
- adopt a budget and then adopt the tax rate; and
- administer a rollback election if the adopted rate exceeds the rollback rate.

A planning calendar for these steps appears on Appendix 1. Part 5 of the manual discusses rollback elections.

### STEP 1: Calculate Required Rates.

All school districts must calculate an effective tax rate and a rollback tax rate. School districts must publish the rollback tax rate.

A school district's *effective tax rate* is a calculated rate that is 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.

The rollback tax rate is a calculated rate that limits the school district tax rate to the lesser of (1) the sum 0.6667 times \$1.50 (or times the 2005 M&O rate for school districts with 2005 M&O rates above \$1.50), plus 4 cents, plus the rate that is

equal to the sum of any differences between the adopted tax rate and the rollback tax rate approved by the voters for 2006 and subsequent years, plus the current debt rate OR (2) the sum of the effective M&O tax rate plus 0.6667 times 0.06 (this amounts to 4 cents in 2009) plus the current debt rate. To calculate the effective M&O rate, please use Region 13 Education Service Center's "State Aid Template for 2009-10" at <http://www5.esc13.net/finance/>. 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 qualified debt expenses. The overall rollback rate calculation is explained in greater detail in Part 3.

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

**Consolidation of two or more school districts.** A school district that was two or more school districts in the prior year handles the effective and rollback rate calculations differently. The consolidated school district combines last year's taxes for each school district and divides by the total values for the current year for the new consolidated school district. First, calculate last year's taxes for each school district in Lines 1-15 of the *Effective Tax Rate Worksheet* in Appendix 2. Then, combine last year's taxes on Line 15 for each school district to obtain last year's total taxes. The calculation for a tax-base consolidated school district differs slightly from a whole consolidation. If the consolidation is for M&O purposes only, each school district will calculate its own debt service rate for debt purposes.

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

The school district must identify its needs and draft a budget to meet those needs. The school district must decide how much property taxes along with state funds are necessary to fund that budget and, based on current year's values, what M&O rate is necessary. The school district must also determine what its payments for debt service will be.

The school district's governing body must also 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.

Truth-in-taxation laws explicitly address the debt service rate component of a school district's overall tax rate. The adopted debt service rate must equal the debt rate published in the school's notice of public meeting.

### **STEP 3:** **Adopt a school district's tax rate.**

School districts have a special notice for the public meeting on their budget and proposed tax rate. While other taxing units are required to follow the notice and hearing requirements of Tax Code Chapter 26, school districts must follow the notice and hearing requirements of Education Code Sections 44.004 and 44.0041. Section 44.004 sets out the items to include in the budget hearing and proposed tax rate notice. See Appendix 5.

School districts should review the general provisions in Step 1 for adopting the tax rate after holding the publicized hearing on the budget and proposed tax rate.

**Budget and proposed tax rate notice.** The notice entitled NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE (Appendix 5) is published in a local newspaper 10 to 30 days before the public meeting date. At the same time, a school district must post a summary of the proposed budget on its Web site or at the district's central administrative office. The quarter-page meeting notice includes a comparison of property tax rates, comparison of the proposed budget and last year's budget, comparison between last year and the current year of property taxes on an average residence and unencumbered fund balances. The notice also includes information about the total appraised and taxable value for all property and all new property for last year and this year and a section listing the school's total outstanding and unpaid bonded indebtedness. The rollback rate is also stated in the notice. If a school board adopts a tax rate above its 2009 rollback tax rate, the school board must hold an election to ratify the adopted tax rate.

**Rate limitation.** Education Code Section 45.003 limits a school district's M&O rate. The rate may not exceed the rate

equal to the sum of \$0.17 and the product of the state compression percentage as determined by Section 42.2516, multiplied by \$1.50. A school district that adopted a 2005 M&O rate above \$1.50, as permitted by special law, may not exceed the rate equal to the sum of \$0.17 and the product of the state compression percentage multiplied by the district's M&O tax rate for 2005. The state compression percentage is currently 66.67%, so the M&O rate limit for most school districts is \$1.17.

The Education Code requires school districts to demonstrate to the Texas Attorney General the projected ability to pay all debt issued after Sept. 1, 1992, with a rate not to exceed \$0.50. School districts should contact the Texas Attorney General with questions about new debt.

**Rate Adoption.** The school board may adopt the budget and tax rate after the public meeting. Or, the board may adopt the budget and wait to adopt the tax rate. School districts subject to an equalized wealth notice must wait to adopt a tax rate until the commissioner of education certifies that the wealth is equalized [Education Code Section 41.004(c)]. A school district must adopt the tax rate by Sept. 29 or 60 days after receiving the certified appraisal roll, whichever date is later.

**Open meetings notices.** The school district 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.

**Agenda item.** Adoption of the tax rate must be a separate item on the agenda for the meeting. State law requires school districts (Section 44.004, Education Code) to adopt a budget before adopting the tax rate. School districts may adopt a budget and a tax rate at the same meeting as long as the budget is adopted first as a separate item.

**Official action.** The school district's governing body must adopt a tax rate by official action and set it out in an ordinance or resolution. School districts should consult with their attorneys regarding the instrument to use for rate adoption.

School districts that adopt a rate above the effective tax rate must use special language in the motion to adopt. Section 26.05(b), Tax Code, states that the motion to adopt an ordinance, resolution or order setting a tax rate that exceeds the effective tax rate must be made in the following form:

"I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the effective tax rate) percent increase in the tax rate." In the order, ordinance or resolution, the school districts must use larger type, include an example of the maintenance tax increase on a \$100,000 home and state that the adopted tax rate will raise more taxes for M&O than the prior year's tax rate. If the school district operates a Web site, the district must also include similar language about increasing M&O taxes on its home page. Refer to Section 26.05(b)(1) and (2), Tax Code, and Appendix 7 for the exact wording.

What happens when property taxation will be decreased, rather than increased? What kind of motion is acceptable? And may school districts provide more information in the ordinance or resolution to explain the tax rate's effects? The law does not prohibit explanatory information. The law, in fact, provides mandatory motion language only when the new tax rate will exceed the effective tax rate. School boards with questions regarding the correct methods and phrasing of an ordinance or resolution to adopt a tax rate should discuss these questions with their legal counsel.

**Failure to comply.** If a school board fails to comply with the hearing, notice or rate adopting process in good faith, a property owner in the school district may seek an injunction. The injunction stops the district from sending tax bills until the school district convinces the district court that it has complied with the law. A property owner must act to enjoin collections before the school district delivers substantially all of its tax bills.

#### **STEP 4: Administer a rollback election, if necessary.**

A school district is required to hold an automatic rollback election — no petition process is necessary — to ratify a current year's tax rate, if the school board adopts a tax rate above the rollback rate. Go to Part 5 of this manual for more about administering a rollback election.

#### **STEP 5: Prepare and mail tax bills.**

Section 31.01(c), Tax Code, requires taxing units, including school districts, to prepare and mail a tax bill to each property

## Part 1: Truth-in-Taxation Overview

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owner by Oct. 1 or as soon thereafter as practicable. The bill must include the information listed in Section 31.01(c). For school districts only, additional information must be included on the bills or on a separate statement. Section 31.01 (d-1) requires separate lines for:

- (1) the school district M&O rate;
- (2) the school's outstanding debt rate;
- (3) the M&O rate for the preceding tax year;
- (4) if for the current tax year the school district imposed taxes for debt, the debt rate for the current tax year;
- (5) if for the preceding tax year the school district imposed taxes for debt, the debt rate for that year;and
- (6) the total tax rate of the school district for the preceding tax year.



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 school district the certified appraisal roll and the estimated values of properties under protest. The school district’s tax assessor determines:

- (1) the total appraised and taxable value of property in the school district;
- (2) the total appraised and taxable value of new improvements; and
- (3) the total taxable property annexed since the preceding year.

The assessor submits all of this information to the school board. The school board designates an officer or employee (often the tax assessor but not necessarily) to calculate the effective tax rate and the rollback tax rate. School districts are not required to publish the effective 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 2.

### Prior Year’s Taxes Less Taxes On Property Lost This Year

To calculate a 2009 effective tax rate, a school district 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.

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

School districts also may be required to refund taxes for tax years *preceding* last year. School districts include the refunded debt taxes in “last year’s debt levy” and total refunded taxes in “last year’s levy.” School districts 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 school district includes refunds paid in 2008 for tax years 2006 and 2007. A second example is a school district that refunded part of a 2003 payment for a Section 25.25(c) clerical error. The school district 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 school district may increase the prior tax year’s taxes to re-

**EXHIBIT 2: Calculating the Effective Tax Rate**

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

flect 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 school districts. These higher rates give school districts the ability to recapture revenue removed from last year's taxes because of returned money to taxpayers. The tax collector has information about refunds.

Truth-in-taxation laws also require the school district 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 school district, received a new exemption or qualified for special appraisal in the current year. The appraisal district has value information on these properties.

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

For homeowners age 65 or older or disabled, the district adjusts last year's value by subtracting the value of homesteads with tax ceilings.

Subtracting the revenue lost because of these changes gives the school district's adjusted 2008 taxes.

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

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Before calculating its effective rate, a school district must also adjust the 2009 values. The school district 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 school district 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.

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 school district 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. School districts 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 school district 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 school district 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 is likely 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 school districts a list of taxable properties 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 school district's assessor shall use the lower market, appraised or taxable value (as appropriate) for computing the school district's effective and rollback tax rates.

**New property value.** New property value will generate new revenue for a school district. It helps to offset property value losses for new exemptions and special appraisals granted for the first time in the current year. The school district 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 school district *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.

## 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 3.

### EXHIBIT 3: Detail Steps in Calculating the Effective Tax Rate

<b>2008 Taxes (on date of the calculation)*</b>	<b>Total Value on the 2009 Certified Appraisal Roll</b>
+	+
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 Jan. 1, 2008
-	-
Taxes on deannexed territory	Value of new improvements built after Jan. 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
-	-
=	=
<b>Adjusted 2008 Taxes</b>	<b>Adjusted 2009 Taxable Values</b>

$$\left[ \frac{\text{Adjusted 2008 Taxes}}{\text{Adjusted 2009 Taxable Value}} \right] \times \$100 = \text{2009 Effective Tax Rate}$$

\* 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 value or any value classified as new property value.





PART 3:

# The Rollback Tax Rate

Tax 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 27 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 school district to distinguish between M&O and debt service. The rollback tax rate, however, is the sum of the maximum M&O rate and debt service rate.

## Calculating the Rollback Tax Rate

The M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) to the lesser of the 2009 compressed operating tax rate or the effective M&O rate to generate operating funds. School districts will get to add to the compressed operating rate any additional cents approved by voters at a 2006 or subsequent rollback election.

The debt service rate portion is the tax rate necessary to pay the school’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 school district 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.

## M&O Rate

School districts add four cents (\$0.04) to the lesser of the compressed operating tax rate or the effective M&O rate for their highest M&O rate, as illustrated in Exhibit 4. School districts then add their 2009 debt service rate for the final 2009 rollback tax rate.

### EXHIBIT 4: Calculating the M&O Portion of the Rollback Tax Rate

\$1.50 (or adopted 2005 M&O rate if voters approved a rate higher than \$1.50)

X

.6667

+

\$0.04

+

Rate equal to the sum of any differences between the adopted tax rate and the rollback tax rate approved by voters for 2006 and each subsequent year

— OR —

Effective M&O rate

+

\$0.04

=

**School District M&O Rollback Rate**  
(the lesser of the two rates above)

**Additional rollback protection for pollution control.** Any school district may increase its rollback rate by the rate that generates the amount of funds the school district will spend for pollution control property, divided by the school’s current total value. Lines 36 - 39 of the *Rollback Tax Rate Worksheet* in Appendix 4 provide for calculating the additional rate to add to the rollback rate.

Tax Code Section 26.045 permits the additional protection to allow the school district 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 school district’s expenses are necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).

## Part 3: The Rollback Tax Rate

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A “facility, device or method of control” means any land, structure, building, installation, excavation, machinery, equipment or device that is used, constructed, acquired or installed wholly or partly to meet or exceed pollution control requirements. The TCEQ may also approve an extensive list of advanced clean energy facilities, devices, or methods used for pollution control. The definition includes any attachment or addition to or reconstruction, replacement or improvement of property. The requirements include preventing, monitoring, controlling or reducing air, water or land pollution.

The school district must present information to the TCEQ’s executive director in a permit application or in a request for permit exemption. The information details:

- anticipated environmental benefits from the installation of the facility, device or method;
- the estimated cost of the facility, device or method; and
- the installation’s purpose and the proportion of the installation that is pollution control property.

The TCEQ shall determine if the facility, device or method is used wholly or partly for pollution control. Then the TCEQ executive director shall issue a determination letter stating the portion of the cost of the installation for pollution control. The TCEQ may charge a fee for processing the information, making a determination and issuing the letter. School districts should check with the TCEQ for rules regarding this process by calling TCEQ’s Small Business and Environmental Assistance Division at (512) 239-6348.

The school district shall provide its tax assessor with a copy of the TCEQ’s letter. The assessor shall accept the copy as conclusive evidence and shall adjust the rollback tax rate. The additional lines on the calculation provide for entering the amount of pollution control expenditures and the 2009 total taxable value. The additional rate is added to the school district’s rollback rate.

In addition, school districts 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, this provision read literally has no effect. School districts that wish to exclude the market value of the exempted pollution control property should consult with their attorneys. A school district subtracts

the exempted properties’ appraised values from the current total value in the calculation.

## Debt Component

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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 school district’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 school district 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 total 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 any tax increment financing (TIF) captured appraised value where the school district agreed to deposit taxes into the TIF fund.

**Debt payments.** The top half of the formula is the actual debt payments required for the 2009-10 fiscal year, not the prior fiscal year’s debt. Remember that these are debt payments that 2009 property taxes will pay.

Districts are required to consider the amount of facilities state aid (Existing Debt Allotment (EDA) and or Instructional Facilities Allosment (IFA)) they will receive in setting their local Interest and Sinking (I & S) rates. Doing so reduces the amount of debt that districts will pay from local funds and produces a lower I & S tax rate. Districts that do not take the state funding into account will both violate state law and levy rates that are too high.

The only adjustment to the 2009 debt service is for anticipated collection losses. The school district subtracts the amount of 2008 excess debt tax collections from the current year’s debt payments, then divides the resulting figure by the anticipated 2009 collection rate. The school district’s tax assessor-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 school district that levies a debt service tax must consider anticipated collections in calculating the debt service component of its rollback tax rate. The assessor-collector for such a school district must certify two items to the school board:

- 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 assessor-collector must first estimate the school district’s total debt collections from July 1, 2009, through June 30, 2010. This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes, penalties, interest and the additional penalty for attorney fees under Tax Code Sections 33.07 and 33.08. Obviously, the assessor-collector will not know the precise amount until this collection period is completed. Truth-in-taxation laws, however, require the assessor-collector’s estimate. The assessor-collector will compare this amount to what the school district plans to levy for paying debt service in the 2009-10 fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate. Suppose, for example, the collector projects the school district will take in \$950,000 in debt revenues during the period. The school district’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 assessor-collector’s anticipated collection rate exceeds 100 percent, the assessor-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 assessor-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 assessor-collector compares this collected amount with the amount that the assessor-collector estimated to collect according to the 2008 anticipated collection rate. If the school district took in more debt tax dollars than should have been collected, the assessor-collector certifies the amount of excess debt tax collections to the school board.

For example, last year the assessor-collector projected a 2008 collection rate of 95 percent and the school board levied \$500,000 in 2008 debt service taxes. The anticipated debt tax collections for 2008 were \$475,000 (0.95 x \$500,000). The assessor-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 school district collected \$485,000 in 2008 debt service taxes, the collector certifies excess debt tax collections of \$10,000. The school district will subtract this \$10,000 from the 2009 debt payments to lower the 2009 debt service rate.

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

**EXHIBIT 5: Calculating the Debt Service Portion of the Rollback Rate**

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

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

\* School districts exclude the total taxable value of the 2009 homesteads with tax ceilings for homeowners 65 or older or disabled.

### **Part 3: The Rollback Tax Rate**

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Dividing the adjusted debt payments by the total 2009 taxable values, times \$100, gives the debt service portion of the rollback rate. Exhibit 5 illustrates the debt service calculation.

### **Total Rollback Tax Rate**

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



PART 4:

# Required Public Notice and Meeting

Education Code Section 44.004 requires a meeting notice for the budget and proposed tax rate for school districts. In addition, Section 44.0041 requires school districts to concurrently post a summary of their proposed budgets. School districts do not follow the notice and hearing requirements of Tax Code Chapter 26.

**One public notice.** A school district publishes one notice — NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE — in a local newspaper (see Appendix 5). The notice appears in the newspaper no later than 10 days nor earlier than 30 days before the date of the public meeting.

School districts are not required to publish the effective tax rate and other schedules required by law for other types of taxing units. The rollback tax rate and unencumbered fund balances will appear on this one notice.

**Content of the notice.** This quarter-page ad includes a comparison of property tax rates, comparison of the proposed budget and last year's budget, comparison between last year and current year property taxes on an average residence and unencumbered fund balances. The notice also includes information about the total appraised and taxable value for all property and all new property for last year and this year and a section listing the school's total outstanding and unpaid bonded indebtedness.

The law requires the Comptroller's office to prescribe the language and format of the notice. The Comptroller's Model Form 50-280 is on pages 28 and 29. It appears as a quarter-page notice — the minimum size required by law. A school district may enlarge the notice if it chooses. The district may also use a larger type size if printing space allows. The school district, however, may not print a notice less than one-quarter page or in smaller type size than the Comptroller's notice. The notice contains the following items:

- The first paragraph of the notice states the name of the school district and the time, date and place of the public meeting to discuss the school district's budget and proposed tax rate. The notice states that the budget determines the adopted tax rate. The purpose of the meeting is to discuss the budget and proposed tax rate and public participation in the discussion is invited. The paragraph also states that the school board may not adopt a rate that exceeds the proposed rate shown on this notice, unless the district publishes a revised notice and holds another public meeting to discuss the revised notice. Below this information the school district lists the proposed M&O rate and rate to pay for any bonded indebtedness under the captions "Maintenance Tax" and "School Debt Service Tax Approved by Local Voters."
- The second section of the notice is titled "Comparison of Proposed Budget with Last Year's Budget" and shows the percent increase or decrease in the amount budgeted in the preceding fiscal year and the amount budgeted for the fiscal year that begins this tax year for 1) maintenance and operations, 2) debt service, and 3) total expenditures.
- The third section is titled "Total Appraised Value and Total Taxable Value." This section lists the total appraised and taxable values for all property and all new property in the school district calculated under Tax Code Section 26.04 for last year and the current tax year.
- School districts are next required to state the amount of their outstanding and unpaid bonded indebtedness. This includes the school district's outstanding principal.
- The next part of the notice is a chart with three columns that state the school district's tax rates for M&O, interest and sinking fund (I&S) and the total rate. The rows in the chart include:
  - (1) **Last Year's Rate.** This row is the adopted 2008 M&O rate, 2008 I&S rate and the total adopted 2008 rate.

## Part 4: Required Public Notice and Meeting

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- (2) **Rate to Maintain Same Level of Maintenance & Operations Revenue & Pay Debt Service.** These 2009 rates maintain the same level of M&O revenue and pay debt service in the fiscal year. To determine the M&O rate, the amount of local and state funds is divided by the current 2009 taxable values as certified by the chief appraiser (including any changes) at the time this notice is prepared. The amount needed for debt service is also determined by the values certified by the chief appraiser (including any changes) at the time this notice is prepared, plus the school district's anticipated collection rate and any excess taxes collected for debt during the preceding year but not used for debt during that year. The 2009 debt payments, adjusted for excess debt collections and taking into account an anticipated collection rate, is on line 30 on the *2009 Rollback Tax Rate Worksheet*. The 2009 debt tax rate is Line 33 of the worksheet. The Texas Education Agency also provides a worksheet to assist school districts in calculating this rate.

- (3) **Proposed Rate.** This row is the proposed 2009 rates for M&O, I&S and the total rate.

This chart also includes two additional columns — *Local Revenue Per Student* and *State Revenue Per Student*. The amounts to enter are determined as follows:

- (1) To compute the *Local Revenue Per Student*, the school district multiplies the total taxable value, as determined by the chief appraiser for the applicable year and as adjusted to reflect any changes as of the time this notice is prepared, by the total tax rate and then divides by the number of students in average daily attendance for the applicable school year.
- (2) To compute the *State Revenue Per Student*, the school district divides the amount of state aid received or to be received of the applicable school year by the number of students in average daily attendance for the applicable school year.

One footnote appears at the bottom of the chart to explain the I&S rate.

- The sixth part of the notice is another chart — comparing the proposed levy (taxes) with last year's levy on an average residence in the school district.

The rows in this chart are:

- (1) **Average Market Value of Residences.** The first row states the average market value last year and this year of a residence in the school district, disregarding the limited home value that some homeowners may have for the 110 percent appraisal limitation under Tax Code Section 23.23. The district uses the same group of residences for each year to determine the average market value and the following items below.
- (2) **Average Taxable Value of Residences.** The second row is the average taxable value, after subtracting all homestead exemptions applicable in each year and taking into account the 110 percent appraisal limitation under Tax Code Section 23.23. The district disregards the age 65 or older and disabled homeowner's exemptions.
- (3) **Last Year's Rate Versus Proposed Rate - per \$100 Value.** The third row is the district's adopted rate last year and the proposed rate for this year.
- (4) **Taxes Due on Average Residence.** The fourth row is the amount of taxes on the average residence for both years.
- (5) **Increase (Decrease) in Taxes.** The fifth and final row is the amount of increase or decrease from last year's taxes to this year's proposed taxes on the average residence.

The appraisal district can assist with the average market and taxable values of residences. The school district should use the same group of residences for the different rows.

- The seventh part of the notice is a statement that the dollar amount of school taxes on the homesteads of persons age 65 or older (or the surviving spouse) may not increase above the amount paid in the first year after the homeowner turned 65. The law sets out the exact wording of this statement that must be in bold print. The Texas Legislature did not amend this statement for the disabled homeowner with a tax ceiling.

- The eighth part of the notice is a *Notice of Rollback Rate* in bold print. Again, the law sets out the exact wording of this statement. The rollback rate is Line 35, or Line 39, on the *2009 Rollback Tax Rate Worksheet*.
- The ninth and final part of the notice is titled *Fund Balances*. The school district states the estimated unencumbered fund balance(s) remaining in the I&S fund and the M&O or general fund balance(s) at the end of the current fiscal year. The district may subtract estimated funds necessary to operate the school district before receiving its first state aid payment for the succeeding school year.

**Newspaper requirements.** The notice must be at least a quarter page in a standard-size or tabloid-size newspaper. Its headline must appear in 18-point type or larger. The school district may not publish the notice in the legal or classified section of the newspaper. The notice is published at least 10 days but no longer than 30 days before the date of the public meeting.

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

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.

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

**School district with July 1 fiscal year.** A school district may change its fiscal year to begin July 1 (rather than Sept. 1). If the school district changes its fiscal year, then the chief appraiser shall certify an estimate of the school district's taxable values to the school district's assessor by June 8. A school district uses the certified estimate in preparing its budget and tax rate hearing notice if it has not received a regular appraisal roll on or before June 8.

The school district may adopt its budget using the estimate but may not adopt its tax rate until the district receives the certified appraisal roll. After receiving a certified appraisal roll, the school district must publish a revised notice and hold another public meeting to adopt a tax rate that exceeds the rate proposed in the first notice using the estimated values or exceeds the school district's rollback rate calculated using the final certified values.

Beginning in 2010, a school district with a July 1 fiscal year will get a certified estimate of taxable value from the appraisal district(s) by April 30 and can adopt their tax rate using those values. The district will also be able to adopt the tax rate before adopting the budget but will have to publish two notices and hold two public meetings.

**Municipal school district.** A municipal school district has special requirements for the public hearing on the annual budget and tax rate. A municipal school district is one operating under the former Education Code Chapter 24 (repealed in 1995). A municipal school district follows the city boundaries in which 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.

Both the school district and the city must follow all other procedures for the truth-in-taxation process required by the Tax Code.

**Certain school districts.** Senate Bill 2274 amended Tax Code Section 26.08 to direct a school district that adopted a maintenance and operation (M & O) rate that was less than its effective M & O rate to use the previous year's effective M & O rate when calculating the rollback rate for this year.





PART 5:

# Rollback Elections

**No petition required.** A school district is required to hold an automatic rollback election — without the petition process — to ratify a current year’s tax rate, if the school board adopts a tax rate above the rollback rate. The election date cannot be earlier than 30 days or later than 90 days after the date the school board adopted the tax rate. Election Code Section 3.005 was amended to allow a school district to order an election 30 days before the election date. Previous law required a time lapse of 62 days before an election date. This change takes effect with the 2010 tax year.

More information about rollback election procedures may be obtained from the Election Division of the Texas Secretary of State’s Office at (800) 252-8683 or visit its Web site at <http://www.sos.state.tx.us/elections/index.shtml#contact>.

Tax Code Section 26.08 requires the ballot language; a sample ballot is on page 30. The ballot states the voter is voting for or against ratifying the adopted tax rate, rather than limiting the rate to the rollback rate.

**Election results.** If a simple majority of the votes cast in the election favor the adopted tax rate, then the adopted tax rate stands. If the voters disapprove the adopted rate, the school district’s rollback rate would be the adopted tax rate.

**Disaster.** School districts are not required to ratify their tax rates when responding to a disaster. No election is called if the school district is spending increased revenue to respond to a disaster for the year following the year in which the disaster occurred. Disasters include tornadoes, hurricanes, floods or other similar events that affect the school district. The law excludes drought. For these purposes, a disaster exists only if the governor requests federal disaster assistance for the area



APPENDIX 1

# 2009 Planning Calendar

<b>April – May</b>	Mailing of notices of appraised value by chief appraiser.
<b>May 15</b>	Deadline for submitting appraisal records to ARB.
<b>June 8</b>	Deadline for chief appraiser to certify an estimated taxable value if school district has a July 1 fiscal year.
<b>July 15</b>	Deadline for commissioner of education to send notice to school districts required to equalize wealth.
<b>July 20 (Aug. 31)</b>	Deadline for ARB to approve appraisal records.
<b>July 27</b>	Deadline for chief appraiser to certify rolls to school districts.
_____	Certification of anticipated collection rate by assessor-collector.
_____	Calculation of rollback tax rate.
_____	72-hour notice for meeting ( <i>Open Meetings Notice</i> ).
_____	Meeting of school board to decide on public meeting date on budget and proposed tax rate. The school board votes on a proposed tax rate that will be published in the notice for the public meeting.
_____	NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE published 10 to 30 days before public meeting. Post proposed budget summary on district’s Web site.
_____	72-hour notice for public meeting ( <i>Open Meetings Notice</i> ).
_____	Public meeting on budget and proposed tax rate. School board may adopt budget and tax rate after the public meeting. Or, the board may adopt the budget and wait to adopt the tax rate. If the board waits to adopt the tax rate, continue with the next step.
_____	72-hour notice for meeting at which governing body will adopt tax rate ( <i>Open Meetings Notice</i> ).
_____	Meeting to adopt tax rate. School districts subject to an equalized wealth notice must wait to adopt a tax rate until the commissioner of education certifies that the wealth is equalized [Education Code Section 41.004(c)]. School district must adopt tax rate by Sept. 29 or 60 days after receiving certified appraisal roll, whichever date is later.

APPENDIX 2

# 2009 Effective Tax Rate Worksheet

See pages 9 to 12 for an explanation of the effective tax rate.

1.	<b>2008 total taxable value.</b> 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. Include the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing.	\$
2.	<b>2008 tax ceilings.</b> Enter 2008 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled.	\$
3.	<b>Preliminary 2008 adjusted taxable value.</b> Subtract Line 2 from Line 1.	\$
4.	2008 total adopted tax rate.	\$ /\$100
5.	<b>2008 taxable value lost because court appeals of ARB decisions reduced 2008 appraised value.</b> A. Original 2008 ARB values: \$ _____ B. 2008 values resulting from final court decisions: - \$ _____ C. 2008 value loss. Subtract B from A.	\$
6.	<b>2008 taxable value, adjusted for court-ordered reductions.</b> Add Line 3 and Line 5C.	\$
7.	<b>2008 taxable value of property in territory the school deannexed after Jan. 1, 2008.</b> Enter the 2008 value of property in deannexed territory.	\$
8.	<b>2008 taxable value lost because property first qualified for an exemption in 2009.</b> Note that lowering the amount or percentage of an existing exemption does not create a new exemption or reduce taxable value. If the school district 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. A. <b>Absolute exemptions.</b> Use 2008 market value: \$ _____ B. <b>Partial exemptions.</b> 2009 exemption amount or 2009 percentage exemption times 2008 value: + \$ _____ C. <b>Value loss.</b> Add A and B.	\$
9.	<b>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.</b> Use only those properties that first qualified in 2009; do not use properties that qualified in 2008. A. <b>2008 market value:</b> \$ _____ B. <b>2009 productivity or special appraised value:</b> - \$ _____ C. <b>Value loss.</b> Subtract B from A.	\$
10.	<b>Total adjustments for lost value.</b> Add Lines 7, 8C and 9C.	\$
11.	<b>2008 adjusted taxable value.</b> Subtract Line 10 from Line 6.	\$
12.	<b>Adjusted 2008 taxes.</b> Multiply Line 4 by Line 11 and divide by \$100.	\$

13.	<b>Taxes refunded for years preceding tax year 2008.</b> 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.	\$
14.	<b>Adjusted 2008 taxes with refunds.</b> Add Lines 12 and 13.	\$
15.	<p><b>Total 2009 taxable value on the 2009 certified appraisal roll today.</b> This value includes only certified values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 18). These homesteads includes homeowners age 65 or older or disabled.</p> <p>A. <b>Certified values only:</b> \$ _____</p> <p>B. <b>Pollution control exemption:</b> 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>C. <b>2009 value.</b> A minus B</p>	\$
16.	<p><b>Total value of properties under protest or not included on certified appraisal roll.</b></p> <p>A. <b>2009 taxable value of properties under protest.</b> 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 given, 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. <b>2009 value of properties not under protest or included on certified appraisal roll.</b> The chief appraiser gives school districts 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. <b>Total value under protest or not certified.</b> Add A and B.</p>	\$
17.	<b>2009 tax ceilings.</b> Enter 2009 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled..	\$
18.	<b>2009 total taxable value.</b> Add Lines 15C and 16C. Subtract Line 17.	\$
19.	<b>Total 2009 taxable value of properties in territory annexed after Jan. 1, 2008.</b> Include both real and personal property. Enter the 2009 value of property in territory annexed, including any territory annexed by the school district.	\$
20.	<b>Total 2009 taxable value of new improvements and new personal property located in new improvements.</b> "New" means the item was not on the appraisal roll in 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 school district 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.	\$
21.	<b>Total adjustments to the 2009 taxable value.</b> Add Lines 19 and 20.	\$
22.	<b>2009 adjusted taxable value.</b> Subtract Line 21 from Line 18.	\$
23.	<b>2009 effective tax rate.</b> Divide Line 14 by Line 22 and multiply by \$100.	\$ /\$100

APPENDIX 3

# 2009 Rollback Tax Rate Worksheet

See pages 13 to 16 for an explanation of the rollback tax rate.

<p><b>24.</b></p>	<p><b>Maintenance and operations (M&amp;O) tax rate. Enter \$1.50 OR the 2005 adopted M&amp;O rate if voters approved a rate higher than \$1.50.</b></p> <p>Senate Bill 2274 amended Tax Code Section 26.08 to direct a school district that adopted a maintenance and operation (M &amp; O) rate that was less than its effective M &amp; O rate to use the previous year's effective M &amp; O rate when calculating the rollback rate for this year.</p>	<p>\$ _____ /\$100</p>
<p><b>25.</b></p>	<p><b>Multiply Line 24 times 0.6667</b></p>	<p>\$ _____ /\$100</p>
<p><b>26.</b></p>	<p><b>2009 rollback maintenance and operation rate.</b></p> <p><b>Rate A:</b> Add \$0.04 plus the rate equal to the sum of any differences between the adopted 2006 and subsequent tax rates approved by voters and the rollback rates for 2006 and subsequent years to Line 25. _____</p> <p><b>Rate B:</b> Go to Region 13 Education Service Center's worksheet "State Aid Template for 2009-10" at <a href="http://www5.esc13.net/finance/">http://www5.esc13.net/finance/</a>. Use tab labeled "Effective Rate" and complete through Line 51. To Line 51 add \$0.04. _____</p> <p><b>C:</b> Enter the lesser of Rate A or Rate B _____</p> <p>(See Lines 36 to 39 for additional rate for pollution control expenses)</p>	<p>\$ _____ /\$100</p>
<p><b>27.</b></p>	<p><b>Total 2009 debt to be paid with property taxes and additional sales tax revenue.</b></p> <p>"Debt" means the interest and principal that will be paid on debts that:</p> <ul style="list-style-type: none"> <li>(1) are paid by property taxes,</li> <li>(2) are secured by property taxes,</li> <li>(3) are scheduled for payment over a period longer than one year and</li> <li>(4) are not classified in the school district's budget as M&amp;O expenses.</li> </ul> <p>Debt also includes contractual payments to other school districts that have incurred debts on behalf of this school district, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue. Do not include appraisal district budget payments. If using unencumbered funds, subtract unencumbered fund amount used from total debt and list remainder. School districts subtract state aid received for paying principal and interest on debt for facilities through the existing debt allotment (EDA) program and/or instructional facilities allotment (IFA) program.</p>	<p>\$ _____</p>
<p><b>28.</b></p>	<p><b>Certified 2008 excess debt collections.</b> Enter the amount certified by the collector.</p>	<p>\$ _____</p>
<p><b>29.</b></p>	<p><b>Adjusted 2009 debt.</b> Subtract Line 28 from Line 27.</p>	<p>\$ _____</p>
<p><b>30.</b></p>	<p><b>Certified 2009 anticipated collection rate.</b> Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.</p>	<p>_____ %</p>
<p><b>31.</b></p>	<p><b>2009 debt adjusted for collections.</b> Divide Line 29 by Line 30.</p>	<p>\$ _____</p>
<p><b>32.</b></p>	<p><b>Enter the 2009 captured appraised value of real property taxable by the school district in a tax increment financing zone that corresponds to the 2009 taxes that will be deposited into the tax increment fund.</b></p> <p>Also, enter any new property value that is subject to a Chapter 313 tax limitation agreement.</p>	<p>\$ _____</p>
<p><b>33.</b></p>	<p><b>2009 total taxable value.</b> Subtract Line 32 from Line 18.</p>	<p>\$ _____</p>
<p><b>34.</b></p>	<p><b>2009 debt tax rate.</b> Divide Line 31 by Line 33 and multiply by \$100.</p>	<p>\$ _____ /\$100</p>
<p><b>35.</b></p>	<p><b>2009 rollback tax rate.</b> Add Lines 26C and 34.</p>	<p>\$ _____ /\$100</p>

APPENDIX 4

# Additional Rollback Protection for Pollution Control

36.	<b>Certified expenses from TCEQ.</b> Enter the amount certified in the determination letter from TCEQ. The school district shall provide its assessor with a copy of the letter. See Part 3, the Rollback Rate, for more details.	\$
37.	<b>2009 total taxable value.</b> Enter the amount from Line 33 of the Rollback Tax Rate Worksheet.	\$
38.	<b>Additional rate for pollution control.</b> Divide Line 36 by Line 37 and multiply by \$100.	\$ /\$100
39.	<b>2009 rollback tax rate, adjusted for pollution control.</b> Add Line 38 to Line 35.	\$ /\$100



## NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

The \_\_\_\_\_ *(name of school district)* will hold a public meeting at \_\_\_\_\_ *(time, date, year)* in \_\_\_\_\_ *(name of room, building, physical location)* \_\_\_\_\_ *(city, state)*.

**The purpose of this meeting is to discuss the school district's budget that will determine the tax rate that will be adopted. Public participation in the discussion is invited.**

The tax rate that is ultimately adopted at this meeting or at a separate meeting at a later date may not exceed the proposed rate shown below unless the district publishes a revised notice containing the same information and comparisons set out below and holds another public meeting to discuss the revised notice.

<b>Maintenance Tax</b>	\$ _____ / \$100 (Proposed rate for maintenance and operations)
<b>School Debt Service Tax Approved by Local Voters</b>	\$ _____ / \$100 (proposed rate to pay bonded indebtedness)

### Comparison of Proposed Budget with Last Year's Budget

The applicable percentage increase or decrease (or difference) in the amount budgeted in the preceding fiscal year and the amount budgeted for the fiscal year that begins during the current tax year is indicated for each of the following expenditure categories:

Maintenance and operations	_____ % increase	or	_____ % (decrease)
Debt service	_____ % increase	or	_____ % (decrease)
Total expenditures	_____ % increase	or	_____ % (decrease)

### Total Appraised Value and Total Taxable Value (as calculated under Section 26.04, Tax Code)

	Preceding Tax Year	Current Tax Year
Total appraised value* of all property	\$ _____	\$ _____
Total appraised value* of new property**	\$ _____	\$ _____
Total taxable value*** of all property	\$ _____	\$ _____
Total taxable value*** of new property**	\$ _____	\$ _____

\* "Appraised value" is the amount shown on the appraisal roll and defined by Section 1.04(8), Tax Code.

\*\* "New property" is defined by Section 26.012(17), Tax Code.

\*\*\* "Taxable value" is defined by Section 1.04(10), Tax Code.

### Bonded Indebtedness

Total amount of outstanding and unpaid bonded indebtedness\* \$ \_\_\_\_\_

\* Outstanding principal.

### Comparison of Proposed Rates with Last Year's Rates

	<u>Maintenance &amp; Operations</u>	<u>Interest &amp; Sinking Fund*</u>	<u>Total</u>	<u>Local Revenue Per Student</u>	<u>State Revenue Per Student</u>
<b>Last Year's Rate</b>	\$	\$ *	\$	\$	\$
<b>Rate to Maintain Same Level of Maintenance &amp; Operations Revenue &amp; Pay Debt Service</b>	\$	\$ *	\$	\$	\$
<b>Proposed Rate</b>	\$	\$ *	\$	\$	\$

\* The Interest & Sinking Fund tax revenue is used to pay for bonded indebtedness on construction, equipment, or both. The bonds, and the tax rate necessary to pay those bonds, were approved by the voters of this district.

### Comparison of Proposed Levy with Last Year's Levy on Average Residence

	<u>Last Year</u>	<u>This Year</u>
Average Market Value of Residences	\$	\$
Average Taxable Value of Residences	\$	\$
Last Year's Rate Versus Proposed Rate per \$100 Value	\$	\$
Taxes Due on Average Residence	\$	\$
Increase (Decrease) in Taxes		\$

**Under state law, the dollar amount of school taxes imposed on the residence homestead of a person 65 years of age or older or of the surviving spouse of such a person, if the surviving spouse was 55 years of age or older when the person died, may not be increased above the amount paid in the first year after the person turned 65, regardless of changes in tax rate or property value.**

**Notice of Rollback Rate: The highest tax rate the district can adopt before requiring voter approval at an election is \_\_\_\_\_ (school rollback rate) \_\_\_\_\_. This election will be automatically held if the district adopts a rate in excess of the rollback rate of \_\_\_\_\_ (school rollback rate) \_\_\_\_\_.**

### Fund Balances

The following estimated balances will remain at the end of the current fiscal year and are not encumbered with or by a corresponding debt obligation, less estimated funds necessary for operating the district before receipt of the first state aid payment:

Maintenance and Operations Fund Balance(s)	\$
Interest & Sinking Fund Balance(s)	\$

APPENDIX 6

# Sample Rollback Ballot

**Tax Rate Rollback Election**

For \_\_\_\_\_  
*(name of school district)*

\_\_\_\_\_

*(date of election)*

OFFICIAL BALLOT

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

FOR

AGAINST

Approving the ad valorem tax rate of \_\_\_\_\_  
*(adopted tax rate)* per \$100 valuation

in \_\_\_\_\_  
*(name of school district)*

For the current year a rate that is \_\_\_\_\_  
*(difference between adopted rate and rollback tax rate)*

higher per \$100 valuation than the school district rollback tax rate.

*Note: A bilingual ballot is required in most taxing units. Check with the Secretary of State's Election Division at (800) 252-8683.*

APPENDIX 7:

# 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 TAX.”

-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).”





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