



Truth-In-Taxation

A Guide for Setting Tax Rates

May 2000

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Texas Comptroller of Public Accounts



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Truth-In-Taxation – 2000

A Guide for Setting Tax Rates

Chapter 26 of the Property Tax Code requires taxing units to comply with truth-in-taxation laws in adopting their tax rates. The 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 State Comptroller's office publishes this guide to help local governments set property tax rates. Some aspects of truth-in-taxation, however, 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.

There are four principles to truth-in-taxation:

- Property owners have the right to know of increases in their properties' appraised value and to be notified of the taxes that could result from the new value.
- A taxing unit (other than a school district) must calculate and publish its effective and rollback tax rates before adopting an actual tax rate. A school district must calculate and publish its proposed tax rate, rollback tax rate and other specific information with its budget hearing notice.
- A taxing unit (other than a school district) must publish special notices and hold a public hearing before adopting a tax rate that exceeds the lower of the rollback rate or 103 percent of the effective tax rate. A school district is not subject to this requirement but must publish a budget and proposed tax rate hearing 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. For school districts, no petition by taxpayers is required for rollback elections to ratify tax increases above the rollback rate.

2000 Tax Year Changes

When setting their 2000 property tax rate, some taxing units will see changes in the truth-in-taxation process. These changes vary by type of taxing unit. Some changes do *not* apply to school districts and small taxing units. Small taxing units are those units that propose a tax rate of \$0.50 or less to generate \$500,000 or less in taxes.

All taxing units

Effective January 1, 2000, **Senate Bill (S. B.) 1118** requires all taxing units to adopt their tax rates by a certain date. The deadline to adopt is before the *later* of September 30 or the 60th day after the taxing unit receives the appraisal roll.

Failure to adopt a tax rate by the deadline will result in the taxing unit adopting the effective tax rate or last year's rate, whichever is lower, as its tax rate for the current year.

All taxing units other than small units and school districts

Effective January 1, 2000, **House Bill (H. B.) 954** changed what triggers the public hearing and publishing notices for a proposed tax increase. Beginning with the 2000 tax rate, Section 26.05(d) returns the law that was in effect before the 1998 tax year. A taxing unit will be required to hold a public hearing and publish newspaper ads before adopting a tax rate that exceeds the lower of the rollback rate or 103 percent of the effective tax rate. The first quarter-page notice has changed to reflect different wording for this new law.

(For tax years 1998 and 1999, taxing units were required to hold the hearing and publish notices if the proposed tax rate resulted in any increase in total property tax revenues from the preceding year.)

H. B. 954 also requires taxing units to publish a new statement 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 an increase or decrease in the unit's taxes compared to last year's taxes, and the amount of the increase or decrease.

Taxing units with indigent health care costs

Beginning with a tax rate adopted on or after January 1, 2000, **H. B. 1398** allows a taxing unit to increase its effective maintenance and operations (M&O) rate to reflect 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. Those standards were effective on or after January 1, 2000.

School districts

Effective for tax year 2000, **S. B. 4** changed a school district's rollback tax rate calculation to add 6 cents, rather than the 3 cents added to the 1999 rollback rate. The majority of school districts (those that fall under Education Code Chapter 42) will add 6 cents. For the wealthy school districts (Chapter 41), those districts should consult their legal counsel about adding 3 cents or 6 cents in the rollback rate calculation for tax year 2000.

School districts also have an additional reduction in the rollback rate calculation for additional state assistance received by some school districts that offer the optional percentage homestead exemption, if state funds are available.

As in previous tax years, the Texas Education Agency (TEA) has a worksheet entitled *Worksheet to Assist Districts in Calculating Rollback Rate* for school districts to use in computing how much state funds they will receive. For the 2000 rollback rate, all school districts will use the same worksheet. [For the 1999 tax rate, TEA had two worksheets — one for Education Code Chapter 42 school districts (the majority of districts) and one for Chapter 41 school districts (those districts required to reduce their taxable wealth per student). The two types of school districts had different steps for calculating their 1999 rollback tax rates.]

Changes to a school district's hearing notice for the budget and proposed tax rate, required by **H. B. 2075** for the 1999 tax rate, are removed from the notice for the 2000 rate. The "**NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE**" has several items deleted.

2001 Tax Year Changes

When setting their 2001 property tax rate, many taxing units will see a law change in the truth-in-taxation process.

All taxing units other than small units and school districts

Effective January 1, 2001, **H. B. 954** requires a supplemental notice for the hearing on a tax rate increase. If the taxing unit owns, operates or controls an Internet website, the unit shall post on its website an additional notice of the public hearing at least seven days immediately before the hearing on the proposed tax rate increase. The unit also shall post at least seven days immediately before the date of the vote on the proposed tax rate.

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 both immediately before the public hearing on the proposed tax rate increase and before the vote on the proposed tax rate.

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

This new 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 new additional notice requirement.

All taxing units

For tax rates in 1999 and 2000, **S. B. 1804** provided for increasing and decreasing the rollback tax rates of taxing units that agree by written contract to transfer a *portion* of the responsibility for funding departments, functions or activities. That provision will expire January 1, 2001.

The law will still allow for the transfer of *all* of a responsibility, not a portion.

Important Points to Remember for Tax Year 2000

Effective Tax Rate

- The effective tax rate calculation has not changed. School districts are not required to calculate and publish an effective tax rate.
- The effective tax rate is generally the prior year's taxes divided by the current year's taxable values of properties that were on the tax roll in both years. The effective tax rate excludes taxes on properties no longer in the taxing unit and also excludes the current taxable value of new properties.
- The effective tax rate is published in the local newspaper along with the rollback rate, unencumbered fund balance, debt schedule and other required schedules.

Rollback Tax Rate

- The rollback tax rate calculation has not changed for most taxing units. School districts will see changes in their calculation. Taxing units with enhanced indigent health care expenditures have an additional step.
- The rollback tax rate divides the overall property taxes into two categories -- maintenance and operation (M&O) taxes and debt service taxes.
- Taxing units other than school districts are allowed an 8-percent increase in operating taxes. Most school districts (those under Chapter 42) are allowed 6 cents for tax year 2000.
- For taxing units other than school districts and small taxing units, the rollback tax rate is published in the newspaper, along with the effective rate, unencumbered fund balance, debt schedule and other required schedules.
- Local voters in a taxing unit, other than a school district, must present a petition to rollback an adopted tax rate that exceeds the calculated and published rollback rate.
- A school district that adopts a tax rate above its rollback tax rate must hold an election to ratify its adopted tax rate. If local voters say no to the adopted tax rate, then the rollback tax rate becomes the school district's adopted tax rate.

Proposed Tax Increase

- Beginning with tax year 2000, the public hearing and notices will be required if a taxing unit (other than a school district or small taxing unit) proposes a tax rate that exceeds the lower of the rollback rate or 103 percent of the effective tax rate. The taxing unit's governing body must vote to place the proposal to adopt the rate on a future meeting as an action item. The governing body must publish a quarter-page notice notifying the public of a hearing, must hold a public hearing and must publish a second quarter-page notice before adopting the 2000 tax rate.
- The percentage of increase on the quarter-page notices is calculated using the proposed tax rate and either the rollback rate or the effective rate, whichever is lower.
- A small taxing unit may use a simplified procedure by publishing a special notice in the legal section of a newspaper having general circulation in the unit or mailing the notice to each of the unit's property owners.
- A school district must publish a special notice of public meeting to discuss the budget and proposed tax rate.

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 and the Tax Calendar

Who administers the various parts of truth-in-taxation as the tax year goes on? At the appraisal stage, truth-in-taxation laws require the chief appraiser to deliver notices of appraised value to certain taxpayers. Part 5 discusses these notices. At the assessment stage, the laws require the taxing unit's governing body to publish effective and rollback tax rates; to hold public hearings; and, if necessary, to administer a rollback election. The steps vary depending on the type of taxing unit.

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 taxing units to alter their timetables, this calendar should provide a framework for activities.

- May 15** The chief appraiser sends notices of appraised value.
- July 25** The chief appraiser certifies the approved appraisal roll to each taxing unit.
- August 7** A taxing unit (other than a school district or small taxing unit) publishes its notice of effective and rollback tax rates.
- A school district does not publish an effective tax rate; it publishes a rollback tax rate with its budget hearing notice.
- Aug.-Sept.** A taxing unit adopts its budget. After adopting the budget, the unit adopts a tax rate.*
- Sept. 30** A taxing unit must adopt its tax rate by this date, or within 60 days after the taxing unit receives the appraisal roll, whichever date is later.
- October** The assessor prepares and mails tax bills.

***Note to school districts:** 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].

Truth-in-taxation requires a taxing unit (other than a school district) to calculate two rates after receiving its 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 hold hearings if the proposed tax rate will exceed the rollback rate or 103 percent of the effective tax rate, whichever is lower.
- adopt the tax rate; and (possibly)
- administer a rollback election.

A planning calendar for these steps appears on page 33 for most taxing units and page 34 for school districts. The following discussion covers rate calculation and adoption in greater detail. Part 6 of the manual discusses rollback elections.

Step 1: Calculate and publish required rates.

All taxing units (other than school districts) that levied property taxes in 1999 and intend to levy them in 2000 must calculate 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, as applicable to the taxing unit.

Most taxing units publish them in a newspaper in a form set out by the Comptroller or may mail these calculations to each property owner. School districts include a rollback rate in the hearing notice for their budget and proposed tax rate. 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 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** divides the overall property taxes into two categories – maintenance and operations (M&O) and 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 cushion.

For school districts, the rollback tax rate generates local property taxes for the current year with current year's taxable values so that the school district receives the same amount of local operating taxes and state funds per student in weighted average daily attendance (WADA) that was available in the 1999-2000 school year, based on estimated WADA for the 2000-2001 school year. Then, most school districts (Education Code Chapter 42) add \$0.06 per \$100 of taxable value for their highest M&O rate. Wealthy school districts (Chapter 41) should consult with their legal counsel on whether to add \$0.03 or \$0.06 for their highest M&O rate. (In setting the 1999 tax rate, all school districts added \$0.03.) See Part 3 for more about school districts' rollback tax rate.

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

Except for small taxing units and school districts, taxing units must publish notices and hold hearings if a proposed tax rate will exceed the lower of the rollback rate or 103 percent of the effective rate.

Once a taxing unit (other than a small taxing unit or a school 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 was not in good faith.

New taxing units. A taxing unit that did not levy property taxes in 1999 is not required to comply with truth-in-taxation laws in 2000 **unless** it levied the additional sales tax to reduce property taxes in 1999. However, the Comptroller 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.

The Education Code provides that two or more school districts may create a *consolidated taxing district* by merging their tax bases. A consolidated taxing district requires voter approval in each component district. Questions arise whether consolidating tax bases creates a new taxing unit for truth-in-taxation purposes. The Comptroller does not believe the district is a new unit for these purposes because tax rates exist on which the unit may calculate a rollback rate. A consolidated unit should contact its legal counsel for further advice if it believes that it is a new unit. The Comptroller interprets tax base consolidation as a regular consolidation of units (as discussed below) because each unit levied taxes in the prior year.

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 1-14 of the effective rate calculation on page 35. Then, combine last year's taxes on line 14 for each unit to obtain last year's total taxes. For lines 25-27 of the rollback rate calculation on page 38, 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 27F. The remaining calculation steps are the same for the consolidated unit's current values and current debt.

Consolidated school districts should contact TEA regarding questions on the state worksheet for the rollback rate. Call TEA's State Funding Division at 512/463-9238.

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 rate for debt purposes.

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: (1) proposes a tax rate for the current year that is \$.50 or less per \$100 of taxable value and (2) 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.

School districts. The Texas Education Agency (TEA) has a worksheet entitled *Worksheet to Assist Districts in Calculating Rollback Rate* for school districts to use in computing how much state funds they will receive. This year's worksheet will calculate the amount for the 2000-2001 school year that is comparable to the 1999-2000 school year. Part 3 contains more details about calculating the school district's rollback tax rate. [For the 1999 tax rate, TEA had two worksheets – one for Chapter 41 school districts (districts required to equalize their wealth) and one for Chapter 42 school districts (the majority of districts).]

School districts should proceed to Step 8.

Step 2: Decide how much tax to levy.

Truth-in-taxation laws regulate the calculation and adoption of tax rates, but they do not tell taxing units how to spend their money. In general, a taxing unit's governing body must base its expenditures on the costs of the services it provides and the bonded debt its voters have approved.

Truth-in-taxation laws, however, explicitly address the debt component of a taxing unit's overall tax rate. For most taxing units, the adopted debt rate must equal the debt rate published in the rollback rate calculation. If the unit levies an additional sales tax, the debt component of its rate cannot exceed the debt 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.

If a taxing unit's 2000 proposed tax rate exceeds the rollback rate or 103 percent of the effective rate, whichever is lower, the taxing unit's governing body must vote to place the proposal to adopt the rate on the agenda of a future meeting as an action item. The percentage of increase on the quarter-page notices is the percentage increase above the effective rate (if the lower rate), times 100.

If a taxing unit proposes a tax rate that is less than 103 percent of the effective rate and also lower

than the rollback rate, then it may adopt the tax rate by following Step 9. Otherwise, for a tax increase, the taxing unit should proceed to Step 3.

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

Step 3: Vote to propose a tax increase.

When a proposed rate exceeds the lower of the rollback rate or 103 percent of the effective rate, the taxing unit's governing body (other than for a small taxing unit or a school 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 a public hearing on the proposal. This hearing must be held:

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

Part 5 of this manual explains how to calculate the percentage increase.

Step 4: Publish first quarter-page notice.

After proposing a tax increase and scheduling a public hearing, the governing body must notify the public of the date, time and place of the hearing and provide information about the proposed tax rate at least seven days before the public hearing. The law establishes specific requirements for this "Notice of Public Hearing on Tax Increase."

A model form for this notice appears on page 46. Part 5 of this manual discusses the publication requirements. This notice has changed for tax year 2000.

Step 5: Hold a public hearing.

After publishing the first required notice, the taxing unit must hold a public hearing. A quorum of the governing body must be present. Taxpayers must have the opportunity to express their views on the increase. The governing body may not adopt the tax rate at this hearing. Instead, at the end of the hearing, it must set and announce the date, time and place of the meeting at which it will vote on the tax rate.

The governing body must follow a tight timetable once it holds the public hearing. The meeting

to vote on the tax rate must take place no less than three days and no more than 14 days after the public hearing. Like the public hearing, the meeting to vote must take place in a public building inside the unit's boundaries. Unlike the public hearing, the meeting to vote on the tax rate may be held on any day, including a holiday.

Step 6: Publish second quarter-page notice.

After the hearing and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice – “Notice of Vote on Tax Rate.”

A model form for this notice appears on page 47. Part 5 discusses the publication requirements. The information to complete the notice has changed for tax year 2000.

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: (1) proposes a tax rate for the current year that is \$.50 or less per \$100 of taxable value and (2) 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 calculation or 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 (7) 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) the 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 103 percent of 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 on page 49.

Small taxing units should follow the general rules in Step 9 for adopting a tax rate.

Step 8: Adopt a school district's tax rate.

School districts have a different 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 Section 44.004. Section 44.004 sets out the items to include in the budget hearing and proposed tax rate notice.

School districts should review the general provisions in Step 9 for adopting a tax rate.

Budget and proposed tax rate notice. The notice entitled “*NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE*” is published 10 to 30 days before the date of the public meeting in a local newspaper. The quarter-page ad includes a comparison of property tax rates, comparison of property taxes on an average residence and unencumbered fund balances. Section C in Part 5 on page 29 of this manual contains details about this notice and page 48 includes the tax year 2000 form. For tax year 2000, this school district notice changed.

School districts are not required to calculate an effective tax rate. School districts publish their rollback tax rate and other information required by

law following different guidelines than other types of taxing units.

If a school board adopts a tax rate above its 2000 rollback tax rate, the school board must hold an election to ratify the adopted tax rate.

Rate limitation. The Education Code limits a school district's M&O rate to \$1.50 per \$100 of value. This school rate limitation is separate from the Tax Code Section 26.08 rollback rate provisions. While a school district may calculate and publish a calculated M&O rate plus \$0.06 that exceeds \$1.50, a school board may **not** adopt a M&O rate that exceeds \$1.50.

A school district also may adopt a rate up to \$0.50 for "new" debt plus a rate for "old" debt. "New" debt is debt authorized after April 1, 1991 and issued after September 1, 1992; "old" debt is debt authorized prior to those dates. The Education Code requires school districts to demonstrate to the Texas Attorney General the projected ability to pay all debt issued after September 1, 1992, with a rate not to exceed \$0.50. School districts should contact the Texas Attorney General with questions about new debt.

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

The following general rules apply to any tax rate adoption.

If the taxing unit (other than a small taxing unit or a school district) proposes a tax rate that does not exceed the rollback rate or 103 percent of the effective tax rate, whichever is lower, then the unit must follow the provisions below in adopting the final tax rate. No special meeting or newspaper ads are required.

If the taxing unit (other than a small taxing unit or a school district) did propose a tax rate that exceeds the rollback rate or 103 percent of the effective rate, whichever is lower, then 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 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.

Small taxing units may follow Step 7 and the procedures below.

School 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. 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 most counties (Secs. 111.007-111.010, Local Government Code), general law cities (Secs. 102.006-102.009, Local Government Code) and school districts (Sec. 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. 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 adopting 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. Although the Property Tax Code doesn't set out specific wording, school districts and 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.

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

For most taxing units, the debt component of the adopted tax rate must equal the calculated and published debt rate that appeared in the rollback tax rate calculation and required notices. Units collecting the additional sales tax may not adopt a debt 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 components.

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.

Deadline to adopt rate. Section 26.05, Property Tax Code, requires a taxing unit to adopt its tax rate by September 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.

(Effective January 1, 2000, the Legislature changed Section 26.05 by deleting the requirement that if the chief appraiser delivers the appraisal roll to the county after August 22, the county must adopt a tax rate within 30 days. The new deadline above applies to all types of taxing units.)

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 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.

Part 2:

The Effective Tax Rate

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 (1) the total appraised and taxable value of property in the unit, (2) the appraised and taxable value of new improvements and (3) the 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. Remember that a school district is not required to calculate an effective tax rate, only a rollback tax rate.

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

Calculating the Effective Tax Rate

Calculating the effective tax rate uses the prior year's taxes and the taxable value in the current year for property taxed in the prior year. Dividing the taxes by the value (and multiplying by 100 to convert to a rate per \$100 of value) gives the effective tax rate (see Table 1 below).

In practice, the calculation is slightly more complicated. The worksheets on pages 35-37 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 2000 effective tax rate, a taxing unit must first determine its total 1999 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 Section 25.25(d), Tax Code, 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.

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

Table 1: Calculating the Effective Tax Rate

$$\left(\frac{\begin{array}{c} \text{Prior Year's Taxes} \\ \textit{less} \\ \text{Taxes on Property Lost This Year} \\ \textit{(divided by)} \\ \text{Current Value of Property} \\ \text{Taxed in the Prior Year} \end{array}}{\quad} \right) \times \$100 = \text{Effective Tax Rate}$$

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 1999.

For example, in 2000 a district court approved reducing a property owner's 1997, 1998 and 1999 taxable values, resulting in three years of tax refunds from the 1999 property taxes. The taxing unit includes the refunded 1997 and 1998 taxes in the 1999 calculations. Current law already provides for the 1999 court-ordered refund to be included as a separate step in the effective 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.

A second example is a taxing unit that refunded part of a 1997 payment for a Section 25.25(c) clerical error. The taxing unit includes the refunded tax amount in the total 1999 taxes.

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

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" means 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 (1) been deannexed by the unit, (2) received a new exemption or (3) qualified for special appraisal in the current year. (If a school district decides to calculate an effective tax rate, the district adjusts last year's value by subtracting the value of over-65 homesteads with tax ceilings.)

Property first qualified for a new exemption does not include freeport property under Section 11.251, Property Tax Code, or for property receiving a tax abatement.

Subtracting the revenue lost because of these changes gives the taxing unit's adjusted 1999 taxes.

Current value of property taxed in the prior year. Before calculating its effective rate, a taxing unit must also adjust the 2000 values. To do so, it begins with the total taxable value on the 2000 certified appraisal roll and adds the value of properties still under protest. The unit then subtracts the value of new property — property annexed since January 1, 1999, and improvements new to the 2000 tax roll. (A school district that decides to calculate

an effective tax rate adjusts its 2000 values by subtracting the 2000 values of over-65 homesteads with tax ceilings.) The result is the 2000 taxable values adjusted to include only the property that was taxed in both 1999 and 2000.

The 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 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 appraisal 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.

New property. The chief appraiser will also supply the value of real and personal property new to the 2000 appraisal roll. This amount includes only the personal property that is located in a new improvement and that entered the taxing unit after January 1, 1999. New inventory in an existing building, new mobile homes and new vehicles do not count as new personal property. However, 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 January 1, 1999, are new property. Only the value of the individual new improvement is new property. The increased value on existing structures is not new property.

New property will include property value in the current year that was 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 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 property value” for the rate calculation. This provision applies to taxing units created under Section 52, Article III, Texas Constitution, or Section 59, Article XIV, Texas Constitution.

New property generates 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 calculation. Dividing the adjusted 1999 taxes by the adjusted 2000 taxable values and multiplying by 100 gives the 2000 effective tax rate as shown in Table 2.

Table 2: Detail Steps in Calculating the Effective Tax Rate

1999 Taxes (on date of the calculation)*	Total Value on the 2000 Certified Appraisal Roll
+	+
Taxes on values lowered in court decisions	Estimated value that will be placed on property under protest
+	-
Taxes refunded for tax years preceding tax year 1999	Value of property annexed after January 1, 1999
-	-
Taxes on deannexed territory	Value of new improvements built after January 1, 1999
-	-
Taxes on property value not taxable in 2000 because it received an exemption or special appraisal for the first time	Value of pollution control property exempted for the first time
=	=
Adjusted 1999 Taxes	Adjusted 2000 Taxable Values

$$\left(\frac{\text{Adjusted 1999 Taxes}}{\text{Adjusted 2000 Taxable Value}} \right) \times \$100 = \text{Effective Tax Rate}$$

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

Part 3:

The Rollback Tax Rate

The rollback tax rate calculation is more complicated than the effective tax rate calculation. The Legislature wanted to avoid injuring a taxing unit's ability to pay its debt. Thus, the rollback rate calculation splits the rate into two separate components — a maintenance and operations rate and a debt rate.

For most taxing units, revenue falls into two general categories: maintenance and operations (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 (sometimes called "interest and sinking," or I&S). Section 26.012, subsections (7) and (8), Property Tax Code, provide the full legal definition of debt.

Line 32 of the Rollback Tax Rate Worksheet on page 40 provides a 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 expenses. The rollback tax rate, however, is the sum of the debt and the M&O.

In most cases, the rollback tax rate exceeds the effective tax rate. Occasionally, however, decreases in a taxing unit's debt create situations 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

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

All Units Other Than School Districts:

$$\left(\frac{\text{Adjusted 1999 Value} \times \text{1999 M\&O Rate}}{\text{Adjusted 2000 Taxable Values}} \right) \text{ (divided by) } \left(\frac{\text{Adjusted 1999 Value} \times \text{1999 M\&O Rate}}{\text{Adjusted 2000 Taxable Values}} \right) \times \$100 \times 1.08 = \text{M\&O Portion of Rollback Rate}$$

School Districts:

$$\left(\frac{\begin{array}{l} \text{M\&O Taxes for Same Local Taxes,} \\ \text{with State Funds, per WADA as} \\ \text{1999-2000 School Year, based on} \\ \text{estimated WADA for 2000-2001} \\ \text{less} \\ \text{Any State Funds for Percentage} \\ \text{Homestead Exemption (if Funds Available)} \end{array}}{\begin{array}{l} \text{Current 2000 Taxable Values} \\ \text{less} \\ \text{Over-65 Homesteads with Tax Limitations} \end{array}} \right) \text{ (divided by) } \left(\frac{\text{Adjusted 1999 Value} \times \text{1999 M\&O Rate}}{\text{Adjusted 2000 Taxable Values}} \right) \times \$100 + \$0.06 * = \text{M\&O Rollback Rate}$$

* Steps for Education Code Chapter 41 school districts should consult their legal counsel about adding \$0.03 or \$0.06 for the M&O rollback rate.

operating funds than the unit (other than a school district) levied in the preceding year. This calculation is similar to the effective rate calculation.

The debt rate portion is the tax rate that will be needed 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. The M&O portion, however, may rise only 8 percent (or \$0.06 for most school districts).

M&O component. For taxing units (other than school districts) to calculate the M&O rate (see Table 3), begin with the adjusted 1999 total taxable value used to calculate the effective tax rate. Multiplying that value by the 1999 M&O rate gives the adjusted 1999 M&O taxes. Dividing the adjusted M&O taxes by the adjusted 2000 taxable value used to calculate the effective tax rate yields the "effective M&O rate."

Truth-in-taxation laws allow an 8-percent increase in the M&O rate without triggering a rollback. Multiplying the effective M&O rate by 1.08 gives the M&O portion of the rollback rate. Chapter 42 school districts add \$0.06, and do not multiply by the 1.08. Chapter 41 school districts should consult their legal counsel about adding \$0.03 or \$0.06 for the M&O rollback rate.

Special steps required by some taxing units are discussed below.

County criminal justice mandate. Counties may increase their rollback rate to replace funds spent to house prisoners sentenced to state correctional facilities. Counties adjust the maintenance and operations rate in their rollback rate calculation for the amount spent above that amount calculated in the prior year. (In the first year that a county has expenditures for the criminal justice mandate, the full amount is included in the rollback rate calculation.)

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 maintenance and operations rate.

The county continues to use the same 12-month period in subsequent years.

In addition, the county publishes a special notice about the county criminal justice mandate – Schedule D (discussed later in this manual on page 26).

For state information, call the Texas Commission on Jail Standards at 512/463-5505.

School districts. The Texas Education Agency (TEA) has a worksheet entitled *Worksheet to Assist Districts in Calculating Rollback Rate*.

Call the Texas Education Agency's State Funding Division at 512/463-9238 with questions on the student enrollment, state funding formulas and this special rollback worksheet.

School districts on the TEA worksheet will calculate the amount for the 2000-2001 school year that is comparable to the 1999-2000 school year, using Education Code funding elements. A school district's M&O rollback rate is the sum of:

- (1) the property tax rate that, applied to the current total value of a school district, would impose M&O taxes that, when added to state funds for the 2000-2001 school year, would provide the same amount of state and local funds per WADA for the 2000-2001 school year as in the 1999-2000 school year. State funds are those available to the school district at the maximum tax rate for the current year under Education Code Section 42.253(e). The school district does not include amounts provided to the district under Education Code Sections 42.2512 or 42.2513. The TEA worksheet will provide the steps to determine the local property tax amount needed.
- (2) \$0.06 per \$100 of taxable value for Chapter 42 school districts. Chapter 41 school districts should consult their legal counsel about adding \$0.03 or \$0.06 for the rollback rate.
- (3) the district's debt rate (see next section about the debt rate).

The TEA worksheet will assist the school district in finding the local property tax amount needed in (1) above. That property tax amount is divided by the local certified 2000 taxable values (excluding the homestead value of the over-65 homeowners with tax ceilings). The result is a school district's 2000 effective M&O tax rate. To this rate, Chapter 42 school districts add \$0.06 for their highest M&O rate. Chapter 41 school districts should consult their legal counsel about adding \$0.03 or \$0.06 for the rollback rate. All school districts then add their 2000 debt rate for the final 2000 rollback tax rate.

Some school districts also have an additional reduction in the rollback rate calculation for additional state assistance received by districts that offered the optional percentage homestead exemption, if state funds are available. The TEA worksheet includes this reduction and the reduced amount of property tax is entered on Line 28 of the rollback tax rate worksheet.

Tax increment financing. In the rollback rate calculation, school districts eliminate the increases in taxes and taxable value occurring within reinvestment zones established by Chapter 311, the Tax Increment Financing Act. For those school districts in a reinvestment zone, the districts exclude the portion of their taxes deposited into a tax increment fund and the percentage of captured value taxable by a district that results in the taxes deposited into the tax increment fund. This provision applies only to school districts.

Taxing units transferring a function. If a taxing unit discontinues all or part 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 to the rollback rate this amount for the function’s expenses. Collections contracts are not subject to this provision since the original taxing unit never fully transfers and discontinues operating its collections function.

In 1999, S. B. 1804 changed this provision to add the transfer of *portion* of a department, function or activity. The provision for transferring a portion of a function will expire January 1, 2001. Transferring all of a department, function or activity will remain.

Additional rollback protection for pollution control. A 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 rate worksheet on page 42 provide for calculating the additional rate to add to the rollback rate.

Section 26.045, Tax Code, 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 necessary to meet the requirements of a permit issued by the Texas Natural Resource Conservation Commission (TNRCC).

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 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 taxing unit must present information to the TNRCC’s executive director in a permit application or in a request for permit exemption. The information details:

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

The TNRCC shall determine if the facility, device or method is used wholly or partly for pollution control. If yes, then the TNRCC executive director shall issue a determination letter stating the portion of the cost of the installation for pollution control. The TNRCC may charge a fee for processing the information, making a determination and issuing the letter. Taxing units should check with the TNRCC for rules regarding this process by calling TNRCC’s Policy and Research Division at 512/239-6348.

The taxing unit shall provide its tax assessor with a copy of the TNRCC’s letter. The assessor shall accept the copy as conclusive evidence and shall adjust the rollback tax rate. The additional lines on page 42 provide for entering the amount of pollution control expenditures and the 2000 total taxable value. The additional rate is added to the unit’s rollback rate.

In addition, 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, 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 by the rate that generates the amount of funds the unit will spend for enhanced indigent health care expenses, divided by the unit's current total value. Lines 53-56 of the rollback rate worksheet on page 42 provide for calculating the additional rate to add to the rollback rate.

Beginning with a tax rate adopted on or after January 1, 2000, **H. B. 1398** allows a taxing unit to increase its effective M&O rate to reflect 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. Those standards were effective on or after January 1, 2000.

Debt component. The debt portion of the rollback rate differs entirely from the M&O portion. It does not use the adjusted 2000 taxable value (the current value of properties taxed in the prior year). Instead, it uses the total 2000 taxable value (the current value of all properties) in the lower part of the formula. The current value of all properties for school districts does exclude the 2000 homestead value of the over-65 homeowners with tax ceilings.

The top half of the formula is the actual debt payments required for 2000-2001 fiscal year, not the prior year's debt. Remember, these are debt payments using 2000 property taxes. A taxing unit that pays debt with other funds should not include these payments in the calculation.

Certain types of taxing units may increase their current debt 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 later in this manual). These taxing units are created under Section 52, Article III, Texas Constitution, or Section 59, Article XIV, Texas Constitution.

The only adjustment to the 2000 debt is for anticipated collection losses. Subtract the amount of 1999 excess debt tax collections from the current year's debt payments, then divide the resulting figure by the anticipated 2000 collection rate. Obtain the figures for excess debt tax collections and the anticipated collection rate from the tax collector. The discussion of anticipated and excess collections below will tell the collector how to calculate these figures.

Dividing the adjusted debt payments by the total 2000 taxable values gives the debt portion of the rollback rate. (See Table 4 below.)

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

Table 4: Calculating the Debt Portion of the Rollback Rate

$$\left(\frac{\begin{array}{c} \text{2000 debt payments} \\ \text{less} \\ \text{1999 excess debt tax collections} \\ \text{(divided by)} \\ \text{2000 anticipated collection rate} \end{array}}{\quad} \right) = \text{Adjusted 2000 debt}$$

$$\left(\frac{\text{Adjusted 2000 debt}}{\text{Total 2000 taxable values}} \right) \times \$100 = \text{2000 debt rate}$$

Anticipated and Excess Collections

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

- The estimated debt collection rate for 2000 and
- Excess debt tax collections for 1999.

The estimated debt collection rate for 2000.

To find the estimated collection rate, the collector must first estimate the unit's total debt collections from July 1, 2000, through June 30, 2001. This estimate equals the total tax dollars collected (for current debt taxes, delinquent taxes, special appraisal rollback taxes, penalties, interest and the additional penalty for attorney fees under Sections 33.07 and 33.08, Property Tax Code). Obviously, the collector will not know the precise amount until the period is over. However, truth-in-taxation laws require an estimate. The collector will compare this amount with what the unit plans to levy for 2000-2001 fiscal year to pay for debt.

Dividing the estimated collections by the debt taxes gives the estimated collection rate. Suppose, 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 \$1,000,000 in debt taxes for 2000. The anticipated collection rate is $\$950,000/\$1,000,000$, 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 1999. The law requires the collector to compare the amount of taxes (including current taxes, delinquent taxes, special appraisal rollback taxes, penalties, interest and the additional penalty under Sections 33.07 and 33.08, Property Tax Code) actually collected for debt in 1999 (July 1, 1999, through June 30, 2000) with the amount that should have been collected according to the 1999 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 1999 collection rate of 95 percent, and the governing body levied \$500,000 in 1999 debt taxes. The anticipated debt tax collections for 1999 were \$475,000 ($.95 \times \$500,000$). The collector determines whether the total amount of debt taxes collected from July 1, 1999, through June 30, 2000, exceeds \$475,000 and determines the amount of any excess. If the unit collected \$485,000 in 1999 debt taxes, the collector certifies excess debt tax collections of \$10,000.

If the collector projected a 1999 collection rate of 100 percent and collected more than 100 percent, the collector certifies excess debt collections of "0" (zero).

Part 4:

The Additional Sales Tax

Since 1986, the Texas Legislature has allowed cities and counties to levy a sales tax specifically to reduce property taxes. For counties, the sales tax is the first they could levy. In 1989, hospital districts were allowed to levy a sales tax — again to reduce their property taxes.

In each case, the taxing unit reduces its effective and rollback tax rates to offset the expected sales tax revenue. The Property Tax Code provisions refer to the tax as the *additional* sales tax for the reduction of property taxes, and this pamphlet refers to the tax as the additional sales tax. For more information about imposition and administration of the additional sales tax, call the Comptroller’s Public Outreach at 1-800-531-5441, ext. 3-4679.

Timing a Sales Tax Election

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

Collecting the sales tax begins on the October 1 following the first full quarter after the taxing unit notifies the State Comptroller of the election results. A taxing unit that held a successful election in August or November 1999 or held a successful election in January or May 2000 will adjust its 2000

rates. A taxing unit that holds a successful election in August or November 2000 will adjust its 2001 rates for the first time.

Impact on the Effective and Rollback Tax Rates

A taxing unit that adopted the additional sales tax in August or November 1999 or in January or May 2000 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 August or November 1999 or in January or May 2000 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 on page 41 to calculate this rate.

The sales tax gain rate. To calculate a sales tax gain rate, the unit must first contact the State Comptroller to obtain an estimate of the last four quarters’ total dollar-volume of business activity subject to sales tax. Multiply that estimate by the additional sales tax rate (normally .005), then by

Table 5: Calculating the Sales Tax Gain Rate

$$\left(\frac{\begin{array}{l} \text{Estimated} \\ \text{Taxable} \\ \text{Sales} \end{array} \times \begin{array}{l} \text{Additional} \\ \text{Sales Tax} \\ \text{Rate} \end{array} \times .95}{\text{2000 Total Taxable Values}} \right) \times \$100 = \text{2000 Sales Tax Gain Rate}$$

Note: Divide by the total 2000 taxable values, not by the adjusted values used in calculating the effective tax rate.

95 percent. The Legislature allowed a conservative amount to offset low first-year estimates of the total taxable sales. Divide the amount by total 2000 taxable values, as the formula in Table 5 shows.

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

Subtracting the sales tax gain rate from the effective tax rate and the rollback rate adjusts them for the anticipated additional sales tax (see Table 6 below).

Table 6: Adjusting for Additional Sales Tax

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

Steps for Second and Prior 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.

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 Table 7.

The debt component of the rollback rate is identical to that described earlier. See Part 3 for a full explanation. Use the Additional Sales Tax Rate Worksheet on page 41 for these calculations.

Table 7: Calculating Rollback Rate for Second and Prior Years

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

Sales tax in the M&O rate. To calculate the effective M&O rate, add the prior year’s sales tax revenue spent on maintenance and operations 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 needed 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 maintenance and operations rate. The development grants are created and authorized by Chapter 381, Local Government Code.

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

$$\left(\frac{\text{Sales Tax Revenue Last Four Quarters}}{\text{Total 2000 Taxable Values}} \right) \text{ (divided by) } \times \$100 = \text{2000 Sales Tax Adjustment Rate}$$

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

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

$$\left(\frac{\text{Adjusted 1999 Tax Levy}}{\text{Adjusted 2000 Taxable Values}} \right) \text{ (divided by)} \times \$100 + \text{Sales Tax Loss Rate} = \text{Adjusted Effective Tax Rate}$$

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 State Comptroller 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 2000 taxable values as shown in Table 8.

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 sales tax revenue in the calculation of the county’s sales tax adjustment rate. The development grants are created and authorized by Chapter 381, Local Government Code.

Changing the 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 \$.0025 to \$.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 \$.005 to \$.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 Division at 1-800-252-9121 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 Table 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 (see Table 10).

Table 10: Adjusting Rollback Rate after Abolishing Additional Sales Tax

$$\begin{aligned} & * \text{ Effective M\&O Rate} \\ & \quad \times \\ & \quad 1.08 \\ & \quad + \\ & \quad \text{Debt Rate} \\ & \quad = \\ & \quad \text{Rollback Rate} \end{aligned}$$

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

Tax Bills and the Additional Sales Tax

Taxing units that levy the additional sales tax must show on their tax bill the amount of additional taxes that the property owner would have paid had the sales tax not been levied. The State Comptroller recommends calculating this amount by applying the

sales tax adjustment rate (line 44 from the Additional Sales Tax Rate Worksheet) to the property’s taxable value.

City Mass Transit Sales Tax

Article 1118(z), VTCS, 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. Cities that impose this tax should contact the State Comptroller for a special worksheet for their rate calculations. In general, instead of subtracting a sales tax adjustment rate, such cities subtract a mass transit expense rate. The city divides the amount budgeted in property taxes for mass transit expenses in the current year by the total taxable value (see Table 11).

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

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

$$\begin{array}{l}
 \text{Effective Tax Rate} \quad - \quad \left(\frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} \right) \quad (divided\ by) \quad \times \ \$100 = \text{Adjusted Effective Tax Rate} \\
 \\
 \text{Rollback Tax Rate} \quad - \quad \left(\frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} \right) \quad (divided\ by) \quad \times \ \$100 = \text{Adjusted Rollback Tax Rate}
 \end{array}$$

Part 5:

Required Forms and Notices

Truth-in-taxation laws require the chief appraiser to send a “Notice of Appraised Value” to some taxpayers. This notice must meet standards specified in the Property Tax Code. The code also specifies standards that taxing units must meet when they publish their effective and rollback tax rates. Further, if proposed tax rates increase the amount of taxes for the preceding year, the taxing units must publish notices that meet legal requirements specified in the Property Tax Code and Comptroller rules. School district also must follow requirements of the Education Code.

Notice of Appraised Value

The notice of appraised value required by Section 25.19, Property Tax Code, must include an estimate of taxes that would be imposed based on a property’s proposed value. For tax year 2000, the Property Tax Code requires the chief appraiser to use last year’s tax rate to determine the estimated taxes.

In prior years, the chief appraiser had to use the effective tax rate formula for the rate estimates on the notice.

Part A. For All Taxing Units Other Than Small Taxing Units and School Districts

Notice of Calculated Rates

The law requires taxing units (other than small taxing units and school 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 with the Comptroller prescribed form. Taxing units must follow the requirements for the format and wording of the notice. The State Comptroller recommends the notice be printed in at least 8-point type.

The model forms for these notices appear on pages 43-44. Page 43 shows the general form for

units other than counties. A similar form for counties appears on page 44. 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

Beginning with tax year 2000, all taxing units (other than a small taxing unit or a school district) must publish a special statement about increasing or decreasing taxes. Since all of these units will include this statement, it is first item on the revised form that appears on page 45.

A taxing unit (other than a small taxing unit or a school district) also must publish schedules showing its unencumbered fund balances (Schedule A), debt needs (Schedule B) and (if it levies one) anticipated revenues from the additional sales tax (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.

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

- **Statement of Increase/Decrease** is new for 2000. Beginning with the 2000 tax rate, taxing units are required to publish additional items 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 an increase or decrease in the unit’s taxes compared to last year’s taxes, and the amount of the increase or decrease. Line 6 times Line 4,

divided by \$100, plus Line 13 of the worksheet yields last year's taxes (levy) as defined in Section 26.012(13). The taxes for this current year would be the effective tax rate times Line 18 [total current value as defined in Section 26.012(6)], divided by \$100.

- **Schedule A** lists unencumbered fund balances remaining in each property 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.
- **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 (the debt schedule), units must subtract excess collections from debt service for the upcoming year. (See Part 3 for further information.) 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 Chapter 381, Local Government Code.
- **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 maintenance and operation 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. For state information, call Texas Commission on Jail Standards at 512/463-5505.
- **Schedule E** applies to a taxing unit that transfers all or part of a department, function or activity to another taxing unit by written contract. In the first year of the "function" transfer, both units publish a special schedule. The schedules include (1) the name of the unit discontinuing the function, (2) the amount spent by the unit to

operate the discontinued function in the preceding 12 months and (3) 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. Collection contracts are not subject to this provision.

Failure to comply. If the taxing unit does not calculate or publish the required rates, 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 school 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 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.

Effective January 1, 2000, **House Bill (H. B.) 954** changed what triggers the public hearing and publishing notices for a proposed tax increase. Beginning with the 2000 tax rate, Section 26.05(d) returns the law that was in effect before the 1998 tax year. A taxing unit will be required to hold a public hearing and publish newspaper ads before adopting a tax rate that exceeds the lower of the rollback rate or 103 percent of the effective tax rate. The first quarter-page notice has changed to reflect different wording for this new law.

(For tax years 1998 and 1999, taxing units were required to hold the hearing and publish notices if the proposed tax rate resulted in any increase in total property tax revenues from the preceding year.)

If proposing a tax increase, the governing body must issue the first of two public notices. This first notice (amended in 2000) is titled "Notice of Public Hearing on Tax Increase." A model form appears on page 46. 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 hearing.

Calculating the percentage of tax increase. If a taxing unit's 2000 proposed tax rate will exceed the rollback rate or 103 percent of the effective rate, then the unit must show the percentage of increase on the quarter-page notice. To calculate the percentage, take the difference between the proposed rate and either the effective rate or the rollback rate (whichever is lower). Divide the difference by either the effective rate or the rollback rate (whichever is lower), times 100. This is the percentage of increase.

For example, the 2000 proposed tax rate for a county is \$0.30. The effective rate is \$0.25 and the rollback rate is \$0.28. The difference between the \$0.30 proposed rate and the \$0.25 effective rate is \$0.05. Dividing \$0.05 by \$0.25, times 100, yields a percentage increase of 20 percent.

Content of the notice. The notice has two main sections. The first section states that the unit is proposing to increase taxes and states the percentage increase that the proposed rate exceeds the effective or rollback rate. It gives the time, date and place of the public hearing and tells how members of the governing body voted on the proposal.

The second section of the notice is a table comparing the preceding year's taxes on the average home to the taxes the proposed rate would impose on the average home. This table compares the following information:

- The average appraised value last year and this year of a residence homestead in the taxing unit, disregarding the limited home value that some homeowners may have for the 110-percent value limitation;
- The 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;
- The taxable value of the average residence homestead after exemptions last year and this year,

disregarding over-65 or disabled homeowner's exemptions;

- Last year's adopted tax rate and this year's proposed tax rate; and
- The amount of tax imposed on last year's average taxable value and the amount that would be imposed on this year's average taxable value.

There are several ways to calculate the average home value in the taxing unit. The taxing unit 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.

Below the comparison, the unit must show the dollar difference between the taxes on the average home last year and the percentage increase or decrease of the taxes due over last year's taxes. Proposed amounts must indicate an increase or decrease over last year's taxes.

The final sentences of the notice must give the difference in tax rates between last year and the current year (labeling it an increase or decrease). The unit shows the percentage increase or decrease of the proposed tax rate over last year's tax rate.

The notice must use the form and wording to be adopted by the State Comptroller in Model Form 50-197 (see page 46) for tax year 2000. A taxing unit may not insert additional information in the State Comptroller form. The unit must follow the wording exactly. Counties add the criminal justice mandate paragraph.

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. Do not publish the notice in the legal or classified section of the newspaper. Publish it at least seven days before the date of the 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, according to Attorney General Letter Opinion No. 96-084 (1996). Any

reference to “second-class” should be the same as “periodicals.”

Notice of Vote on Tax Rate

After the public hearing and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice: “Notice of Vote on Tax Rate.” This notice must meet the same requirements as the first:

- At least a quarter-page of a standard newspaper;
- Headline in 18-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 Section 26.06, Property Tax Code.

The unit’s governing body must meet to vote on the tax rate no less than three days and no more than 14 days after the 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 model form (50-198) on page 47 contains the statutory language for this notice.

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: (1) proposes a tax rate for the current year that is \$.50 or less per \$100 of taxable value and (2) 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) 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.

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 103 percent of the effective tax 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).

Different public notice. A small taxing unit may provide public notice of the proposed tax rate in one of two ways. The unit may (1) mail a notice of the proposed rate to each property owner in the unit or (2) 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 (7) 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:

- (1) the proposed tax rate;
- (2) the 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*).”

The effective tax rate is line 23 of the 2000 Effective Tax Rate Worksheet on page 37. 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 on page 49.

Newspaper requirements. This 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.

The United States Postal Service’s change in name of “second-class” mail to “periodicals” is fundamentally a name change, according to Attorney General Letter Opinion No. 96-084 (1996). Any reference to “second-class” should be the same as “periodicals.”

Part C. School Districts

Education Code Section 44.004 requires a different meeting notice for the budget and proposed tax rate for school districts, rather than the public notices required in Tax Code Chapter 26. The bill removes school districts from 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. The notice appears in the newspaper no later than 10 days nor earlier than 30 days before the date of the public meeting.

The notice has changed from the 1999 notice, with the deletion of some items only required for tax year 1999.

School districts are **not** required to publish the effective tax rate, rollback 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 property taxes on an average residence and unencumbered fund balances for the school district.

The law requires the State Comptroller to prescribe the language and format of the form. The Comptroller’s form is on page 48. It appears as a quarter-page ad – the minimum size required by law. A school district may increase to a larger ad if it chooses. The district may also use a larger type size if printing space allows. The school district, however, may not print an ad less than one-quarter page or in smaller type size than the Comptroller’s ad. The ad 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, and that 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.

- The second part of the notice is a chart with three columns that state the school district’s tax rates for maintenance and operations (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 1999 M&O rate, 1999 I&S rate and the total adopted 1999 rate.

(2) **Rate to Maintain Same Level of Maintenance & Operations Revenue & Pay Debt Service.** This row is the 2000 rates that 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 2000 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 2000 debt payments, adjusted for excess debt collections and taking into account an anticipated collection rate, is on line 36 on the 2000 Rollback Tax Rate Worksheet on page 40. The 2000 debt tax rate is line 38 of the worksheet on page 40. The Texas Education Agency also provides a worksheet to assist school districts in calculating this rate.

(3) **Proposed Rate.** This row is the proposed 2000 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 (for 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 third 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 value limitation. 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 appraisal limitation under Tax Code Section 23.23. The district disregards the over-65 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 this average market and taxable values of residences.

The school district should use the same group of residences for the different rows.

- The fourth 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 fifth 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 39 on the 2000 Rollback Tax Rate Worksheet on page 40.
- The sixth 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 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 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 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, according to Attorney General Letter Opinion No. 96-084 (1996). Any reference to “second-class” should be the same as “periodicals.”

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 school districts (Opinion No. JM-835, 1987) and hospital districts (Opinion No. JM-859, 1988). The Supreme Court decision appears to establish that rollback elections are constitutional for other taxing units as well.

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. At least 10 percent of the registered voters shown on the most recent official voter list for the specific taxing unit must sign the 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 on page 50. 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 State Comptroller 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, it must set a rollback election date. This date cannot be earlier than 30 days nor later than 90 days after the last date the governing body could have ruled on the validity of the petition.

The state law 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 1-800-252-8683.

Section 26.07 of the Property Tax Code specifies the wording for a rollback election ballot. A sample ballot appears on page 51. 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 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 passage of the rollback.

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 rates under the original rate and taxes under the rollback rate. The taxing unit has 60 days from the date the results are counted to send refunds.

Small refunds. A taxing unit other than a school district 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 forfeit the refund right. The refund becomes due on the date the election results are counted. This refund requirement is under Section 26.07, Property Tax Code. (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.

School Districts

No petition required. School districts are required to hold automatic rollback elections — without the petition process — to ratify their current year's rate, if the school boards adopt tax rates above their rollback rates. The election date cannot be earlier than 30 days nor later than 90 days after the date the school board adopted the tax rate. Election Code Section 41.001 does not apply to the election unless a date specified by that section falls within the time permitted.

The sample ballot language is stated on page 51. The ballot states 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. Following the election results, the school district will mail its current year's tax bills.

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. The law excludes drought. For these purposes, a disaster exists only if the governor requests federal disaster assistance for the area.

2000 Planning Calendar

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

- May _____ Mailing of notices of appraised value by chief appraiser.
- May 15 Deadline for submitting appraisal records to ARB.
- July 20 Deadline for ARB to approve appraisal records.
- July 25 Deadline for chief appraiser to certify rolls to taxing units.
- _____ Certification of anticipated collection rate by collector.
- _____ Calculation of effective and rollback tax rates.
- _____ Publication of effective and rollback tax rates; statement and schedules; submission to governing body.
- _____ 72-hours notice for meeting (Open Meetings Notice).
- _____ Meeting of governing body to discuss tax rate; if proposed tax rate will exceed the rollback rate or 103 percent of the effective tax rate (whichever is lower), take record vote and schedule public hearing.
- _____ “Notice of Public Hearing on Tax Increase” (1st quarter-page notice) published at least seven days before public hearing.
- _____ 72-hour notice for public hearing (Open Meetings Notice).
- _____ Public hearing; schedule and announce meeting to adopt tax rate 3-14 days from this date.
- _____ “Notice of Vote on Tax Rate” (2nd quarter-page notice) published before meeting to adopt tax rate.
- _____ 72-hour notice for meeting at which governing body will adopt tax rate.
- _____ Meeting to adopt tax rate. Meeting is 3 to 14 days after public hearing. Taxing unit must adopt tax rate by September 30, or within 60 days of receiving certified appraisal roll.

2000 Planning Calendar

(For A School District)

- May _____ Mailing of notices of appraised value by chief appraiser.
- May 15 Deadline for submitting appraisal records to ARB.
- July 15 Deadline for commissioner of education to send notice to districts required to equalize wealth.
- July 20 Deadline for ARB to approve appraisal records.
- July 25 Deadline for chief appraiser to certify rolls to taxing units.
- _____ Certification of anticipated collection rate by collector.
- _____ Calculation of rollback tax rate.
- _____ 72-hours notice for meeting (Open Meetings Notice).
- _____ Meeting of governing body to decide on public meeting date on budget and proposed tax rate.
- _____ “NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE” published 10 to 30 days before public meeting.
- _____ 72-hour notice for public meeting (Open Meetings Notice).
- _____ Public meeting on budget and proposed tax rate. School board may adopt budget and tax rate at 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.
- _____ 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 the wealth is equalized [Education Code Section 41.004(c)]. School district must adopt tax rate by September 30, or within 60 days of receiving certified appraisal roll.

2000 Effective Tax Rate Worksheet

(Note: School districts are not required to calculate and publish an effective tax rate. School districts may complete this part, at their option, or may skip to the Rollback Tax Rate Worksheet.)

1.	1999 total taxable value. Enter the amount of 1999 taxable value on the 1999 tax roll today. Include any adjustments since last year's certification; exclude the Section 25.25(d) one-third over-appraisal corrections from these adjustments. This value includes the taxable value of over-65 homesteads.	\$
2.	SCHOOL DISTRICTS. Enter 1999 taxable value of over-65 homesteads with tax ceilings. Other units enter "0".	\$
3.	Preliminary 1999 adjusted taxable value. Subtract line 2 from line 1.	\$
4.	1999 total tax rate.	\$ /\$100
5.	1999 taxable value lost because court appeals of ARB decisions reduced 1999 appraised value. A. Original 1999 ARB values: \$ _____ B. 1999 values resulting from final court decisions: - \$ _____ C. 1999 value loss. Subtract B from A:	\$
6.	1999 taxable value, adjusted for court-ordered reductions. Add line 3 and line 5C.	\$
7.	1999 taxable value of property in territory the unit deannexed after January 1, 1999. Enter the 1999 value of property in deannexed territory.	\$
8.	1999 taxable value lost because property first qualified for an exemption in 2000. 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 exemptions or tax abatements. A. Absolute exemptions. Use 1999 market value: \$ _____ B. Partial exemptions. 2000 exemption amount, or 2000 percentage exemption times 1999 value: + \$ _____ C. Value loss. Total of A and B:	\$
9.	1999 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1), timber or restricted timber appraisal, recreational/ scenic appraisal or public access airport special appraisal in 2000. Use only those properties that first qualified in 2000; do not use properties that qualified in 1999. A. 1999 market value: \$ _____ B. 2000 productivity or special appraised value: - \$ _____ C. Value loss. Subtract B from A:	\$

2000 Effective Tax Rate Worksheet (concluded)

20.	Total 2000 taxable value of new improvements and new personal property located in new improvements. “New” means the item was not on the appraisal roll in 1999. 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 (1) have been brought into the unit after January 1, 1999 and (2) be located in a new improvement. New improvements does include property on which a tax abatement agreement has expired for 2000. 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.	Total adjustments to the 2000 taxable value. Add lines 19 and 20.	\$	
22.	2000 adjusted taxable value. Subtract line 21 from line 18.	\$	
23.	2000 effective tax rate. Divide line 14 by line 22 and multiply by 100.	\$	/\$100
24.	COUNTIES ONLY. Add together the effective tax rates for each type of tax the county levies. The total is the 2000 county effective tax rate.	\$	/\$100

A county, city or hospital district that adopted the additional sales tax in August or November 1999, or in January or May 2000, must adjust its effective tax rate. The Additional Sales Tax Rate Worksheet, immediately following the rollback worksheet, sets out this adjustment. Do not forget to complete the Additional Sales Tax Rate Worksheet if the taxing unit adopted the additional sales tax on these dates.

2000 Rollback Tax Rate Worksheet *(continued)*

28.	<p>SCHOOL DISTRICTS ONLY:</p> <p>Complete the Texas Education Agency’s worksheet entitled <i>Worksheet to Assist Districts in Calculating Rollback Rate</i>. Enter the amount on line 26 of the TEA worksheet for the 2000-01 M&O component here. This worksheet will reduce the property tax needed for the amount of state aid, if any, that the school district will receive for one-half of the taxable value loss for a percentage homestead exemption, as calculated and authorized by the commissioner of education.</p>	\$
29.	<p>2000 adjusted taxable value.</p> <p>A. Enter line 22 from the effective tax rate worksheet. School districts, enter line 18; if a school district did not complete the Effective Tax Rate Worksheet, the school district does the following steps (1) to (4) below. \$ _____</p> <p>(1) Total 2000 taxable value on the 2000 certified appraisal roll today. This value includes only certified values and includes the taxable value of over-65 homesteads with school tax ceilings. Include also the taxable value in reinvestment zone, but remember that the unit will deposit a portion of the taxes to a special tax increment fund. \$ _____</p> <p>(2) Total 2000 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 here. \$ _____</p> <p>(3) 2000 taxable value of over-65 homesteads with tax ceilings. \$ _____</p> <p>(4) 2000 taxable value. Add lines (1) and (2) and subtract (3) and enter above at A.</p> <p>B. School districts: Subtract the 2000 captured appraised value of real property taxable by the school district in a tax increment financing zone for which the 2000 taxes will be deposited into the tax increment fund; other units, enter “0.” – \$ _____</p> <p>C. Subtract B from A:</p>	\$

2000 Rollback Tax Rate Worksheet (concluded)

30.	2000 calculated maintenance and operations rate. Divide line 27F by line 29C and multiply by 100. School districts: Divide line 28 by line 29C, and multiply by 100.	\$ /\$100
31.	2000 rollback maintenance and operation rate. County, cities and others: Multiply line 30 by 1.08. School districts: Add \$0.06 to line 30. Chapter 41 school districts should consult with legal counsel whether to add \$0.03 or \$0.06.	\$ /\$100
32.	Total 2000 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 maintenance and operations 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 “Schedule B: Debt Service.” If using unencumbered funds, subtract unencumbered fund amount used from total debt and list remainder here. School districts do not have a Schedule B requirement. School districts subtract state aid received for paying principal and interest on debt for facilities.	\$
33.	Certified 1999 excess debt collections. Enter the amount certified by the collector.	\$
34.	Adjusted 2000 debt. Subtract line 33 from line 32.	\$
35.	Certified 2000 anticipated collection rate. Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	%
36.	2000 debt adjusted for collections. Divide line 34 by line 35.	\$
37.	2000 total taxable value. Enter the amount on line 18. School districts enter line 29C.	\$
38.	2000 debt tax rate. Divide line 36 by line 37 and multiply by 100.	\$ /\$100
39.	2000 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 2000 county rollback tax rate.	\$ /\$100

Any taxing unit that has adopted the additional sales tax must complete the *Additional Sales Tax Rate Worksheet*. Any taxing unit seeking additional rollback protection for pollution control expenses should complete the *Additional Rollback Protection for Pollution Control Worksheet*.

Additional Sales Tax Rate Worksheet

41.	Units that adopted the sales tax in August or November 1999, or in January or May 2000. Enter the State Comptroller's estimate of taxable sales for the previous four quarters. Units that adopted the sales tax before August 1999, skip this step.	\$	
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 AUGUST OR NOVEMBER 1999, OR IN JANUARY OR MAY 2000. Multiply the amount on line 41 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95. <p style="text-align: center;">- OR -</p> UNITS THAT ADOPTED THE SALES TAX BEFORE AUGUST 1999. Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	\$	
43.	2000 total taxable value. Enter the amount from line 37 of the rollback tax rate worksheet.	\$	
44.	Sales tax adjustment rate. Divide line 42 by line 43 and multiply by 100.	\$	/\$100
45.	2000 effective tax rate, unadjusted for sales tax. Enter the rate from line 23 or 24, as applicable, on the effective tax rate worksheet.	\$	/\$100
46.	2000 effective tax rate, adjusted for sales tax. UNITS THAT ADOPTED THE SALES TAX IN AUGUST OR NOVEMBER 1999, OR IN JANUARY OR MAY 2000. Subtract line 44 from line 45. <p style="text-align: center;">- OR -</p> UNITS THAT ADOPTED THE SALES TAX BEFORE AUGUST 1999. Enter line 45. Do not subtract.	\$	/\$100
47.	2000 rollback tax rate, unadjusted for sales tax. Enter the rate from line 39 or 40, as applicable, of the rollback tax rate worksheet.	\$	/\$100
48.	2000 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.

Additional Rollback Protection for Pollution Control

49.	Certified expenses from TNRCC. Enter the amount certified in the determination letter from TNRCC. The taxing unit shall provide its assessor with a copy of the letter.	\$
50.	2000 total taxable value. Enter the amount from line 37 of the rollback rate worksheet.	\$
51.	Additional rate for pollution control. Divide line 49 by line 50 and multiply by 100.	\$ /\$100
52.	2000 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

Additional Rollback Protection for Enhanced Indigent Health Care Expenditures

53.	Certified expenses. Enter 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. Those standards were effective on or after January 1, 2000. The taxing unit shall provide its assessor with this amount.	\$
54.	2000 total taxable value. Enter the amount from line 37 of the rollback rate worksheet.	\$
55.	Additional rate for enhanced indigent health care expenditures. Divide line 53 by line 54 and multiply by 100.	\$ /\$100
56.	2000 rollback tax rate, adjusted for enhanced indigent health care expenditures. Add line 55 to one of the following lines (as applicable): line 39, line 40 (counties), line 48 (units with the additional sales tax) or line 52 (units with pollution control).	\$ /\$100

Notice of Effective Tax Rate

(for use by most taxing units)



(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)	\$	(14)
÷ This year's adjusted tax base (after subtracting value of new property)	\$	(22)
= This year's effective tax rate	\$	(23) /\$100

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 transferred function)	\$	(27)
÷ 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 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 rate for pollution control	\$	(51) /\$100
= Rollback tax rate	\$	(52) /\$100

For a taxing unit with enhanced indigent health care expenditures, insert the following lines:

+ Additional rate for enhanced indigent health care expenditures	\$	(55) /\$100
= Rollback tax rate	\$	(56) /\$100

Notice of Effective Tax Rate

(for use by counties)



(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)	\$ (14) _____	\$ (14) _____	\$ (14) _____
÷ This year's adjusted tax base (after subtracting value of new property)	\$ (22) _____	\$ (22) _____	\$ (22) _____
= This year's effective tax rate for each fund	\$ (23) /\$100	\$ (23) /\$100	\$ (23) /\$100
Total effective tax rate	\$ (24) /\$100		

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 including taxes for state criminal justice mandate)			
	\$ (27) _____	\$ (27) _____	\$ (27) _____
÷ This year's adjusted tax base	\$ (29) _____	\$ (29) _____	\$ (29) _____
= This year's effective operating 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 rate for pollution control	\$ (51) /\$100
= Rollback tax rate	\$ (52) /\$100

For a county with enhanced indigent health care expenditures, insert the following lines:

+ Additional rate for enhanced indigent health care expenditures	\$ (55) /\$100
= Rollback tax rate	\$ (56) /\$100

Notice of Public Hearing on Tax Increase

The _____ *(name of taxing unit)* will hold a public hearing on a proposal to increase total tax revenues from properties on the tax roll in the preceding year by *(percentage by which proposed tax rate exceeds lower of rollback tax rate or effective tax rate calculated)* _____ percent. 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 public hearing will be held on _____ *(date and time)* at _____ *(meeting place)*.

FOR the proposal:

AGAINST the proposal: _____ *(names of all members of governing body and how each voted on the proposal to consider the tax increase)*
PRESENT and not voting: _____

ABSENT: _____

The following table compares taxes on an average home in this taxing unit last year to taxes proposed on the average home this year. Again, your individual taxes may be higher or lower, depending on the taxable value of your property.

	Last Year	This Year
Average residence homestead value	\$ _____	\$ _____
General exemptions available <small>(amount available on the average homestead, not including senior citizen's or disabled person's exemptions)</small>	\$ _____	\$ _____
Average taxable value	\$ _____	\$ _____
Tax rate	_____ /\$100	_____ /\$100
Tax	\$ _____	\$ _____ <small><i>(proposed)</i></small>
		\$ _____ <small><i>(proposed)</i></small>

Under this proposal, taxes on the average homestead would *(increase/decrease)* by \$ *(dollar amount)* or *(percentage)* _____ percent compared with last year's taxes. Comparing tax rates without adjusting for changes in property value, the tax rate would *(increase/decrease)* by \$ *(dollar amount)* _____ per \$100 of taxable value or *(percentage)* _____ percent compared to last year's tax rate. These tax rate figures are not adjusted for changes in the taxable value of property.

Criminal Justice Mandate (for counties):

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

Notice of Vote on Tax Rate

The _____
(name of taxing unit)

**conducted a public hearing on a proposal
to increase the total tax revenues of the**

(name of taxing unit)

from properties on the tax roll in the preceding

year by _____
*(percentage by which proposed tax rate exceeds
lower of rollback tax rate or effective tax rate calculated)* **percent**

on _____
(date and time the public hearing was conducted) .

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 and time)

at _____
(meeting place) .

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.

Comparison of Proposed Rates with Last Year's Rates

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

* 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

	Last Year	This Year
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)	\$

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 Section 26.04.

Tax Rate Rollback Petition and Ballots

These rollback petitions are examples for information purposes only. Both taxing units and taxpayers must be aware that the Property Tax Code does not specify the wording to be used on a rollback petition, nor does it state the form which the petition must take. The taxing unit's governing body is responsible for determining if a rollback petition presented to it is valid. Call the Secretary of State at 1-800-252-8683, Election Division, with questions on election laws. Election Code Chapter 277 requires the information on the sample petition below.

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

Section 26.081, Property Tax Code, addresses petition signatures. To be valid, a voter's signature is not required to appear exactly as the voter's name appears on the most recent official voter registration list. If the taxing unit's governing body is unable to verify a particular voter's signature, it will look to the petition for some reasonable means to verify, such as home address. The governing body may require the petition's organizer to provide such information for that particular voter, if the organizer wishes for the signature to be counted. Signatures collected more than six months before the petition is presented are not valid.

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

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

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

	Date Signed	Voter Signature	Printed Name	Residence Address	Birth Date
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____

and so on

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

Tax Rate Rollback Election

For _____
(name of taxing unit)
_____ *(date of election)*

OFFICIAL BALLOT

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

- FOR
- AGAINST

Reducing the tax rate in _____
(name of taxing unit)
for the current year from _____
(the rate adopted)
to _____
(the rollback rate calculated by Section 26.04
_____ *of the Property Tax Code)*

Note: A bilingual ballot is required in most Texas counties.

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.

**Receive tax help via e-mail:
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Property Tax Division
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From a Telecommunications Device for the Deaf (TDD), our hearing impaired taxpayers may call toll free 1-800-248-4099, or they may call via 1-800-RELAY-TX. In Austin, the local TDD number is 463-4621.

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