

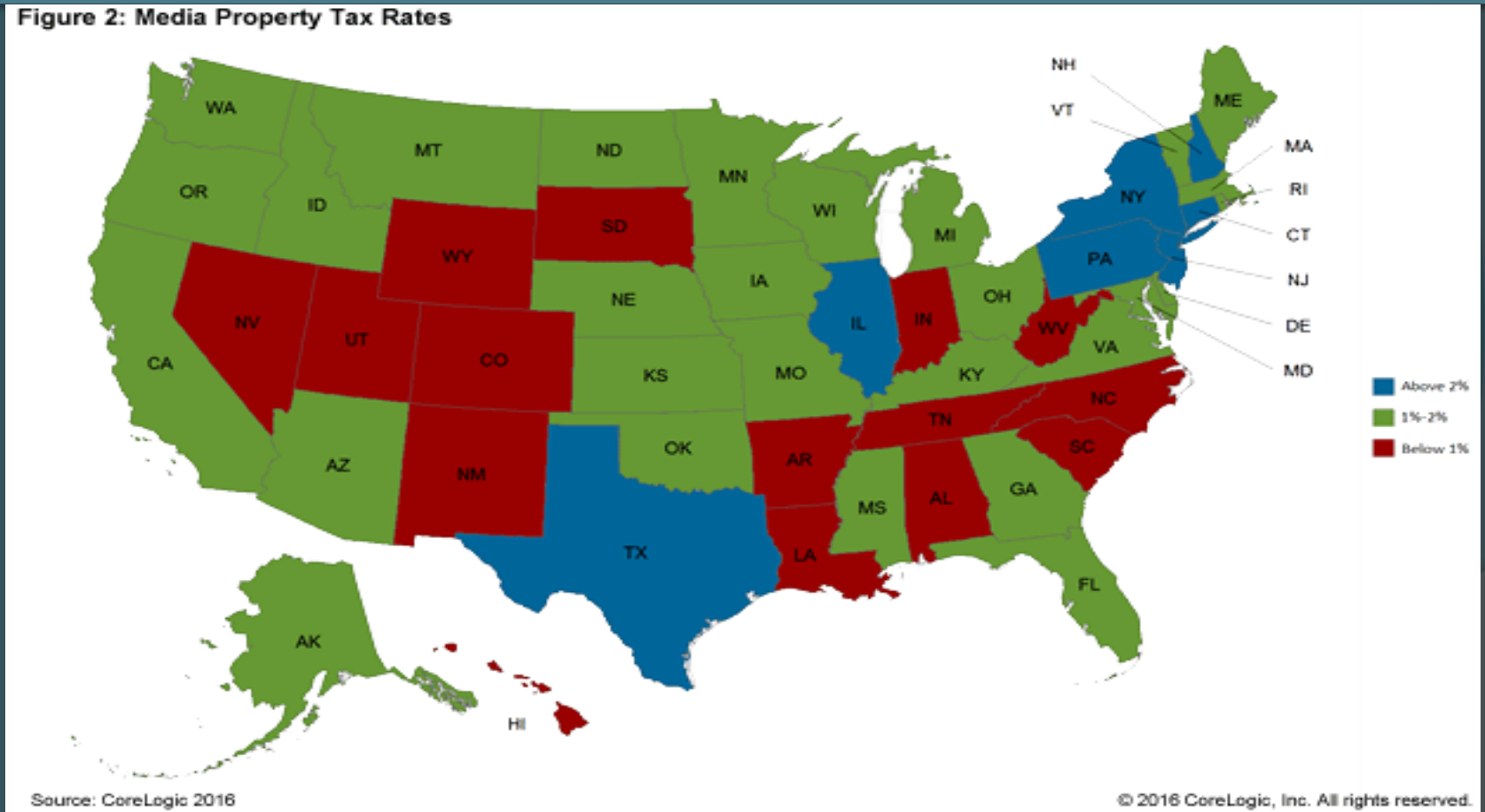
# Senate Select Committee for Property Tax Reform & Relief



# LOCAL TAX BURDENS NATIONALLY

Texas has one of the highest property tax burdens in the country, with a median property tax rate of \$2.17 per \$100 in property value. Only 4 states have a higher median tax rate.

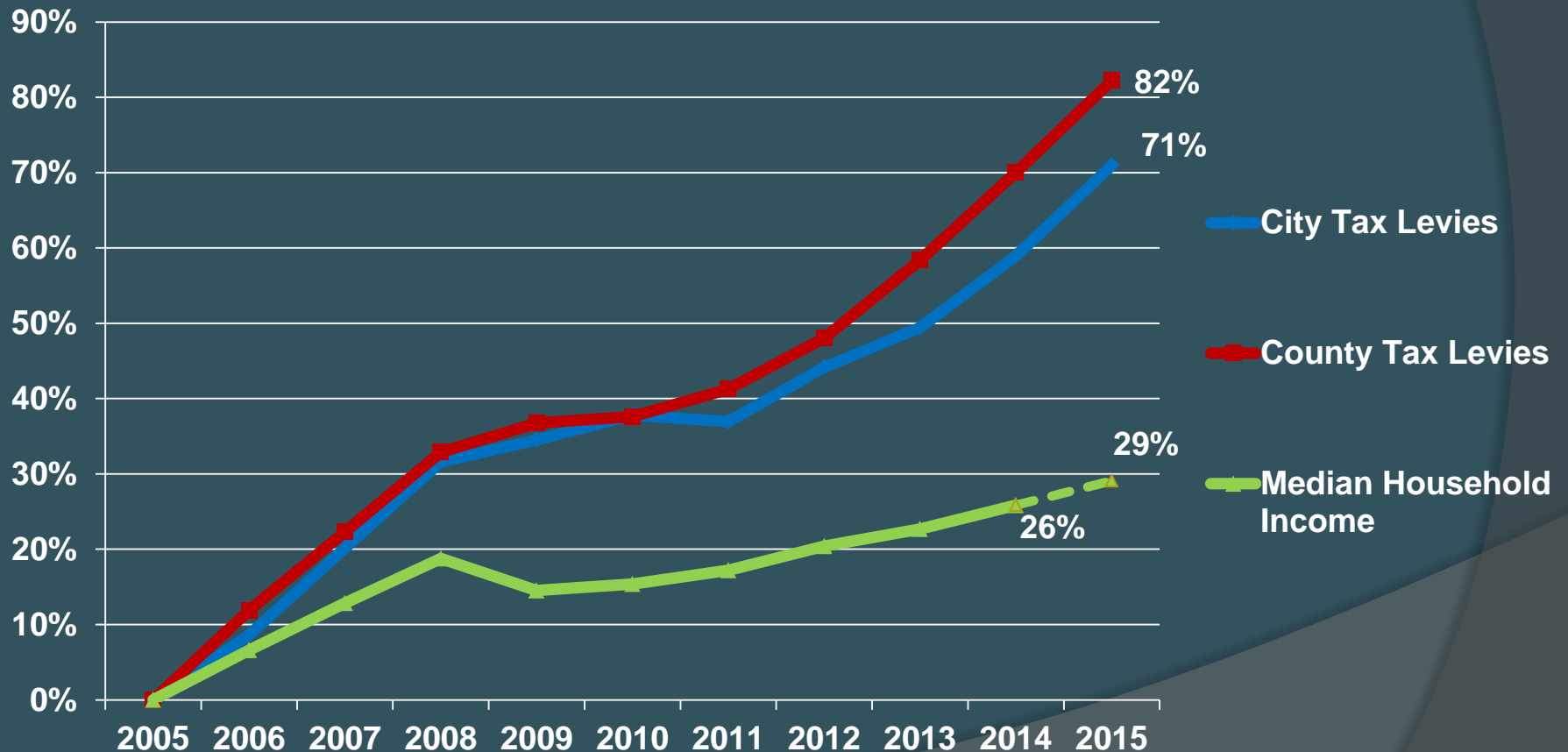
Figure 2: Media Property Tax Rates



# LOCAL TAXES VS. HOUSEHOLD INCOMES

## Statewide

Since 2005, city and county property tax levies have increased much faster than median household incomes



Sources: Texas Comptroller of Public Accounts; U.S. Census American Community Survey (ACS) Historical Nominal Median Household Income, 2015 Median Income estimated using rate of growth from 2013 to 2014

# RISING VALUES, UNCHANGING TAX RATES

## Statewide

Since 2005, city and county property values have risen rapidly, but their tax rates have remained almost the same. This results in growing tax bills for city and county taxpayers

### Counties

	Total Value (in Billions)	Average Tax Rate
2005	\$1,228.5	\$0.532
2014	\$2,060.1	\$0.529
Change	\$831.6	-\$0.003

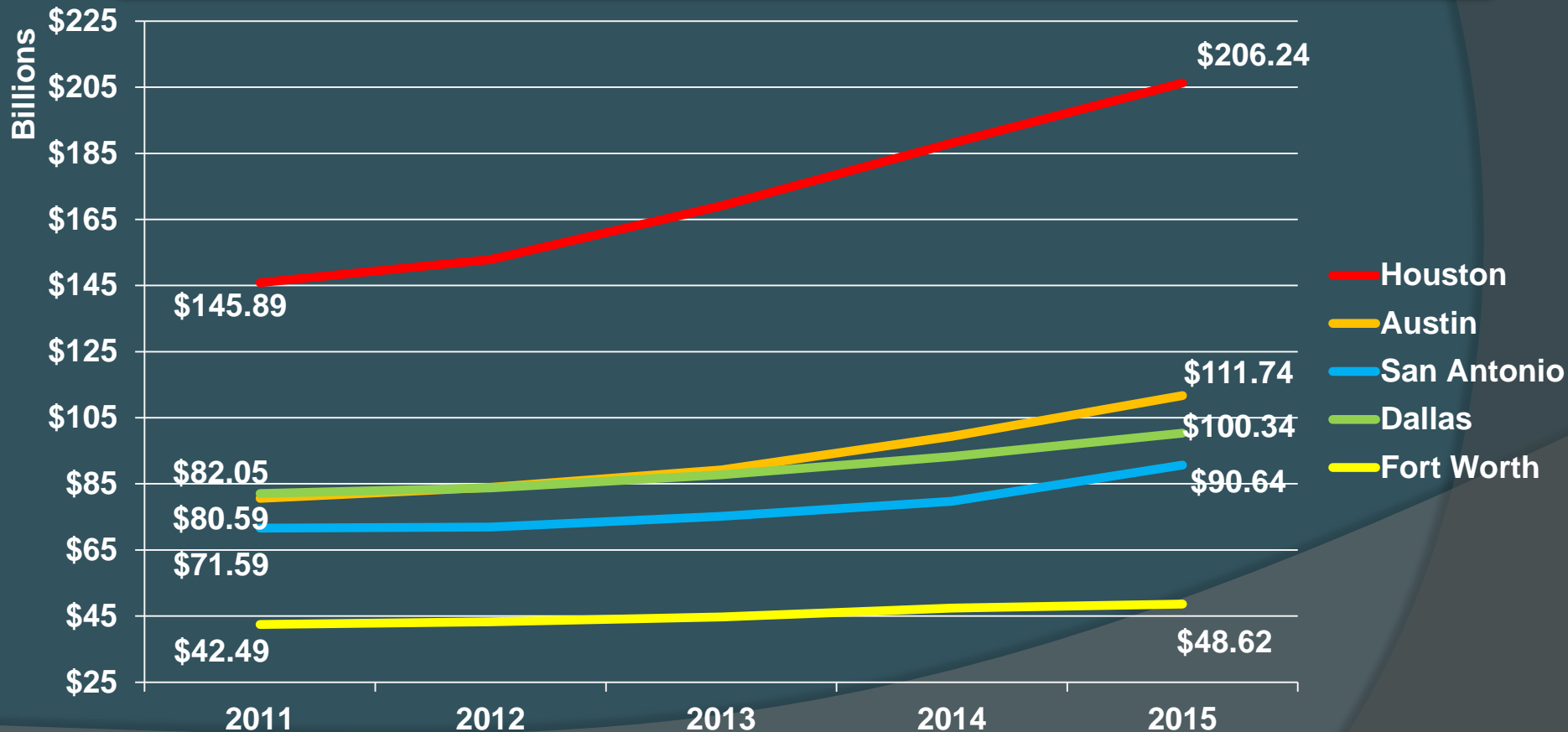
### Cities

	Total Value (in Billions)	Average Tax Rate
2005	\$856.6	\$0.486
2014	\$1,356.9	\$0.523
Change	\$500.3	\$0.037

# VALUE INCREASES OVER THE LAST 5 YEARS

## 5 Major Metro Area Cities

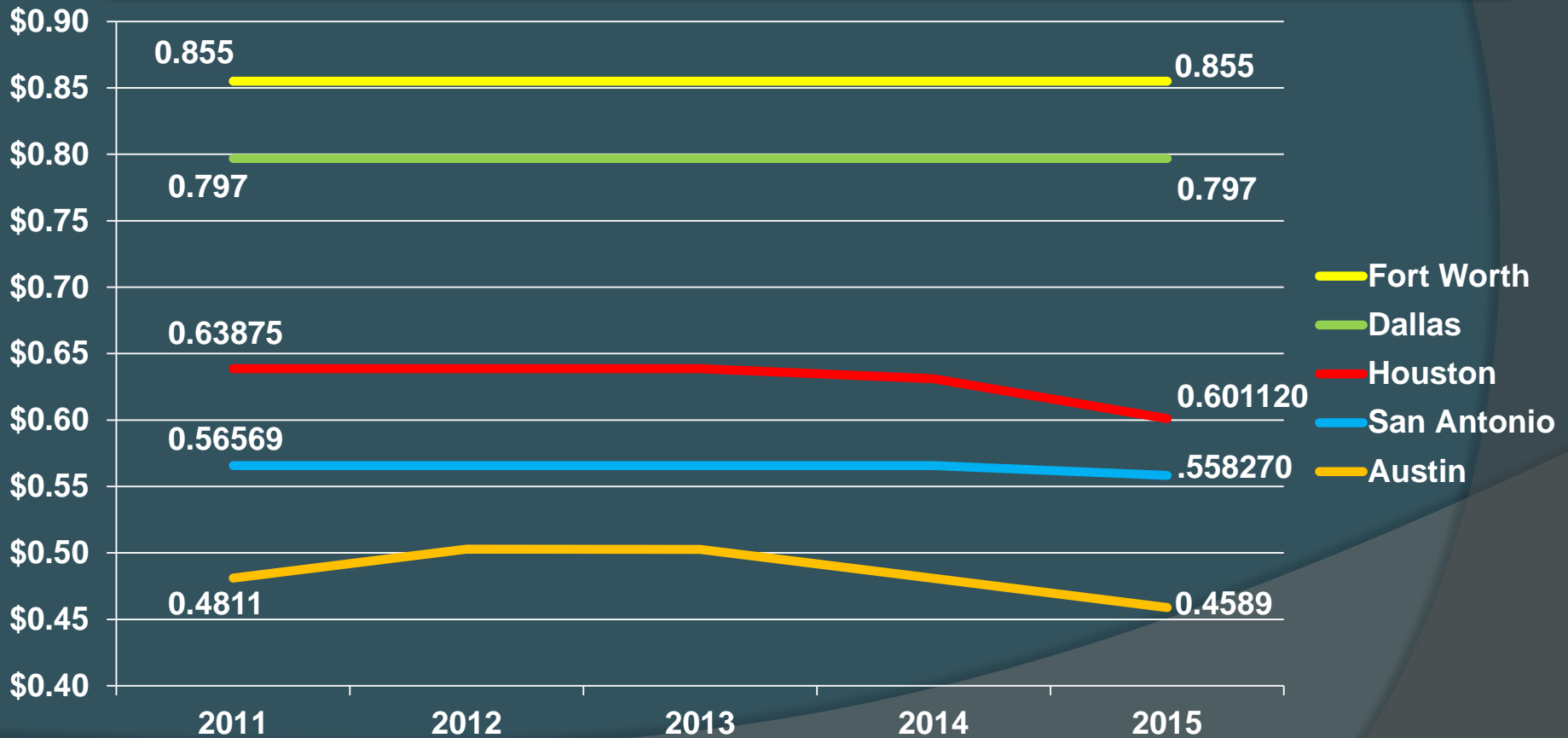
From 2011 to 2015, the taxable values in Texas' 5 largest Cities have increased by 14% in Fort Worth to 41% in Houston



# TAX RATE CHANGES OVER THE LAST 5 YEARS

## 5 Major Metro Area Cities

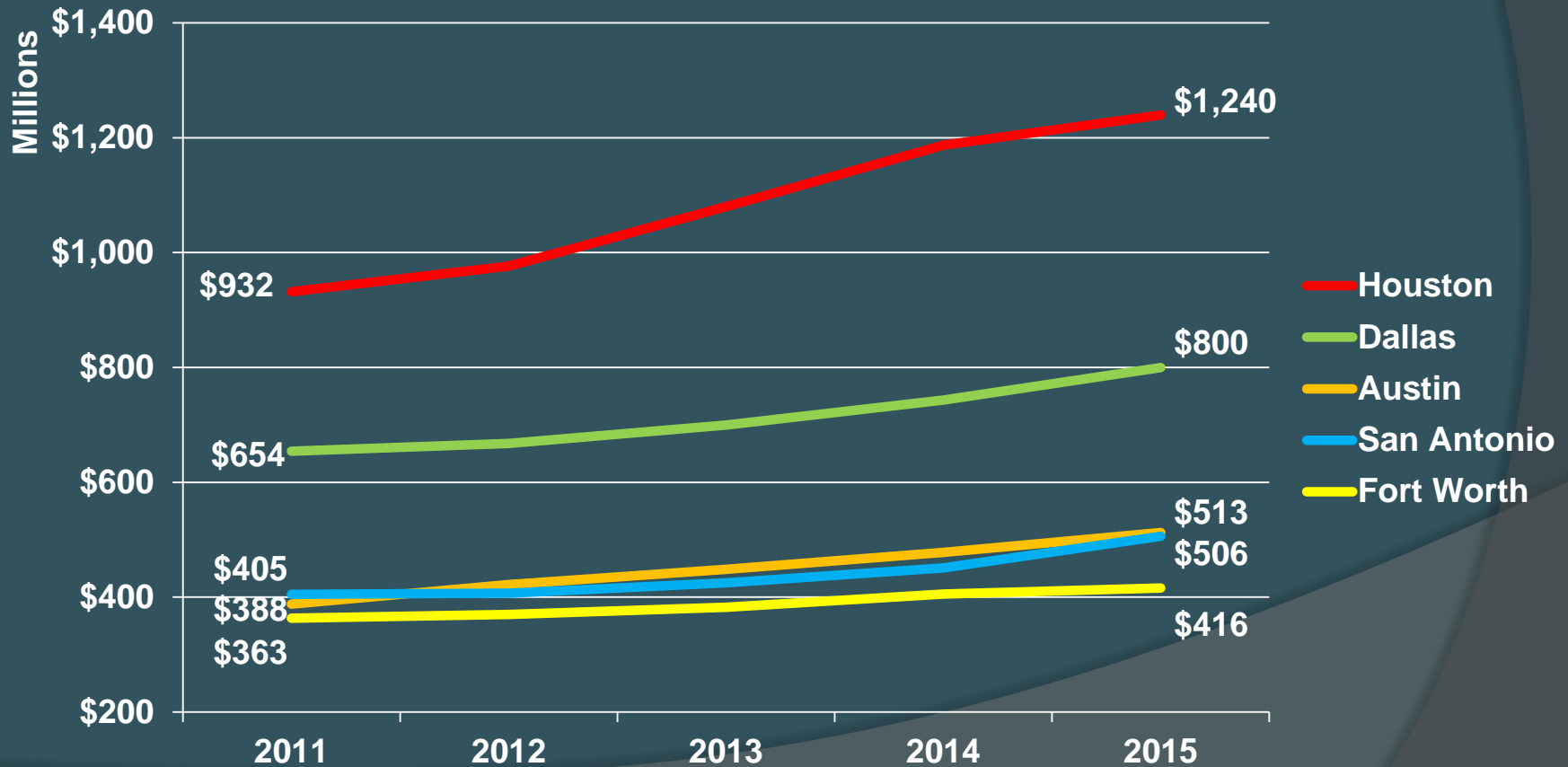
From 2011 to 2015, the tax rates in Texas' 5 largest Cities have either remained flat or trended downwards.



# TAX LEVY INCREASES OVER THE LAST 5 YEARS

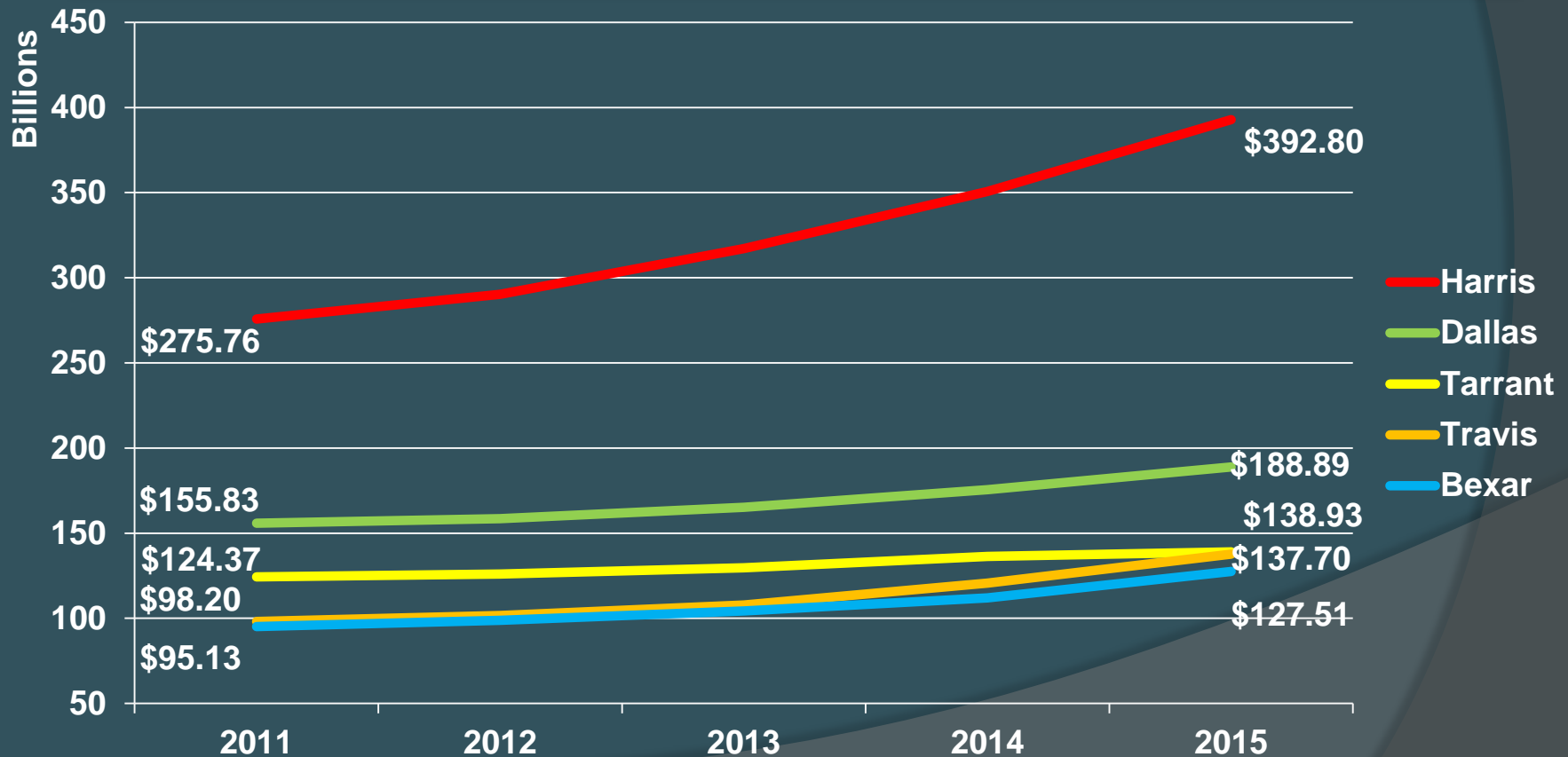
## 5 Major Metro Area Cities

From 2011 to 2015, the tax levies in Texas' 5 largest Cities have increased by just over 14% in Fort Worth to 33% in Houston.



# GENERAL FUND TAXABLE VALUE INCREASES OVER THE LAST 5 YEARS 5 Major Metro Area Counties

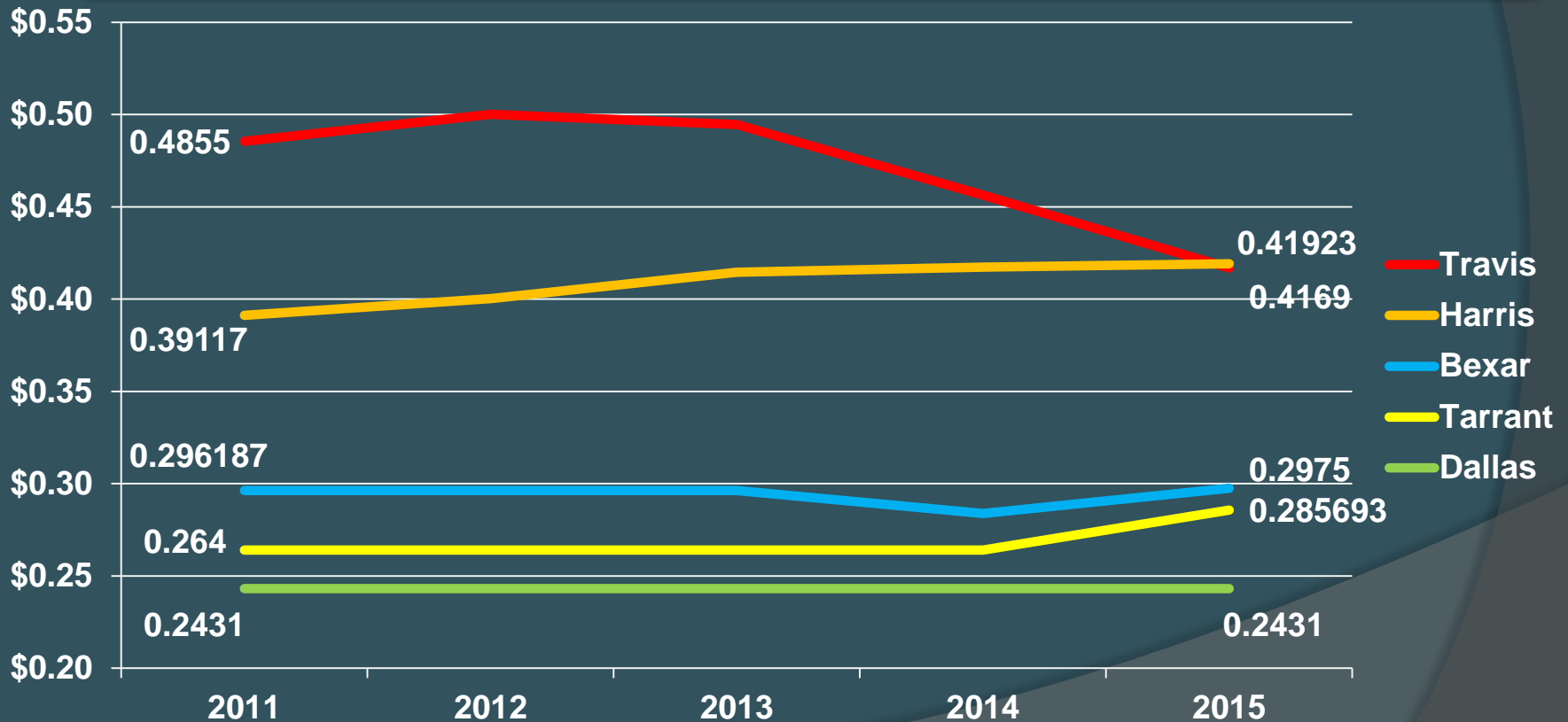
From 2011 to 2015, the taxable values in Texas' 5 largest Counties have increased by almost 12% in Tarrant County to just over 42% in Harris County.





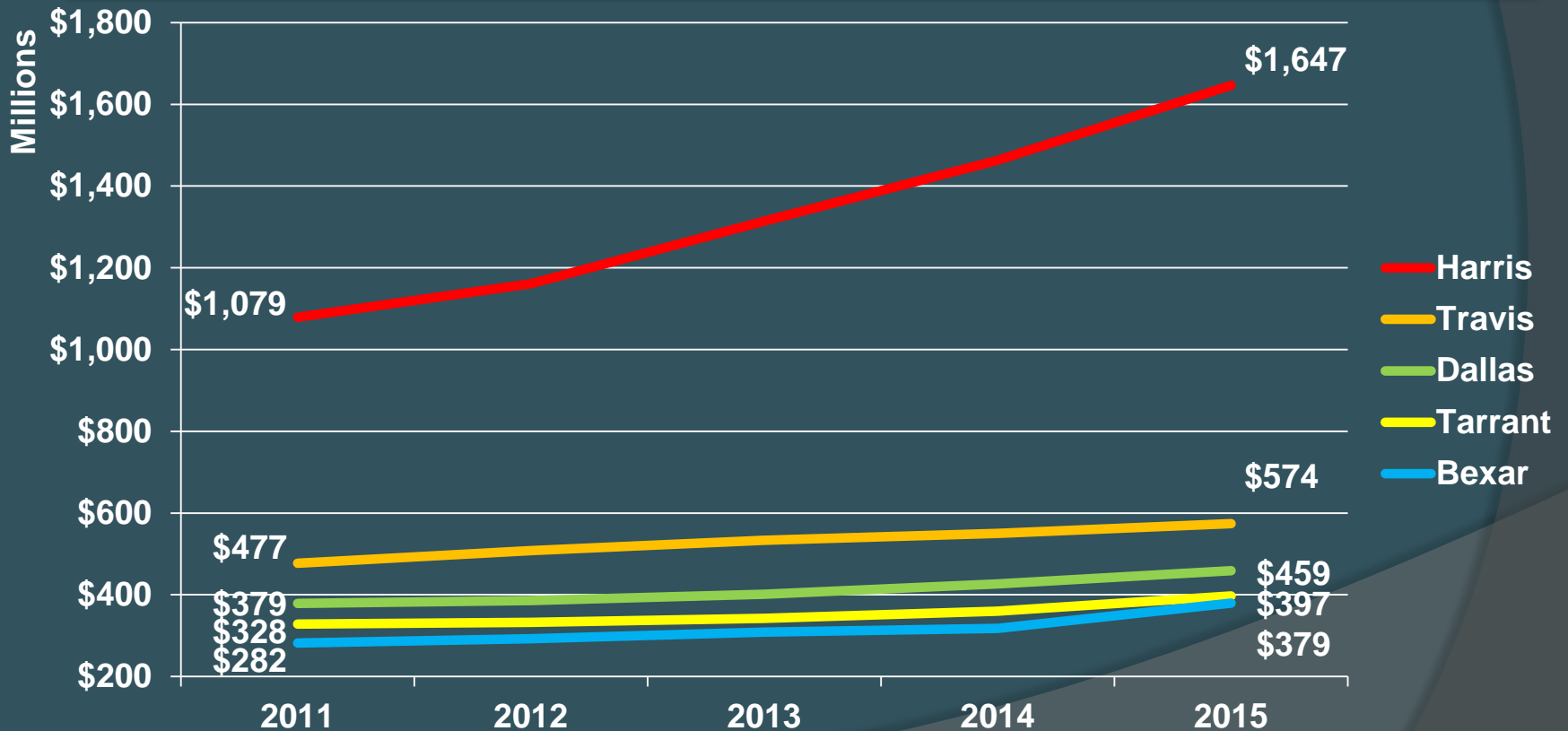
# GENERAL FUND TAX RATE CHANGES OVER THE LAST 5 YEARS 5 Major Metro Area Counties

From 2011 to 2015, the tax rates in Texas' 5 largest Counties have generally either remained flat or trended upwards.



# GENERAL FUND TAX LEVY INCREASES OVER THE LAST 5 YEARS 5 Major Metro Area Counties

From 2011 to 2015, the tax levies in Texas' 5 largest Counties have increased by 20% in Travis County to almost 53% in Harris County



# City Property Tax Levies, 2005 to 2015

Year	Total Property Taxes Levied	City Taxes Levied	City Levy as a % of Total Levy	Annual % change in City Levy	Annual % change In Total Levy
2005	\$33,478,989,315	\$4,901,791,597	14.64%	6.38%	8.09%
2006	\$35,552,907,030	\$5,322,985,519	14.97%	8.59%	6.19%
<b>2007</b>	<b>\$35,114,596,621</b>	<b>\$5,890,306,731</b>	<b>16.77%</b>	<b>10.66%</b>	<b>-1.23%</b>
2008	\$38,979,969,545	\$6,451,012,447	16.55%	9.52%	11.01%
2009	\$40,034,355,798	\$6,593,755,037	16.47%	2.21%	2.70%
2010	\$40,275,451,155	\$6,755,401,406	16.77%	2.45%	0.60%
2011	\$40,515,816,942	\$6,711,934,736	16.57%	-0.64%	0.60%
2012	\$42,748,637,566	\$7,067,779,921	16.53%	5.30%	5.51%
2013	\$45,266,928,108	\$7,324,430,806	16.18%	3.63%	5.89%
2014	\$49,067,216,670	\$7,789,068,440	15.87%	6.34%	8.40%
2015	\$52,207,422,947	\$8,380,435,861	16.05%	7.59%	6.40%
<b>Percentage Change 2005-2015</b>				<b>70.97%</b>	

Source: Texas Comptroller of Public Accounts; 2015 Data is subject to Revision

# County Property Tax Levies, 2005 to 2015

Year	Total Property Taxes Levied	County Taxes Levied	County Levy as a % of Total Levy	Annual % change in County Levy	Annual % change In Total Levy
2005	\$33,478,989,315	\$4,772,652,208	14.26%	6.94%	8.09%
2006	\$35,552,907,030	\$5,339,613,542	15.02%	11.88%	6.19%
<b>2007</b>	<b>\$35,114,596,621</b>	<b>\$5,836,989,949</b>	<b>16.62%</b>	<b>9.31%</b>	<b>-1.23%</b>
2008	\$38,979,969,545	\$6,342,704,903	16.27%	8.66%	11.01%
2009	\$40,034,355,798	\$6,526,724,060	16.30%	2.90%	2.70%
2010	\$40,275,451,155	\$6,567,069,864	16.31%	0.62%	0.60%
2011	\$40,515,816,942	\$6,742,926,165	16.64%	2.68%	0.60%
2012	\$42,748,637,566	\$7,064,653,310	16.53%	4.77%	5.51%
2013	\$45,266,928,108	\$7,558,391,626	16.70%	6.99%	5.89%
2014	\$49,067,216,670	\$8,114,998,194	16.54%	7.36%	8.40%
2015	\$52,207,422,947	\$8,696,383,818	16.66%	7.16%	6.40%
<b>Percentage Change 2005-2015</b>				<b>82.21%</b>	

# Special District Property Tax Levies, 2005 to 2015

Year	Total Property Taxes Levied	Special District Taxes Levied	Special District Levy as a % of Total Levy	Annual % change in Special District Levy	Annual % change In Total Levy
2005	\$33,478,989,315	\$3,609,629,697	10.78%	7.14%	8.09%
2006	\$35,552,907,030	\$3,972,185,910	11.17%	10.04%	6.19%
<b>2007</b>	<b>\$35,114,596,621</b>	<b>\$4,513,060,409</b>	<b>12.85%</b>	<b>13.62%</b>	<b>-1.23%</b>
2008	\$38,979,969,545	\$4,952,734,969	12.71%	9.74%	11.01%
2009	\$40,034,355,798	\$5,133,820,497	12.82%	3.66%	2.70%
2010	\$40,275,451,155	\$5,394,690,759	13.39%	5.08%	0.60%
2011	\$40,515,816,942	\$5,038,666,683	12.44%	-6.60%	0.60%
2012	\$42,748,637,566	\$5,543,422,373	12.97%	10.02%	5.51%
2013	\$45,266,928,108	\$5,318,507,423	11.75%	-4.06%	5.89%
2014	\$49,067,216,670	\$6,370,469,864	12.98%	19.78%	8.40%
2015	\$52,207,422,947	\$6,954,137,406	13.32%	9.16%	6.40%
<b>Percentage Change 2005-2015</b>				<b>92.66%</b>	

# School Property Tax Levies, 2005 to 2015

Year	Total Property Taxes Levied	School Taxes Levied	School Levy as a % of Total Levy	Annual % change in School Levy	Annual % change In Total Levy
2005	\$33,478,989,315	\$20,194,915,813	60.32%	8.96%	8.09%
2006	\$35,552,907,030	\$20,918,122,059	58.84%	3.58%	6.19%
<b>2007</b>	<b>\$35,114,596,621</b>	<b>\$18,874,239,532</b>	<b>53.75%</b>	<b>-9.77%</b>	<b>-1.23%</b>
2008	\$38,979,969,545	\$21,233,517,226	54.47%	12.50%	11.01%
2009	\$40,034,355,798	\$21,780,056,204	54.40%	2.57%	2.70%
2010	\$40,275,451,155	\$21,558,289,126	53.53%	-1.02%	0.60%
2011	\$40,515,816,942	\$22,002,289,358	54.31%	2.06%	0.60%
2012	\$42,748,637,566	\$23,072,781,962	53.97%	4.87%	5.51%
2013	\$45,266,928,108	\$24,854,671,461	54.91%	7.72%	5.89%
2014	\$49,067,216,670	\$26,792,677,172	54.60%	7.80%	8.40%
2015	\$52,207,422,947	\$28,176,465,862	53.97%	5.16%	6.40%

**Percentage Change 2005-2015**

**39.52%**

# How is your Property Tax Bill Calculated?

Appraised Value X Tax Rate = Tax Bill

If your property is appraised at \$200,000, and your tax rate is the statewide average of \$2.50 per \$100 of property value:

**Then \$200,000 X \$2.50/\$100 = \$5,000**

If your appraised value goes up by 10% to \$220,000 but the tax rate stays the same:

**Then \$220,000 X \$2.50/\$100 = \$5,500**

That's a \$500 or 10% increase in your taxes!

In order to keep your taxes from increasing if your appraised value goes up 10%, the tax rate needs to be cut by 9.09% to \$2.227:

**Then \$220,000 X \$2.227 /\$100 = \$5,000**

# How does the Homestead Exemption affect your ISD Property Tax bill?

Appraised Value – Homestead exemption = Assessed Value

Then

Assessed Value X Tax Rate = ISD Tax Bill

If your home is appraised at \$200,000 and the Homestead Exemption for independent school district (ISD) taxes is \$25,000:

**Then \$200,000 - \$25,000 = \$175,000 Assessed Value**

With an Assessed Value of \$175,000 at the average independent school district (ISD) tax rate of \$1.275 per \$100 of property value:

**Then \$175,000 X \$1.275/\$100 = \$2,231 ISD Tax Bill**

Without the Homestead exemption:

**\$200,000 X \$1.275/\$100 = \$2,550 School ISD Tax Bill, a \$319 difference**



# Do taxpayers ever get a chance to vote on property tax rates?

## **For School Maintenance and Operations (M&O) Taxes?**

**Yes.** Generally, if a school district wants to increase their tax rate above \$1.04, they are required to hold an election to get voter approval.

## **For Interest and Sinking (I&S) Taxes, which are used to repay bonds?**

**Yes.** If a taxing unit wishes to issue bonds backed by property tax revenues, they are required to hold an election to get voter approval.

## **For City, County, and Special District Maintenance and Operations (M&O) Taxes?**

**No.** If a taxing unit wants to increase their tax rate, they are **NOT** required to hold an election to get voter approval **UNLESS** they exceed the 8% rollback tax rate. Then voters may **PETITION** for a rollback election.

The Rollback rate for Cities, Counties, and Special districts allows tax revenues from existing properties to grow 8% each year. Tax revenue from new property is not counted, meaning the actual rate of revenue growth can be 12% or 13%.

# The rollback process for non school taxes is difficult and expensive

## For City, County, and Special District Maintenance and Operations Taxes

1. If the governing body of a taxing unit votes to increase their M&O tax rate above the 8% rollback tax rate, voters may petition to have a rollback election.
2. Taxpayers have 90 days to get either:
  - A. 7% of registered voters if the taxing unit collects at least \$5 million in M&O taxes
  - B. 10% of registered voters if the taxing unit collects less than \$5 million in M&O taxes
3. Within 20 days of the petition being submitted, the governing body of the taxing unit must determine if it is valid. If they do nothing the petition is considered to be valid.
4. If the petition is valid, a rollback election must be held within 30 to 90 days.
5. If the voters reject the increase, the M&O tax rate is reduced to the 8% rollback rate.

## For School Maintenance and Operations Taxes

1. If a school board votes to increase the M&O tax rate, they must hold a tax ratification election in 30 to 90 days.
2. If the voters do not approve the increase, the school board may not adopt a tax rate that exceeds the district's rollback rate.

The rollback process for school taxes is simple and doesn't require taxpayers to spend their own money on a petition drive.

# How many signatures does it take to get a rollback petition in a Large City?

- For taxing units with more than \$5 million per year in property tax revenues, 7% of registered voters must sign a petition to trigger a rollback election.
- Voters must submit the petition to the taxing unit's governing body within 90 days of the tax rate adoption

	Registered Voters	7% Petition Threshold
Houston	1,042,722	72,991
San Antonio	268,901	18,824
Dallas	591,389	41,398
Austin	508,854	35,620
Fort Worth	408,112	28,568

Source: Texas Secretary of State

The automatic rollback process for school taxes is simple and doesn't require taxpayers to spend their own money on a petition drive. An election is required when tax rate increases exceed the rollback rate

# How many signatures does it take to get a rollback petition in a Large County?

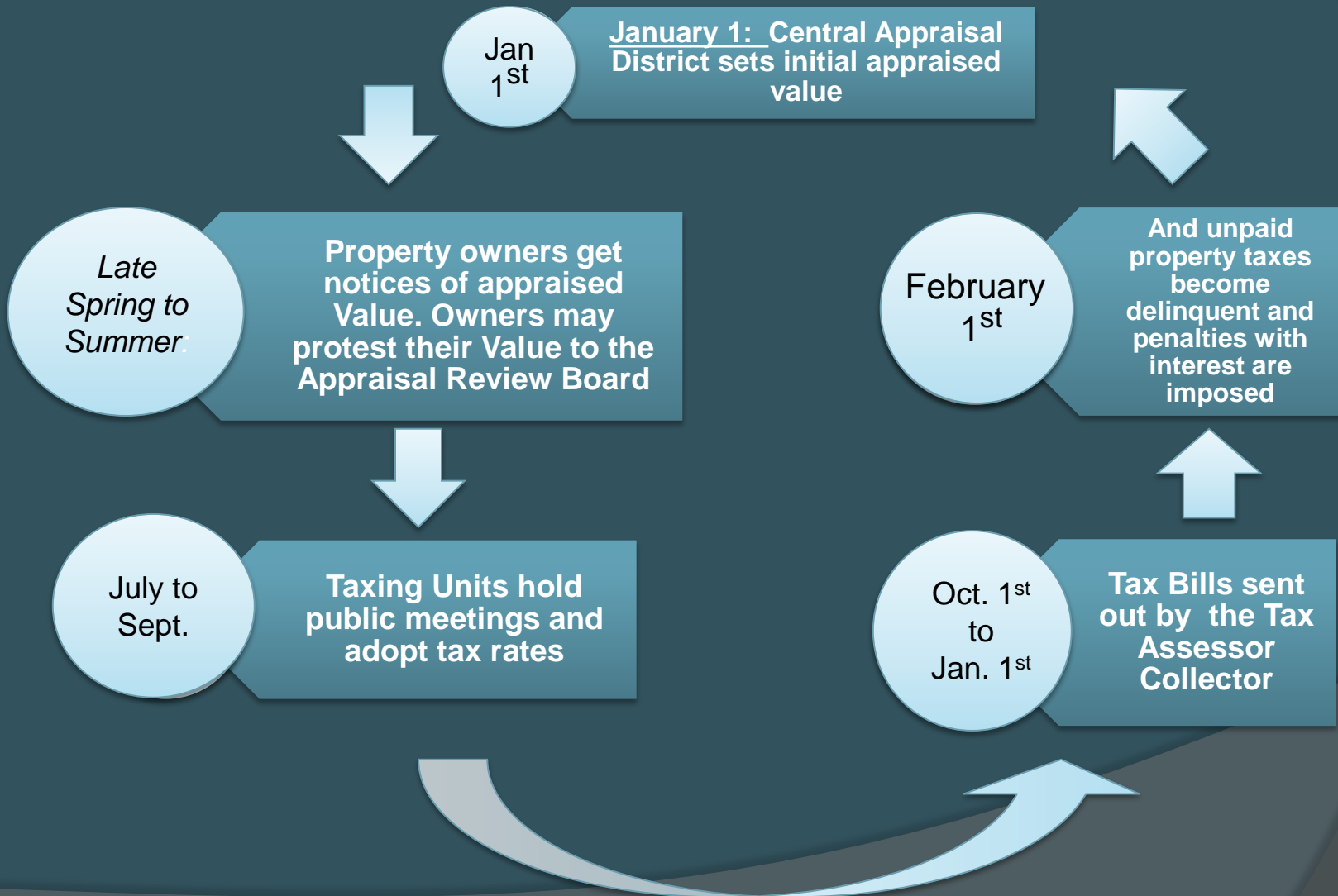
- For taxing units with more than \$5 million per year in property tax revenues, 7% of registered voters must sign a petition to trigger a rollback election.
- Voters must submit the petition to the taxing unit's governing body within 90 days of the tax rate adoption

	Registered Voters	7% Petition Threshold
Harris	2,201,373	154,097
Bexar	1,027,676	71,938
Dallas	1,266,403	88,649
Travis	710,351	49,725
Tarrant	1,067,535	74,728

Source: Texas Secretary of State

The automatic rollback process for school taxes is simple and doesn't require taxpayers to spend their own money on a petition drive. An election is required when tax rate increases exceed the rollback rate

# The Current Property Tax Cycle



# Revising the Property Tax Calendar?

All property must be appraised by the CAD at market value as of January 1st

Appraisal notices for homeowners must be mailed by March 15th; all other appraisal notices must be sent by April 15th

CAD must issue an estimated tax roll to taxing units by May 15th

All protests must be filed by May 15th

The ARB must certify appraisal records by July 5th

The CAD must certify appraisal roll to taxing units by July 10th

Taxing units must publish their truth in taxation notices and their tax rates by July 27th

If a taxing unit adopts a tax rate that exceeds a reduced rollback rate, it must be adopted by August 15th

Voter approval for a tax rate that exceeds the reduced rollback rate must be obtained on the general election date in November

If the rollback tax rate is approved by the voters, a supplemental tax bill shall be issued by November 15th

# Reforms to the property tax appraisal process under consideration?

- Consider the creation of an appointed board in the Comptroller's Office to provide oversight over the property tax system, including the ability to issue and enforce binding rulings.
- Giving the Comptroller authority to enforce the collection of information from local governments including information concerning their property values, their rollback and effective tax rate calculations, their adopted tax rate and the projected and actual tax levies. These pieces of information form the underpinning for the Truth in Taxation process, which is seen by many taxpayers as an oxymoron.
- Revising the Property Tax Code to require the automatic re-appraisal of property that is located in an area that is or was subject to an official disaster declaration by the governor.
- Repealing the ability of a taxing unit to challenge the values of an entire class of properties.
- Improving the training of ARB members, both with respect to the Property Tax Code and public meeting procedures.
- ARB independence should be improved and consideration given to having the Comptroller's Office use local funds to issue ARB members' paychecks.

# Timeline for the Select Committee

- **The Committee is still working to draft the final committee report**
- **It is planned that the report will be complete by November 1<sup>st</sup>.**
- **This presentation will be available on the Select Committee website upon conclusion of the hearing.**
- **The final committee report is expected to be available on the Select Committee website in November.**





# Senate Select Committee for Property Tax Reform & Relief



## Contact Information

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Live Webcast : <http://www.senate.state.tx.us/75r/Senate/events.php>