



Ad Valorem Taxation Emergency Services Districts

February 28, 2017



Tax Calendar Phases

Appraisal Phase (Jan. 1 through May 15)	
Jan. 1 – April 30	Property is appraised and exemption applications are processed
April – May 1	Notices of appraised value are sent
May 15	Appraisal record prepared and submitted to the ARB
Equalization Phase (May 15 through July 25)	
May 15 – July 20	Protests and challenges are heard and determined
July 20	Appraisal records are approved
July 25	Appraisal roll is certified
Assessment Phase (July 25 through Oct. 1)	
July 25	Appraisal roll received by taxing units
July 25 – Sept. 30	Tax rates are adopted and taxes are levied (calculated)
Oct. 1	Tax bills begin to be sent to taxpayers
Collection Phase (Oct. 1 through Jan. 31)	
Oct. 1 – Jan. 31	Current taxes are collected
Feb. 1	Penalties and interest begin to accrue
July 1	Additional penalties may be added for legal costs

See <https://www.comptroller.texas.gov/taxes/property-tax/> for more information.



Truth-in-Taxation Laws

Texas Constitution and Property Tax Code Chapter 26 requirements have two purposes:



- To make taxpayers aware of tax rate proposal and
- To allow taxpayers, in certain cases, to rollback or limit tax increase



Four Guiding Principals

Taxpayers' right to know of property value increases and estimated taxes

Unit's obligation to calculate and publish rate before adoption

Unit's obligation to publish notices and hold hearings regarding increases

Voters' right to call for a tax rate rollback election



Important Dates in Truth-in-Taxation



- April 3** Chief appraiser sends appraisal notices.
- July 20** ARB approves appraisal records.
- July 25** Chief appraiser certifies approved appraisal roll.
- Aug. 8** Units other than cities/counties/ISDs/water dists. publish effective tax rate notices.
- Sept. 29** *Must adopt* tax rate by Sept. 29 or 60 days after receiving roll, whichever is later.
- Oct. 2** Assessor mails tax bills.



Small Taxing Units

Sec. 26.052 states a small taxing unit is one that adopts a tax rate of 50 cents or less per \$100 and imposes taxes of \$500,000 or less.

Simplified tax rate notice process to publish effective/rollback rates and other notices.



Effective Tax Rate

The effective tax rate is a rate that raises about the same total revenue as last year on properties taxed in both years.



Calculating Effective Tax Rate



Prior Year's Taxes

less

Taxes on Property
value
Lost in 2017

divided by

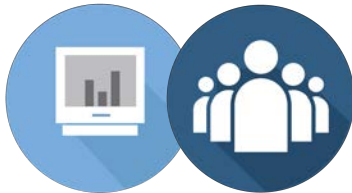
Adjusted 2017
Taxable Value

X \$100



2017 Rollback Tax Rate

Two Components:



- Maintenance & Operations Rate (M&O): Utilities, salaries, day-to-day operations



- Debt Service Rate: Repay bonds, debt secured by property taxes



Small Taxing Unit Notice



- Name of taxing unit
- Proposed rate
- Time, date, place to adopt tax rate



- If proposed rate exceeds effective tax rate
- Mail or publish in legal section – 7 days before



Notice of Effective Tax Rate

Comptroller Prescribed Form Notice format and wording:



- At least 8-point type or larger recommended
- May publish at same time as *Notice of Public Hearing*.

Notice of Effective Tax Rate contains:

- Statement of Increase/Decrease (compares taxes using ETR to last year's taxes)
- Schedule A, unencumbered fund balances
- Schedule B, 2017 Debt Service



Do You Need to Publish Notices and Hold Public Meetings?

- ✓ 1. Assessor calculates effective and rollback rates.
- ✓ 2. Assessor reports rates to governing body.
- ✓ 3. Assessor publishes effective and rollback rates.
- ✓ 4. Governing body complies with TNT laws.
- ✓ 5. Governing body determines if proposed rate may trigger special notices and public hearings.



Do You Need to Publish Notices and Hold Public Meetings?

If proposed rate does not exceed the lower of rollback rate or effective rate:

- **Governing body posts open meeting notice for regular meeting.**
- **Governing body adopts rate as separate agenda item.**
- **Governing body adopts 2-part rate for M&O & debt service.**



Do You Need to Publish Notices and Hold Public Meetings?

If 2017 proposed tax rate exceeds lower of effective or rollback tax rate, unit must publish notice(s) and hold public hearings, except small taxing units



The governing body plans a calendar of events. (Your local elected officials are welcome to call me for assistance with this time table)



Notice of Public Hearing on Tax Increase

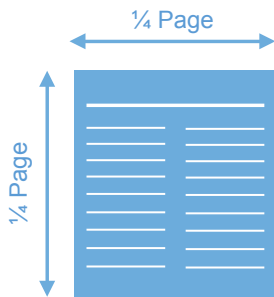
The notice must contain the following information:



- Proposed tax increase percentage
- Hearing date, time and place for each hearing
- Officials' vote on proposed rate
- Comparisons of taxes on average home.



Publishing Requirements (Newspaper)



1. Must be at least quarter page ad in standard/ tabloid size newspaper.
2. Must appear 7 days before first hearing.
3. Cannot appear in classified/ legal section.
4. Must have 24-point type or larger headline.
5. Must follow Tax Code Sec. 26.06 wording.



Publishing Requirements (Website or TV)



- Post *Notice of Public Hearing* on Web site 7 days before first hearing and continue until second hearing.
- Publish notice as 60-second notice if free access to TV for 7 days, 5 times a day between 7 am & 9 pm before first hearing.
- Web hearing notice must contain substantially same information in published notice.
- Requirement does not apply to taxing unit that cannot comply due to electronic or mechanical failure or other circumstances beyond unit's control.



Notice of Tax Revenue Increase

- Same type, size, placement as public hearings notice.
- Print after each public hearing but before rate adoption.
- Wording required by Tax Code Sec. 26.06.
- Describe purpose of increased taxes.
- Post *Notice of Tax Revenue Increase* on Web site 7 days before meeting to adopt rate.
- Publish as 60-second notice if free access to TV for 7 days, 5 times a day between 7 am & 9 pm before meeting to adopt rate.



Public Hearing Requirements



- Hold on weekdays, not public holidays.
- Open Meeting Law requires posting open meeting's notice.
- Must have quorum of governing body.
- Public may present their views.
- Announce date, time, place for adopting rate, 3



Meeting to Adopt Tax Rate



- Open Meeting Law requires posting open meeting's notice.
- Open Meeting Law requires adoption as separate item on agenda.
- Adopt rate 3 to 14 days after second hearing.
- Adopt rate 7 to 14 days after second hearing if Web site or TV notices required.
- Adopt as official action. 60% requirement



Meeting to Adopt Tax Rate



Tax Code Section 26.05(b):
Counties, cities and special districts (not water districts) that adopt rate above the effective rate must:

- Take a record vote on ordinance, resolution or order adopting rate using special language in the motion to adopt.
- Include special language in the ordinance, resolution or order using larger type if increasing



All Taxing Units



Tax Code Section 26.05(a) states rate must be adopted by:

1. September 29 or
2. 60th day after taxing unit received appraisal roll (whichever is later).



Failure to adopt within time period results in adopting either the effective rate or last year's rate, whichever is lower.



What if These Requirements Aren't Followed?



What if governing body does not follow procedures or does not comply in good faith with truth-in-taxation procedures?

Any taxpayer can obtain an injunction prohibiting unit from collecting taxes if filed before unit delivers substantially all bills.



Tax Collection Activities



- Delinquent tax roll analysis
- Taxpayer communication (mail & phone)
- Taxpayer location
- Litigation
- Tax sale foreclosures
- Resales
- Tax warrants & summary seizures
- Bankruptcy representation



Tax Penalty, Interest & Fees

Example of Penalty, Interest & Attorney Fees on Ad Valorem Taxes

	FEB 1ST	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
Penalty	6%	1%	1%	1%	1%	2%	0
Interest	1%	1%	1%	1%	1%	1%	1%
Attorney Fees	0	0	0	0	0	*20%	*0
	7%	9%	11%	13%	15%	*38%	-
\$100 Tax Bill	\$107	\$109	\$111	\$113	\$115	\$141.60	\$142.80

*Attorney Fees by statute are 20% of the base tax, penalty, and interest owed. For example, in July, a \$100 tax bill has \$12 of penalty owed and \$6 of interest owed, for a total of \$118 x 20% = \$23.60 of attorney fees (a total due of \$141.60).

Providing
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