



City of Deer Park Truth-in-Taxation

TAX YEAR 2021

(FISCAL YEAR 2021-2022)

What is Truth-In-Taxation?

- ▶ A Guide for Setting Tax Rates
 - ▶ Texas Constitution & Property Tax Code
 - ▶ Requires compliance with certain steps in adopting the tax rate
- ▶ Two-fold Purpose
 - ▶ Make taxpayers aware of tax rate proposals
 - ▶ Allow taxpayers, in certain cases, to limit a tax increase

Truth-In-Taxation Overview

- ▶ Calculate two rates after receiving certified appraisal roll
 - ▶ No-New-Revenue Tax Rate
 - ▶ Voter-Approval Tax Rate
- ▶ Publish these rates
- ▶ Conduct a public hearing, if applicable
- ▶ Adopt the tax rate

Tax Rate Calculations

- ▶ No-New-Revenue Tax Rate
 - ▶ Calculated rate that would provide about the same amount of tax revenue as the year before based on properties taxed in both years
 - ▶ \$0.680159 per \$100 valuation
- ▶ Voter-Approval Tax Rate
 - ▶ Calculated rate that would provide about the same amount of tax revenue spent the previous year for maintenance and operations, plus a 3.5% increase allowable by law, plus debt service requirements
 - ▶ \$0.720314 per \$100 valuation

Proposed Tax Rate Components

- ▶ M&O Tax Rate – Maintenance and Operations
 - ▶ \$0.559216 per \$100 valuation
- ▶ I&S Tax Rate – Interest and Sinking Fund (i.e., Debt Service)
 - ▶ \$0.160784 per \$100 valuation
- ▶ Total Proposed Tax Rate
 - ▶ \$0.720000 per \$100 valuation
- ▶ The proposed \$0.720000 tax rate is unchanged from the current rate

Tax Rate Apportionment

5-Year History and FY2021-2022 Proposed

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>M&O Rate</u>	<u>I&S Rate</u>	<u>Total Tax Rate</u>
2017	2016	\$ 0.519943	\$ 0.200057	\$ 0.720000
2018	2017	\$ 0.533514	\$ 0.186486	\$ 0.720000
2019	2018	\$ 0.549389	\$ 0.170611	\$ 0.720000
2020	2019	\$ 0.561659	\$ 0.158341	\$ 0.720000
2021	2020	\$ 0.568794	\$ 0.151206	\$ 0.720000
2022	2021	\$ 0.559216	\$ 0.160784	\$ 0.720000 *

* Proposed as part of the Fiscal Year 2021-2022 Budget

Texas Property Tax Code

Steps Required for Adoption of a Tax Rate

- ▶ A taxing unit may not impose property taxes in any year until the governing body has adopted a tax rate for that year, and the annual tax rate must be set by ordinance, resolution, or order...
- ▶ The vote setting a tax rate that exceeds the no-new-revenue tax rate must be a record vote, and at least 60 percent of the members of the governing body must vote in favor of the ordinance...
- ▶ The motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the no-new-revenue tax rate must be made in the following form: "I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the no-new-revenue tax rate) percent increase in the tax rate."

Texas Property Tax Code

Steps Required for Adoption of a Tax Rate

- ▶ On August 17, 2021, City Council voted to adopt a tax rate in excess of the no-new-revenue tax rate
 - ▶ No-New-Revenue Tax Rate = \$0.680159 per \$100 valuation
 - ▶ Proposed Tax Rate = \$0.720000 per \$100 valuation
 - ▶ The proposed \$0.720000 tax rate is unchanged from the current tax rate
- ▶ A public hearing is scheduled for September 21, 2021 at 7:30 PM in the Council Chambers
- ▶ Following the public hearing, City Council will vote to adopt a tax rate during the regular meeting

Texas Property Tax Code

Language Required in the Ordinance Setting the Tax Rate

- ▶ “THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR’S TAX RATE.”
 - ▶ No-New-Revenue M&O Tax Rate = \$0.540609 per \$100 valuation
 - ▶ Proposed M&O Tax Rate = \$0.559216 per \$100 valuation
 - ▶ The difference between the no-new-revenue M&O tax rate and the proposed M&O tax rate is 3.44%
- ▶ “THE TAX RATE WILL EFFECTIVELY BE RAISED BY 3.44 PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$-9.57.”

Texas Property Tax Code

Language Required in the Ordinance Setting the Tax Rate

- ▶ “The tax rate will effectively be raised by 3.44 percent and will raise taxes for maintenance and operations on a \$100,000 home by approximately \$-9.57.”
 - ▶ How can a tax rate be “raised” but the impact be a negative result?
 - ▶ This required language is explaining two different comparisons
- ▶ “The tax rate will effectively be raised by 3.44 percent...” compares the no-new-revenue M&O tax rate and the proposed M&O tax rate
- ▶ “...will raise taxes...by approximately \$-9.57” compares the current year’s M&O tax rate and the proposed M&O tax rate

Texas Property Tax Code

Language Required in the Ordinance Setting the Tax Rate

- ▶ “The tax rate will effectively be raised by 3.44 percent....”
 - ▶ No-New-Revenue M&O Tax Rate = \$0.540609 per \$100 valuation
 - ▶ Proposed M&O Tax Rate = \$0.559216 per \$100 valuation
 - ▶ The difference between the no-new-revenue M&O tax rate and the proposed M&O tax rate is 3.44%

- ▶ “The tax rate...will raise taxes for maintenance and operations on a \$100,000 home by approximately \$-9.57.”
 - ▶ Current M&O Tax Rate = \$0.568794 per \$100 valuation
 - ▶ Proposed M&O Tax Rate = \$0.559216 per \$100 valuation
 - ▶ The difference between the current M&O tax rate and the proposed M&O tax rate is -1.68%
 - ▶ Note: the \$100,000 valuation is set by the Tax Code and is not representative of the average valuation in the City of Deer Park

Texas Property Tax Code

Language Required for Setting the Tax Rate

- ▶ “I move that the property tax rate be increased by the adoption of a tax rate of \$0.720000, which is effectively a 5.86 percent increase in the tax rate.”
 - ▶ No-New-Revenue Total Tax Rate = \$0.680159 per \$100 valuation
 - ▶ Proposed Total Tax Rate = \$0.720000 per \$100 valuation
 - ▶ The difference between the total no-new-revenue tax rate and the total proposed tax rate is 5.86%
 - ▶ The proposed \$0.720000 tax rate is unchanged from the current tax rate
- ▶ The vote setting a tax rate that exceeds the no-new-revenue tax rate must be a record vote, and at least 60 percent of the members of the governing body must vote in favor of the ordinance...

Impact on Property Tax Revenue

Over-65 Exemption

- ▶ Section 11.13 of the Texas Property Tax Code contains provisions for residential homestead exemptions, including disabled and over-65
 - ▶ City Council enacted these exemptions starting with Tax Year 2005
 - ▶ The tax amount cannot increase over the amount imposed in the first year of the exemption (tax ceiling) unless there is an improvement
- ▶ Currently, about 25% of the residences in Deer Park are over-65

<u>Tax Year</u>	<u>Over-65 Homes</u>	<u>Revenue Impact</u> <i>(both exemptions)</i>
2016	2,137	-\$374,588
2017	2,182	-\$505,288
2018	2,253	-\$556,761
2019	2,352	-\$704,501
2020	2,460	-\$850,960