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**Finance Committee**

**DEPARTMENT:** Finance

**FROM:** Harlan Jefferson, Deputy City Manager

**MEETING:** May 8, 2024

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**SUBJECT:**

Discuss property tax rate strategies and consider designating the Johnson County Tax Assessor/Collector to perform the required calculation of relevant tax rates and the City Manager to publish and deliver the tax rate forms in accordance with Chapter 26 of the Texas Tax Code. (Staff Contact: Harlan Jefferson, Deputy City Manager)

**SUMMARY:**

It has been the City's practice to designate the Johnson County Tax Assessor/Collector ("TAC") to perform the required calculation of the relevant tax rates and the preparation of notices for publication in accordance with the Texas Tax Code. The tax calculations required are the no-new-revenue tax rate (no-new-revenue tax rate = [last year's levy – lost property levy] / [current total value – new property value]) and the voter-approval tax rate (voter-approval tax rate = [no-new-revenue maintenance and operations rate x 1.035 + current debt rate). The required tax rate calculations must be made on specific worksheet forms prescribed by the state comptroller.

In 2005, the City and the TAC entered into an interlocal agreement whereby the City designated the TAC as the tax assessor and collector for the City. Texas Tax Code § 26.04 requires that tax calculations be done by a designated officer or employee of the City, and traditionally, that function had been done by the TAC (considered an officer of the unit by case law). Historically, the TAC treated the interlocal agreement with the City as the designation of the TAC to perform the calculations without any other formal action by the city council.

In 2019, however, the 86<sup>th</sup> Texas Legislature made sweeping changes to the Texas Tax Code in S.B. 2 and gave additional responsibilities to the designated officer or employee. Accordingly, because of the changes, the City, through resolution, started formally designating the TAC as the officer to make these calculations, instead of relying on the 2005 interlocal agreement.

In the last ten years, the City has decreased its property tax rate from \$0.74 per taxable property value to \$0.6325 per taxable property value. To maintain the current tax rate, the City could consider increasing its homestead exemption, stopping cash funding capital projects, and/or utilizing its unused increment rate.

**RECOMMENDATION:**

Staff recommends discussing property tax rate strategies and designating the Johnson County Tax Assessor/Collector to perform the required calculation of relevant tax rates and the City Manager to publish and deliver the tax rate forms in accordance with Chapter 26 of the Texas Tax Code.

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

N/A

**REFERENCE:**

- Resolution
- Truth-In-Taxation Basis Flyer
- Unused Increment Rate Flyer

**FISCAL IMPACT:**

N/A

**STAFF CONTACT:**

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