

 **Taxes**

Property Tax Assistance

Tax Rate Calculation

Truth-in-taxation requires most taxing units to calculate two rates after receiving a certified appraisal roll from the chief appraiser — the no-new-revenue tax rate and the voter-approval tax rate. ¹ The type of taxing unit determines which truth-in-taxation steps apply.

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes. ² These taxing units reduce the no-new-revenue rate in the first year only and voter-approval tax rates every year thereafter to account for the property tax reduction paid for by the expected sales tax revenue.

Any taxing unit may increase its voter-approval tax rate for maintenance and operations (M&O) funds used to pay for a facility, device or method for the control of air, water or land pollution. ³ The taxing unit must provide its tax assessor with a copy of a determination letter from the Texas Commission on Environmental Quality stating the portion of the cost of the installation for pollution control. ⁴

A county may increase its no-new-revenue M&O tax rate, and therefore its voter-approval tax rate, for funds used to pay for the state criminal justice mandate, indigent health care, indigent defense and a county hospital. Other taxing units that pay for indigent health care may also increase their no-new-revenue M&O tax rate.

Generally, tax rate calculations for water districts are governed by the Water Code instead of Tax Code. Water Code Sections 49.107(g) and 49.108(f) provide that Tax Code Sections 26.04, 26.05 and 26.07 do not apply to taxing units created under Water Code Section 49.001 that levy and collect taxes under Water Code Section 49.107 or 49.108. Information regarding water district calculations can be found in the Water District Voter-Approval Tax Rate section below.

By providing the information below, the Comptroller's office provides technical assistance and not legal advice. Taxing unit should consult legal counsel for interpretations of law regarding tax rate calculations.

Collapse All

No-New-Revenue Tax Rate

The no-new-revenue tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.⁵

To do this, several adjustments must be made. Those adjustments are found in Section 1 of the Comptroller's tax rate calculation worksheets. The formula assumes that if values increase, the tax rate should decrease to create the same amount of revenue as it did the year before, or if values decrease, the tax rate will increase to produce the same amount of revenue.⁶

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll (or in some circumstances, the certified estimate of taxable value) and the estimated values of properties under protest.⁷ The taxing unit's tax assessor determines the following information:

- the total appraised and taxable value of property in the taxing unit;
- the total appraised and taxable value of new improvements; and
- the total taxable value of property annexed since the prior year.⁸

The tax assessor submits this information to the taxing unit's governing body. The governing body designates an officer or employee (often the tax assessor-collector, but not necessarily) to calculate the no-new-revenue tax rate and the voter-approval tax rate.⁹

Calculating the no-new-revenue tax rate requires the prior year's taxes and the current year's taxable value for property taxed in both years.¹⁰ Dividing the taxes by the value (and multiplying by 100 to convert to a rate per \$100 of value) produces the no-new-revenue tax rate.¹¹ [See Tax Rate Calculation Example 1 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Taxing units that have properties that are valued differently for M&O taxes, such as school districts with Tax Code Chapter 313 limitation agreements, must calculate the no-new-revenue M&O tax rate and the no-new-revenue debt service rate separately and add them together to create the no-new-revenue tax rate.

Last Years Taxes

To calculate the no-new-revenue tax rate, a taxing unit must first determine its total taxes for the prior year. The total includes all supplements, court-ordered adjustments and most corrections that have occurred to the tax roll since the prior year's certification and tax rate adoption. It also includes an adjustment for the undisputed portion of value that is under Chapter 42 appeal as of July 25.¹²

Tax Ceiling

If a county, city or junior college adopted the tax ceiling provision in the prior tax year or a prior tax year for homeowners age 65 or older or disabled, the taxing unit adjusts last year's value by subtracting the

value of homesteads with tax ceilings. Subtracting the value lost because of the changes described above, results in the taxing unit's adjusted taxes for the prior tax year. ¹³

Prior Year Corrections

Taxing units required to refund taxes for tax years prior to the last year must add these refunded taxes in last year's levy. ¹⁴ Taxing units include all types of refunds for years before the prior year — court decisions, corrections and payment errors — for tax years preceding the tax year.

The taxing unit's total taxes for the prior year does not include corrections ordered pursuant to Tax Code Section 25.25(d) for late appraisal roll changes ordered by the appraisal review board (ARB). ¹⁵ If Tax Code Section 25.25(d) corrections were mistakenly included in the tax rate calculations, the taxing unit would calculate a lower no-new-revenue and voter-approval tax rates for the taxing unit.

Court-Ordered Adjustments

A taxing unit may increase the last tax year's taxes to reflect lost taxes in the last tax year because a court overruled an ARB decision with a lower taxable value. Including these refunds in last year's levy results in higher no-new-revenue and voter-approval tax rates that give taxing units the ability to recapture revenue removed from last year's taxes to return money to taxpayers. Any court-ordered refunds made in the prior year must be included as a separate step in the tax rate calculation. ¹⁶

Lost Property

Taxing units must reduce last year's total taxes for the amount of lost property levy. This is the amount of taxes levied on property value that was taxable in the prior year, but not in the current year. ¹⁷ Property value not taxed in the current year may have been deannexed or the property is located in territory that has ceased to be a part of the unit since the preceding year by the taxing unit. Last year's taxes also need to be reduced by the amount of taxes on property that received a new exemption or qualified for special appraisal in the current year. Property that first qualified for a new exemption does not include property that had an exemption amount lowered, freeport property or goods-in-transit property. ¹⁸

Tax Increment Financing (TIF)

Taxing units other than school districts exclude the taxes paid into a TIF and the portion of the captured appraised value that corresponds to the TIF payment in calculating both the no-new-revenue and voter-approval tax rates. ¹⁹

The captured appraised value is the difference in value between the current appraised value and the base appraised value. The base appraised value is the value that existed at the time the TIF was created. The taxes on the base appraised value remain with the taxing unit. Only the portion of the captured appraised value that corresponds to the portion of the tax increment paid into the TIF fund may be excluded in the tax rate calculations.

If a taxing unit does not have TIF captured appraised value in the current year, the taxing unit must reduce last year's taxes by the amount of taxes paid into the TIF in the prior year. If a taxing unit does not have TIF captured appraised value in the current year to exclude from the no-new-revenue, then it does not have any TIF taxes to exclude in those calculations. This provision addresses the situation when the taxable values in a TIF decline, rather than continue to increase.

The TIF captured appraised value to be deducted in the no-new-revenue tax rate calculation does not include any value that was included as new property value in the calculations.²⁰ This provision prevents a taxing unit from including the same value in two different deductions in the calculations. [See Tax Rate Calculation Example 3 (PDF)]

Current Value of Property Taxed in the Prior Year

Before calculating its no-new-revenue tax rate, a taxing unit must adjust the current tax year property values.²¹ The calculation begins with the total taxable value on the certified appraisal roll or certified estimate for the current year and adds railroad rolling stock values, if applicable. The taxing unit then deducts the current year's captured appraised value for which the taxes will be deposited into a TIF fund and the taxable value of property exempted for the current tax year for the first time as pollution control property.²²

Properties Under Protest

If a property's value is under protest when the taxing unit receives the certified appraisal roll or certified estimate, the chief appraiser submits both the appraisal district and the taxpayer's estimated values.²³ In calculating the tax rates, the taxing unit must add the total value of properties under protest to the current tax year property values by using the lower taxable value.

If the property owner did not estimate a value, the chief appraiser must estimate the outcome of the ARB appeal. The following two rules govern this estimate.

- If this year's appraised value 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.²⁴

Properties Not Included at Certification

The chief appraiser must give taxing units a list of taxable properties that the chief appraiser knows about, but that are not included on the certified appraisal roll or in the certified estimate. These properties are not on the list of properties that are still under protest.²⁵ The taxing unit adds the value of properties known, but not appraised for the current year.

The chief appraiser includes the market value, appraised value and exemptions for the prior year and a reasonable estimate of the market value, appraised value and exemptions for the current year. A taxing unit's tax assessor must use the lower of the market, appraised or taxable value for computing the taxing unit's no-new-revenue and voter approval rate.²⁶

Tax Ceilings

If a county, city or junior college adopted the tax ceiling provision in the prior tax year, the current year's values are adjusted by subtracting the current year's values of homesteads with tax ceilings for both age 65 or older and disabled homeowners.²⁷ The taxing unit then subtracts the value of new property - property annexed since Jan. 1 of the prior tax year and improvements new to the current year's tax roll.²⁸

These steps adjust the current year's taxable values to include only property taxed in the current tax year and the prior tax year.

New Property Value

The taxing unit deducts new property value from the current year's appraised values in the no-new-revenue tax rate calculation.

For real property, new value includes 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 Jan. 1 of the prior tax year.²⁹ Only the value of the individual new improvement is new value. The increased value on any existing structures is not new value.

For personal property, new value includes only the personal property that is located in a new improvement and that entered the taxing unit after Jan. 1 of the prior tax year.³⁰

New property value also includes property value in the current year that was previously exempt under an abatement agreement.³¹ 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 include value changes that increased a property's land value from the preceding year as new property. This includes land value that increased from the prior year because the land was subdivided by plat; had water, sewer or drainage lines installed; or had paving of undeveloped land.³²

New property does not include new taxable value subject to limitation agreements under the Tax Increment Financing Act.³³ [See Tax Rate Calculation Example 2 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Consolidated Taxing Units

A taxing unit that was two or more taxing units in the last year handles the no-new-revenue and voter-approval tax rate calculations differently. The consolidated taxing unit combines the previous year's taxes for each taxing unit and divides them by the total values for the current year for the new consolidated taxing unit. ³⁴

Voter-Approval Tax Rate

The voter-approval tax rate is a calculated maximum rate allowed by law without voter approval. The calculation splits the voter-approval tax rate into two separate components - a no-new-revenue maintenance and operations (M&O) rate and a debt service rate. ³⁵ 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. ³⁶ The voter-approval tax rate is the sum of no-new-revenue M&O and debt service rates, plus the unused increment rate (if applicable). ³⁷

In most cases, the voter-approval tax rate exceeds the no-new-revenue tax rate, but occasionally decreases in a taxing unit's debt service will cause the no-new-revenue tax rate to be higher than the voter-approval tax rate.

No-New- Revenue M&O Rate

School districts calculate, the M&O portion of voter-approval rate by using the rate per \$100 of taxable value that is equal to the district's maximum compressed rate times \$1.00 plus the greater of: the previous year's enrichment rate or \$0.05 per \$100 of taxable value. The school district's current debt rate then added to equals the school district voter-approval rate. ³⁸ [See Tax Rate Calculation Example 4 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Other taxing units calculate a no-new-revenue M&O rate by dividing the adjusted prior year's levy by the adjusted prior year's total taxable value used to calculate the no-new-revenue tax rate and multiplying it by the prior year's M&O rate, and then dividing the product by the adjusted current year's taxable value to get the current year's no-new-revenue M&O rate.

Special Provisions

Some taxing units must perform special steps that allow them to adjust their voter-approval tax rates. Many of these adjustments provide for a higher voter-approval tax rate.

County Criminal Justice Mandate

Counties may increase their voter-approval tax rate to replace funds spent to house prisoners sentenced to state correctional facilities. ³⁹ 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. ⁴⁰

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 no-new-revenue M&O rate. The county continues to use the same 12-month period in subsequent years.

For more information on this mandate, contact the Texas Commission on Jail Standards.

Indigent Health Care Expenditures

A taxing unit other than a school district can increase its voter-approval tax rate to generate funds it will spend for enhanced indigent health care expenses. 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. The taxing unit deducts any state assistance received for these expenses.

To calculate the no-new-revenue M&O rate for the current tax year, a taxing unit's enhanced indigent health care expenditures for the prior tax year are computed by subtracting the taxing unit's increased expenditures from July 1 of the year preceding last year through June 30 of last year and the amount of any state assistance from the enhanced expenditures for the current year (July 1 of the prior year through June 30 of the current year). Any remaining amount is the increased amount for the current year.⁴¹

County Indigent Defenses Compensation Expenditures

A county that pays for indigent criminal defense costs may incorporate that increased cost to its voter-approval rate by converting the expenditure to a rate and adding it to the county's no-new-revenue M&O tax rate. The amount a county provides for appointed counsel for indigent individual or civil proceedings in the period beginning July 1 of the year preceding the tax year for which the tax is adopted and ending June 30 of the tax year for which, the rate is adopted, less the amount of any state grants received by the county during that time period. If the county expenditures exceed the amount for the preceding tax year, the county may increase the no-new-revenue M&O rate by the lesser of (1) increased expenditures between two years or (2) 5 percent of the preceding year's indigent expense compensation expenditures.⁴²

Eligible County Hospital Expenditures

A county or city that pays to maintain or operate an eligible county hospital may incorporate that increased cost in its voter-approval rate by converting the expenditure to a rate and adding it to its no-new-revenue M&O tax rate. This applies to an "eligible county hospital" which is located in an area not serviced by a hospital district and which is a hospital owned or leased by a county and operated under Health and Safety Code 263; or is owned or leased jointly by a city and a county and operated under Health and Safety Code Chapter 265. "Eligible county hospital expenditures" means the amount paid by a county or city in the period beginning July 1 of the preceding tax year and ending June 30 of the current year. If those expenditures exceed the amount for the preceding tax year, the city or county may increase the no-new-revenue M&O rate by the lesser of (1) the increased expenditures between the two years or (2) 8 percent of the preceding tax year's eligible expenditures.⁴³

Taxing Units Transferring a Function

If a taxing unit discontinues all of a department, function or activity and transfers it to another taxing unit by written contract, the two taxing units must adjust their M&O rates for the transfer. The taxing unit discontinuing the function subtracts the amount spent for the function in the 12 months preceding the month of the voter-approval tax rate calculation. If the taxing unit did not operate this function for this 12-month period, the discontinuing taxing unit uses the amount spent in the last full fiscal year in which the taxing unit operated the function. The taxing unit receiving the function adds this amount to the voter-approval tax rate for the function's expenses. ⁴⁴

Tax Increment Financing (TIF)

Taxing units other than school districts exclude the taxes paid into a TIF and the captured appraised value that corresponds to the TIF payment in calculating the voter-approval tax rate. ⁴⁵ The TIF captured appraised value to be deducted in the voter-approval tax rate calculation does not include any value that was included as new property value in the calculations. ⁴⁶ This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

Debt Service Rate

The debt service rate portion is the tax rate necessary to pay the taxing unit's debt payments in the coming year. This part of the calculation does not depend on the last year's debt taxes at all; it considers the amount the taxing unit will need for the current year. ⁴⁷ The debt service portion of the overall tax rate may rise as high as necessary without triggering an election to approve the tax rate—because most debt is already approved by voters in bond elections.

Debt Payments

This step concerns the actual debt payments required for the current fiscal year, not the last fiscal year's debt. Remember that these are debt payments that the current year's property taxes will pay. ⁴⁸ A taxing unit that pays debt with other funds should not include those payments in the calculation.

School districts are required to consider the amount of facilities state aid (Existing Debt Allotment and/or Instructional Facilities Allotment) they will receive in setting their local debt service rates. ⁴⁹ Doing so reduces the amount of debt that school districts pay from local funds and produces a lower debt service tax rate. School districts that do not take the state funding into account will both violate state law and levy rates that are too high.

Anticipated and Excess Debt Collections

A taxing unit that levies a debt service tax must consider anticipated collections in calculating the debt service component of its voter-approval tax rate. The collector for such a taxing unit must certify the current year's certified anticipated debt collection rate and last year's excess debt tax collections to the governing body. ⁵⁰

Adjustments to the current year's debt service rate include excess collections from the previous year and the anticipated collection rate for the current year.⁵¹ The taxing unit subtracts the amount of last year's excess debt tax collections from the current year's debt payments and divides the resulting figure by the anticipated current year's collection rate.⁵² If the anticipated current year's collection rate is less than 100 percent, this will increase the amount of levy needed to pay debt service. The taxing unit's tax collector certifies the excess debt tax collections and the anticipated collection rate.⁵³

Estimated Debt Collection Rate for Current Tax Year

To find the estimated collection rate, the collector must first estimate the taxing unit's total debt collections from July 1 of the current year through June 30 of the next year.⁵⁴ This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes (e.g. agriculture, etc.), penalties and interest.⁵⁵ The anticipated collection rate of a taxing unit is a rate certifies by the collector and can be no lower than the lowest actual collection rate of the taxing unit for any of the preceding three years and may even exceed 100%.⁵⁶

The collector compares this amount to what the taxing unit plans to levy for paying debt service in the current fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate.⁵⁷ For example, the collector projects the taxing unit will take in \$950,000 in debt revenues before July 1 of next year. The taxing unit's budget calls for it to levy \$1 million in debt service taxes for the current year. The anticipated collection rate is \$950,000 divided by \$1 million, or 95 percent.

Using an anticipated collection rate of less than 100 percent in the calculations creates a higher debt levy. Delinquent taxes from prior years may generate more than a 100 percent rate.⁵⁸

Excess Debt Tax Collections for Prior Year

The law requires the collector to compare the amount of taxes actually collected in current taxes, delinquent taxes, special appraisal rollback taxes (e.g. agriculture, etc.), penalties and interest for last year's debt from July 1 of last year through June 30 of the current year. The collector compares this collected amount with the amount that the collector estimated to collect according to last year's anticipated collection rate. If the taxing unit took in more debt tax dollars than the estimated collection, the collector certifies the amount of excess debt tax collections to the governing body.⁵⁹

For example, last year the collector projected a collection rate of 95 percent and the governing body levied \$500,000 in debt service taxes. The anticipated debt tax collections last year were \$475,000 (.95 x \$500,000). The collector determines whether the total amount of debt service taxes collected from July 1 of last year through June 30 of the current year exceeds \$475,000 and determines the amount of any excess. If the taxing unit collected \$485,000 in debt service taxes last year, the collector certifies excess debt tax collections of \$10,000. The taxing unit subtracts this \$10,000 from the current year's debt payments to lower the current year's debt service rate.

Dividing the adjusted debt payments by the current year's total taxable values, times \$100, gives the debt service portion of the voter-approval tax rate. [See Tax Rate Calculation Example 6 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Total Voter-Approval Tax Rate

Totaling the M&O tax rate and the debt service rate gives the total voter-approval tax rate.⁶⁰

Special taxing units multiply their no-new-revenue M&O rate by 1.08.⁴¹ [See Tax Rate Calculation Example 5 (PDF)]

Taxing units other than special taxing units multiply their no-new-revenue M&O rate by 1.35.

If the taxing unit is affected by a disaster and the governing body of the taxing unit directs the taxing unit to do so, it may calculate its voter-approval rate in the manner provided for a special taxing unit.

Unused Increment Rate *

The unused increment rate is the three-year rolling sum of the difference between the adopted tax rate and voter-approval rate. The unused increment rate can be used to increase the voter-approval rate, depending upon the tax rates adopted by the city in the previous three years. A city has the ability to "bank" any unused amounts below the voter-approval rate to use for up to three years. The unused increment rate is zero for 2020 and will not be available until 2021.

Additional Sales Tax Rate

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes.⁶¹ In which case, the taxing unit reduces its no-new-revenue rate and voter-approval tax rates to offset the expected sales tax revenue.⁶²

Timing a Sales Tax Election

Local voters by election must approve imposing or abolishing the additional sales tax.⁶³ Elections may be held on either of the two general election dates held in May or November.⁶⁴ If the additional sales tax to reduce property taxes passes, the taxing unit may use Section 3 of the Comptroller's *Tax Rate Worksheet* to calculate the reduced no-new-revenue and voter-approval tax rates.

Collecting the sales tax begins on Oct. 1 following the first full quarter after the taxing unit notifies the Comptroller's office of the election results.⁶⁵

Impact on No-New-Revenue and Voter-Approval Tax Rates

A taxing unit that adopted the additional sales tax in November of the previous year or in May of the current year must adjust both its no-new-revenue and voter-approval tax rates. A taxing unit that

adopted the tax in prior years, however, adjusts only its voter-approval tax rate.⁶⁶

Steps for First Year

A taxing unit that adopted the additional sales tax in November of the previous year or in May of the current year makes a first-year adjustment to both the no-new-revenue and the voter-approval tax rates. The taxing unit computes an additional tax rate based on an estimate of sales tax revenue and subtracts that rate from the no-new-revenue and voter-approval tax rates. The adjustment rate is called the sales tax gain rate.⁶⁷

Sales Tax Gain Rate

To calculate a sales tax gain rate for the first time, the taxing unit must first contact the Comptroller's office to obtain an estimate of the last four quarters' total dollar-volume of business activity subject to sales tax. It then multiplies that estimate by the adopted additional sales tax rate (usually .005), and multiplies that by 95 percent. By using 95 percent, a conservative amount is used to offset low first-year estimates of the total taxable sales. The taxing unit then divides the sales tax estimate by current year's total taxable values.⁶⁸ [See Tax Rate Calculation Example 7 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.⁶⁹ The county subtracts this amount from the total estimated sales tax revenue in the first-year tax rate calculations.

Subtracting the sales tax gain rate from the no-new-revenue tax rate and the voter-approval tax rate adjusts those tax rates for the anticipated additional sales tax.⁷⁰ [See Tax Rate Calculation Example 8 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Steps for Following Years

Once a taxing unit has collected the additional sales tax for a year, its property tax revenues will reflect any tax rate reduction arising from the additional sales tax. As a result, calculating the no-new-revenue tax rate will not require an adjustment for the additional sales tax.

Calculating the voter-approval tax rate after the first year, however, uses the last year's sales tax revenue in calculating the maintenance and operations (M&O) component of the voter-approval tax rate. The taxing unit subtracts a sales tax adjustment rate.⁷¹ [See Tax Rate Calculation Example 9 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Sales Tax in the No-New-Revenue Maintenance and Operations (M&O) Rate

To calculate the no-new-revenue M&O rate, add the last year's sales tax revenue spent on M&O to the adjusted M&O levy.⁷²

The last year's sales tax revenue is the amount from the first full year of sales tax revenue spent for M&O.⁷³ This adjustment is necessary 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.

A county excludes the amount of sales tax revenue that was distributed by the county for economic development grants.⁷⁴ The county subtracts this amount from the sales tax revenue spent in the calculation of the county's no-new-revenue M&O 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 Comptroller's office supplies this amount on request.⁷⁵ Unlike the first year, there is no 95 percent adjustment. To calculate the sales tax adjustment rate, the taxing unit must divide the additional sales tax revenue from the last four quarters by this year's total taxable values.⁷⁶ [See Tax Rate Calculation Example 10 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

A taxing unit can get its historical summary of monthly local sales and use tax allocation payments on the Comptrollers' Allocation Historical Summary website.

Changing the Additional Sales Tax Rate

If the taxing unit either increases or decreases the sales tax rate from last year, the taxing unit must perform an additional step to determine the projected sales tax.⁷⁷

If the sales tax rate increased (for example, from \$0.0025 to \$0.005), 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 no-new-revenue tax rate is the rate before the increase, less a rate for the extra revenue. To determine the revenue gain rate to subtract, divide the revenue gain by the current total property values (less new property value).⁷⁸

If the sales tax rate decreased (for example, from \$0.005 to \$0.0025), 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 no-new-revenue 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).⁷⁹

Taxing units should contact legal counsel 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 taxing unit adjusts its no-new-revenue tax rate upward by adding a sales tax loss rate. To calculate this rate, the taxing 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 no-new-revenue tax rate.⁸⁰ [See Tax Rate Calculation Example 11 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

To calculate the voter-approval tax rate, the taxing unit includes the sales tax in the no-new-revenue M&O rate but does not include the sales tax loss rate.⁸¹ [See Tax Rate Calculation Example 12 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

City Mass Transit Sales Tax

In the tax year in which a city has set an election on the question of whether to impose a local sales and use tax for mass transit, the city may not make no-new-revenue and voter-approval calculations until the outcome of the election is determined. If the election is determined in favor of the imposition of the tax, the city must subtract from the city's voter-approval and no-new-revenue tax rates the amount that, if applied to the city's current total value, would impose an amount equal to the amount of property taxes budgeted in the current tax year to pay for expenses related to mass transit services.⁸²

A city must make a one-time adjustment to its no-new-revenue and voter-approval tax rates in the year it elects to impose a transit tax.

In general, instead of subtracting a sales tax adjustment rate, these 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 Tax Rate Calculation Example 13 [comptroller.texas.gov/taxes/property-tax/docs/98-1047.pdf]]

Mass transit services do not include the construction, reconstruction or general maintenance of municipal streets.⁸³

Additional Voter-Approval Protection for Pollution Control

A taxing unit or school district may increase its voter-approval tax rate by the rate that generates the amount of funds the taxing unit spends for pollution control property, divided by the taxing unit's current total value. Section 4 of the Comptroller's *Tax Rate Calculation Worksheet* provides information needed for calculating the additional tax rate to add to the voter-approval tax rate.

A taxing unit may raise its rate for M&O funds used to pay for a facility, device or method for the control of air, water or land pollution.⁸⁴ This includes 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.⁸⁵ The taxing unit's expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).⁸⁶

The TCEQ executive director issues a determination letter stating the portion of the cost of the installation for pollution control.⁸⁷ The taxing unit must provide its tax assessor with a copy of the TCEQ letter.⁸⁸ The tax assessor must accept the copy stating the cost of the pollution control property as conclusive evidence and shall adjust the voter-approval tax rate.⁸⁹ Taxing units should check with TCEQ's Air Quality Division for rules regarding this process.

De Minimis Rate

The de minimis rate is a new tax rate calculation designed to give smaller taxing units, including cities with a population of less than 30,000, some relief from the three and a half percent voter-approval rate. The de minimis rate is the sum of a taxing unit's no-new-revenue maintenance and operations rate; the rate that, when applied to a taxing unit's current total value, will impose an amount of taxes equal to \$500,000; and a taxing unit's current debt rate.⁹⁰

Voters may petition to hold a tax approval election if the de minimis rate exceeds the voter-approval rate and the adopted rate is equal to or lower than the de minimis rate but higher than the voter-approval rate.⁹¹ The voter-approval rate in this instance may be calculated in one of two ways, depending on the qualifications of the taxing unit. These voter-approval calculations are either:

- (a) a three and half percent increase to maintenance and operations plus the unused increment plus debt or
- (b) if a city were also a special taxing unit with an eight percent rate increase to maintenance and operations and debt.

Water District Tax Rate

Water Code Section 49.001 defines a water district as any district or authority created by Texas Constitution, Article XVI, Section 59 or Article III, Sections 52(b)(1) and (2), but does not include:

- any navigation district or port authority created under general or special law or any conservation and reclamation district created by Chapter 62, Acts of the 52nd Legislature, 1951 (Article 8280-141, Vernon's Texas Civil Statutes), or
- any conservation and reclamation district governed by Water Code Chapter 36 unless a special law creating the district or amending the law creating the district states that Water Code Chapter 49 applies to that district.⁹²

Water districts generally do not come under provisions of the Tax Code, but instead are governed by the Water Code. Water Code Sections 49.107 (g) and 49.108 (f) provide that Tax Code Sections 26.04, 26.05, 26.061, 26.07 and 26.075 do not apply to taxing units created under Water Code Section 49.001 and that levy and collect under Water Code Section 49.107 or 49.108. Questions regarding the applicability of the Tax Code or the Water Code to a taxing unit should be directed to an attorney or other appropriate counsel.

Water districts consists of three categories for the purposes of Truth-in-Taxation. Water Code Section 49.23601 describes a “Low Tax Rate District.” This Low Tax Rate District must have an adopted rate of 2.5 cents or less per \$100 of taxable value. If a “Low Tax Rate District” adopts a combined debt service, contract and maintenance and operation rate that would impose more than 1.08 times the amount of tax imposed by the district in the preceding year on an average homestead, an election must be held.

Water Code Section 49.23602 defines a Developed District as the one that financed, completed and issued bonds to pay for all land, works, improvements, facilities, plants, equipment and appliances necessary to serve at least 95 percent of the projected build-out of the district. This Developed District has a mandatory tax election rate which consists of 1.035 times the amount of tax imposed by the district in the preceding year on the average residence homestead and the unused increment rate. There is also a voter-approval rate which is the sum of the M&O tax rate plus a 3.5 percent increase, unused increment rate, debt rate and a contract rate. If the board adopts a rate that exceeds the mandatory tax election rate, it must hold an automatic election. These Developed Districts also have a provision that allows the board of a district to calculate the voter-approval tax rate in the manner allowed for a Low Tax Rate District in the event of a declared disaster.

Finally, Water Code Section 49.23603 describes a water district that has an M&O rate that is above 2.5 cents and is not a Developed District. This Developing District has the same calculations as the Low Rate District for its voter-approval rate. However, there is no provision for an automatic election if the governing body adopts a combined debt service, contract and maintenance and operation rate that would impose more than 1.08 times the amount of tax imposed by the district in the preceding year on an average homestead. Voters will have to file a petition in accordance with Tax Sections 26.075 and 26.081 in order to have an election to decide if the adopted rate should be rolled back to the voter-approval rate.

Voter Approval Tax Rate

The voter-approval tax rate for developed water districts is the current year's debt service, contract and unused increment tax rates plus the maintenance and operation (M&O) rate that would impose no more than 1.035 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district.⁹³ The voter-approval rate for low tax rate and developing water districts is the current year's debt service and contract tax rates, plus M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district.⁹⁴ The average appraised value disregards any homestead exemption available only to people with disabilities or those age 65 or older.⁹⁵ If any part of a developed water district is located in an area declared a disaster area during the current tax year by the governor or by the president, the board of the district may calculate the voter-approval tax rate and determine whether an election is required in the manner provided for a Low Tax Rate District.⁹⁶

- ¹Tex. Tax Code § 26.04(c)
- ²Tex. Tax Code § 26.012(1)
- ³Tex. Tax Code § 26.045(a)
- ⁴Tex. Tax Code § 26.045(i)
- ⁵Tex. Tax Code § 26.05(a)(2)
- ⁶Tex. Tax Code § 26.04(c)(1)
- ⁷Tex. Tax Code §§ 26.01(a) and 26.05(a)
- ⁸Tex. Tax Code § 26.04(a)
- ⁹Tex. Tax Code § 26.04(b) and (c)
- ¹⁰Tex. Tax Code § 26.04(c)(1)
- ¹¹Tex. Tax Code § 26.05(c)(1)
- ¹²Tex. Tax Code § 26.012(13(A))
- ¹³Tex. Tax Code § 26.012(13)(A)
- ¹⁴Tex. Tax Code § 26.012(13)(B)
- ¹⁵Tex. Tax Code § 26.012(14)
- ¹⁶Tex. Tax Code § 26.012(13)(A)(i)
- ¹⁷Tex. Tax Code § 26.012(15)
- ¹⁸Tex. Tax Code § 26.012(15)
- ¹⁹Tex. Tax Code § 26.03(c)
- ²⁰Tex. Tax Code § 26.03(c)
- ²¹Tex. Tax Code § 26.012(6)
- ²²Tex. Tax Code § 26.045(a)
- ²³Tex. Tax Code § 26.01(c)
- ²⁴Tex. Tax Code § 26.01(c)
- ²⁵Tex. Tax Code § 26.01(d)
- ²⁶Tex. Tax Code § 26.01(d)
- ²⁷Tex. Tax Code § 26.012(6)(B)
- ²⁸Tex. Tax Code §§ 26.012(17) and 26.04(c)
- ²⁹Tex. Tax Code § 26.012(17)(A)
- ³⁰Tex. Tax Code § 26.012(17)(A)
- ³¹Tex. Tax Code § 26.012(17)(B)
- ³²Tex. Tax Code § 26.012(17)(c)
- ³³Tex. Tax Code § 26.03(c)

- ³⁴Tex. Tax Code § 26.04(f)
- ³⁵Tex. Tax Code § 26.005(a)

- ³⁶Tex. Tax Code § 26.012(8)
- ³⁷Tex. Tax Code § 26.04(c)(2)
- ³⁸Tex. Tax Code § 26.048(n)
- ³⁹Tex. Tax Code § 26.044
- ⁴⁰Tex. Tax Code § 26.044(d)
- ⁴¹Tex. Tax Code § 26.0441
- ⁴²Tex. Tax Code § 26.0442
- ⁴³Tex. Tax Code § 26.0443
- ⁴⁴Tex. Tax Code § 26.04(i) and (j)
- ⁴⁵Tex. Tax Code §§ 26.03(c) and 26.08(h)
- ⁴⁶Tex. Tax Code § 26.03(c)
- ⁴⁷Tex. Tax Code § 26.012(8)
- ⁴⁸Tex. Tax Code § 26.012(3) and (8)
- ⁴⁹Tex. Educ. Code § 46.009(d)
- ⁵⁰Tex. Tax Code § 26.04(b)
- ⁵¹Tex. Tax Code § 26.05(a)(1)
- ⁵²Tex. Tax Code § 26.012(2)
- ⁵³Tex. Tax Code § 26.04(b)
- ⁵⁴Tex. Tax Code §§ 26.012(2) and 26.04(h)(2)
- ⁵⁵Tex. Tax Code § 26.012(2)
- ⁵⁶Tex. Tax Code § 26.04(h-1)
- ⁵⁷Tex. Tax Code § 26.012(2)(B)
- ⁵⁸Tex. Tax Code § 26.04(h)(1)
- ⁵⁹Tex. Tax Code § 26.04(b)
- ⁶⁰Tex. Tax Code § 26.05(a)
- ⁶¹Tex. Tax Code § 26.012(1)
- ⁶²Tex. Tax Code § 26.041
- ⁶³Tex. Tax Code §§ 321.101 and 323.101
- ⁶⁴Tex. Elec. Code § 41.001(a)
- ⁶⁵Tex. Tax Code §§ 321.102(b) and 323.102(a)

- ⁶⁶Tex. Tax Code § 26.041(a) and (b)
- ⁶⁷Tex. Tax Code § 26.041(a)
- ⁶⁸Tex. Tax Code § 26.041(d)
- ⁶⁹Tex. Tax Code § 26.041(i)
- ⁷⁰Tex. Tax Code § 26.041(a)

- ⁷¹Tex. Tax Code § 26.041(b)
- ⁷²Tex. Tax Code § 26.041(b)
- ⁷³Tex. Tax Code § 26.041(b)
- ⁷⁴Tex. Tax Code § 26.041(i)
- ⁷⁵Tex. Tax Code § 26.041(d)
- ⁷⁶Tex. Tax Code § 26.041(d)
- ⁷⁷Tex. Tax Code § 26.041(g) and (h)
- ⁷⁸Tex. Tax Code § 26.041(g)
- ⁷⁹Tex. Tax Code § 26.041(h)
- ⁸⁰Tex. Tax Code § 26.041(c)
- ⁸¹Tex. Tax Code § 26.041(c)
- ⁸²Tex. Tax Code § 26.041(a)
- ⁸³Tex. Tax Code § 26.043(a)
- ⁸⁴Tex. Tax Code § 26.045(a)
- ⁸⁵Tex. Tax Code § 26.045(b)
- ⁸⁶Tex. Tax Code § 26.045(c)
- ⁸⁷Tex. Tax Code § 26.045(d)
- ⁸⁸Tex. Tax Code § 26.045(i)
- ⁸⁹Tex. Tax Code § 26.045(i)
- ⁹⁰Tex. Tax Code § 26.012(8-a)
- ⁹¹Tex. Tax Code § 26.075
- ⁹²Tex. Water Code § 49.001
- ⁹³Tex. Water Code § 49.23602(a)(4)
- ⁹⁴Tex. Water Code §§ 49.23601(a) and 49.23603(a)
- ⁹⁵Tex. Water Code §§ 49.23601(c), 49.23602(2)(a), and 49.23603(a)(3)
- ⁹⁶Tex. Water Code § 49.23602(d)