

DRAFT

**Record Vote to Set the
Maximum Ad Valorem Tax Rate**



**Council Presentation
August 13, 2024**



DRAFT Truth-in-Taxation

Texas Constitution

- Requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to limit tax increases. This is accomplished through a concept called Truth-In-Taxation (TNT).

Tax Code Chapter 26

- Defines calculation, notices and hearings

Defined Process

- Draft a budget
- Calculate the tax rate
- Publish notice
- Hold a public hearing
- Adopt a tax rate
- Hold election if necessary



DRAFT Truth in Taxation Definitions

No-New-Revenue Tax Rate (NNR)

- The rate that effectively produces the same revenue as the prior tax year based on the new appraised value of the same base property.

Voter-Approval-Tax Rate (VAR)

- The maximum rate that can be adopted before triggering an automatic election for approval.

No-New-Revenue Maintenance and Operations (M&O) Rate

- The rate that produces the same revenue for maintenance and operations as prior tax year. This rate is can only increase up to 3.5% or an election is automatically triggered

Interest and Sinking (I & S) Rate

- The portion of the tax rate for debt service. This portion of the tax rate is based on the required debt service for the year and is not subject to the 3.5% limitation.

Unused Increment

- The increment between the adopted tax rate and the voter approval tax rate. This increment can be rolled for up to 3 tax years and applied to the voter approval tax rate total.



DRAFT Truth-in-Taxation Actions

- TNT requires that a record vote be taken by the governing body to set a maximum tax rate ceiling if the proposed rate is greater than the estimated *No-New-Revenue* tax rate.
 - The proposed budget was built with the assumption of a tax rate of .599774 per \$100 valuation, or the same tax rate as FY 2024.
 - The estimated *No-New-Revenue* tax rate is .565672 per \$100 valuation and the estimated *Voter-Approval-Tax* rate is .644212 per \$100 valuation.
 - Once the maximum tax rate ceiling is approved, City Council can approve a lower tax rate but cannot increase the tax rate above the ceiling without another record vote.
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DRAFT Recommendation

- Set a maximum tax rate ceiling of .599774 per \$100 valuation, or the same tax rate as FY 2024
- Call a public hearing on the FY2025 Budget and the FY2025 Tax Rate to be held on September 3, 2024