Record Vote to Set the Maximum Ad Valorem Tax Rate

Council Presentation
August 12, 2025

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

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.

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 **$0.599774 per $100 valuation**, or the same tax rate as FY 2025.

- 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.

Truth-in-Taxation
2025 Tax Rate Calculations

- The **no-new revenue** tax rate is **$0.598423** per $100 valuation

- The **voter approval** tax rate **is $0.660677** per $100 valuation.

  - This tax rates includes $0.044091 of unused increment for the past 3 years.

Recommendation

- Set a **maximum tax rate** ceiling of **$0.599774 per $100 valuation**, or the same tax rate as FY 2025

- Call a **public hearing** on the FY2026 Budget and the FY2026 Tax Rate to be held on **September 2, 2025**