



What's Changed After Senate Bill 2?



Overview of the Property Tax System

Key Players

County Appraisal Districts (CADs) – the appraisal district determines the value of property within its county. CADs are governed by a board of directors, members of which are elected by the taxing entities (such as cities, counties, schools, etc.) within the CAD’s jurisdiction. CADs are funded by a portion of the tax dollars collected by each taxing entity in their area.

Taxing Entity – a local unit of government that has been given the authority to levy a property tax. This includes cities, counties, school districts, and special districts such as hospitals, junior colleges, and municipal utility districts. Local taxing entities decide how much money they need to spend each year, and then set tax rates to fund those budgets. The adopted budgets and the tax rates needed to fund the budgets determine the total amount of property taxes that an individual will pay each year.

Taxpayers – individuals who own real property within the State of Texas and are liable for annual property tax payments to local entities. Individuals who rent real property may also indirectly pay all or a portion of the property’s annual tax bill through rent payments. Taxpayers may protest their annual appraised value if they disagree with the CAD assessment. Taxpayers may also give input on the local budgets and tax rates that determine their annual property tax levy.

State of Texas – Texas does not collect a statewide property tax. The Texas Legislature may create laws that determine the structure and process of local taxing units and county appraisal districts, including taxpayers’ opportunities to engage with those entities.

Texas Comptroller’s Property Tax Assistance Division conducts and publishes a property value study on school districts every other year, which determines how much state funding school districts receive. It also conducts a biannual review of the governance, operating procedures and appraisal techniques of each CAD. Further, it provides training for appraisal review board members and property tax professionals, administers arbitration procedures, and operates as an information resource for the public.

Terms

The **maintenance and operations rate** is the tax rate per \$100 valuation levied by a taxing entity to fund the operations and maintenance of the entity.

The **no-new-revenue maintenance and operations rate**, formerly the effective rate, is the rate per \$100 valuation levied by a taxing entity in which the entity would collect the same amount of maintenance and operations dollars as the previous year.

The **de minimis rate** is the rate equal to the taxing unit’s no-new-revenue maintenance and operations rate, the current debt rate, and a rate that would bring in \$500,000.

The **unused increment rate** is a taxing unit’s three-year rolling sum of the difference between the voter-approval rate and the adopted rate for each year. This encourages a taxing unit to adopt a rate less than the voter-approval rate by allowing them to “bank” the difference and avoid automatic elections in future years when they might need more revenue.

The **voter-approval rate**, formerly the rollback rate, is 3.5% greater than the no-new-revenue maintenance and operations rate (or 8% for special taxing units) for local taxing entities that are not school districts. For school districts, the voter-approval rate is 2.5% greater than the no-new-revenue maintenance and operations rate.

If a taxing entity proposes a tax rate that exceeds the voter-approval rate, the voters in the taxing entity will decide whether to accept or reject the proposed rate. If the voters reject the proposed rate, the entity will adopt the voter-approval rate.

Appraisals

Texas Tax Code requires real property to be appraised at market value as of January 1 each year. Market value is the price at which a property would sell under normal circumstances if it were listed for sale on the open market with a reasonable time for the seller to find a buyer, and both the seller and buyer know the property's conditions and legal uses, and both the seller and buyer seek their best deal without one taking advantage of another.

Before appraisals begin, the county appraisal district compiles a list of taxable property. The list contains a description and the name and address of the owner for each property. In a mass appraisal, the appraisal district then classifies properties according to a variety of factors, such as size, use and construction type. Using data from recent property sales, the appraisal district appraises the value of typical properties in each class. Considering differences such as age or location, the appraisal district uses typical property values to appraise all the properties in each class. Individual characteristics that affect the property's value must be evaluated in determining the property's market value.

The chief appraiser sends an annual notice of appraised value to a property owner (by April 1 for residential homesteads, and by May 1 for other property types) if the appraised value increased from the preceding year, the appraised value exceeds value rendered by property owner, the property was not on an appraisal roll in the preceding year, or a full or partial exemption on the property was canceled or reduced. The notice must include a property description, last year's taxable value, exemptions, details on how to protest and hearing information.

Appraisals only determine the property's value, and CADs do not determine annual tax increases.

(Source: Texas Comptroller of Public Accounts)

Budgeting and Tax-Rate Setting

A significant duty of a local taxing entity is to create an annual budget, and adopt a tax rate to support that budget, in order to provide services to the community it represents.

The chief appraiser provides an estimate of taxable property value to the local entity by April 30 of each year. This is not a final determination of property values, as taxpayers may still protest their appraisals after that date but gives the local government an idea of the property values it must work with for the year. The local entity then determines its general operating expenses, any payment of debts, new spending projections, and surplus funds available.

The chief appraiser usually gives the local entity a certified appraisal roll at the end of July. At that time, the taxing entity must calculate:

- A) The tax rate that would bring in the same amount of property tax revenue as the previous year (renamed the "no-new-revenue rate"), and
- B) The tax rate that brings in the maximum amount of revenue allowed by law without voter approval, which would provide about the same amount of tax revenue as the previous year for general operations, plus a defined extra percentage of revenue. As of 2020, this extra revenue will be 3.5% above the previous year's revenue for most taxing entities, 8% for any city or county with 2.5 cents per \$100 M&O or less, and 2.5% for school districts. (This calculated rate is now the "voter-approval rate.")

Then, the taxing entity must publish notices that include those calculated rates and/or mail such notice to each property owner within its jurisdiction. Following the notice, taxpayers must be given the opportunity to provide comment on tax increases at public hearings.

After public testimony has been collected, each taxing entity must adopt a final tax rate. This usually occurs by September 30 each year.

After SB2, if the taxing unit adopts a tax rate that exceeds the voter-approval rate, in most instances¹, an election must be held in November to allow voters to approve that increase.

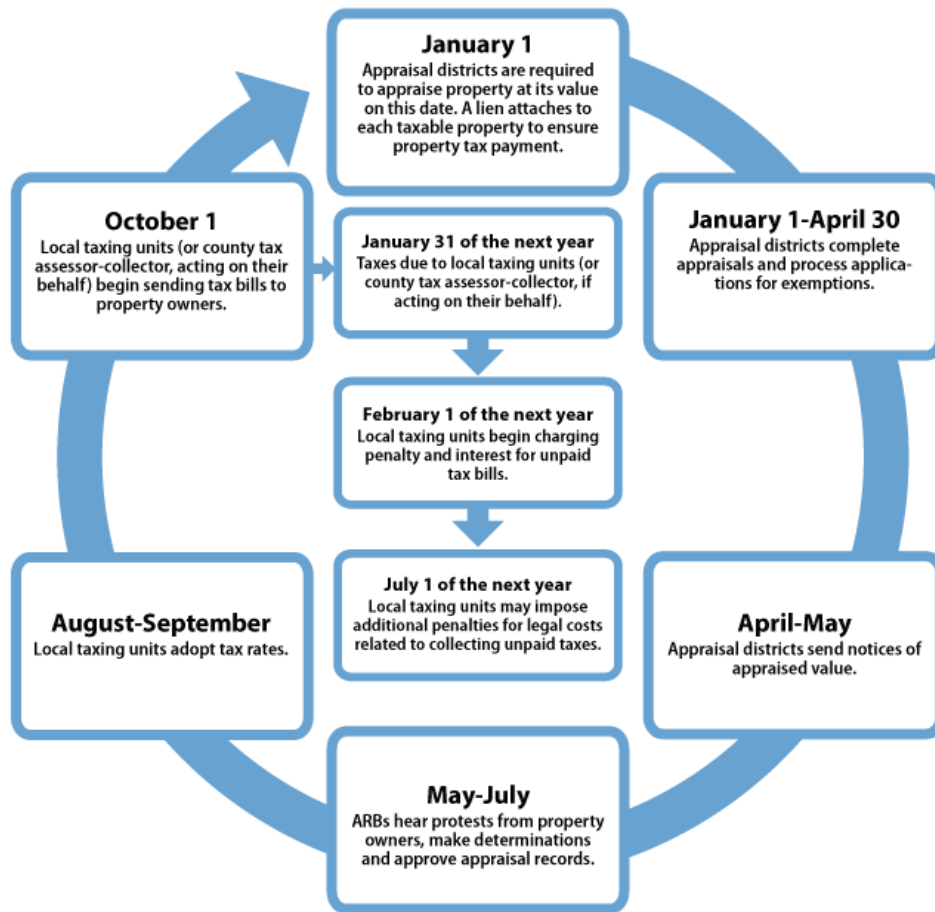
¹ Exceptions to automatic elections:

(1) where a taxing unit other than a city with a population of 30,000, a school district, a junior college district, or a hospital district: (i) has a maintenance and operations tax rate of more than 2.5 cents per \$100 of taxable value; and (ii) adopts a tax rate that does not exceed the de minimis rate; and

(2) where a taxing unit: (i) is a district under Water Code chapter 49 that is not a developed district; and (ii) has a maintenance and operations tax rate of more than 2.5 cents per \$100 of taxable value.

(From Tax Code 26.075 and Water Code 49.23603, respectively.)

Property Tax Calendar Dates



January 1	The relevant date for valuing property and determining eligibility for certain exemptions for the tax year.
April 1*	Last day for chief appraiser to mail notice of appraised value for single-family residence homestead properties.
May 1*	Last day for chief appraiser to mail notice of appraised value for all properties that are not single-family residence homestead properties.
May 1 – 15	Chief appraiser must publish notice about value protest procedures in a local newspaper with general circulation.
May 15	Last day for property owners to file most value protests (or by 30th day after notice of appraised value is delivered, whichever is later).
June 30	Last day for taxing units to adopt local option homestead exemptions.
August 7*	Date most taxing units must publicize certain information, including the no-new-revenue and voter-approval tax rates.
August 7*	Chief appraisers must deliver, by mail or e-mail, a notice of estimated taxes to be imposed on the property owner by each taxing unit.
September 1	Deadline for a county or city to either publish the property tax rate notice in a general circulation newspaper or mail it to each property owner and post the notice on its website.
September 29	Last day for taxing units to adopt a tax rate for the current year (or by 60th day after the date the certified appraisal roll is received by the taxing unit, whichever is later).
October 1*	Tax assessor-collector mails tax bills for the year.

*or as soon thereafter as practicable

What's Changed with Senate Bill 2?

The Texas Legislature approved a comprehensive package of reforms to the Texas property tax system in 2019. Most of those reforms were contained in Senate Bill 2, also known as the Texas Property Tax Reform and Transparency Act of 2019. This legislation contained the most sweeping changes adopted since the current property tax system was put into place in 1979-1981.

This legislation contains many provisions which will be phased in between September 2019 and January 2023, but a large majority of the provisions will go into effect on January 1, 2020 to be in place for the 2020 tax year.

Transparency Requirements

Senate Bill 2 provided several measures designed to help taxpayers better understand the property tax system, including notices of meetings and real-time estimated tax databases hosted by each county appraisal district.

Website Requirements

Database of Property Tax-Related Information: The chief appraiser of each CAD shall create and maintain a database that contains information provided by the taxing units and is continuously updated as new information becomes available, to be accessible to the public and searchable by property address and owner. This database must include for each property within the district:

- The property identification number
- The property's market value
- The property's taxable value
- The name of each taxing unit in which the property is located
- For each of those units other than a school district, the no-new-revenue rate, voter-approval rate, and proposed tax rate, as well as the taxes that would be imposed on the property if any of those rates were adopted and the calculated difference between those rates
- For the school district in which the property is located, the revenue-neutral tax rate per weighted student and the voter-approval rate, as well as the taxes that would be imposed on the property if the revenue-neutral or proposed tax rate were adopted and the calculated difference between those two rates
- The date, time, and location of the public hearing, if applicable, on the proposed tax rate to be held by the governing body of each taxing unit
- The date, time, and location of the public meeting, if applicable, when the proposed tax rate will be adopted
- An email address for each taxing unit that can receive written comments regarding the proposed tax rate
- A link to the internet website of each taxing unit where property tax information is routinely posted
- A form on which a property owner may provide opinions, within the tax cycle deadlines, on the proposed tax rate and submit those comments to the appropriate taxing unit (comments may not be submitted anonymously)
- Tax rate calculation forms for each taxing unit, as available

County Websites: Each county is required to maintain an Internet website. The county assessor-collector shall post on the website the most recent five years of the tax rate information for each taxing unit located in the county. Additionally, the assessor-collector is required to post the tax rate calculation forms and the name and official contact information for each member of the governing body of the taxing units.

Taxing Unit Websites: Each taxing unit is required to maintain an Internet website or have access to a generally accessible Internet website. The following information shall be posted on the website: the name and official contact information for each member of the governing body of the taxing unit; the mailing address, e-mail address, and telephone number of the taxing unit; and budget documents, including tax rates.

Updated Truth-in-Taxation Notices

Delivery of notices: Property owners can request, from the chief appraiser, that notices related to changes in value of their property, eligibility for exemptions, and status of exemptions be delivered via email. If the email option is selected, chief appraisers do not have to also deliver such notices by mail.

Exemptions: The chief appraiser shall *separately* notify a property owner of their eligibility for a residential homestead exemption should the owner meet the required qualifications. The chief appraiser is also required to *separately* notify a property owner if an exemption or partial exemption was canceled or reduced for the current year.

Notices Regarding Protest Hearings: Appraisal review boards (ARB) must deliver written notice to a property owner requesting a protest hearing that includes a clear description of the subject matter of the hearing and the action being protested, as well as instructions for postponement. Additionally, at least 14 days before the protest hearing, the chief appraiser shall deliver *free of charge* to the property owner information related to taxpayer remedies, instructions on how to request appraisal district data, and hearing procedures.

If the property owner requests multiple protest hearings, the ARB may schedule them consecutively, with notice that includes the date and time the first will begin, the last will end, and the order in which the hearings will be held. These hearings may not be changed without the agreement of the property owner, the chief appraiser, and the ARB.

Estimated Taxes: By August 7 (or as soon as possible thereafter), the chief appraiser shall deliver by mail or e-mail to each owner of property located in the district a notice that the estimated amount of taxes to be imposed on the property by each applicable taxing unit may be found in the property tax database maintained by the CAD. The statement must include instructions on how to access information related to the actions taken or proposed by each taxing unit and information on how to contact the parties responsible for tax collection.

Comparison of Tax Rates and Revenue: Local taxing units must add to tax-rate notices a calculation of the change in the taxes imposed on the average residence homestead the previous year to the proposed taxes for the upcoming year, as well as a comparison of the previous year's total tax levy to that which is proposed for the current year.

Publication of Hearings and Elections: If a taxing unit delivers notice of a public hearing on budgets and tax rates by publishing the notice in a newspaper, then the taxing unit must also post the notice prominently on the home page of its website. Also, if the proposed tax rate exceeds the voter-approval rate, the notice must include information about the required election to accept or reject the proposed rate.



Tax Rate Election

Instead of requiring that voters petition to have a rollback election, Senate Bill 2 generally² provides for an automatic election if a taxing entity adopts a combined tax rate that exceeds its calculated voter-approval rate. The election shall be held on the next uniform election date, which typically will be the second Tuesday in November.

Changes to the Appraisal Process

Senate Bill 2 also made updates to the property appraisal process, in order to make the process fairer and more accessible to the average property taxpayer.

Approved Appraisal Methods: Defines that generally accepted appraisal methods and techniques are included in the most recent versions of certain publications from the Appraisal Institute and the Appraisal Foundation.

Prevention of Conflicts of Interest: Prohibits an officer of a taxing unit (school board member, city councilmember, county commissioner, etc.) and an employee of a taxing unit from being employed by an appraisal district.

Appraisal Review Surveys: The Comptroller's ARB survey regarding the appraisal hearing process and the fairness and efficiency of the ARB can now be filled out online by a protesting property owner, the owner's agent, or a representative of the appraisal district. The comptroller will issue an annual report summarizing the results.

Preferential Treatment: Property owners who are 65 years of age or older, disabled, military service members, military veterans or their spouses must have their hearings scheduled before any protests filed by a designated agent of a property owner.

Special Panels: A special panel is created by the ARB in counties with one million or more in population to conduct protest hearings for commercial, industrial and manufacturing, or multifamily residential properties appraised at \$50 million or more.

State Oversight

The state comptroller shall:

- prescribe tax rate calculation forms to be used by the designated officer or employee of each taxing unit to calculate and submit the no-new-revenue tax rate and the voter-approval tax rate.
- collect and review in detail the total appraised value, taxable value, and the tax rates for each taxing entity, and establish deadlines by which appraisal districts are required to submit the information.

² See footnote 1, page 2



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