



**Plano**

*City of Excellence*

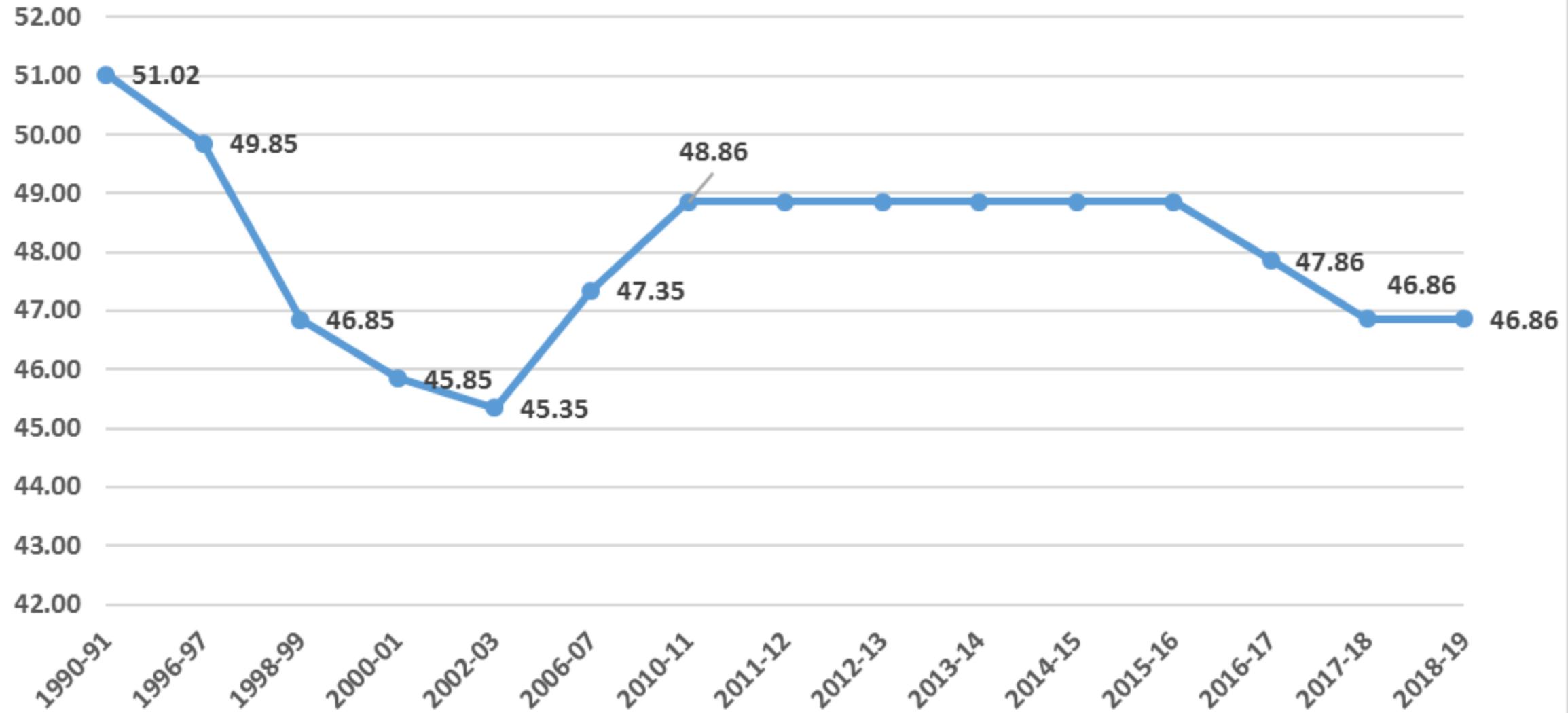
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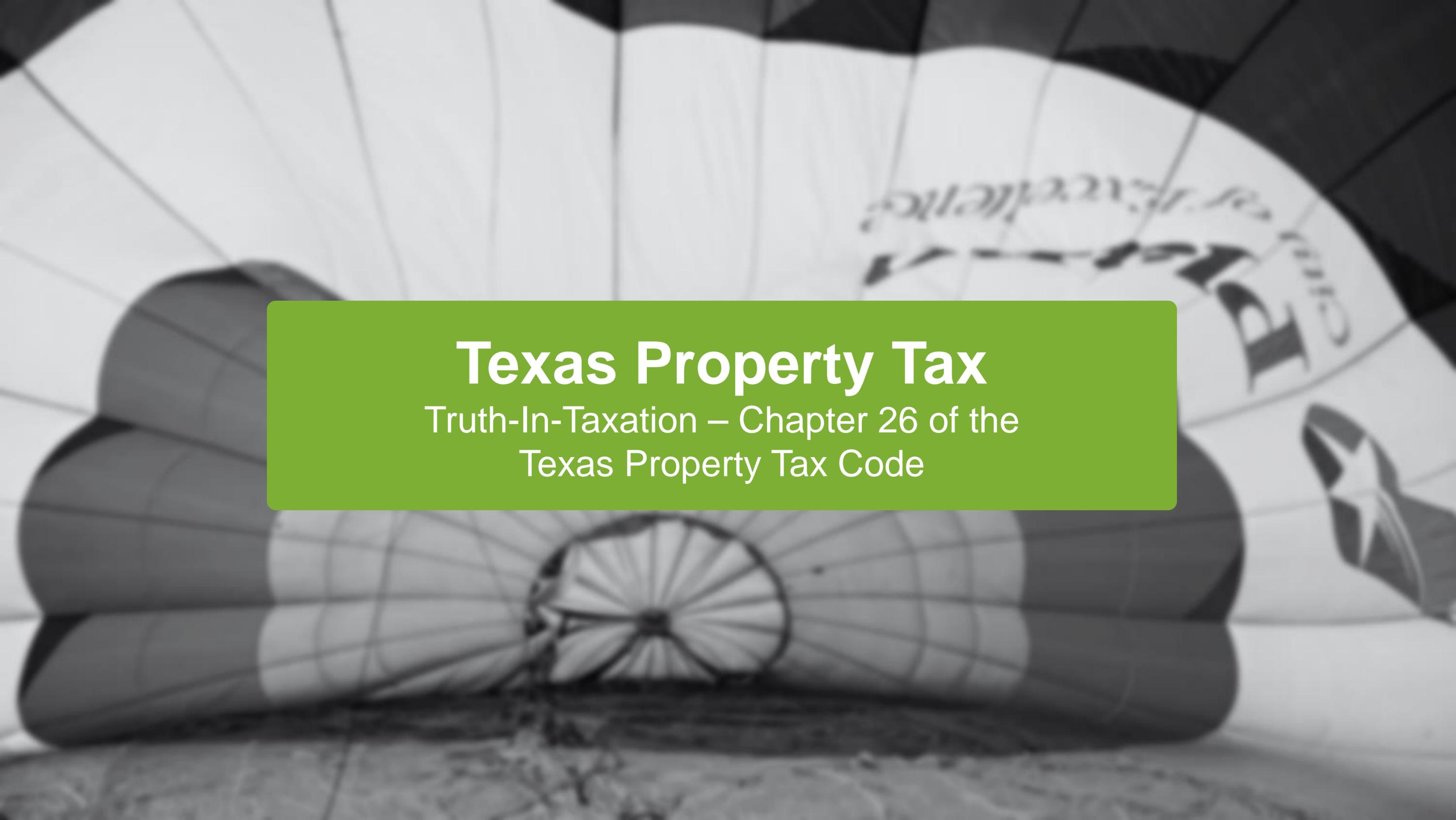
# **Tax Rate Presentation**

**July 25, 2018**

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### Ad Valorem Tax Rate History in Cents per \$100/Valuation

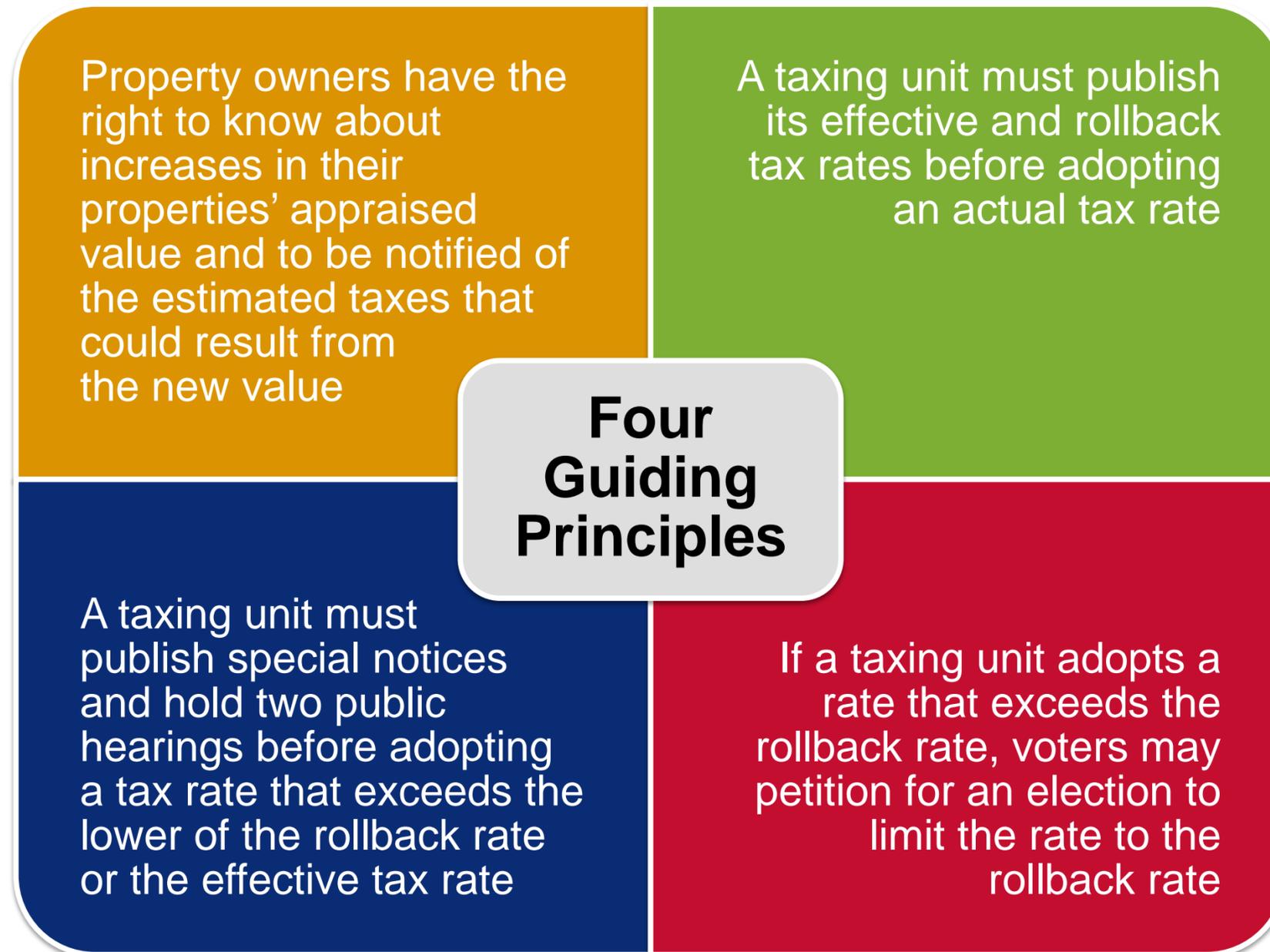




# Texas Property Tax

Truth-In-Taxation – Chapter 26 of the  
Texas Property Tax Code

# Texas Property Tax Laws – Truth-In-Taxation



# Elements of Property Tax Rate

## Operations and Maintenance (O&M)

- Ongoing General Fund operations

## Interest and Sinking (I&S)

- Payments on debt for general government (not utility rated) improvements

$$\text{Tax Rate} = \text{O\&M Rate} + \text{I\&S Rate}$$

## Calculation

- $\text{Tax Rate} \times \text{Taxable Value} / \$100 = \text{Your City Tax Levy} (\$ \text{ paid to City})$



# Property Tax Definitions

Effective Tax Rate

Rollback Tax Rate



# Property Tax Definitions – Effective Tax Rate

- “Effective” Tax Rate
  - “A calculation, based upon new valuations, that gives the City the exact dollars in revenue as generated in the previous year”
- The “Effective” Tax Rate is basically the tax rate you would pass to collect the same tax revenue as last year (FY 2017-18) using this year’s (FY 2018-19) appraised values.
- Truth in Taxation requires the “Effective Rate” calculation be published
  - If proposed tax rate is = or < than Effective Rate
    - › No further action is required prior to adoption
  - If proposed tax rate > than Effective Rate
    - › Notices and Public Hearings are required
    - › Some exceptions for smaller cities or districts



# Proposed FY 2018-19 – Effective Tax Rate

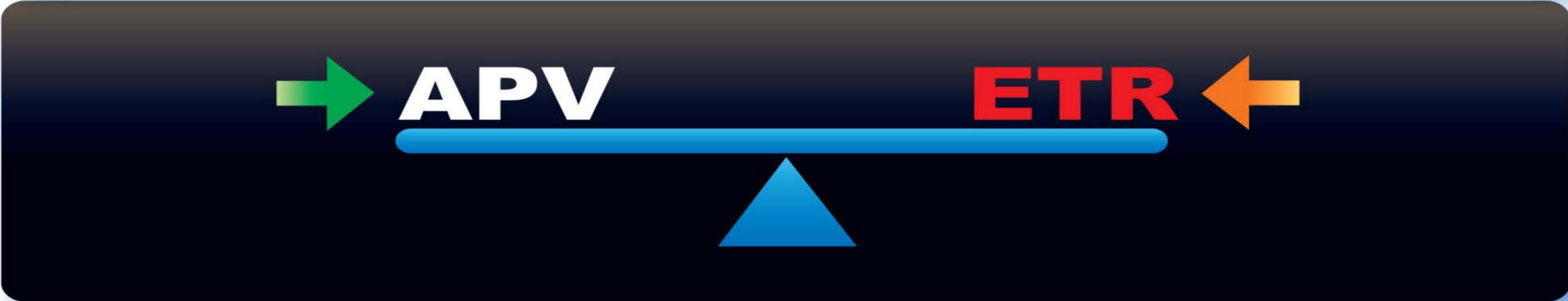
- The “Effective” Tax Rate is basically the tax rate you would pass to collect the same tax revenue as last year (FY 2017-18) using this year’s (FY 2018-19) appraised values.
- The City’s 2018-19 Effective Tax Rate is 44.05 cents or 2.81 cents under the recommended 46.86 cent tax rate equal to \$12.0 million in revenue.



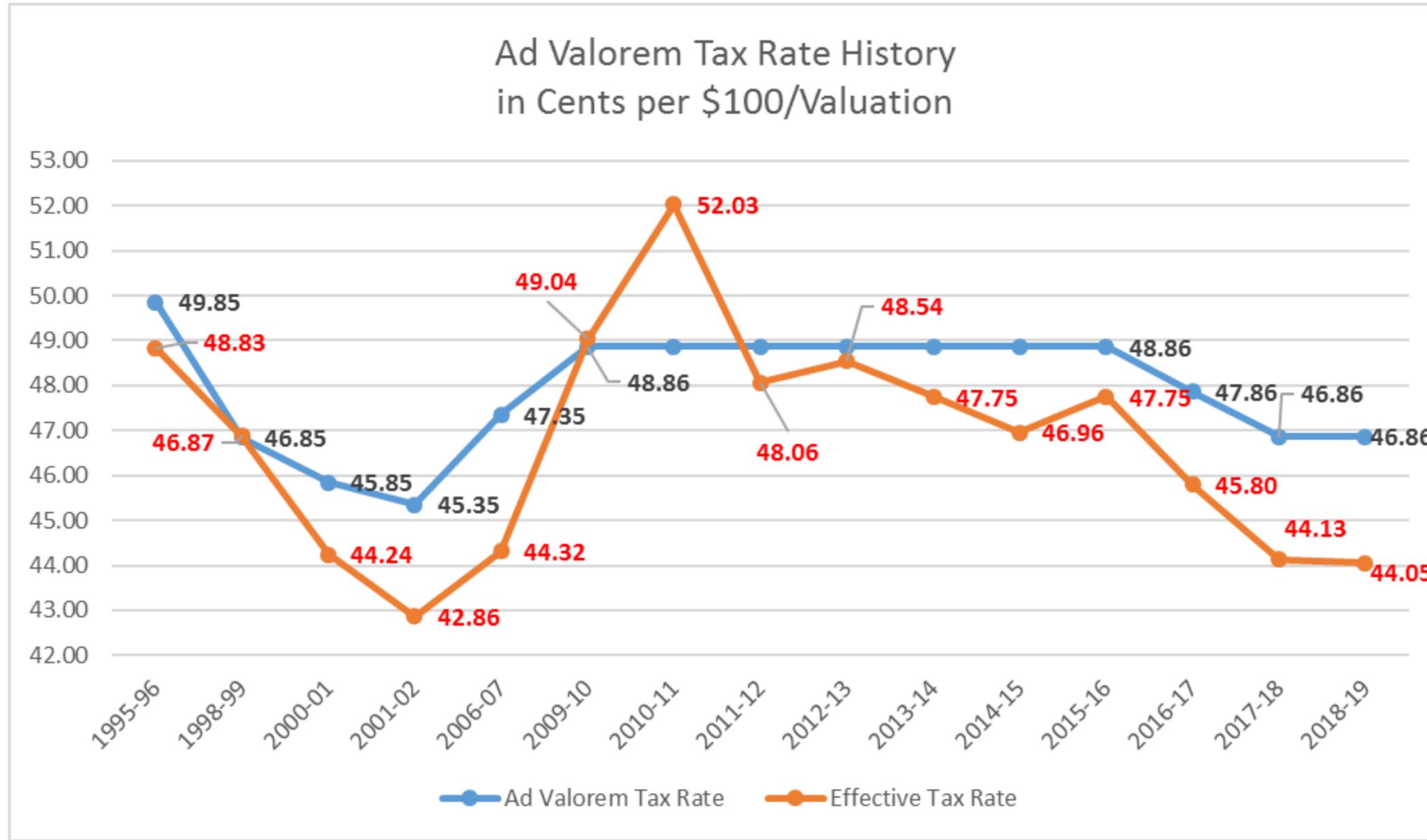
# Seesaw Effects

**APV:** Appraised Property Value

**ETR:** Effective Tax Rate



# Adopted Tax Rate versus Effective Tax Rate since 1995-96



# Property Tax Definitions – Rollback Rate

## Rollback Rate

- Allows a taxing unit to raise the same amount for operations as in the prior year plus provides for an additional 8% cushion.
  - This part of the calculation does not include debt, only the operation side.
  - The debt service portion of the overall rate may rise as high as necessary.
  - ***Important: The calculation does not take into account cash funding of our Capital Maintenance Fund, therefore the City is penalized on the operating side of the equation.***
- Rollback Rate
  - Taxpayers may petition for rollback tax election if City proposes tax increase over the “rollback rate”.
  - “Rollback” rate = sum of:
    - › 8% increase over the “effective” O&M rate, + I&S rate



# Rollback Elections

- **Above 8% increase in O&M rate could trigger a rollback election**
  - Taxing unit imposes over \$5M operating budget, 7% of the registered voters shown on the most recent official voter list must sign the petition.
  - Taxing unit imposes under \$5M operating budget, 10% of registered voters.
- *If the rollback election passes, the taxing unit must reduce its tax rate for the current year to the rollback rate and also refund the difference.*



# Rollback Tax Rate

- *The City's 2018-19 Rollback Tax Rate is 46.51 cents or 0.35 cents under the proposed tax rate of 46.86 cents.*
- *The rollback rate is an issue this year because we are proposing a rate over the rollback tax rate by 0.35 cents.*
- *Our revenue collections are \$1,495,273 over the rollback tax rate.*
- *If we were to include issuing the Capital Maintenance Funding in the rollback calculation our rollback rate would be 47.85 cents or an increase of 1.34 cents. Therefore we would be under the rollback rate by 0.99 cents.*



# Rollback O&M History

- Since 1996 the City of Plano has been:

## Even With Rollback Rate

- 1996
- 1997

## Over Rollback Rate

- 1998 – .0072¢
- 2000 – .0077¢
- 2002 – .0050¢
- 2003 – .0036¢
- 2007 – .0055¢
- 2015 – .0027¢
- 2016 – .0127¢
- 2018 – .0035¢\* \*Proposed

- If a taxing unit adopts a tax rate over the rollback rate, 7% of the registered voters shown on the most recent official list must sign the petition for an election to occur.
- If the rollback election passes, taxing unit must reduce its tax rate for the current year to the rollback rate.



# Truth in Taxation (TNT)

- If your rate exceeds the lower of the effective tax rate or rollback tax rate:
  - Hold two public hearings and provide notice.
  - Proposal notice must specify a tax rate - cannot go above the rate proposed by Council.
  - Describe the purpose for which the increase in taxes will be used.
  - Rate for Notice will be discussed at August 13<sup>th</sup> City Council meeting.
- At least 60 percent of members of the governing body must vote in favor to adopt a rate that exceeds the effective tax rate.





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**Questions?**

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