

# **FY 2019-20 Property Tax Rate State Law Requirements**

**City Council Briefing  
August 13, 2019**

**M. Elizabeth Reich,  
Chief Financial Officer**

**Jack Ireland, Director  
Office of Budget**



# Overview

- Provide overview of property tax
- Review state law requirements
  - Effective tax rate
  - Rollback tax rate
- Review schedule for adopting a tax rate

# Property Tax Overview

- Property tax is the single largest source of revenue for City of Dallas and totals \$1.1 billion as proposed for FY 2019-20
  - General Fund – \$792.1 million
  - Debt Service – \$287.4 million
- Property tax is composed of three factors:
  - Tax base value certified by four appraisal districts
  - Tax exemptions allowed by state law and approved by City Council
  - Tax rate set by City Council

# Property Tax Base Value and Growth

- Collin, Dallas, Denton, and Rockwall Appraisal Districts are required to certify values by July 25 of each year
- Certified tax base values for tax year 2019 (FY 2019-20) are \$140.2 billion, or 7.81% higher than FY 2018-19 certified values

Values by Type of Property	FY 2018-19 (\$ in billions)		FY 2019-20 (\$ in billions)		% Growth
	Value	%	Value	%	
Residential	\$57.8	44.4%	\$63.2	45.0%	9.3%
Non-residential*	\$72.3	55.6%	\$77.1	55.0%	6.6%
Total	\$130.1	100.0%	\$140.2	100.0%	7.8%

\*Non-residential includes commercial and business personal property.

# Property Tax Exemptions

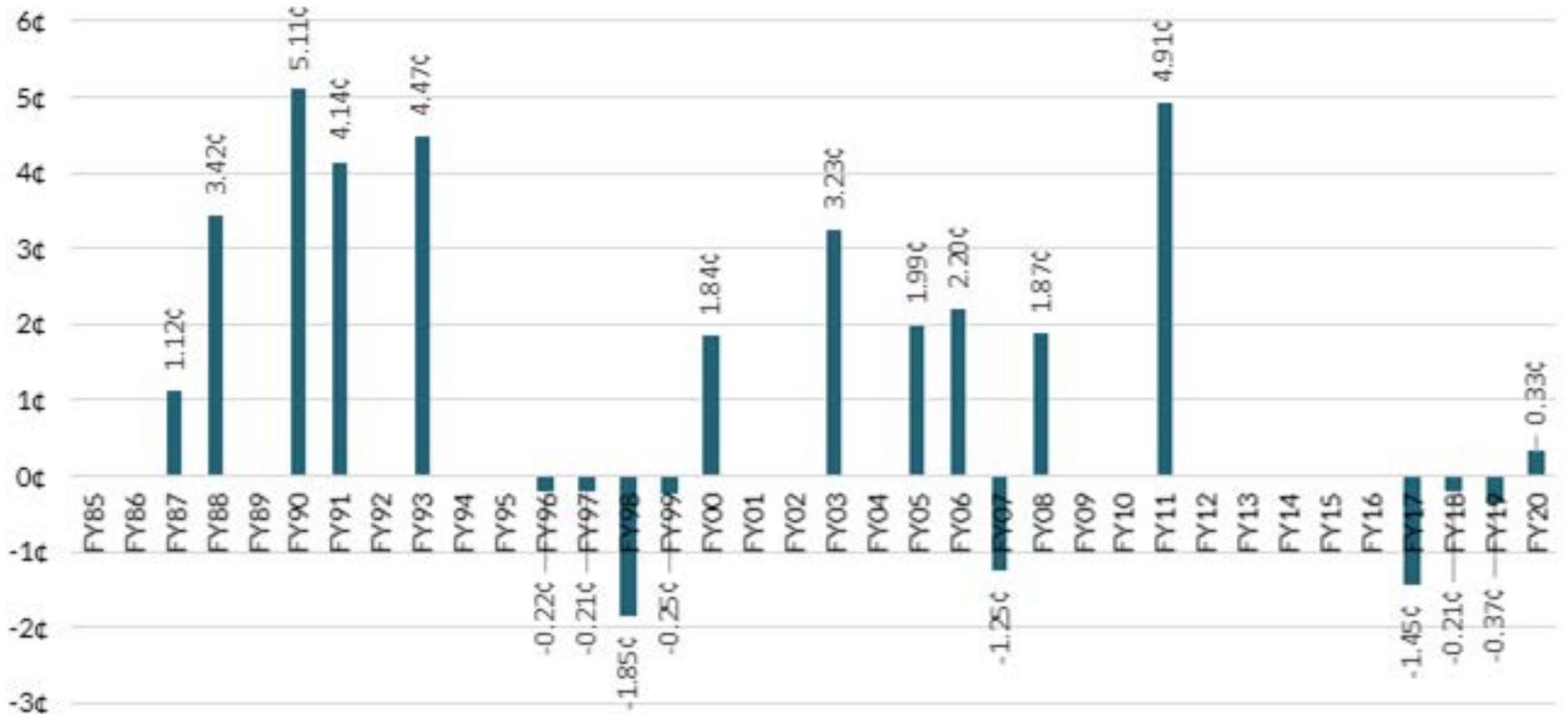
- City-approved exemptions, plus those allowed by state law, result in property value being exempt from taxation
  - Exempt property value = \$41.6 billion
  - Revenue foregone = \$324.6 million
- City Council approved a 20% homestead exemption on April 13, 1988, the maximum allowed by the state
- City Council established the 65 and over or disabled exemption on April 23, 1986; and approved an increase in the exemption from \$90,000 to \$100,000 on June 12, 2019

# Property Tax Rate

- Each September, City Council sets a property tax rate necessary to support the City's annual budget
- Proposed tax rate for FY 2019-20 is 78.00¢ per \$100 of valuation, which is 0.33¢ higher than current year tax rate of 77.67¢
  - Increased tax rate will generate \$4.5 million additional revenue
  - Tax rate increase is recommended to support public safety

# Property Tax Rate

Year-over-Year Change in Tax Rate  
in cents per \$100 valuation



# Property Tax Rate

Tax rate is split between:

- General Fund, which supports day-to-day operations
- Debt Service Fund, which is used to pay City's general obligation long-term debt

Fiscal Year	General Fund	Debt Service	Total
FY 2015-16	56.46¢ (70.8%)	23.24¢ (29.2%)	79.70¢
FY 2016-17	56.01¢ (71.6%)	22.24¢ (28.4%)	78.25¢
FY 2017-18	55.80¢ (71.5%)	22.24¢ (28.5%)	78.04¢
FY 2018-19	56.67¢ (73.0%)	21.00¢ (27.0%)	77.67¢
FY 2019-20	57.25¢ (73.4%)	20.75¢ (26.6%)	78.00¢

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# State Requirements

- State law governs property taxes in Texas and ensures property owners are given notice and have certain rights
- FY 2019-20 will continue to be governed by existing State law, however, Senate Bill 2 will become effective 1/1/20 and impact FY 2020-21 budget development
  - Slides from 6/18/19 are included in Appendix
- If the proposed tax rate exceeds the lower of the Effective Tax Rate or the Rollback Tax Rate, the City is required to publish the calculated rates and hold two public hearings:
  - Dallas County Tax Office calculates Effective and Rollback Tax Rates for the City
  - Public notice of proposed tax rate calculations will be published in Dallas Morning News, Al Dia, and Dallas Weekly and posted on City's website on August 23
- State law allows taxpayers to roll back or limit tax increase in certain cases

# State Requirements

State law mandates specific requirements and language for the public notice:

- Language included in notice must match language as it appears in Local Government Code
- Must be at least a quarter-page in newspaper with a headline in 24-point type or larger
- May not be in legal or classified section of newspaper
- Must be published no later than September 1 or the 30<sup>th</sup> day after receiving the certified tax roll, whichever is later
- Must be posted on website until City adopts a tax rate

## NOTICE OF 2019 TAX YEAR PROPOSED PROPERTY TAX RATE FOR CITY OF DALLAS

A tax rate of \$0.780000 per \$100 valuation has been proposed for adoption by the governing body of City of Dallas. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of City of Dallas proposes to use revenue attributable to the tax rate increase for the purpose of public safety, infrastructure, and general operation and maintenance.

PROPOSED TAX RATE	\$0.780000 per \$100
PRECEDING YEAR'S TAX RATE	\$0.776700 per \$100
EFFECTIVE TAX RATE	\$0.747203 per \$100
ROLLBACK TAX RATE	\$0.796214 per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for City of Dallas from the same properties in both the 2018 tax year and the 2019 tax year.

The rollback tax rate is the highest tax rate that City of Dallas may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

John R. Ames, PCC, CTA  
Dallas County Tax Assessor/Collector  
1201 Elm Street, Suite 2600, Dallas TX  
214.653.7811  
TNTHELP@dallascounty.org

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: September 4, 2019 at 9:00 am at City Hall, 1500 Marilla Street, 6th Floor, Dallas, TX 75201.

Second Hearing: September 11, 2019 at 1:00 pm at City Hall, 1500 Marilla Street, 6th Floor, Dallas, TX 75201.

# Effective Tax Rate

- Effective Tax Rate is the rate that generates the same amount of revenue in the new fiscal year on property taxed in the previous fiscal year
  - New construction is excluded from this calculation
- FY 2019-20 Effective Tax Rate = 74.72¢
  - 3.28¢ less than proposed rate
- If tax rate were set at Effective Tax Rate, proposed revenue for FY 2019-20 would decrease by \$45 million and expenses would need to be reduced by an equivalent amount

# Rollback Tax Rate

- Rollback Tax Rate is the rate that, if exceeded, provides voters an opportunity to limit tax rate increase through a petition process to call a citywide Rollback Election
- Rollback Tax Rate divides overall property taxes into two categories: General Fund and Debt Service
- Rollback Tax Rate is the effective General Fund rate plus 8%, plus the tax rate required to pay Debt Service

# Rollback Tax Rate

- FY 2019-20 Rollback Tax Rate = 79.62¢
  - 1.62¢ increase above proposed rate
- If tax rate were set at the Rollback Tax Rate, proposed revenue for FY 2019-20 would increase by \$22.2 million
- If debt service rate changes as a result of City Council amendments to the budget, the Rollback Tax Rate changes
- If adopted tax rate exceeds the Rollback Tax Rate, voters have option to petition for a Rollback Election and limit tax rate increase

# Tax Rate Adoption

- For a taxing unit to adopt a rate above the lower of the Effective Tax Rate (74.72¢) or the Rollback Tax Rate (79.62¢), the following requirements must be met:
  - Take a record vote for or against consideration of a specific tax rate higher than the Effective Tax Rate (74.72¢)
  - Publish notice of date and time for two public hearings
  - Hold two public hearings on tax rate
  - Vote on tax rate
  - Ratify increase in taxes in a separate vote

# Tax Rate Recap

- Current = 77.67¢
  - Rate adopted for FY 2018-19
- Proposed = 78.00¢
  - Rate included in City Manager's proposed budget
- Effective = 74.72¢ (3.28¢ or \$45 million revenue decrease)
  - Generates same amount of revenue in new year as generated in previous year
- Rollback = 79.62¢ (1.62¢ or \$22.2 million revenue increase)
  - Effective General Fund rate plus 8%, plus rate necessary to pay debt service
  - Rate that if exceeded provides voters the opportunity to limit tax rate increase through citywide Rollback Election

# Schedule – August 13<sup>th</sup>

- Tax rate considered on today's resolution becomes maximum tax rate Council may set on Wednesday, September 18
- Take a record vote to consider a specific tax rate that exceeds the Effective Tax Rate (74.72¢)
- If Council wishes to consider a different rate than the posted rate (78.00¢), resolution can be amended (from floor) to consider an alternative tax rate
- Call public hearings on tax rate for Wednesday, September 4 and Wednesday, September 11
- If no vote is taken, the FY 2019-20 maximum tax rate will be 74.72¢, which will decrease revenues by \$45 million and require an equal reduction in General Fund expenses

# Schedule

Tuesday, August 13	Take record vote to establish <u>maximum</u> tax rate that can be approved on September 18
Friday, August 23	Publish Notice of 2018 Tax Year Proposed Property Tax Rate
Wednesday, September 4 (9:00 a.m.)	Hold first public hearing – if called (City Hall, Room 6ES)
Wednesday, September 11 (1:00 p.m.)	Hold second public hearing – if called (City Hall, Council Chambers)
Wednesday, September 18	Vote on tax rate and ratify increase in taxes in a separate vote, if necessary

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# Appendix



# Legislative Change: SB2 (6/18/19 briefing)

- Texas Property Tax Reform and Transparency Act of 2019 (SB2) will cap the City's ability to grow property tax revenue at 3.5% instead of 8% without seeking voter approval
  - Applies to reappraisals for the General Fund
  - Continues to exclude revenue needed to pay voter-approved debt
  - Growth from new construction does not count against the cap

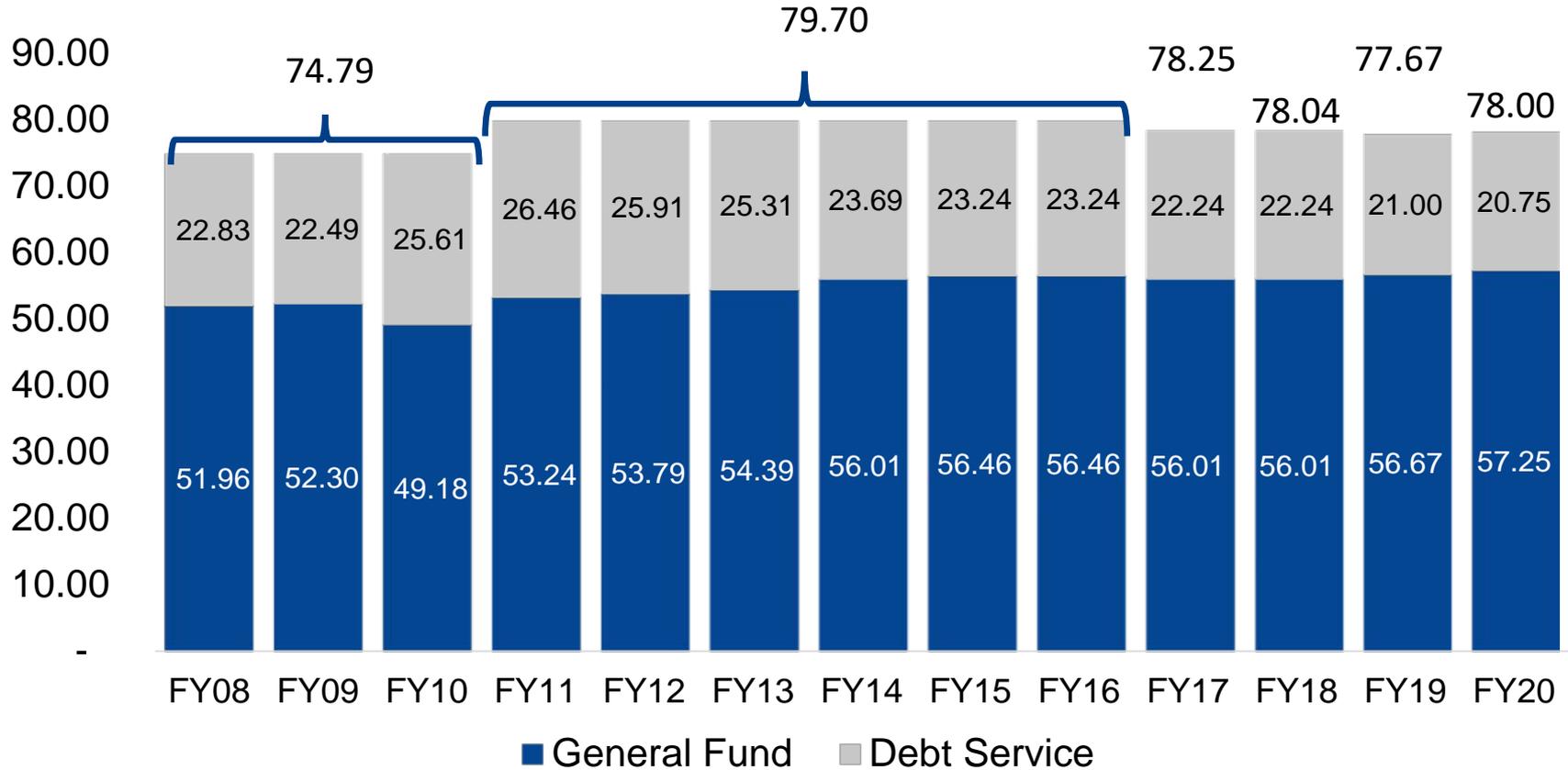
# Legislative Change: SB2 (6/18/19 briefing)

- Exceeding the 3.5% cap is allowed, but requires an election on the November uniform election date
- City Council must adopt the budget before it adopts the tax rate
- City Council must adopt the tax rate no later than the 71st day before the November uniform election date (mid- to late August)

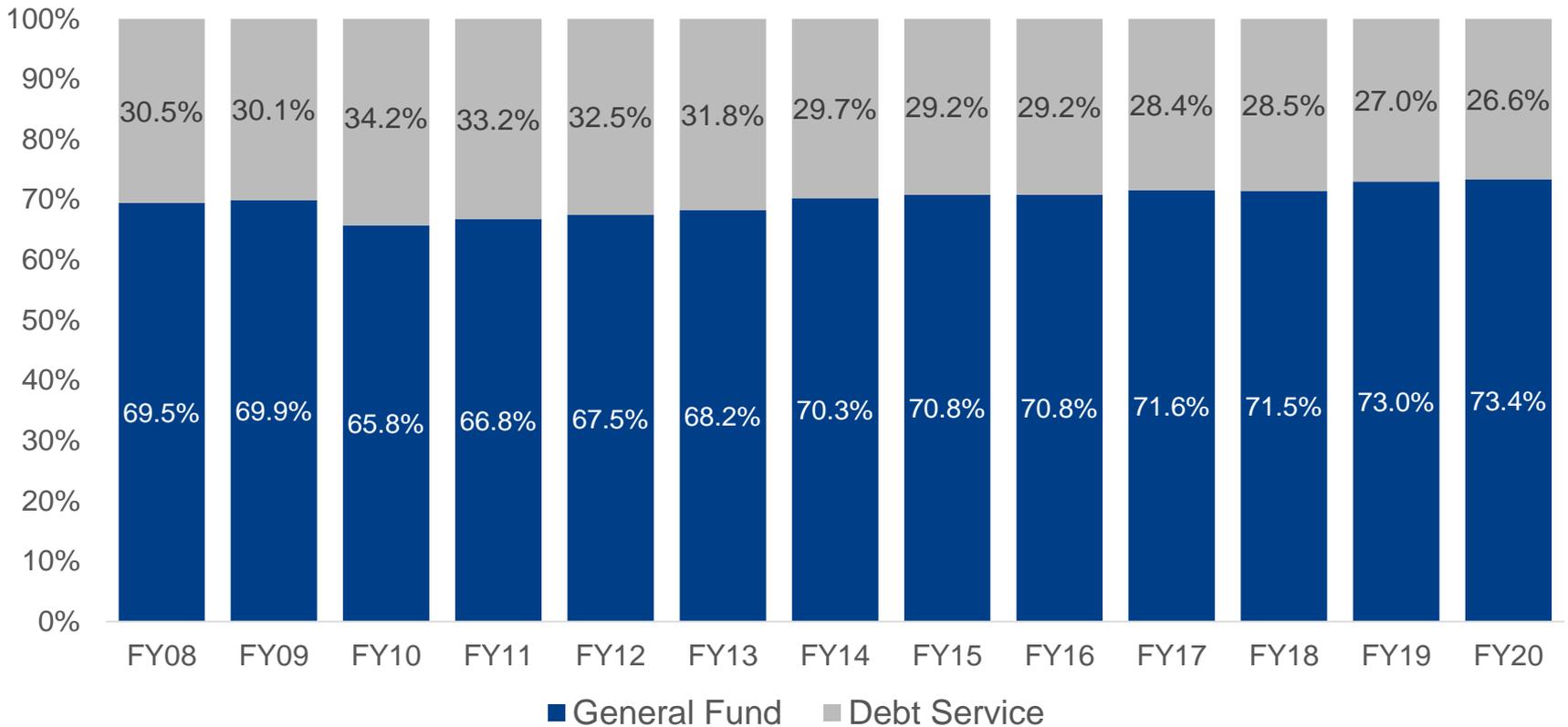
# Legislative Change: SB2 (6/18/19 briefing)

- SB2 will not affect FY 2019-20 but will affect FY 2020-21 (effective date 1/1/20)
  - Although property tax values are forecast to continue to grow for FY 2020-21, City will likely be unable to take advantage of all growth without voter approval
  - City may be required to reduce the property tax rate to avoid exceeding revenue cap
- If SB2 had been in effect September 2018, \$25.1 million in revenue and expense reductions would have been required to balance FY 2018-19 budget

# Historical Property Tax Rate – Tax Rate Distribution (¢/\$100 value)



# Historical Property Tax Rate – Tax Rate Distribution



# Tax Rate Change Impact

Tax Rate Change per \$100 Valuation	Revenue Impact	Annual Tax Bill Impact	
		\$100K residential property with Homestead Exemption	\$303K residential property with Homestead Exemption
1.00¢	\$13,708,228	\$8.00	\$24.26
0.75¢	\$10,281,171	\$6.00	\$18.20
0.50¢	\$6,854,114	\$4.00	\$12.13
0.25¢	\$3,427,057	\$2.00	\$6.07

