

Truth-in-Taxation Calculation & Senate Bill 2 (SB 2)

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What's Truth-in-Taxation & Senate Bill 2?

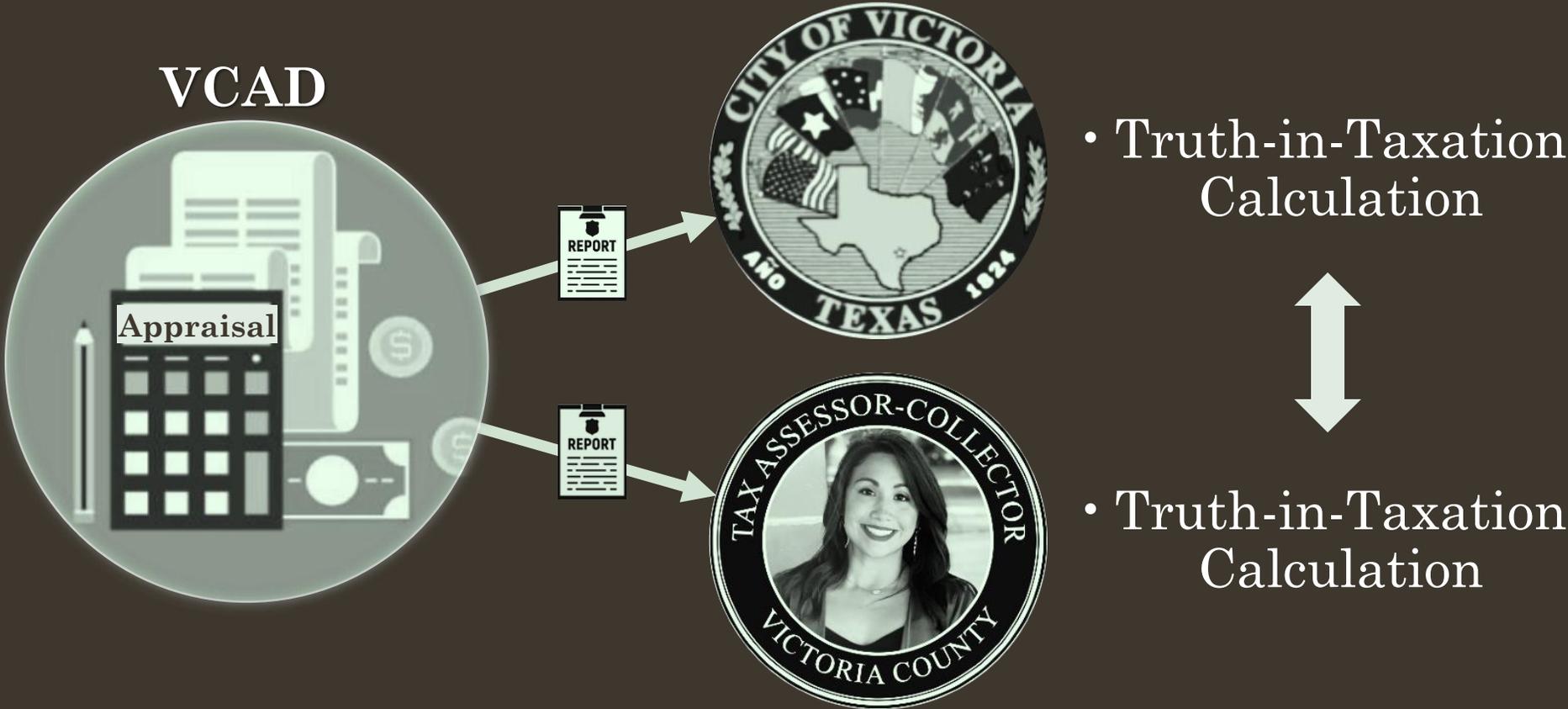
- ❖ Truth-in-Taxation is a concept embodied in the Texas Constitution that requires:
 - Taxing entities to make taxpayers aware of tax rate proposals; and,
 - Afford taxpayers the opportunity to limit or approve tax increase.



- **No-New-Revenue Tax Rate**
- **Voter-Approval Tax Rate**
- **Proposed Tax Rate**

- ❖ Senate Bill 2 was passed by Texas Legislature in 2019. The SB2 change some the verbiage & calculation of the Truth-in-Taxation.

Who's Involved in the Development of the Truth-in-Taxation Calculation?



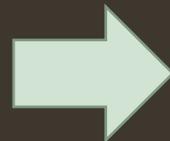
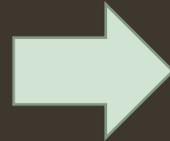
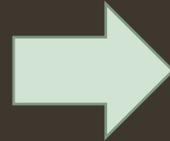
Four Key Terminology of Truth-in-Taxation

Old Terminology

Effective Tax Rate

Effective M&O Tax Rate

Rollback Tax Rate



New →

SB 2 Terminology

No-New-Revenue Tax Rate

No-New-M&O Tax Rate

Voter-Approval Tax Rate

Unused Increment Tax Rate

Four Key Terminology of Truth-in-Taxation

SB 2 Terminology

No-New-Revenue Tax Rate

- Generates about the same total revenue as last year

No-New-M&O Tax Rate

- Generates about the same M&O revenue as last year

Voter-Approval Tax Rate

- SB 2: Voter approval is needed if TR exceed VATR
- Old Law: Voter's petition for a rollback-election

Unused Increment Tax Rate

- New: 3-year rolling sum of the difference between the VATR and TR (unused portion of the 3.5%)
(2020 Tax Roll: .6208 VATR vs .6115 TR = .0093)

Unused Increment Tax Rate – SB 2

Tax Roll	No-New-Revenue M&O Tax Rate	(a) 3.5% No-New-Revenue M&O Tax Rate	C/O Unused Increment Tax Rate	Debt Tax Rate	Voter Approval Tax Rate	(b) Proposed Tax Rate	Unused Increment Tax Rate
2020	.3625	.0126	.0000	.2457	.6208	.6115	.0093
2021	.3387	.0118	.0093	.2376	.5974	.5882	.0092
2022	.3262	.0114	.0092	.2127	.5595	.5582	.0013

Take Away:

(a) SB 2: Unused Increment Tax Rate can only be carryover for 3-years (3-Y Look Back Rule).

(b) As the NTAV Increase ↑, the Proposed Tax Rate Decrease ↓.

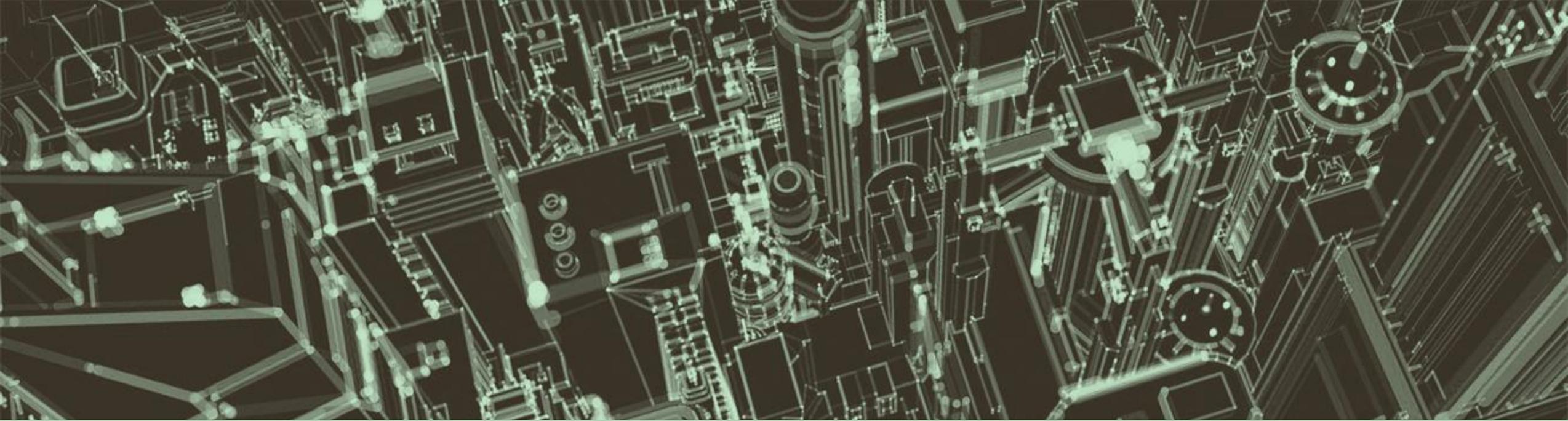
Unused Increment Tax Rate – SB 2

(Above the No-New-Revenue M&O Tax Rate)

Tax Roll	3.5% No-New- Revenue M&O Tax Rate \$	C/O Unused Increment Tax Rate \$	Total Available M&O Tax Rate \$	(a) Unused Increment Tax Rate \$	<u>Used</u> Increment Tax Rate \$
2020	\$471K	\$0	\$471K	\$347K	\$124K
2021	\$479K	\$378K	\$857K	\$374K	\$483K → Pay Program
2022	\$515K	\$415K	\$930K	\$59K	\$871K → Pay Program

(a) For each tax roll year, the “Taxable Appraised Value” will be different:

- Tax Roll 2020 = \$3.74 Billion (1% higher than Tax Roll 2019)
- Tax Roll 2021 = \$4.06 Billion (9% higher than Tax Roll 2020)
- Tax Roll 2022 = \$4.51 Billion (11% higher than Tax Roll 2021)



Truth & Taxation Calculation

Taxpayer Point of View



Taxpayer Point of View

	2022 Tax Roll	2023 Tax Roll	\$ Variance	% Variance
(a) Taxable Value:	4,513,952,286	5,191,045,129	677,092,843	15%
Tax Rate:	0.5582	0.4900	(0.0682)	(12%)
Tax Revenue:	\$25,196,882	\$25,436,121	\$239,239	0.95%
(a) Taxable Value:	4,513,952,286	5,191,045,129	677,092,843	15%
(b) No-New Revenue Tax Rate:	0.5461	0.4792	(0.0669)	(12%)
Tax Revenue:	\$24,650,693	\$24,875,488	\$224,795	0.91%

(a) Taxable Value = Combined Sum of all Appraised Values Types (Residential, Commercial, Industrial,.....)

(b) No-New-Revenue Tax Rate calculation is the result from using an “all inclusive appraised value/values” – w/o New Improvement, which is divided into last years revenue.

Note: The No-New-Revenue Tax Rate does not include the 3.5% increase (per SB 2).

Taxpayer Point of View

	2022 Tax Roll	2023 Tax Roll	\$ Variance	% Variance
Home Appraised Value:	\$150,000	\$172,500	\$22,500	15%
Tax Rate:	0.5582	0.4900	(0.0682)	(12%)
Tax Revenue:	\$837	\$845	\$8	0.95%
Home Appraised Value:	\$150,000	\$172,500	\$22,500	15%
(a) No-New Revenue Tax Rate:	0.5461	0.4792	(0.0669)	(12%)
Tax Revenue:	\$819	\$827	(b) \$7	0.91%

(a) No-New-Revenue Tax Rate calculation is the result from using an “all inclusive appraised value/values” – w/o New Improvement, which is divided into last years revenue.

Note: The No-New-Revenue Tax Rate does not include the 3.5% increase (per SB 2).

(b) As existing appraised value (excluding new improvements) continue to increase, the No-New-Revenue will increase.

Thank You