A History of

Property Taxes in

Austin and Travis County

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Ad Valorem Property Taxes

Executive Summary

The consistent increase in property taxes seriously impacts homeowners, renters, businesses and investors. It is a fact that the cost of living and the cost of doing business in Austin and Travis County is high and continues to increase. For many, property taxes are one of the material contributing factors to these increases.

Understanding the conceptual basis of property taxes is the first step in analyzing potential solutions. The question arises whether the increases in property taxes are due to the tax rates assessed by the taxing governments or the appraisals conducted by the Central Appraisal District. To answer that question, it is important to understand the conceptual basis for setting property tax rates in Texas. This paper attempts to do that by looking at basic concepts for property taxation for cities and counties. There are many nuances to property taxation that are not discussed. The Texas Constitution and the Property Tax Code are comprehensive sources.

Adopted Tax Rates have risen above the **Effective Tax Rate** in the City of Austin and Travis County every year for the past 10 years. The relevant question is **"how much did the Adopted or Proposed Tax Rate increase over the Effective Tax Rate?".** The Effective Tax Rate is a "no tax increase" tax rate for the tax role as a whole. It is a calculated rate that would provide the taxing unit with approximately the same amount of property tax revenue that was received in the previous year on properties taxed both years. Comparing the Adopted Tax Rate to the prior year's Adopted Tax Rate does not answer this question. By all indicators both the tax rates and the actual taxes levied have risen and continue to rise.

The **cumulative increases** in the adopted Maintenance and Operations Rates over the Effective M & O Tax Rates increased **67.89%** by the City of Austin and **36.26**% by Travis County in the past ten years.

Actual taxes levied have increased **100**% from $307,929,055 to $617,275,588 by the City of Austin and **55%** from $391,782,699 to $607,427,760 by Travis County in the past ten years.

Budgets for general operations of the governments'-General Fund- have increased **67.5%** from $613.3 to $1,027.1 million by the City of Austin and **66.18% from** $450,754,725 to $749,062,401 for Travis County in the past ten years.

Both the City of Austin and Travis County adopted budgets in September for FY 2018 that included property tax rate increases in excess of the Maintenance and Operations Effective Tax Rate. The City of Austin increased the M & O Tax Rate by **7.886%** and Travis County increased the M & O Tax Rate by **4.98%**.

The City of Austin adopted a General Fund Budget of $1,027.1 million. This is a **5.821%** increase over the FY2017 budget of $970.6 million. Travis County adopted a General Fund Budget of $749 million. This is a **6.85 %** increase from the FY2017 Adopted Budget of $701 million.

In the past ten years**, Assessed Taxable Value** increased **80.8 %** from $76,752,007,737 to $138,775,986,481 for the City of Austin and **80**% from $95,269,235,051 to $171,000,908,622 for Travis County.

Understanding the causes of the increases, gives property owners insights as to potential strategies to confront these increases. If a property owner's assessed taxes are proposed to be increased in an amount consistent with the increase in the Effective Tax Rate, the taxing units are responsible for the increases. If the increase exceeds the increase in the Effective Tax Rate, the increased taxes are a result of an increase in the tax rate (taxing units) and an increase in taxable value (Central Appraisal District).

Tax Rates

Travis County has a centralized billing and collection system for property taxes, however, the individual entities are identified on the statement. Tax rates are set by the City Council for the City and the County Commissioners for the County and Central Health. These are all elected officials who are typically interested in constituent feedback. The Property Tax Code requires various hearings and public notices during the budgeting timeframe. Financial reports including the audited Comprehensive Annual Financial Reports (CAFR) and Adopted Budgets are available online.

Appraised Values are determined by the Travis Central Appraisal District(TCAD). The appraisal process is meant to be independent from the taxing units. Increasing appraised values to provide more revenue for the taxing units is exactly the behavior that the Property Tax Code seeks to avoid. Property owners can facilitate the accurate assessment of appraised values by providing accurate and timely information to their tax professionals so that the tax professionals can deal with the TCAD in a timely and effective manner and decisions can be made whether to appeal TCAD's initial appraisal.

Tax rates involve a political process. Property appraisal is a fact gathering and application of professional appraisal standards process.

Caveat---Many numbers in this paper are at a point in time and are subject to change throughout the fiscal year. These changes are generally not material. The taxing units make assumptions and forecasts. Values are protested and settlements made which change the values of the property tax roll.

Ad Valorem Property Taxes

There are basically two methodologies for property tax calculations in Texas. One is for jurisdictions such as cities and counties and the other is for school districts. Revenue sources for local governments are governed by provisions of State law. In Texas property taxes provide a material amount of funding for local governments.

Property taxes --cities and counties

Appraised Value (adjusted for 10% homestead appraisal cap)– Exemptions x Tax Rate = Taxes
Essentially taxes assessed for real property and/or tangible business personal property are a result of the **taxable value of the property** multiplied by the **property tax rate**. Taxable value is determined by appraising market value and deducting allowable exemptions. The tax rate is set by the taxing governmental units, but there are limitations.

Property Appraisals

Properties are appraised for ad valorem tax purposes by appraisal districts. Appraisal districts were created by statute and constitute political subdivisions of the state and are independent from the cities, counties and other taxing units within the boundaries of the district. Travis Central Appraisal District(TCAD) appraises property in Travis County for all property within the county. Since the City of Austin also has incorporated areas in Williamson County and Hays County, they receive appraisals from those two CAD's in addition to TCAD. The Texas Constitution requires that all property be appraised at market value. Market value is the price a property would sell for on the open market between a willing and unpressured buyer and a knowledgeable, willing, unpressured seller. In determining market values appraisal districts must follow the Property Tax Code and professional appraisal standards. Central Appraisal Districts do not set taxes and taxing units do not appraise property.

Appraisal districts are intended to be independent from the taxing units. Taxing units, however, fund the operations of the appraisal districts with property taxes and vote on their budgets. Taxing units also appoint the board of directors of the appraisal district. In turn the board of directors appoints the chief appraiser who serves at the pleasure of the board of directors. Because of these interrelationships, true independence in fact and appearance depends on high ethical standards of all concerned.

As property taxes are rapidly increasing, it is logical to ask if these increases are due to increases in appraisals or increases in tax rates or a combination of the two. There are two parts of the property tax rate. The Maintenance and Operations Tax Rate (M & O) generates funds for the general operations of taxing units. It is accounted for in governments' General Fund. The Debt Service Tax Rate generates funds for the interest and principal payments on debt. It is accounted for in governments' Debt Service Fund.

Tax Rates

Critical in understanding property taxation is understanding the "Effective Tax Rate". The Effective M & O tax rate is a "no tax increase" tax rate for the **tax roll as a whole**. It is a calculated rate that would provide the taxing unit with approximately the same amount of property tax revenue that was received in the previous year on properties taxed both years.

The following is a simple example to illustrate the concepts in understanding tax rates.

Maintenance and Operating (M & O) tax rates

Year 1	Taxable Value	Tax Rate	Taxes
Property A	$4,000	.10	$400
Property B	$3,000	.10	$300
Property C	$2,000	.10	$200
Property D	$1,000	.10	$100
Total	$10,000		$1,000

Year 2	Taxable Value	Change in Value	Effective Tax Rate	Taxes
Property A	$4,800	20 %	.090909	$436
Property B	$3,100	3.33 %	.090909	$282
Property C	$2,200	10 %	.090909	$200
Property D	$900	(10 %)	.090909	$ 82
Total	$11,000			$1,000

In Year 1 the taxable value of the tax roll was $10,000. The tax rate was .10 and it resulted in a levy of $1,000. In year 2 the tax roll for those same properties appreciated by 10% to $11,000. The Effective M & O tax rate is determined by calculating the tax rate that would be necessary to result in a tax levy of $1,000 ($1,000/$11,000 =. 090909). As the value of the roll goes up, the Effective Tax Rate goes down. They are inversely related. If all properties appreciated at the same rate as the tax roll and the taxing unit set the tax rate at the Effective Tax Rate, no taxpayer would see a tax increase.

In the example, in Year 2 $1,000 was levied but some taxpayers paid more and some taxpayers paid less than they did in year 1. Since taxpayer C's value increased at the same rate as the tax role as a whole, C's taxes did not go up at the Effective Tax Rate (no tax increase rate). Since taxpayer B's appreciation in value was less than 10%, B's taxes would decrease. Since property D decreased in value, D's taxes would go down. Since taxpayer A's value appreciated more than the roll as a whole, A's taxes would increase even under the effective tax rate.

It is not unusual for taxing units to imply that they reduced taxes by reducing the tax rate from .10 to 090909. **This is NOT a reduction in taxes.** It is not unusual for a taxing unit to say they held the tax rate the same implying they are not raising taxes. They compare .10 in year 1 to .10 in year 2. This is a tax INCREASE. When trying to determine if there is a proposed tax rate increase, the appropriate question is **"How much does the proposed tax rate exceed the Effective Tax Rate?".** Because of changing values of individual properties, the previous year's Adopted Tax Rate is irrelevant except in the calculation of the Effective Tax Rate.

The City of Austin shows an Adopted M & O Tax Rate of **.2749** in FY2009. The Adopted M & O Tax Rate for FY 2018 **is .3393**. The adopted M & O and DS rate was in **.4012** FY2009 and the Adopted M & O and DS Tax Rate for FY 2018 is **.4448**.

Travis County shows an Adopted M & O tax rate of **.3394** in FY2009. The Adopted M & O Tax Rate for FY 2018 is **.3143**. The Adopted M & O and DS rate was **.4122** in FY2009 and the Adopted Tax Rate for FY 2018 **is .3690.**

New Construction

The taxing unit can increase property taxes by raising the tax rate above the Effective Rate and/or from the taxes generated by new construction. In the example below, if new property E is added to the tax roll, the taxing unit will get $182 of additional taxes even at the Effective M & O tax rate.

Impact of new construction in year 2 at the Effective Rate of .090909.

	Taxable Value	**Appreciation**	**Taxes**
Property A	$4,800	20%	$436
Property B	$3,100	3.33%	$282
Property C	$2,200	10%	$200
Property D	$900	-10%	$82
Total	$11,000		$1,000
NEW Property E	$2,000		$182(rounded)
Total for Year 2	$13,000		$1,182

Without raising taxes over the Effective Tax Rate (no tax increase rate), the taxing unit would receive $182 more in taxes for Maintenance and Operations than they received the previous year. To receive additional revenue, the taxing unit would need to increase the tax rate. New construction provides additional revenue.

ACTUAL NEW CONSTRUCTION ADDED TO THE TAX ROLL FOR THE CITY OF AUSTIN

The City of Austin had new construction of $2,700,000,000 added to the tax roll for FY2018. Had the City of Austin adopted the Effective Tax Rate of .4107, (City of Austin 2018 Budget) the new construction would have generated new taxes of $11,088,900 (.004107x$2,700,000,000) without having to levy a tax increase.

ACTUAL NEW CONSTRUCTION ADDED TO THE TAX ROLL FOR TRAVIS COUNTY

Travis County had new construction of $ 4,062,303,391 added to the tax roll.
Had Travis County adopted the Effective Tax Rate of .3568, the new construction would have generated new taxes of approximately $14,494,299 (.003568 x $4,062,303,391) without having to levy a tax increase. Over a ten-year period, Travis County added $32,756,025,686 of new value or an average of $3,275,602,568 new value per year.

Individual Properties Whose Appreciation Exceeds That of The Roll

A closer look at Property A provides insight into the large increases that local property owners are seeing in property taxes.

Property A

Taxable value in year 1	$4,000
Tax rate in year 1	.10
Tax assessment in Year 1	**$400**
Taxable value in year 2	$4,800
Effective Tax Rate in year 2	.090909
Tax assessment in Year 2 (.090909 x $4,800)	**$436**
% of appreciation of Property A ($800/$4,000)	20%
Appreciation of the tax role ($1,000/$10,000)	10%

Had Property A appreciated 10% in line with the tax roll as a whole, Property A’s taxes at the Effective Tax Rate would have remained the same as in year 1-$400 ($4,400 x .090909). **Because Property A’s appreciation exceeded that of the role, Property A has a tax increase even at the Effective Tax Rate.** In this example, the tax increase is 9%--not zero. **For Property A, the increase in taxes is due to an increase in assessed value.**

If a property appreciates consistently with the roll as a whole, there is no tax increase at the effective rate. If a property appreciates at a percentage that exceeds that of the roll as a whole, that property will see an increase in taxes.

Revenue Caps

The Texas Property Tax Code allows taxing units (other than school districts) to increase the tax rate to the Rollback Tax Rate which is 8% over the Effective Tax Rate. This is usually referred to as a "revenue cap". Tax increases above the Rollback Tax Rate are not disallowed, but such tax increases may require voter approval. Seven percent of registered voters in the taxing jurisdiction must sign and file a petition to call for an election. (Property Tax Code Sec. 26.07). There are strict time periods in which such petitions must be filed. There are strict rules regarding the taxing unit's obligation to post notices and hold tax hearings. A person or group contemplating initiating a "rollback election" should consult Sec. 26.07 of the Property Tax Code.

There has been significant discussion in recent Legislative sessions regarding "revenue caps". Currently the increase in the proposed tax rate is capped at an 8% increase **without the risk of a petition for a rollback election**. Recent legislative proposals have considered lowering the Rollback Tax Rate to between 4% or 6% with an **automatic election** if the proposed rate exceeds the Rollback Tax Rate.

In this example, with an Effective Tax Rate of .090909, the Rollback Tax Rate is .09818 (.090909 x 1.08). If the taxing unit wants to exceed the Rollback Tax Rate, voters can petition to put the increase on the ballot.

Taxes at the Rollback Rate in Year 2-(taxable value x.09818)

	Taxable Value	**Appreciation**	**Taxes**
Property A	$ 4,800	20% ($800/$4,000)	$471
Property B	$ 3,100	3.33%($100/$3,000)	$304
Property C	$ 2,200	10%($200/$2,000)	$216
Property D	$900	-10%($100/$1,000)	$88
Total	$11,000		$1,079
NEW Property E	$2,000		$196
Total for Year 2	$13,000		$1,275

Summary--

M & O Levy at the effective tax rate -.090909	$1,000
M & O Levy at the effective rate with new construction- .090909	$1,182
M & O Levy at the rollback rate with new construction - .09818	$1,275

Notice that Property A's actual taxes increased from $400 in year 1 to $471 in year 2 at the Rollback Rate ($4,800 x .09818). Although the proposed tax rate increased at 8% over the Effective M & O Rate, Property A's taxes increased by 17.75 % ($71/$400**). Both the increase in appraised value and the increase in the tax rate caused Property A's taxes to increase**.

Debt Service

The prior calculations were for the Maintenance and Operations Tax Rate calculations. The other part of the tax rate is the Debt Service Tax Rate. That rate is calculated by dividing the amount the taxing unit needs for payment of interest and principal on legally incurred bonded debt, warrants and certificates of obligation by the total taxable value of all property. If debt service payments needed are $100, that number would be divided by total taxable value $13,000. ($100/$13,000). The Debt Service Rate would be .00769. When added to the Maintenance and Operations Tax Rate, the Effective M & O and DS Tax Rate would be
.090909 (M & O) + .00769(DS) = **.0986.**

$13,000 x **.0986**= $1,282.

M & O Levy at the Effective Tax Rate -.090909	$1,000
M & O Levy at the Effective Tax Rate with new construction- .090909	$1,182
M & O Levy at the Rollback Tax Rate with new construction - .09818	$1,275
Total Levy at the Effective Tax Rate (M & 0 + DS) (.090909 + .00769**=.0986**)	$1,282
Total Levy at the Rollback Tax Rate (M & O + DS) (.09818+.00769=.10587)	$1,376

Any tax rate greater than the Effective Tax Rate is a tax increase.

ACTUAL EFFECTIVE TAX RATES AND ADOPTED RATES FOR THE CITY OF AUSTIN AND TRAVIS COUNTY-Both entities have raised the tax rate above the Effective Tax Rate each year for the past ten years.

City of Austin Adopted Budget FY 2017/2018-

- In the past 10 years, the City of Austin has increased taxes over the Effective M & O Tax Rate every year. The cumulative M & O increases over the Effective Tax Rate total **67.89%.**
- The M & O and DS Tax Rate for FY2016/2017 is **.4418**
- The Effective M & O and DS Rate for 2017/2018 is **.4107**
- The Adopted M & O rate **(.3393)** exceeds the Effective M & O Rate **(.3145**) by **7.886**%.
- The Adopted Tax Rate for FY2017/2018 is **.4448** which is **an 8.303 %** increase over the Effective M & O and DS rate of **.4107**.

Travis County Adopted Budget FY 2017/2018-

- In the past 10 years, Travis County has increased taxes over the Effective M & O Tax Rate every year. The cumulative M & O increases over the Effective Tax Rate total **36.26%.**
- The M & O and DS Tax Rate for FY2016/2017 was **.3838**
- The **Effectiv**e M & O and DS Rate for 2017/2018 is **.3568**
- The **Adopted Tax Rate** for FY2017/2018 is **.3690** (**3.419 % increase over the Effective Rate**)
- The Adopted M & O Tax Rate (.3143) exceeds the Effective M & O Tax Rate (.2994) by **4.98**%.
- Notice that even though the **Adopte**d **Tax Rate** decreased from FY 2017 to FY 2018, the Adopted Tax Rate exceeds the Effective Tax Rate. A **tax increase was adopted for 2018 of 3.419%.**

Appraisal Caps

Whereas revenue caps address increases in **tax rates**, appraisal caps address the increases in **appraised value** from year to year. Currently properties with a Homestead Exemption are capped at a 10% increase in value from year to year. In the example, if property A were a Homestead it would be taxed at $4,400 as opposed to the taxable value of $4,800. If property A were a commercial property, it would be taxed at the full $4,800. In times of material appreciation in appraisals of commercial properties, this is a very significant distinction. When taxing units are explaining tax impacts, multi -family and commercial properties are notably omitted. Usually the impacts are analyzed solely on the average value of a homestead and the taxes on that homestead.

Exemptions Count

There are numerous exemptions that can be set either by statute or allowed to be set by local governments. For instance, taxing units can set a homestead exemption at a rate up to 20%. That means that on a $100,000 property, the homeowner's taxes are assessed on a taxable value of $80,000. Travis County and Central Health give a full 20% homestead exemption. The City of Austin gives an 8% homestead exemption. With an 8% exemption, the same homestead would be taxed at $92,000 for the City of Austin as opposed to $80,000 for Travis County.

Funds

Governmental Accounting Standards require governments to establish various "funds". Property taxes generated by the Maintenance and Operations Tax Rate are accounted for in the General Fund which is the major operating fund for governments. The property taxes generated by the Debt Service Tax Rate are accounted for in the Debt Service Fund. In terms of property taxes, the General Fund is the most significant.

Taxes collected for debt service are driven by the interest and principal payments on debt instruments that are legally owed. Debt service can be controlled at the time borrowing decisions are made. Bond elections result in debt service. In a comprehensive study, these funds need to be analyzed.

Generally, “funds” are set up for resources that are restricted and cannot be comingled with the general operating funds in the General Fund. Enterprise funds, Internal Service Funds, Special Revenue Funds, Capital Project Funds are types of funds. A comprehensive budget analysis would look at these funds.

For the City of Austin, the FY2018 Adopted Budget for all funds totals $3,919,455,000 of which $1,027,100,000 is for the General Fund. For instance, the City of Austin has Enterprise Funds such as Austin Energy, Austin Water and the Aviation.

For Travis County the FY2018 Preliminary Budget for all funds totals $1,034,050,22 of which $749,062,401 is for the General Fund.

Revenue Sources Other than Property Taxes

Both counties and cities have revenue sources other than taxes. Counties have fewer sources and are more dependent on property taxes than are cities.

In the City of Austin’s adopted revenue budget of $1,027,128 for the General Fund (maintenance and operations), there are revenue sources other than property taxes that comprise 55.9% of revenues including “transfers in” (moneys transferred from other funds). Sales taxes and transfers in from utilities provide material sources of revenues in addition to property taxes.

General Fund-**City of Austin in (000’s) (**Adopted 2018 Budget, p. 605, Vol.1**)**

Property Taxes	$453,000	4.1%
Sales Taxes	$226,100	22%
Other Taxes	$12,367	1.2%
Franchise Fees	$36,936	3.6%
Fines, Fees, Penalties	$14,074	1.37%
Licenses, Permits, Etc.	$59,942	5.8%
Charges for Services	$65,973	6.4%
Interest & Other	$ 3,821	.37%
Transfer from Electric Utility	$109,000	10.6%
Transfer from Water Utility	$ 45,914	4.5%
Total	$1,027,128	100%

Another $145,083 of property taxes were levied for General Obligation Debt Service

General Fund- **Travis County (**Adopted Budget FY 2018, p. 52**)**

Beginning Balance	$141,162,739	18.850%
Property Taxes	$518,695,693	69.250%
Other Taxes	$206,364	0.280%
Intergovernmental	$15,991,581	2.130%
Charges for Services	$63,811,702	8.520%
Fines and Forfeitures	$866,577	0.120%
Investment Income(net)	$4,610,776	0.616%
Miscellaneous	$2,577,960	0.340%
Other Financing Sources	$1,139,009	0.150%
Estimated Resources for FY 2018	**$749,062,401**	**100.000%**

Another $91,149,509 of property taxes were levied for the Debt Service Funds.

General Fund Budget Per Capita Comparisons

One way to evaluate levels of government spending is to compare budgeted expenditures per capita to similar governments. Population numbers vary by source, so to use comparable methodologies for each entity, "U.S. Census Quick Facts" was used. The population numbers are estimated at June 2016 for all entities. Budget numbers came from each governments' budget documents for 2017/2018 which they published online.

City	Austin	Ft. Worth	Dallas
Budget per capita	**$1,084**	$795	$970
Population	947,890	854,113	1,317,929
Expenditure Budget-GF	$1,027,128,000	$679,166,273	$1,278,846,913

City	San Antonio	Houston
Budget per capita	$801	$870
Population	1,492,510	2,303,482
Expenditure Budget –GF	$1,196,017,236	$2,004,525,865

County	Travis Co.	Tarrant Co.	Dallas Co.
Budget per capita	**$ 625**	$263	$208
Population	1,199,323	2,016,872	2,514,984
Expenditure Budget –GF	$749,062,401	$530,790,197	$523,230,620

County	Bexar	Harris
Budget per capita	$275	$585
Population	1,928,680	4,589,928
Expenditure Budget-GF	$531,105,853	$2,687,324,000

Per capita spending comparisons to the other four largest cities and counties in Texas indicate that spending per capita for both the City of Austin and Travis County are high. To make precise comparisons, a detailed analysis would have to be made to ensure that all expenditures are classified similarly.

Indicators of Growth in Spending
City of Austin—2009 to 2018 (Adopted Budget 2018, CAFR's)
Population growth **770,296 to 947,890** (US Census Quick Facts) **23%**
General Fund Budget growth **$621,032,000 to $1,027,128,000** **65.39%**
(The General Fund Budget grew **2.84** times the growth in population (65.39/23)

Growth in Taxes Levied **$307,929,055 to $617,275,588** **100.46%**
(The taxes levied grew **4.37** times the growth in population 100.46/23)
(Adopted Budget 2018, Vol. 1 p.34)

Cumulative M & O tax rate increases over the effective M & 0 tax rate **67.89 %**
(percentage of growth for the M & O tax rate over the effective tax rate in the 10-year period increased **2.95** times the growth in population (67.89/23).
(Adopted Budget 2018, Vol. 1 p.33)

Total growth in assessed taxable values **$76,752,007,737 to $138,775,986,481** **80.8%**
(Adopted Budget 2018, Vol. 1 p.34)

Travis County—2009 to 2018
Population growth **1,008,345** (CAFR 2009, p ST 43) to **1,199,313**(US Census Quick Facts) **18.9%**
General Fund Budget growth **$450,754,725** (2009 Adopted Budget in Brief, p. 9) to **$749,062,401** (2018 Adopted Budget, Vol. 1 p 50) **66.18%**
(The General Fund Budget grew **3.5** times the growth in population (66.18/18.9))

Growth in Taxes Levied **$391,782,699**(CAFR 2009, p. ST 36) to **$607,427,760** **55%**
(The taxes levied grew **2.90** times the growth in population 55/18.9)

Cumulative M & O tax rate increases over the Effective M & 0 tax Rate **36.26%**
The percentage increase in M & O Tax Rate in the 10-year period increased **1.918** times the growth as population (36.26/18.9).

Total growth in assessed taxable value **$95,269,235,051 to $171,000,908,622** **80%**
(Adopted Budget 2018, Vol. 1, p.49)
Average Appraised Value of Homestead **$282,894 to $402,898** **42.4 %**
Average Taxable Value Homestead **$211,388 to $305,173** **44.37%**

These percentage increases in General Fund Budgets do not take into account increases due to CPI increases. Assuming the City of Austin and Travis County would likely be equally impacted by CPI, the cumulative M & O Tax Rate increases over the Effective M & O Tax Rates are almost twice as large for the City of Austin as they are for Travis County. The same applies to taxes levied.

All metrics indicate that the City of Austin and Travis County are spending and taxing at rates that greatly exceed population growth. The five-year forecast presented in the 2018 City of Austin Adopted Budget projects the City going to the Rollback Tax Rate -8% above the Effective Tax Rate- each year for the next 5 years. In Travis County's five-year forecast, the County projects going between 3.96% and 3.99% over the Effective M & O Tax Rate each year for the next five years.

Most tax increases involve both an increase in the Adopted Tax Rates over the Effective Tax Rates which is controlled by the City Council and the Travis County Commissioners' Court and an increase in appraised values which is controlled by the Travis County Appraisal District.

Governments usually start the budgeting process in January or February in terms of setting guidelines for staff. Departments typically submit budget requests in May. So, although actual public hearings are scheduled in September, very few changes occur at that time. Input needs to be provided to elected officials early in the year to make an impact. Citizens can also make their wishes known when voting in bond elections.

Property owners can protest their appraised value. It is important to have accurate data in a timely manner so that tax professionals can interface with TCAD in an effective manner and that professional appraisals can be commissioned if needed.

GLOSSARY

VALUATION-

Market Value -The price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser,

- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and

- both the seller and the purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other,

Appraised Value-The figure Central Appraisal Districts use as a starting point to determine property taxes. Appraisal Methods and Procedures are defined in Chapter 23 of the Texas Property Tax Code.

Assessed Value-For the purposes of assessment of property for taxation, the amount determined by multiplying the appraised value by the applicable assessment ratio. Tex. Tax Code Sec 1.04

Net Taxable Value-Assessed Value less exemptions and Homestead Caps. The Adopted Tax Rate is multiplied by Net Taxable Value to arrive at taxes due.

Exemptions-Exemptions remove part of the value of a property from taxation and, thereby, lower the taxes. Texas law allows various partial or complete exemptions from local property taxes. An example would be a 20% homestead exemption. If the assessed value of a homestead is $100,000 and it qualifies for a 20% homestead exemption, the property owner pays taxes on a taxable value of $80,000 as opposed

Homestead—Any property that the owner considers a primary residence

Homestead Tax Cap-The appraised value of a homestead is capped at a maximum increase of 10% from the prior year. For example, a homestead is assessed (determination of Market Value) at $100,00 in year 1. In year 2 the Market Value is determined to be $120,000. Because of the Homestead Tax Cap, the assessed value in year 2 would be capped at $110,000.

TAX RATES

Effective Tax Rate-The Effective Tax Rate Maintenance and Operations Rate is the rate that is calculated to provide the taxing unit with approximately the same amount of property tax revenue that it received in the previous year on properties taxed in both years. There are some state mandated adjustments. Tex. Tax Code 26.05(a)(2) and 26.04(c)(1)

Adopted Budget Tax Rate-The combination of the Maintenance and Operations Tax Rate and the Debt Service Tax Rate that is voted upon by the elected officials of the taxing unit.

Rollback Tax Rate-Tax rate level that allows the taxing unites to collect 8% more taxes, not including debt repayment, then the previous year. This is the maximum tax increase allowed by law without triggering an election to “rollback” the tax rate. The debt portion of the Rollback Tax Rate is the current year’s debt payments divided by the current year’s property values. Tex. Tax Code 26.012(4)