

City of Amarillo FY 2023/2024 Proposed Budget Property Tax

Presented to Amarillo City Council August 9, 2023



Texas Property Tax Basics

- A property tax (or Ad Valorem) is a revenue based on the value of a property. This value is determined by the Potter-Randall Appraisal District (PRAD), which is an outside agency that acts independently of the City. Amarillo spans two counties, so PRAD determines property values in both counties, but not the tax rate.
- Homestead exemptions only apply to the school district portion of the property tax bill. The current exemption is \$40,000 but will be increasing to \$100,000. Homestead properties fall under the State of Texas' 10% Appraised Tax Value Limit. This means the appraised tax value can only increase by 10% each year.

Texas Property Tax Basics (cont.)

The City of Amarillo offers a couple of options to offer a tax break to its residents. For example:

- \$8,600 Senior/Disability Exemption is available to citizens over 65 years old or those presently disabled. A citizen can only use one of these exemptions.
- Over-65/Disability Tax Freeze holds the total tax dollar amount once a citizen turns 65 or has a qualified disability . If you are a 65-year-old citizen or have a qualified disability and apply for this exemption, your total tax dollar amount will stay the same or potentially decrease, depending on property values and the adopted tax rate. A citizen will never pay more than the total frozen tax dollar amount unless an improvement is added to the property. Citizens can apply for this break with PRAD at any time during the year.

Texas Property Tax Laws - Truth-in-Taxation

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Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value.

A taxing unit must publish special notices and hold one public hearing before adopting a tax rate.

A taxing unit must publish its no-new-revenue and voter-approval tax rates before adopting an actual tax rate.

If a taxing unit adopts a rate that exceeds the voter-approval rate, a mandatory election must be held in November.

Texas Property Tax Reform & Transparency Act of 2019 (SB 2)

- Effective 1/1/2020
- Renames the “rollback” tax rate to the “voter-approval” tax rate
- Provides for a voter-approval rate of 3.5% (versus previous rollback rate of 8%)
- Allows carry forward of any unused increment between the adopted M&O and voter-approval M&O for up to 3 years
- Requires mandatory election if adopted rate exceeds voter-approval rate
- Does not affect the levy of property taxes for debt service (I&S rate)

Sources: Texas Municipal League – Legislative Update



SB 2

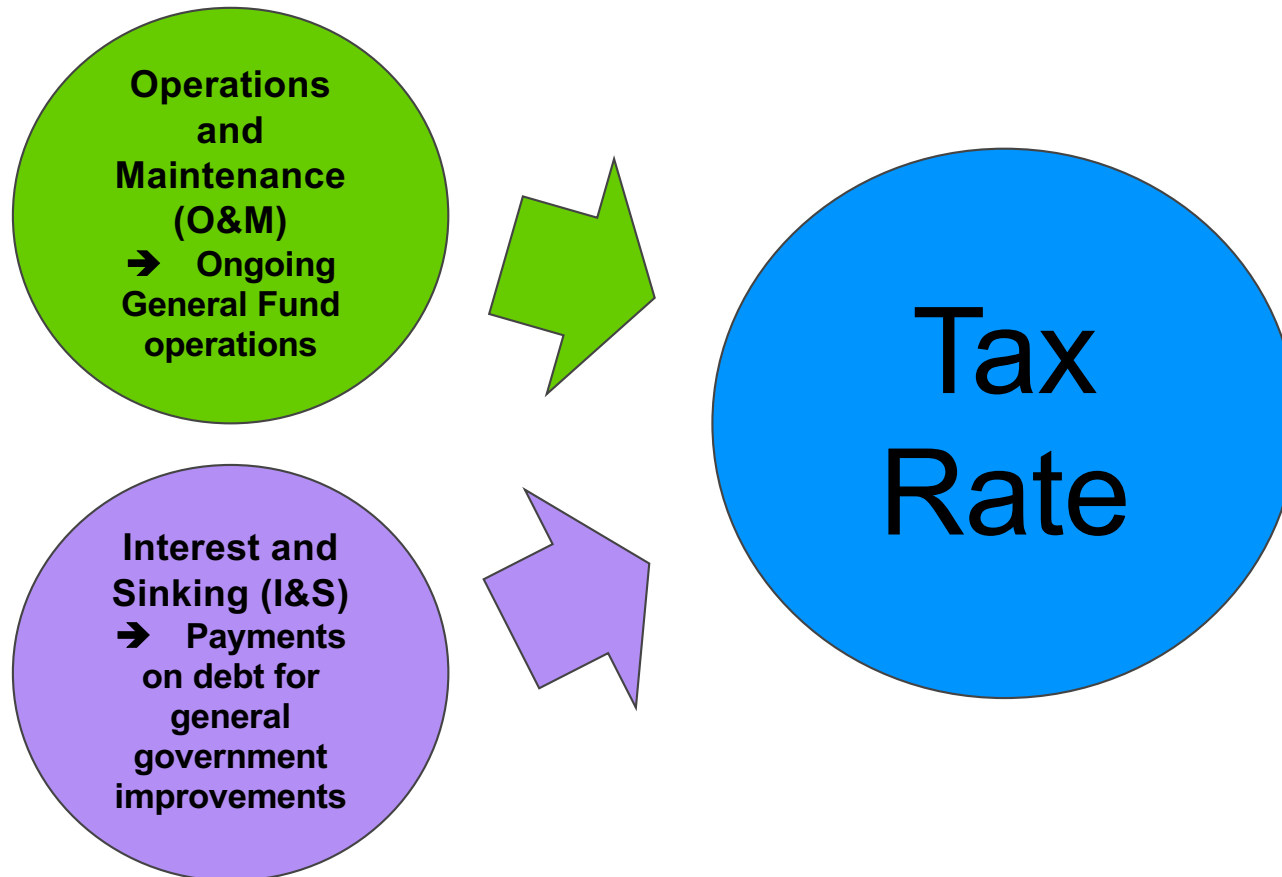
Additional Considerations

- Prohibits the adoption a budget or taking any other action that has the effect of decreasing the total compensation to which a first responder was entitled in the preceding fiscal year
- Makes numerous calendar changes to the property tax appraisal, collection, and rate-setting process in order to have property tax ratification elections on the November uniform election date

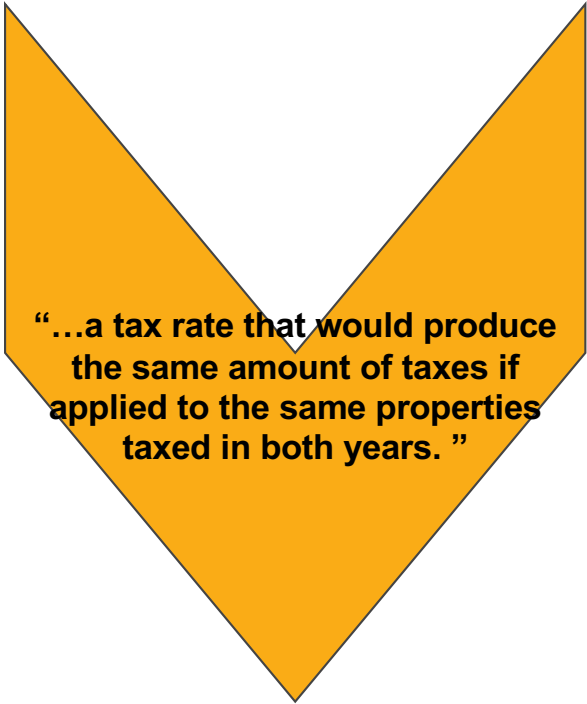
Sources: Texas Municipal League – Legislative Update



Elements of Property Tax Rate



No-New-Revenue Tax Rate



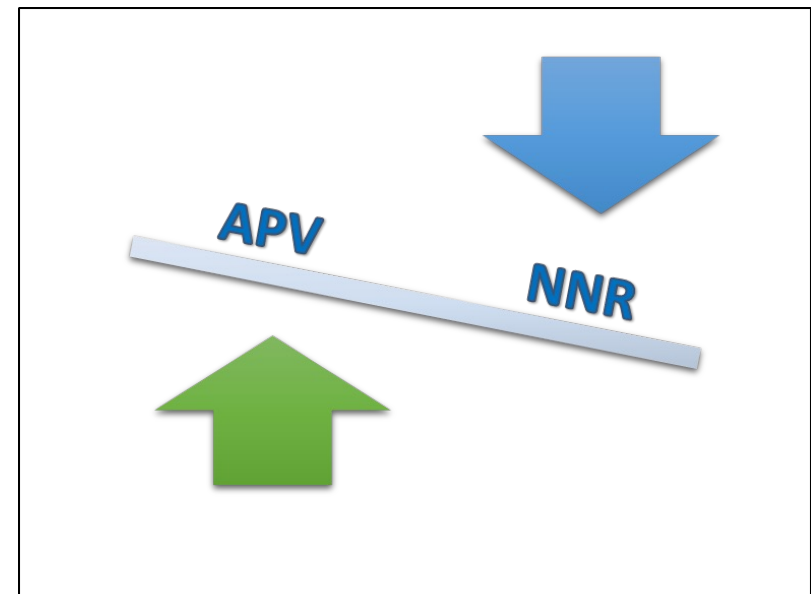
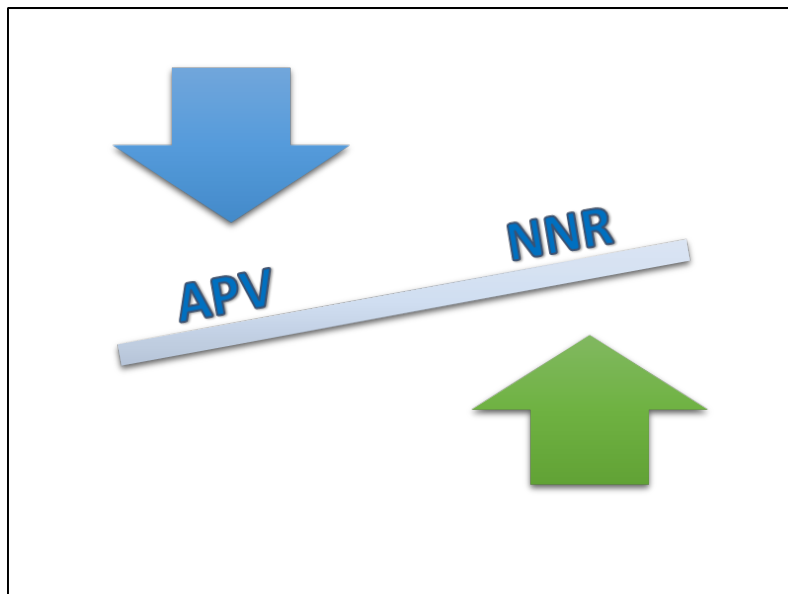
“...a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.”

- Essentially the tax rate the City would pass to collect the same tax revenue as last year (FY 2022/23) using this year’s (FY 2023/24) appraised values.
- For FY 2023/24, the no-new-revenue tax rate is \$0.37598 per \$100 valuation or \$0.02269 under the voter-approval tax rate of \$0.39867.

Source: Texas Property Tax Code – Chapter 26

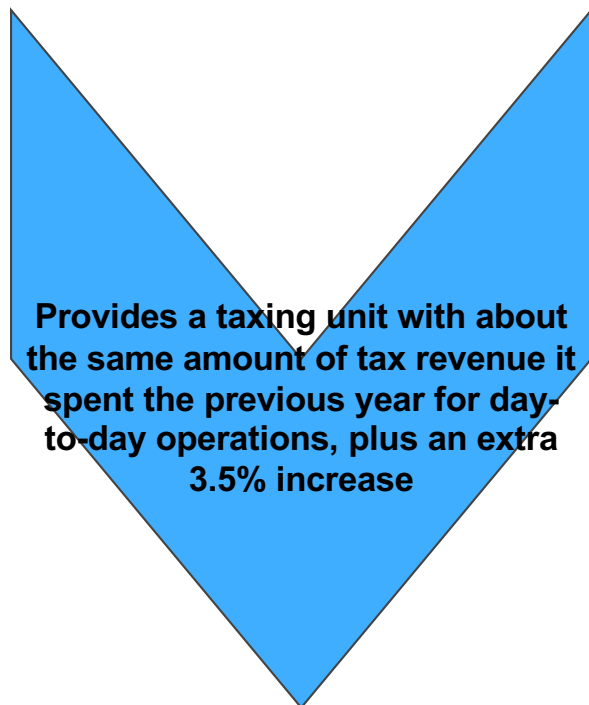
Seesaw Effect No-New-Revenue Tax Rate vs. Appraised Value

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APV = Appraised Property Value
NNR = No-New-Revenue Tax Rate

Voter-Approval Tax Rate



- While the O&M part of the calculation is capped at 3.5%, plus any unused increment from the past 3 years, the debt service portion of the overall rate may rise as high as necessary to cover debt expense in the coming year.
- If the City approves a tax rate over the voter-approval tax rate, a mandatory election is required in November.
- For FY 2023/2024, the voter-approval tax rate is \$0.39867 per \$100 valuation.

Source: Texas Property Tax Code – Chapter 26

Texas Property Tax Laws

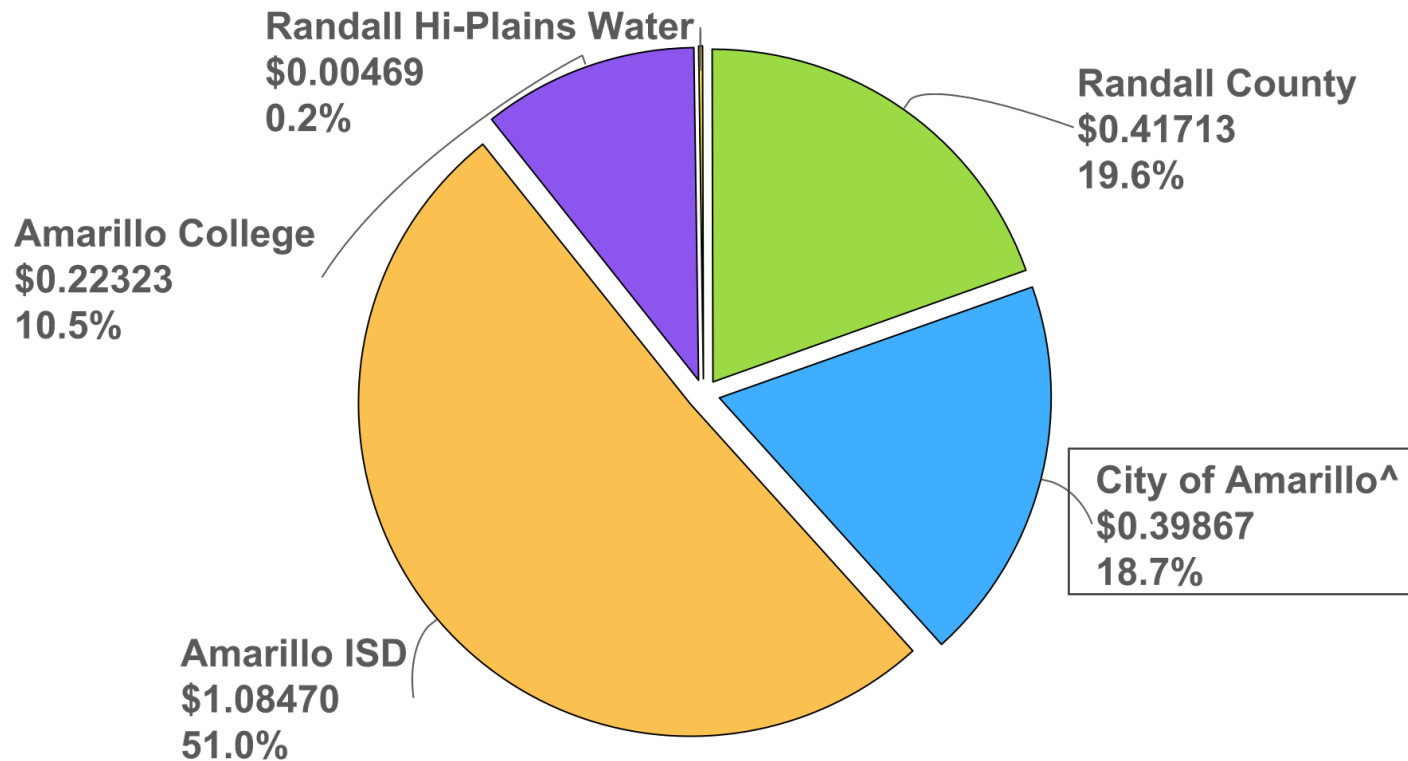
Truth-in-Taxation

- If the proposed tax rate exceeds the no-new-revenue tax rate but is below the voter-approval tax rate:
 - Must provide notice to property owners and hold one public hearing.
 - Notice must specify the proposed tax rate, the no-new-revenue tax rate, the voter-approval tax rate, the date and time of the public hearing, and the taxes imposed on an average residence homestead.
 - Council may adopt the tax rate at the public hearing. If Council does not, then must announce the date and time of the vote on the tax rate.

Sources: Texas Property Tax Code – Chapter 26; Texas Local Government Code – Section 102



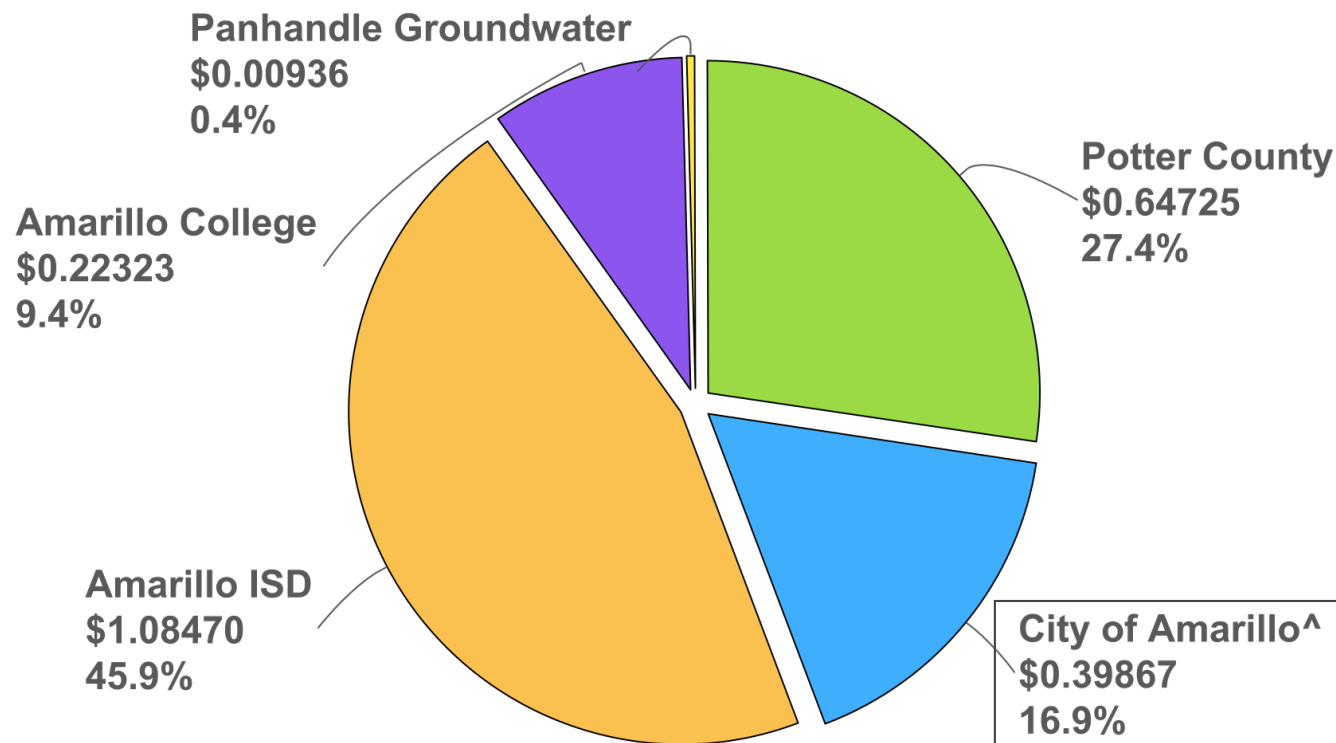
Amarillo/Randall County Sample Tax Bill Allocation



[^]Note: 2022 Tax Rate for all entities except 2023 Voter-Approval Tax Rate for City of Amarillo



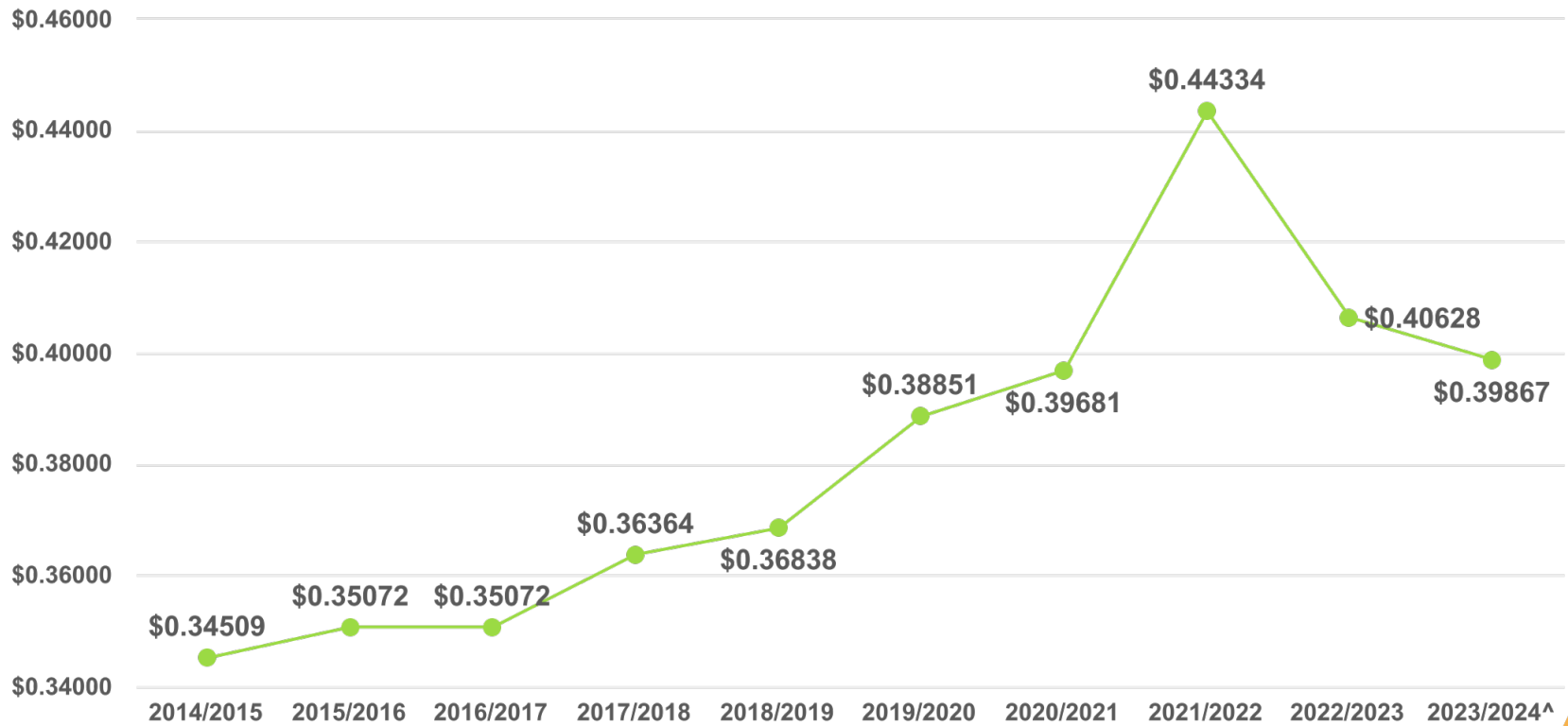
Amarillo/Potter County Sample Tax Bill Allocation



[^]Note: 2022 Tax Rate for all entities except 2023 Voter-Approval Tax Rate for City of Amarillo



Ad Valorem Tax Rate History - per \$100 Valuation



^ Voter-approval tax rate

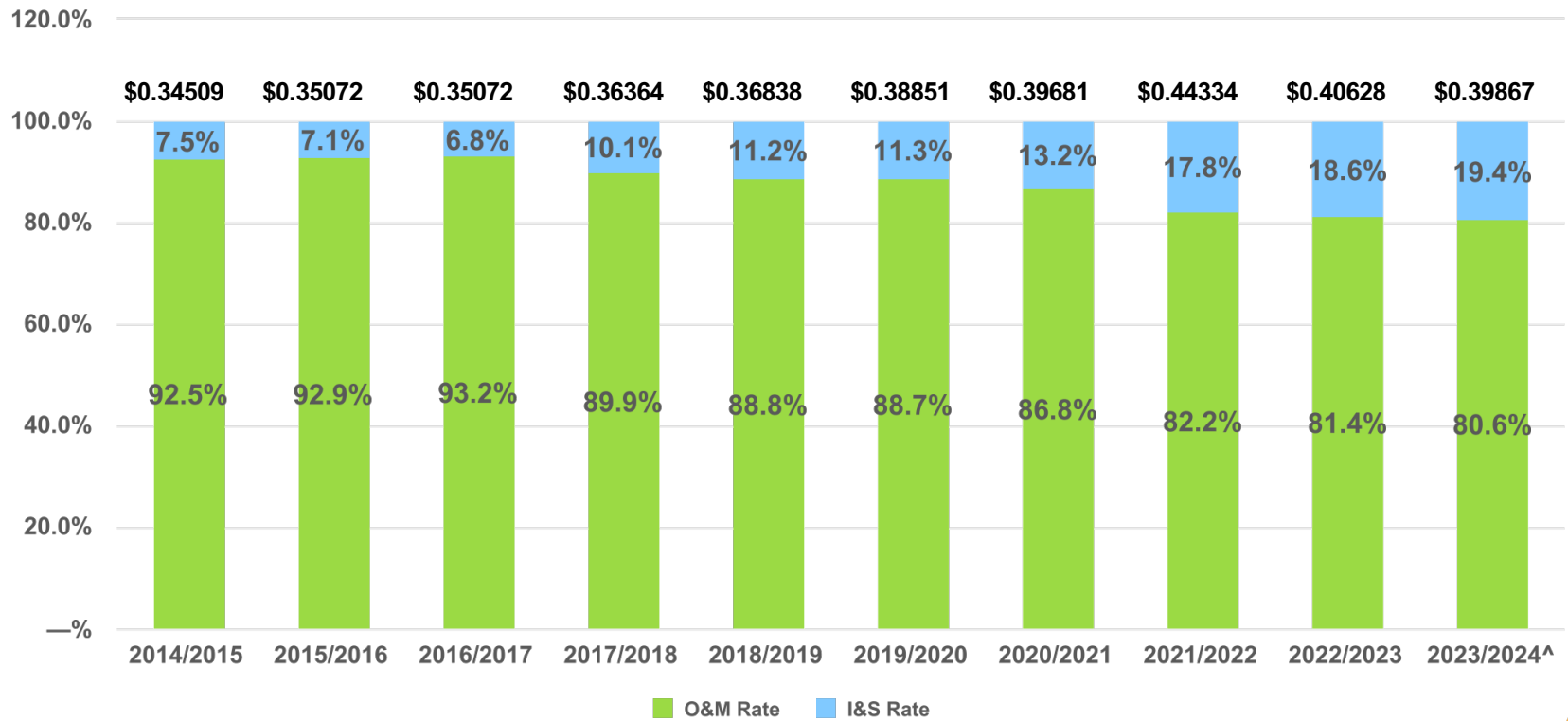
Ad Valorem Tax Rate History - per \$100 Valuation - by component



[^] Voter-approval tax rate



Ad Valorem Tax Rate History - per \$100 Valuation - by component %



[^] Voter-approval tax rate



Voter-Approval Tax Rate as compared to the ¹⁷ 2022/2023 Approved Rate

Tax Rate Component	2022/2023 Approved Rate	2023/2024 Voter-Approval Tax Rate	Increase in Estimated Tax Collections	Budget Enhancements
Operating & Maintenance Rate	\$0.33079	\$0.32116	\$4.9 million	Inflationary expenses like insurance, supplies, and repairs & maintenance; other enhancements per Council direction
Interest & Sinking Rate	\$0.07549	\$0.07751	\$0.2 million	ERP (Financial) Software
Total Tax Rate	\$0.40628	\$0.39867		

= \$1 per month decrease for a \$100,000 home
 = \$3 per month increase for an average home



Certified Values

	2022	2023
Taxable value	\$ 16,592,197,345	\$ 18,395,209,753
TIF captured value	\$ 163,032,188	\$ 191,364,220
Taxable value of homesteads with tax ceilings	\$ 2,693,984,550	\$ 3,090,611,613
Net taxable value	\$ 13,735,180,607	\$ 15,113,233,920
Total taxable value of new property	\$ 182,202,087	\$ 354,280,191
Average residence homestead appraised value	\$ 188,105	\$ 199,740

Impact of Frozen Taxes

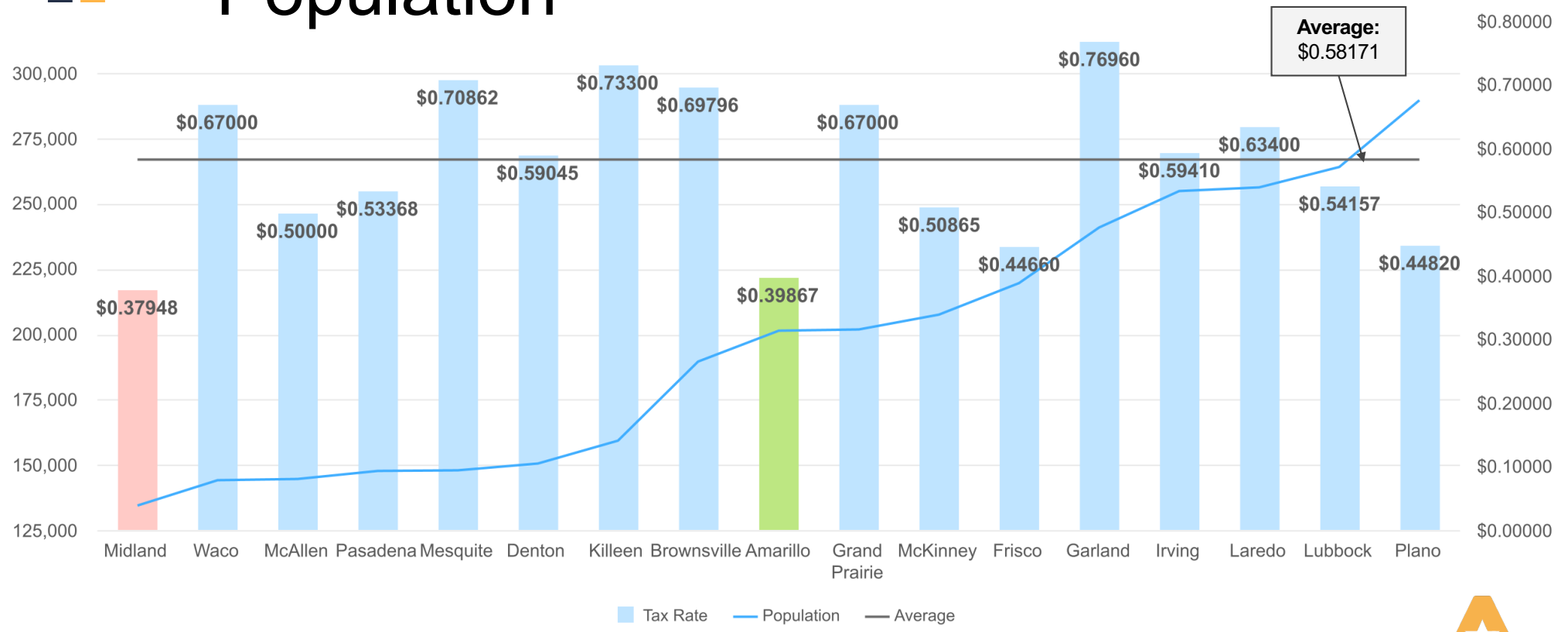
Through adoption by a taxing unit's governing body or by petition and election by citizens, a city can offer a tax limitation on homesteads of taxpayers who are disabled or age 65 years or older. Once adopted, the Tax Code provides for the tax ceiling for disabled and age 65 or older homeowners and their right to transfer to another homestead in that taxing unit the same benefit of that tax ceiling.

Frozen levy tax lost	\$4,519,594
Portion of tax rate lost	\$0.029905

History of Frozen Taxes and Portion of Tax Rate Lost



Comparison of Tax Rates vs. Population

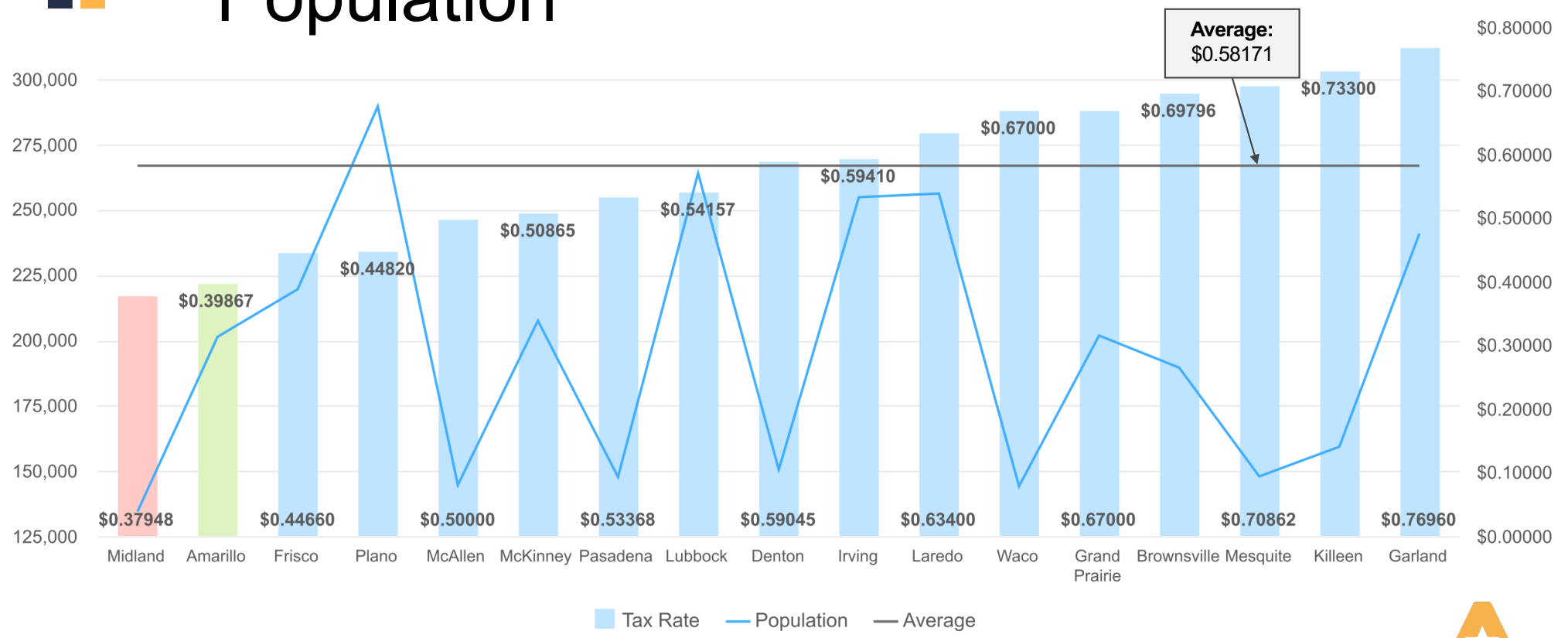


8 larger and 8 smaller cities by population

Source: Cities' 9/30/22 ACFRs & 22/23 Approved Budgets



Comparison of Tax Rates vs. Population

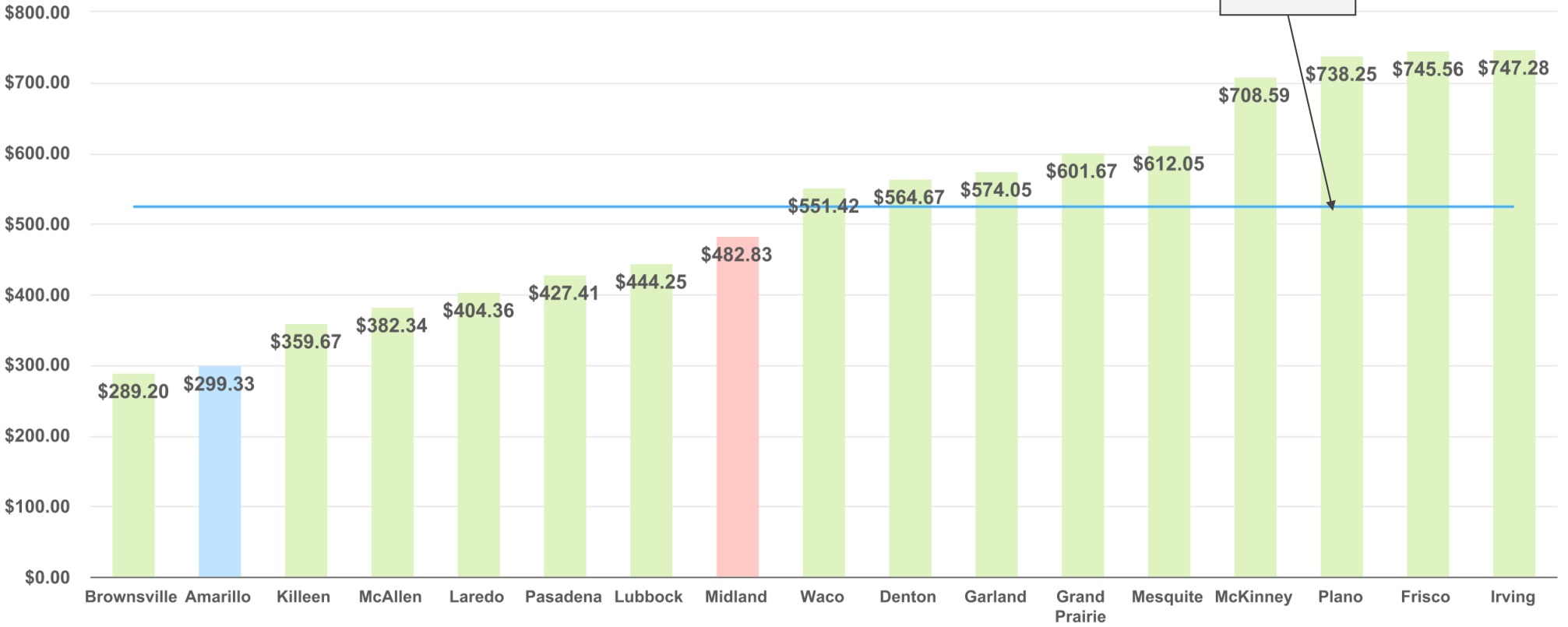


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Tax Revenue per Capita



Average:
\$523.52



8 larger and 8 smaller cities by population