

Ordinance to Improve Local Government Transparency Through the Creation and Publication of a Taxpayer Impact Statement

Summary: *Texas' municipal governments largely rely on property tax revenue to fund city services. However, it is often difficult for taxpayers to clearly understand how the city council's proposed property tax rate, combined with changes in property tax values and other city fees, will affect their bill. Thus, this ordinance provides transparency by showing taxpayers how each of the city's fees, appraisals, and property tax assessments change over time and for different segments of the community.*



WHEREAS adopting a property tax rate and budget are critical functions and responsibilities of the City Council;

WHEREAS the tax rate and resulting budget provide funding for City services;

WHEREAS the property tax rate combined with changes in property values can result in higher tax bills for City residents from one year to the next;

WHEREAS the Texas Truth-in-Taxation Constitutional Provisions require taxing entities to disclose proposed property tax increases prior to adopting a final property tax rate for the year;

WHEREAS it is often difficult to clearly understand how a proposed tax rate, combined with changes in property tax values and other city fees, will affect the total tax in dollars assessed;

WHEREAS a decrease in the tax rate from the previous fiscal year does not guarantee a reduction in an individual resident's taxes, which leads to confusion for taxpayers;

WHEREAS the City could provide clarity by disclosing both proposed tax rates and the impact of the proposals expressed in dollar amounts for homes with different values;

WHEREAS it would be helpful for the City to provide this information not only as a commitment to full transparency, but also to help City residents accurately budget for future expenses;

WHEREAS all City residents have the opportunity to be involved in the budget process and would benefit from clear information regarding proposed changes to their city property tax bills in order to provide the best feedback; and

WHEREAS the total taxes assessed and collected by the City to deliver city services are a significant cost to residents, and it is the City's goal to provide the most complete, accurate, and easily understood information about any changes in those taxes or fees;

NOW, THEREFORE, be it ordained that the City Council of the City of _____ :

Section 1. Chapter _____ – Taxpayer Impact Statement.

____.010 – Short Title and Purpose.

- (a) This article may be known and cited as the “Taxpayer Impact Statement Ordinance.”
- (b) The purpose of this article is to improve property tax transparency and accountability in the City of _____. To this end, this article establishes a Taxpayer Impact Statement, and provides for the publication of such Statement.

____.020 – Creation of Taxpayer Impact Statement.

- (a) The City Manager shall create a Taxpayer Impact Statement that includes, but is not limited to:
 - 1. Definitions of both the effective and rollback tax rates in simple terms;
 - 2. A comparison of the property tax bill, in dollars, for both the current fiscal year and the upcoming fiscal year, including the estimated proposed, effective, and rollback tax rates, as well as a projected appreciation in the taxable value of property;
 - 3. A comparison of fees, utility bills, and property taxes projected for a median-valued homestead with typical household usage in the proposed budget to those from the current fiscal year;
 - 4. Charts with yearly totals of projected property taxes, bills, major utility fees, and budget highlights.
- (b) In creation of the Taxpayer Impact Statement, the City Manager may use Exhibit A, attached hereto, as a guide.

____.030 – Publication of Taxpayer Impact Statement.

- (a) The Taxpayer Impact Statement is to be posted or included on the City of _____ website, in the Proposed and Approved budget documents, financial forecasts, and in other public documents regarding the City’s Budget.
- (b) At least two weeks prior to any public hearing or City Council meeting on the proposed budget and adoption of property tax rates, the Taxpayer Impact Statement shall be published for three consecutive days in a daily newspaper having general circulation throughout the City. If circumstances, such as a protest to property tax appraisal values, prevent this publication date, the Taxpayer Impact Statement can be published on three consecutive days as close as reasonably possible to two weeks prior to the public hearing or City Council meeting. However, under no circumstances shall the three-day publication period begin less than five days before the public hearing or City Council meeting.

Section 2. Should any article, section, part, paragraph, sentence, phrase, clause, or word of this ordinance, for any reason be held illegal, inoperative, or invalid, or if any exception to or limitation upon any general provision herein contained be held to be unconstitutional or invalid or ineffective, the remainder shall, nevertheless, stand effective and valid as if it had been enacted and ordained without the portion held to be illegal, inoperative, unconstitutional, invalid, or ineffective.

Section 3. This ordinance shall take effect _____, 2016.

ADOPTED THIS _____ day of _____ 2016.

CITY OF _____

ATTEST:

Mayor

City Clerk

APPROVED AS TO FORM:

Exhibit A: Sample Taxpayer Impact Statement

ESTIMATED ANNUAL IMPACT OF APPROVED RATE AND FEE CHANGES ON A "TYPICAL" RESIDENTIAL RATE PAYER

	FY 2014-15 Yearly Rate	FY 2015-16 Approved Rate	Annual Dollar Change	<i>Typical Rate Payer Defined as:</i>
Austin Energy	\$1,294.80	\$1,254.84	(\$39.96)	<i>Residential customer usage of 1,000 Kwh.</i>
Austin Water	\$885.36	\$932.52	\$47.16	<i>Residential customer usage of 5,700 (2015) or 5,600 (2016) gallons of water and 4,000 gallons of wastewater</i>
Austin Resource Recovery	\$259.20	\$279.60	\$20.40	<i>Residential customer using a 64-gallon cart</i>
Clean Community Fee	\$88.80	\$91.80	\$3.00	<i>Per single-family home</i>
Transportation User Fee	\$99.00	\$117.24	\$18.24	<i>Per single-family home</i>
Drainage User Fee	\$117.60	\$130.32	\$12.72	<i>Residential customer with 3,100 sq. ft./37% of impervious cover</i>
Property Tax Bill	\$1,105.64	\$1,087.02	(\$18.62)	<i>2016 median non-senior homestead assessed value of \$251,994 (reflects 9.6% growth over FY 2015)</i>
TOTAL YEARLY IMPACT	\$3,850.40	\$3,893.34	\$42.94	<i>Combined projected increase of 1.1%</i>

DEFINITIONS

Effective Tax Rate – The tax rate that would generate the same amount of property tax revenue as in the prior year when applied to properties taxed in both years, net of certain state-mandated adjustments.

Rollback Tax Rate – The tax rate that would generate the same amount of operation and maintenance property tax revenue as in the prior year when applied to properties taxed in both years (net of certain state-mandated adjustments), plus 8%, and plus the additional tax rate necessary to generate sufficient revenue for debt service requirements.

NON-SENIOR HOMESTEADS (Reflects adoption of 6% General Homestead Exemption)

<i>Property Valuation</i>		<i>Property Tax Bill</i>				
FY 2016 Assessed Value	Percent Growth	Current Tax Bill	Approved Tax Rate \$0.4589	Dollar Change from Previous Year	Effective Tax Rate \$0.4295	Rollback Tax Rate \$0.4609
\$100,000	8.6%	\$442.89	\$431.37	(\$11.53)	\$403.73	\$433.25
\$200,000	9.5%	\$878.36	\$862.73	(\$15.63)	\$807.46	\$866.49
\$400,000	8.7%	\$1,769.19	\$1,725.46	(\$43.73)	\$1,614.92	\$1,732.98
\$800,000	9.1%	\$3,525.75	\$3,450.93	(\$74.83)	\$3,229.84	\$3,465.97

SENIOR HOMESTEADS (Reflects adoption of 6% General Homestead Exemption and \$10,000 increase in Senior Homestead Exemption to \$80,000)

<i>Property Valuation</i>		<i>Property Tax Bill</i>				
FY 2016 Assessed Value	Percent Growth	Current Tax Bill	Approved Tax Rate \$0.4589	Dollar Change from Previous Year	Effective Tax Rate \$0.4295	Rollback Tax Rate \$0.4609
\$100,000	9.0%	\$104.46	\$64.25	(\$40.21)	\$60.13	\$64.53
\$200,000	9.1%	\$544.78	\$495.61	(\$49.17)	\$463.86	\$497.77
\$400,000	8.4%	\$1,438.39	\$1,358.34	(\$80.05)	\$1,271.32	\$1,364.26
\$800,000	7.8%	\$3,233.10	\$3,083.81	(\$149.29)	\$2,886.24	\$3,097.25

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