

## 2019 CITY TAX AND BUDGET DEADLINES

*S.B. 2, the also known as the Texas Property Tax Reform and Transparency Act of 2019, passed during the 2019 legislative session and makes significant changes to the property tax rate setting process. The changes made by S.B. 2 are not effective until January 1, 2020, and therefore are not incorporated into this memo. The new statutory provisions impacting the property tax rate setting process will apply to cities' 2020 tax rates.*

*Pursuant to Local Government Code Section 140.010, and in conjunction with the budget adoption process in Chapter 102 of the Local Government Code, the following deadlines apply to—and may be used by—all cities.*

*However, a city that is considered to have a “low tax levy” under Tax Code Section 26.052 (a city that levies under \$500,000 in total property taxes and levies a tax rate under \$.50 per \$100) may choose to provide notice of its tax rate under that section of the Tax Code instead of Section 140.010 of the Local Government Code. LOCAL GOVERNMENT CODE § 140.010(b). A “low tax levy” city that chooses to provide notice under Section 26.052 of the Tax Code need not hold any public hearings on the tax rate, and is required to provide mailed or published notice of the tax rate no later than seven days before the date the city adopts the tax rate. The budget deadlines listed below still apply to “low tax levy” cities.*

*These are absolute deadlines, and assume the city waits until the last minute for each step. In most cases the city would be wise to act well in advance (except where there are front-end deadlines, which are noted).*

**August 29** – last day for budget officer to **file proposed budget** with municipal clerk if the city plans to wait until September 29 to adopt the tax rate. TEX. LOC. GOV'T CODE § 102.005 (*before 30th day before tax rate adopted* – thus, if a city plans to adopt tax rate before September 29, the proposed budget must be filed sooner). The proposed budget must contain a special cover page if the budget will raise more total property taxes than the previous year. The city secretary must post the proposed budget on the city's website if the city maintains one. Additionally, the proposed budget must include a line item comparing expenditures in the proposed budget and actual expenditures in the preceding year for: (1) notices required to be published in the newspaper; and (2) directly or indirectly influencing or attempting to influence the outcome of legislation or administrative action, as those terms are defined in Government Code Sec. 305.002. TEX. LOC. GOV'T CODE § 140.0045.

**September 1** – generally the last day for a city to **provide notice of its proposed tax rate** by publication or by mail. TEX. LOC. GOV'T CODE § 140.010(f) (due to the passage of H.B. 1953 and S.B. 1760 (2015), state law now allows a city to provide notice not later than the later of September 1<sup>st</sup> or the 30<sup>th</sup> day after the first date that the city receives each applicable certified appraisal roll). This is also the last day for the city to post notice of its proposed tax rate on its website, if it has one. The notice must remain on the website until the city adopts its tax rate. A city that proposes a tax rate that exceeds the lower of the effective tax rate or the rollback rate must include in the notice the date, time, and place of two separate hearings on the proposed tax rate. Additionally, S.B. 1760 (2015) requires the city that proposes a tax rate that exceeds the

lower of the effective tax rate or the rollback rate to include a sentence describing the proposed use of the additional revenue attributable to the tax rate increase. For content of published notice, see Local Government Code Section 140.010.

**September 15** – Continuous **Internet and T.V. notice of tax rate public hearings** begins, if applicable. TEX. TAX CODE § 26.065. For content of published notice and Internet and T.V. notice, see Tax Code Section 26.06(b).

**September 18** – last day to publish **notice of budget hearing**. TEX. LOC. GOV'T CODE § 102.0065 (not later than 10th day before the budget hearing). Note that the notice may not be published earlier than the 30th day before the hearing. The budget hearing notice must contain specific information about property tax increases. TEX. LOC. GOV'T CODE §102.0065(d).

**September 23** – last day for **first hearing on tax rate increase** (if needed for an increase over the lower of the effective or rollback tax rate) (at least three days before second hearing, but not on a weekend or public holiday). TEX. TAX CODE § 26.06(a) and (e). Note that the first tax rate hearing may not be held before the seventh day after the notice of the public hearing is given. TEX. TAX CODE § 26.06(a). Thus if notice of the public hearing is given on September 1 under Local Government Code Section 140.010(f), the earliest date for the first hearing on the tax rate increase is September 8.

**September 26** – last day for **second hearing on tax rate increase** (if needed for an increase over the lower of the effective or rollback rate) (at least three days before adoption of tax rate, not on weekend or public holiday). TEX. TAX CODE § 26.06(a) and (e). Note also, the second hearing must be no more than 14 days before adoption of tax rate. TEX. TAX CODE § 26.06(e).

**September 28** – last day for **hearing on budget**. TEX. LOC. GOV'T CODE § 102.006(b) (hearing shall be before the date of the tax levy). Note that the hearing must be after the 15th day after the proposed budget is filed with the clerk. Also, the city must take some sort of **action on the budget** at conclusion of hearing. TEX. LOC. GOV'T CODE § 102.007. This action could be the adoption of the budget, or else a vote to postpone the final budget vote. It is generally accepted that the city need not adopt the budget at the end of the hearing.

**September 29** – city should **adopt the budget** no later than this date. TEX. LOC. GOV'T CODE § 102.009 (city may only levy taxes in accordance with budget, and because levy cannot take place later than September 29 (see below), this is the effective deadline for property taxing cities). The city council must take a separate ratification vote to adopt any budget that will raise total property tax revenue. TEX. LOC. GOV'T CODE § 102.007(c). The budget must contain a special cover page that includes: (a) a specific statement on the whether the budget raises more, less, or the same amount of property tax revenue compared to the previous year's budget; (b) the record vote of each member of the governing body by name voting on the adoption of the budget; (c) the city property tax rates for the preceding and current fiscal years, including the adopted rate, effective tax rate, effective maintenance and operations tax rate, rollback tax rate, and debt rate; and (d) the total amount of city debt obligations secured by property taxes. TEX. LOC. GOV'T CODE § 102.007(d). The adopted budget, including the cover page, must be posted on the city's website if the city has one.

**September 29** – Must **adopt tax rate** no later than this date. TEX. TAX CODE § 26.05 (or 60th day after receipt of appraisal roll, whichever is later. If the city uses the 60 day rule, almost every date in this memo would need to be recalculated). The city council must separately approve the maintenance and operations component and the debt service component of the tax rate. TEX. TAX CODE § 26.05(a). The motion to adopt a tax rate that exceeds the effective rate must be made precisely as follows: “I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the effective tax rate) percent increase in the tax rate.” S.B. 1760 (2015) provides that if the tax rate will exceed the effective tax rate, the vote on the ordinance setting the tax rate must be a record vote and must be approved by at least 60 percent of the members of the governing body. TEX. TAX CODE § 26.05(b). Tax Code Section 26.05 contains several other precise requirements regarding notice in the tax rate ordinance itself that must be complied with if the city adopts a rate exceeding the effective tax rate.