



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 9/25/2018

Item Creation Date:

FIN Truth in Taxation 2018 #2

Agenda Item#: 2.

### **Summary:**

**RECOMMENDATION** That the City Council approve a motion placing the proposed tax rate of \$0.588310 on each \$100 of taxable value on the Agenda of City Council for October 10th.

### **Background:**

State law sets forth detailed requirements for the process of setting ad valorem tax rates, including public hearings, newspaper publications, and actions of the governing body. The requirements include minimum and maximum time periods for each step in the process.

#### Effective Tax Rate and Rollback Tax Rate

Section 26.04 (e) of the Tax Code requires that the Effective Tax Rate and the Rollback Tax Rate be reported to the governing body of each taxing unit. The Effective Tax Rate of Tax Year 2018 is \$0.613782 on each \$100 of taxable value and the Rollback Tax Rate is \$0.645886 on each \$100 of taxable value.

#### No Public Hearings

Section 26.05(d) of the Tax Code requires the City of Houston to hold two public hearings before adopting a tax rate that exceeds the rollback rate or the effective tax rate, whichever rate is lower. Since the City of Houston proposed a tax rate that does not exceed the rollback rate or the effective rate, the public hearings are not required.

#### Publications

Section 140.010 of the Local Government code requires the City of Houston to publish the effective, preceding year's, and proposed tax rates before adopting a tax rate. Publication is required in a newspaper and Internet website of the municipality.

#### Summary

City Council must pass a motion to place a specific proposed tax rate on future City Council Agenda. The City Council meeting to vote on the proposed tax rate may occur following the publication on September 20th but may not be later than October 20th.

The proposed tax rate of \$0.588310 on each \$100 taxable value must be apportioned between Maintenance and Operations (M&O) and Interest and Sinking Fund (I&S). The M&O rate is \$0.419242 on each \$100 of taxable value and the I&S rate is \$0.169068 on each \$100 of taxable value which, when combined, equal the total tax rate of \$0.588310 on each \$100 of taxable value.

It is therefore recommended that City Council adopt the recommendation of the Director of the Finance Department that the Effective Tax Rate for Tax Year 2018 is \$0.613782 on each \$100 of taxable value and the Rollback Tax Rate is \$0.645886 on each \$100 of taxable value and place the proposed tax rate of \$0.588310 of each \$100 of taxable value for Tax Year 2018 on the Agenda of City Council for October 10th.

### **Prior Council Action:**

September 13, 2017; Motion No. 2017 0562

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