

To the Mayor and Members of the City Council

August 12, 2022

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SUBJECT: ANALYSIS OF PROPERTY VALUE CHANGES AND PROPERTY TAX RATES

The purpose of this budget response is to provide a summary of property value changes and property tax rates.

Pursuant to the Texas Tax Code, all taxable property is appraised at its market value as of January 1, 2022, using generally accepted appraisal methods and techniques. Each property is appraised based upon the individual characteristics that affect the property's market value, and all available evidence that is specific to the value of the property is considered in determining the property's market value.

Key elements in calculating property taxes are:

- **Appraised Value** – value of the property – intended to be market value (residential homestead annual growth is limited to 10%)
- **Exemptions** – removes part of the property's value from taxation
- **Net Taxable Value (NTV)** – appraised value less exemptions and the amount subject to taxation
- **Protests/Incomplete** – status of property values where the property value is being challenged (protests) or where the property value has not been formally established (incompletes)
- **Certified Net Taxable Value** – taxable property values certified by the appraisal districts, representing the net taxable value less protested and incomplete property values
- **Adjusted Net Taxable Value** – certified net taxable values plus a portion of the protested and incomplete property values that are expected to be taxable
- **New Growth** – value added to the tax roll attributed to new construction
- **Property Tax Rate** – rate applied to taxable property to calculate the property tax levy
- **Property Tax Levy** – the total amount of property tax revenues to be generated by the property tax rate and taxable values
- **Collection Rate** – in this context, it is the anticipated percentage of the property tax levy that will be collected during the fiscal year for the purpose of estimating revenue (the recommended budget includes a collection rate of 98.5%)
- **Budgeted Property Tax Revenue** – the amount of property tax revenues the city anticipates collecting during the fiscal year net of tax increment financing taxes and levy lost due to frozen values
- **No-New-Revenue Tax Rate (NNRTR)** – the benchmark tax rate needed to raise the same amount of maintenance and operations property taxes on existing property, formerly known as the *effective rate*
- **Voter-Approval Tax Rate (VATR)** – the highest tax rate that the City may adopt without holding an election to seek voter approval of the rate, formerly known as the *rollback rate*. The VATR is calculated in the following manner: $VATR = (\text{No New Revenue M\&O Rate} \times 1.035) + \text{Debt Service (I\&S) Tax Rate}$

The following table shows the change from tax year 2021 (FY2022) to tax year 2022 (FY2023) for the property values in Fort Worth along with the recommended change in tax rate.

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	2021	2022	Change	% Change
Total Appraised Value	\$116,686,701,862	\$133,177,031,015	\$16,490,329,153	14.1%
Exemptions	26,091,715,286	29,733,225,371	3,641,510,085	14.0%
Net Taxable Value	90,594,986,576	103,443,805,644	12,848,819,068	14.2%
Protests/Incomplete	7,264,379,581	8,314,935,307	1,050,555,726	14.5%
Certified Net Taxable Value	83,330,606,995	95,128,870,337	11,798,263,342	14.2%
Adjusted Net Taxable Value	87,373,928,947	100,073,539,805	12,699,610,858	14.5%
New Growth in Adjusted Net Taxable Value				
	\$3,285,073,653	\$2,748,614,415	(\$536,459,238)	-16.3%
As % of Estimated Net Taxable	4.1%	3.1%		
Change in Existing Adjusted Net Taxable Value				
	\$4,210,668,760	\$9,950,996,443	\$5,740,327,683	136.3%
As % of Estimated Net Taxable	5.3%	11.4%		

After the property tax levy calculation, staff applies the anticipated collection rate and reduces the revenues for tax increment financing and levy lost due to frozen values to arrive at the City’s budgeted property tax revenue. Based on the calculations described above, the recommended tax rate is \$0.7125 for FY2023, which is a decrease of \$0.0200 from the FY2022 tax rate of \$0.7325. This results in a tax levy collection amount of \$663,990,539.

When utilizing the state’s formula, the City of Fort Worth is above the No-New-Revenue Tax Rate (NNRTR) by \$0.045624. The recommended rate is above the Voter-Approval Tax Rate (VATR) without the unused increment by \$0.002588, but below the VATR with the unused increment by \$0.087346.

The calculations for the NNRTR and the VATR are established by the State of Texas. The City is required to calculate and publish the rates and follow the provisions surrounding each. The calculations are complex and utilize variables that the City does not use when calculating budgeted tax revenues. Some of the variables include assumptions in valuations of tax increment financing districts, refunds of taxes, and changes due to protests. The rates below are applied to each \$100 of assessed value.

Tax Year 2022 (FY2023) No-New-Revenue Tax Rate	\$0.666876
Tax Year 2022 (FY2023) VATR (No Unused Increment)	\$0.709912
Tax Year 2022 (FY2023) VATR (With Unused Increment)	\$0.799846
Tax Year 2022 (FY2023) Recommended Tax Rate	\$0.712500

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If adopted, the recommended property tax rate would capture \$0.002588 of the unused increment. Under the Texas Property Tax Reform and Transparency Act of 2019 (sometimes referred to as SB2), the City must calculate the difference between the adopted tax rate and the voter-approval tax rate each year. An unused increment is the difference between a VATR higher than the entity's adopted tax rate and the adopted tax rate. The cumulative available unused increment rate is the sum of the unused increments for the preceding three years. Entities are permitted to capture the cumulative unused increment without triggering the required election.

If you have questions concerning this information, please contact Richard Zavala, Interim Director of the Planning and Data Analytics Department, at 817-392-6222.

David Cooke
City Manager