

Memorandum



CITY OF DALLAS

DATE May 8, 2017

TO Members of the Budget, Finance, & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Property Tax Overview and Senior Exemptions

On Monday, May 15, 2017, the Office of Financial Services will brief the Budget, Finance, & Audit Committee on Property Tax Overview and Senior Exemptions. I have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Raquel Fave'a, Chief of Economic Development & Neighborhood Services
Jo. M. (Jody) Puckett, P.E., Interim Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Cheritta Johnson, Interim Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Property Tax Update

Budget, Finance, & Audit
May 15, 2017

Elizabeth Reich,
Chief Financial Officer
City of Dallas

Jack Ireland, Director
Office of Financial Services
City of Dallas



Background/History

- Briefed Budget, Finance, and Audit Committee on January 3, 2017
- Briefed Economic Development Committee on January 17, 2017
- Follow-up information requested:
 - Legislative update
 - Financial impact of increasing over-65 exemption



Purpose

- Provide update on legislative session
- Discuss over-65 property tax exemption
- Review next steps



Property Tax Legislation

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E-Gov



City of Dallas

Property Tax Legislation: Current Law

- Rollback Tax Rate:
 - Divides overall property taxes into two categories: general fund and debt service
 - Is effective general fund rate + 8% + tax rate required to pay debt service

Property Tax Legislation: Current Law

- Rollback Tax Rate:
 - Effective tax rate generates same amount of revenue in new fiscal year on property that was taxed in previous fiscal year
 - If exceeded, provides voters an opportunity to limit tax rate increase through a petition process to call a citywide Rollback Election

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Property Tax Legislation: SB2

- Senate Bill 2 (Bettencourt) main provisions:
 - Lowers amount cities can increase property taxes year over year without a vote
 - Changes rollback rate calculation from an allowed increase of 8% to 5%
 - Requires rollback election at 5% rather than allowing petition for an election at 8%
 - Increase exemption amount for Business Personal Property (BPP) from \$500 to \$2,500

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Property Tax Legislation: SB2

- SB2 scheduled for House Ways and Means Committee on Wednesday, May 10, 2017
- House committee substitute for SB2
 - Petition Rollback Rate – Allows cities to have year over year revenue growth of 3% + inflation
 - If exceeded, citizens may petition for a roll-back election
 - Triggered by petition of 10% of voters in last gubernatorial election

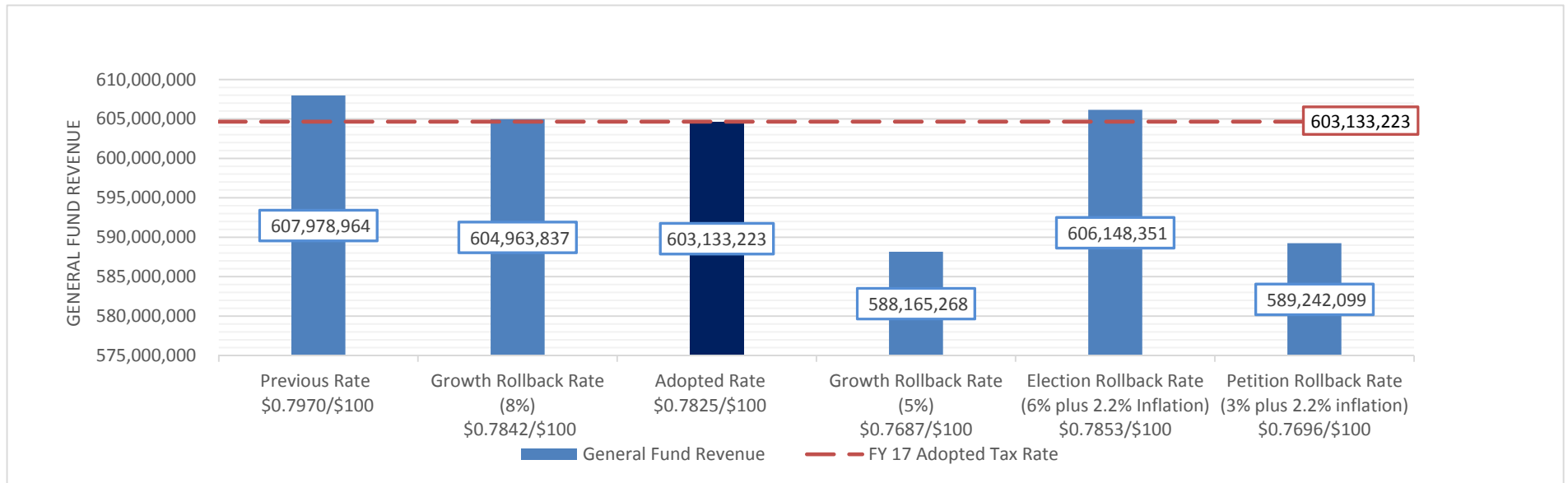
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Property Tax Legislation: SB2

- House committee substitute for SB2
 - Election Rollback Rate – Allows cities to have year over year revenue growth of 6% + inflation
 - If exceeded, cities are required to hold rollback election

Property Tax Legislation: SB2 Impact

Analysis based on FY17 certified values and as if SB2 had been in effect last year.



- 8% rollback rate would have generated \$1.9m more revenue compared to FY17 adopted, but Council opted to reduce tax rate
- 5% rollback rate would have generated \$14.9m less revenue compared to FY17 adopted
- 6% + inflation election rollback rate would have generated \$3m more revenue compared to FY17 adopted
- 3% + inflation petition rollback rate would have generated \$13.9m less revenue compared to FY17 adopted

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Possible Rollback Election

- Depending on the final outcome of SB2 and HB3158, the Dallas Police and Fire Pension legislation, City Council may need to consider calling a rollback election in November
- It is too early to advise on specific scenarios

Property Tax Exemptions

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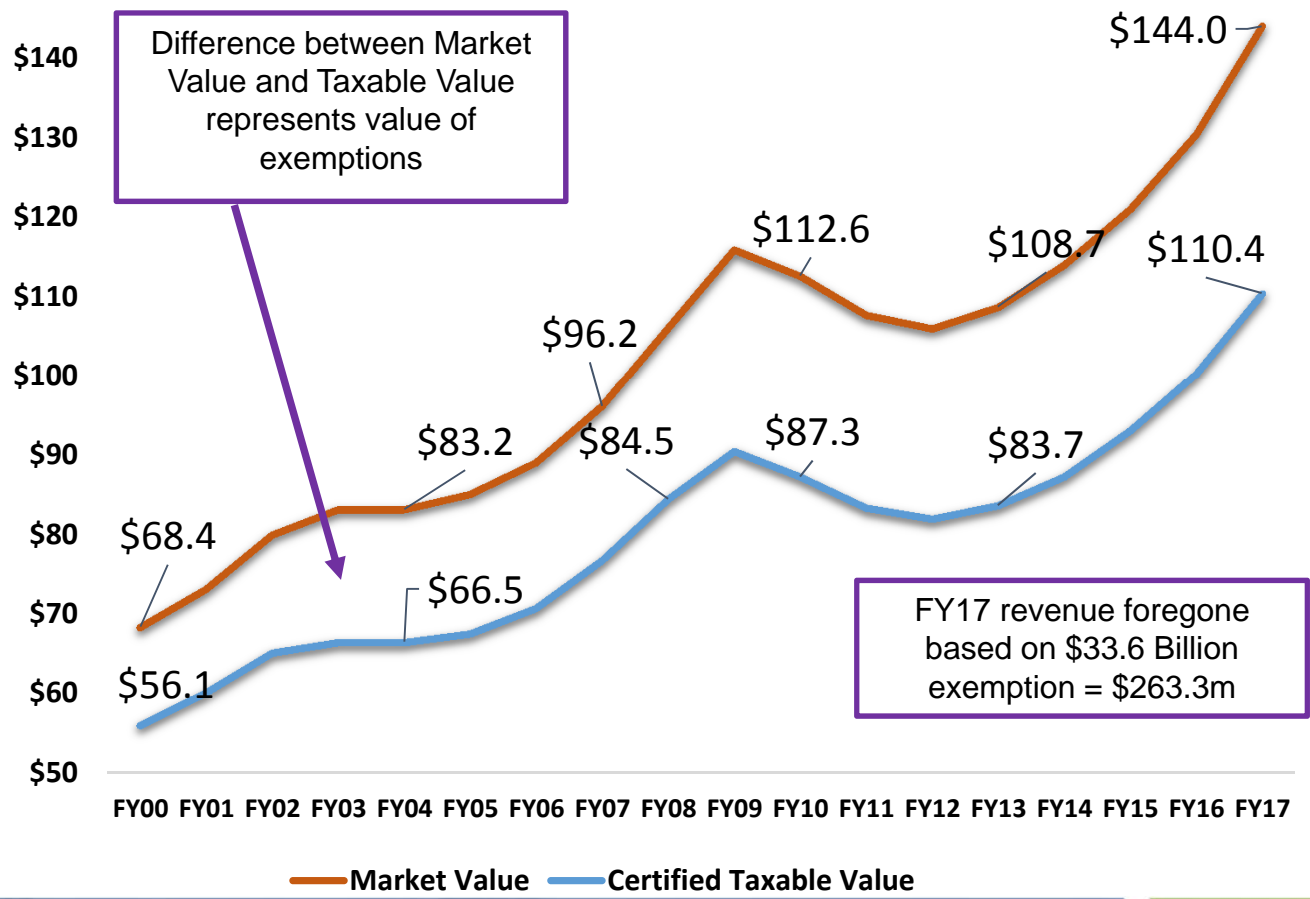
Property Tax Exemptions

- Value definitions
 - Market value is price property would sell for when both buyer and seller seek best price
 - Exemptions lower value and liability for homeowner but also lower revenue to support city services
 - Taxable property values represent market value (determined by Appraisal Districts) net of exemptions

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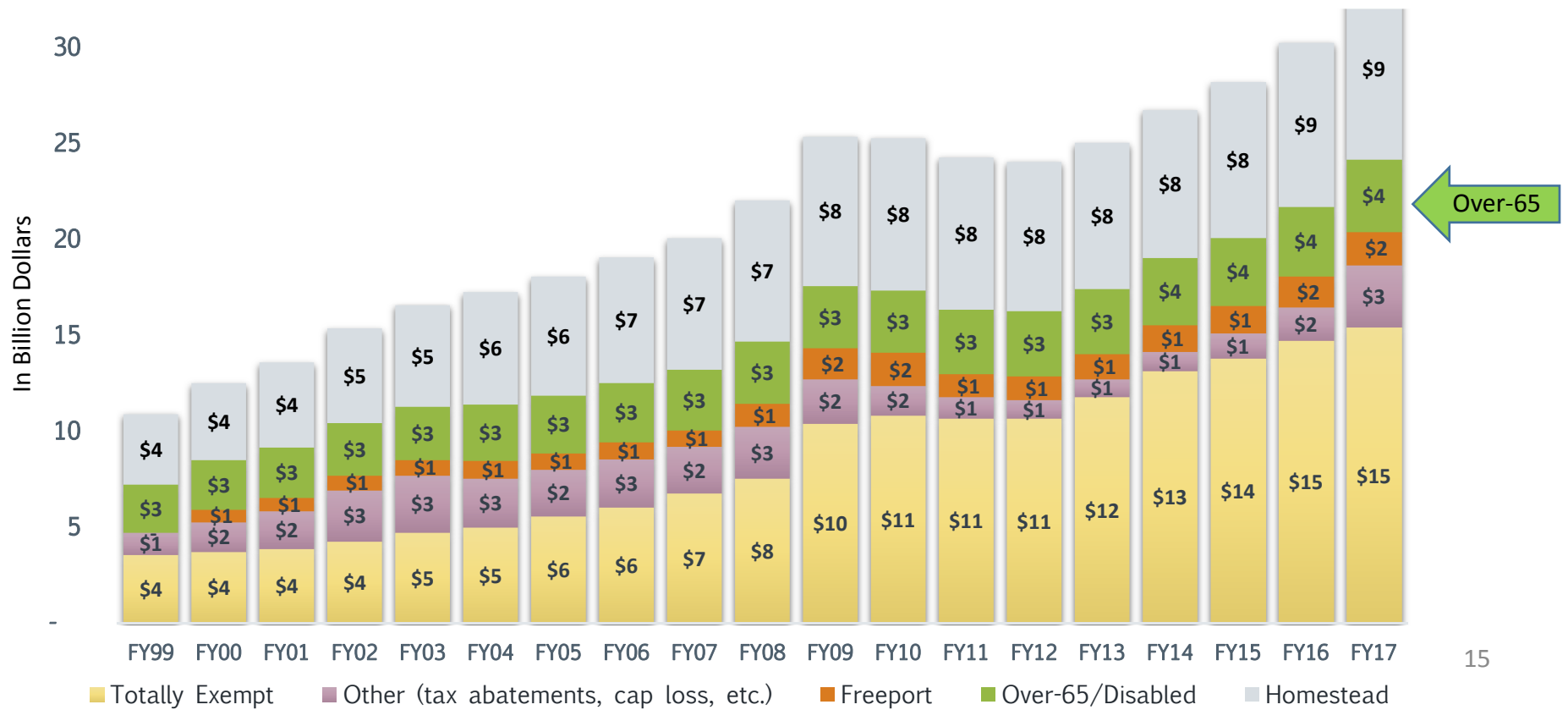
Market Value vs Taxable Value

(\$ in billions)



Property Tax Exemptions

Historical Value of Exemptions (\$ in billions)



Property Tax Exemptions

- Residential homestead
 - City adopted maximum general homestead exemption allowed by State law on April 13, 1988

Property Tax Exemptions

- Over-65/disabled
 - City Council approved \$64,000 exemption on September 17, 1986
 - Council has flexibility to increase or decrease this exemption
 - There is no maximum amount related to this exemption
 - Minimum amount is \$3,000
 - Must be dollar amount, not percent

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Property Tax Exemption Analysis

City	General Homestead	Over- 65	Disabled
Houston	20%	\$160,000	\$160,000
Austin	8%	\$82,500	\$82,500
San Antonio	0%	\$65,000	\$12,500
Dallas	20%	\$64,000	\$64,000
Fort Worth	20%	\$40,000	\$40,000

Property Tax Exemption Analysis

City	General Homestead	Over-65	Disabled
University Park	20%	\$338,000	\$338,000
Flower Mound	0%	\$100,000	\$100,000
Coppell	5%	\$75,000	\$75,000
Southlake	16%	\$75,000	\$75,000
Richardson	0%	\$70,000	\$70,000
Frisco	0%	\$70,000	\$70,000
Farmers Branch	20%	\$65,000	\$60,000
Mesquite	0%	\$65,000	\$15,000
Sunnyvale	0%	\$65,000	\$65,000
Dallas	20%	\$64,000	\$64,000
Lewisville	0%	\$60,000	\$20,000
Addison	20%	\$50,000	\$60,000
Allen	0%	\$50,000	\$25,000
Plano	20%	\$40,000	\$40,000

Property Tax Exemption Analysis

- Comparison analysis
 - 92 cities surveyed in Dallas, Collin, Denton, and Rockwall counties
 - Average over-65 exemption = \$36,178
 - Dallas over-65 exemption = \$64,000
 - 9 cities with amounts greater than \$64,000
 - 4 of the 9 cities offer a homestead exemption

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Property Tax Exemption: Options

Current Exemption →

Over-65/Disabled			
Revenue Foregone			
Exemption Amount	General Fund	Debt	Total
\$64,000	(\$20.6m)	(\$8.0m)	(\$28.6m)
\$69,000	(\$1.9m)	(\$0.75m)	(\$2.7m)
\$74,000	(\$3.8m)	(\$1.5m)	(\$5.3m)
\$79,000	(\$5.7m)	(\$2.3m)	(\$8.0m)
\$84,000	(\$7.6m)	(\$3.0m)	(\$10.6m)
\$89,000	(\$9.5m)	(\$3.8m)	(\$13.3m)

Property Tax Exemption - Options

Change in tax bill for average value for residential homestead property (\$240,000)

Exemption Amount	Adopted Tax Rate	Homestead Exemption	Change in Tax Burden
\$64,000	\$0.7825	20%	\$0
\$69,000	\$0.7825	20%	(\$40)
\$74,000	\$0.7825	20%	(\$79)
\$79,000	\$0.7825	20%	(\$118)
\$84,000	\$0.7825	20%	(\$157)
\$89,000	\$0.7825	20%	(\$196)

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Exemption Discussion Timeline

First staff briefing

- Budget, Finance, & Audit Committee
- Current exemptions

City Council Consideration



Second staff briefing

- Economic Development Committee
- Current exemptions

Third staff briefing

- Budget, Finance, & Audit Committee
- Comparative analysis
- General Fund revenue impact

Deadline to notify appraisal districts

Next Steps

- Continue to follow legislative changes related to limiting City's property tax revenue
- Schedule an agenda item for Council action on June 14 if BFA committee recommends change to current over-65 exemption
- Notify appraisal districts by June 30

Property Tax Update

Budget, Finance, & Audit
May 15, 2017

Elizabeth Reich,
Chief Financial Officer
City of Dallas

Jack Ireland, Director
Office of Financial Services
City of Dallas



Appendix: Property Tax Exemption Analysis

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Appendix - Property Tax Exemption Analysis

Appraisal District	City Name	Homestead Exemption Percent	2016 OV65 Amount	2016 Disabled Amount
Collin CAD	Allen	0%	\$ 50,000	\$ 25,000
Collin CAD	Anna	0%	\$ 30,000	\$ -
Collin CAD	Blue Ridge	0%	\$ 10,000	\$ 10,000
Collin CAD	Carrollton	20%	\$ 60,000	\$ 60,000
Collin CAD	Celina	0%	\$ 30,000	\$ 30,000
Collin CAD	Dallas	20%	\$ 64,000	\$ 64,000
Collin CAD	Farmersville	0%	\$ 10,000	\$ 20,000
Collin CAD	Frisco	0%	\$ 70,000	\$ 70,000
Collin CAD	Garland	8%	\$ 51,000	\$ 51,000
Collin CAD	Josephine	0%	\$ 10,000	\$ 10,000
Collin CAD	Lavon	1%	\$ 20,000	\$ 20,000
Collin CAD	Lowry Crossing	0%	\$ 15,000	\$ 15,000
Collin CAD	Lucas	8%	\$ 50,000	\$ 50,000
Collin CAD	McKinney	0%	\$ 50,000	\$ 50,000
Collin CAD	Melissa	0%	\$ 10,000	\$ 10,000
Collin CAD	Murphy	0%	\$ 50,000	\$ 50,000
Collin CAD	Nevada	0%	\$ 10,000	\$ -
Collin CAD	Parker	0%	\$ 50,000	\$ -
Collin CAD	Plano	20%	\$ 40,000	\$ 40,000
Collin CAD	Princeton	0%	\$ 25,000	\$ 25,000
Collin CAD	Richardson	0%	\$ 70,000	\$ 70,000
Collin CAD	Royse	0%	\$ 6,000	\$ 5,000
Collin CAD	Sachse	0%	\$ 50,000	\$ 50,000
Collin CAD	Town of Fairview	0%	\$ 60,000	\$ 60,000
Collin CAD	Town of New Hope	0%	\$ 50,000	\$ 50,000
Collin CAD	Town of Prosper	7%	\$ 10,000	\$ 3,000
Collin CAD	Town of St. Paul	0%	\$ 40,000	\$ -
Collin CAD	Van Alstyne	0%	\$ 5,000	\$ -
Collin CAD	Weston	0%	\$ 20,000	\$ 20,000
Collin CAD	Wylie	0%	\$ 30,000	\$ 30,000
Dallas CAD	Addison	20%	\$ 50,000	\$ 60,000
Dallas CAD	Balch Springs	1%	\$ 30,000	\$ 30,000
Dallas CAD	Carrollton	20%	\$ 60,000	\$ 60,000
Dallas CAD	Cedar Hill	0%	\$ 30,000	\$ 30,000
Dallas CAD	Cockrell Hill	1%	\$ 3,000	\$ -
Dallas CAD	Combine	0%	\$ 35,000	\$ 35,000
Dallas CAD	Coppell	5%	\$ 75,000	\$ 75,000
Dallas CAD	Dallas	20%	\$ 64,000	\$ 64,000
Dallas CAD	DeSoto	0%	\$ 30,000	\$ 25,000
Dallas CAD	Duncanville	0%	\$ 26,400	\$ 26,400
Dallas CAD	Farmers Branch	20%	\$ 65,000	\$ 60,000
Dallas CAD	Ferris	0%	\$ 3,000	\$ -
Dallas CAD	Garland	8%	\$ 51,000	\$ 51,000
Dallas CAD	Glenn Heights	0%	\$ 25,000	\$ 25,000
Dallas CAD	Grand Prairie * 2004	1%	\$ 45,000	\$ 30,000
Dallas CAD	Grapevine	20%	\$ 60,000	\$ 10,000
Dallas CAD	Highland Park	20%	\$ 50,000	\$ -
Dallas CAD	Hutchins	10%	\$ 10,000	\$ 10,000

Appendix - Property Tax Exemption Analysis

Appraisal District	City Name	Homestead Exemption Percent	2016 OV65 Amount	2016 Disabled Amount
Dallas CAD	Irving	20%	\$ 30,000	\$ 30,000
Dallas CAD	Lancaster	0%	\$ 30,000	\$ 30,000
Dallas CAD	Lewisville * 2004	0%	\$ 60,000	\$ 20,000
Dallas CAD	Mesquite * 2004	0%	\$ 65,000	\$ 15,000
Dallas CAD	Ovilla * 2009	0%	\$ 50,000	\$ 50,000
Dallas CAD	Richardson	0%	\$ 70,000	\$ 70,000
Dallas CAD	Rowlett * 2004	1%	\$ 30,000	\$ 50,000
Dallas CAD	Sachse * 2006	0%	\$ 50,000	\$ 50,000
Dallas CAD	Seagoville	10%	\$ 30,000	\$ 30,000
Dallas CAD	Sunnyvale * 2006	0%	\$ 65,000	\$ 65,000
Dallas CAD	University Park	20%	\$ 338,000	\$ 338,000
Dallas CAD	Wilmer	1%	\$ 6,000	\$ 6,000
Dallas CAD	Wylie	0%	\$ 30,000	\$ 30,000
Denton CAD	Aubrey	0%	\$ 10,000	\$ -
Denton CAD	Carrollton	20%	\$ 60,000	\$ 60,000
Denton CAD	Celina	0%	\$ 30,000	\$ 30,000
Denton CAD	Coppell	5%	\$ 75,000	\$ 75,000
Denton CAD	Corinth	0%	\$ 20,000	\$ 20,000
Denton CAD	Dallas	20%	\$ 64,000	\$ 64,000
Denton CAD	Denton	1%	\$ 50,000	\$ 50,000
Denton CAD	Fort Worth	20%	\$ 40,000	\$ 40,000
Denton CAD	Frisco	0%	\$ 70,000	\$ 70,000
Denton CAD	Grapevine	20%	\$ 60,000	\$ 10,000
Denton CAD	Hackberry	0%	\$ 10,000	\$ -
Denton CAD	Haslet	20%	\$ 50,000	\$ -
Denton CAD	Highland Village	0%	\$ 50,000	\$ 50,000
Denton CAD	Justin	0%	\$ 5,000	\$ -
Denton CAD	Krugerville	0%	\$ 20,000	\$ 20,000
Denton CAD	Krum	0%	\$ 6,000	\$ 6,000
Denton CAD	Lake Dallas	0%	\$ 20,000	\$ 20,000
Denton CAD	Lewisville	0%	\$ 60,000	\$ 20,000
Denton CAD	Oak Point	0%	\$ 20,000	\$ 20,000
Denton CAD	Pilot Point	0%	\$ 10,000	\$ -
Denton CAD	Plano	20%	\$ 40,000	\$ 40,000
Denton CAD	Roanoke	20%	\$ 40,000	\$ 4,500
Denton CAD	Sanger	0%	\$ 30,000	\$ 20,000
Denton CAD	Southlake	16%	\$ 75,000	\$ 75,000
Denton CAD	The Colony	0%	\$ 10,000	\$ 10,000
Denton CAD	Town of Argyle	1%	\$ 40,000	\$ 40,000
Denton CAD	Town of Bartonville	0%	\$ 50,000	\$ 50,000
Denton CAD	Town of Copper Canyon	1%	\$ 10,000	\$ 10,000
Denton CAD	Town of Corral City	0%	\$ -	\$ -
Denton CAD	Town of Dish	0%	\$ 10,000	\$ 5,000
Denton CAD	Town of Double Oak	0%	\$ 50,000	\$ 50,000
Denton CAD	Town of Flower Mound	0%	\$ 100,000	\$ 100,000
Denton CAD	Town of Hickory Creek	0%	\$ 10,000	\$ 10,000
Denton CAD	Town of Lakewood Village	0%	\$ 25,000	\$ -
Denton CAD	Town of Little Elm	0%	\$ 10,000	\$ 10,000

Appendix - Property Tax Exemption Analysis

Appraisal District	City Name	Homestead Exemption Percent	2016 OV65 Amount	2016 Disabled Amount
Denton CAD	Town of Northlake	0%	\$ 10,000	\$ -
Denton CAD	Town of Ponder	0%	\$ 50,000	\$ 50,000
Denton CAD	Town of Prosper	8%	\$ 10,000	\$ 3,000
Denton CAD	Town of Providence Village	0%	\$ 10,000	\$ 10,000
Denton CAD	Town of Shady Shores	1%	\$ 10,000	\$ -
Denton CAD	Town of Trophy Club	0%	\$ 35,000	\$ -
Denton CAD	Town of Westlake	20%	\$ 10,000	\$ 10,000
Rockwall CAD	Dallas	20%	\$ 64,000	\$ 64,000
Rockwall CAD	Fate		\$ 25,000	\$ 25,000
Rockwall CAD	Garland		\$ 51,000	\$ 51,000
Rockwall CAD	Heath		\$ 30,000	\$ 30,000
Rockwall CAD	McLendon-Chisholm		\$ 30,000	\$ 30,000
Rockwall CAD	Rockwall		\$ 60,000	
Rockwall CAD	Rowlett	1%	\$ 30,000	\$ 50,000
Rockwall CAD	Royse		\$ 6,000	\$ 5,000
Rockwall CAD	Wylie		\$ 30,000	\$ 30,000