



To the Administrator Addressed

Commissioner Mike Morath

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DATE:	June 18, 2020
SUBJECT:	House Bill 3 (HB 3) Implementation: Tax rate compression for the 2020-2021 School Year
CATEGORY:	Funding Implications; Adoption of Tax Rate for 2020 Tax year
NEXT STEPS:	Share with business and finance staff

This letter is to inform you about tax rate compression of school district maintenance and operations (M&O) tax rates required under HB 3 for the 2020 tax year (2020-2021 school year). This notice does not apply to open-enrollment charter schools.

- 1. Requirement to reduce tax rate.** For the 2020 tax year, school districts will be required to reduce the tier one tax rate as defined under Texas Education Code (TEC), §45.0032.
- 2. Texas Administrative Code (TAC).** The agency has adopted [19 TAC, §61.1000, Maximum Compressed Tax Rate Calculation and Data Collection](#), to address the calculation of the maximum compressed tax rate.
- 3. Agency to calculate and make available Maximum Compressed Tax Rates (MCR).** In order to calculate and make available district's maximum tier one tax rates the agency will be conducting a survey of local taxable property value growth through the Foundation School Program (FSP) system in the [Texas Education Agency Login \(TEAL\)](#).
- 4. Survey open and close dates.** The Local Property Value Survey (LPVS) data collection will open in the FSP system on July 18 and close on August 1.
- 5. District data submission required.** Districts will be required to submit the following:
 1. the chief appraiser's July 25 certified taxable property values from the certified appraisal roll under Tax Code, §26.01(a) or (a-1) for tax year **2019**; and
 2. the chief appraiser's July 25 certified taxable property values from the certified appraisal roll under Tax Code, §26.01(a) or (a-1) for tax year **2020**; and
 3. the amount of value estimated to be lost due to the Local Option Homestead Exemption (LOHE), if applicable.
- 6. Approval of maximum compressed tax rate.** Once the district has submitted the data to TEA and received approval of the submission through the FSP system, i.e. the district's LPVS status is "approved", the MCR may be considered final unless the district chooses to appeal the calculated rate.
- 7. Appeal process.** Districts may appeal the value calculated in accordance with the provisions of 19 TAC, §61.1000 by submitting a written appeal to

taxprograms@tea.texas.gov within 10 days of receiving the agency's approval of the MCR.

8. **Adoption of Tax Rate.** Once the maximum compressed tax rate is approved by the agency, districts may adopt their 2020 tax rates in accordance with Tax Code §26.08. However, districts that have been notified of having local revenue in excess of entitlement pursuant to TEC, §49.004 must also receive the commissioner's certification that the district has reduced the district's local revenue level in excess of entitlement to the level established under TEC, §48.257 before proceeding with its tax rate adoption.
9. **Excel template:** An Excel template is available on the state funding [website](#) to assist with the district's calculation of the MCR, and with providing each district's maximum total tax rate possible without a voter approval election. Please note that the purpose of this template is limited to assistance only and does not anticipate any tax rate increase that the district may be considering. Legal responsibility to adopt a tax rate in accordance with the law remains with the district, which should consult with its own legal counsel.

Questions

Please read this previous TAA for background: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/house-bill-3-hb-3-implementation-2020-tax-rate-changes>.

If you have any questions related to this TAA on the Local Property Value Survey and calculation of Maximum Compressed Tax Rate for Tax Year 2020 please contact Amy Ma at (512) 463-9737 or by email at taxprograms@tea.texas.gov.

Sincerely,

Al McKenzie
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Office of School Finance