

7-18 12 County Judge's article

Effective Tax Rate

It's that time of year when we must again focus on the tax base and tax rate calculations. This is very confusing to many of us (including me by the way), so I'm going to try to make a few general comments about the process that I hope will be helpful to your understanding of what will be going on. If you are interested in details Kolette Morgan will post her calculations on the web site at www.milamcounty.net and/or you are welcome to stop by the Tax Office on Fannin St. across from the courthouse to review them with her if you so desire.

First of all it's my opinion that you can ignore the "roll back rate" since hopefully we're never going to go up so much on your tax rate that you taxpayers of Milam County have to be concerned that you will need to file a petition for an election to stop us, the Commissioner's Court, from implementing such a dramatic increase in your taxes. Indigent health care costs, county sales tax collections, out-of-county inmate housing costs are just a few of the factors that contribute to the complexity of this calculation.

I have already stated in an earlier article that we are committed to not going up on the county tax rate in 2013, keeping it the same at 60 cents even though the Luminant lawsuit has been settled at a value much lower than the original appraised value for Unit 5. This is due primarily to an environmental exemption granted by the TCEQ for Unit 5 fluidized bed equipment. Luminant values make up some 40% of the county's tax base.

In general this means that if our tax base goes down this year, then the "effective tax rate" will be above 60 cents; if our tax base goes up then the effective rate should be below 60 cents, and we will be required by law to conduct public hearings. But regardless of all that, I'm planning to have Community Communication Meetings in all of our towns (besides the usual public hearings at the courthouse) to explain the 2013 budget and tax rate to you and give you a chance for feedback.

I'm expecting the overall county tax base to go down this year due to the Luminant environmental exemption, unless mineral values increase enough around the county to offset it. Other property values aren't increasing significantly.

In its simplest form, "effective tax rate" is the tax rate that will produce the same amount of revenue that the county received the year before on properties taxed in both years. If property values rise, the effective tax rate will go down and vice versa. What makes it so complicated is that in any given year you've got new properties coming on the rolls, old properties getting or losing all sorts of exemptions, ag appraisals, pollution control deductions, railroad rolling stock, seniors exemptions, protests, and so on that must be taken into account.

Another subject that is of significance is sales tax. Milam County has a ½ cent sales tax (the rest goes to the cities and to the state). You might ask, "So, don't all counties?" No, actually only about half (124) of the 254 Texas counties have a sales tax and ½ cent is the maximum a county can levy. Our collections have been going up. In 2011 we collected just over one million but this year we're on track to collect

over \$1.2 million. However any increase in sales tax must be subtracted in calculating the next year's rollback tax rate. Just another thing that makes tax rates hard to understand.

I'd like for as many of you as possible to come out to the public meetings that I'm planning to hold this year in late August in Cameron, Rockdale, Thorndale, Milano, Buckholts, and Gause, and I'll do my best to explain the 2013 county budget, the county's sources of revenue and planned expenditures and give you an opportunity to comment and ask questions. Dates, times, and locations will be announced in the newspapers and posted on the web site soon.