



Tax Ceilings and Exemptions December 3, 2019

City of San Marcos | Finance

Purpose and Agenda

Purpose

- *Gain an understanding of the appraisal process*
- *Discuss tax ceilings and exemptions*
- *Walk through a case study of impact over a 5 year period*
- *Discuss options*



- *Appraisal District process and methods*
- *Tax Ceilings and Exemptions*
- *Case Study*
- *Considerations and Next Steps*

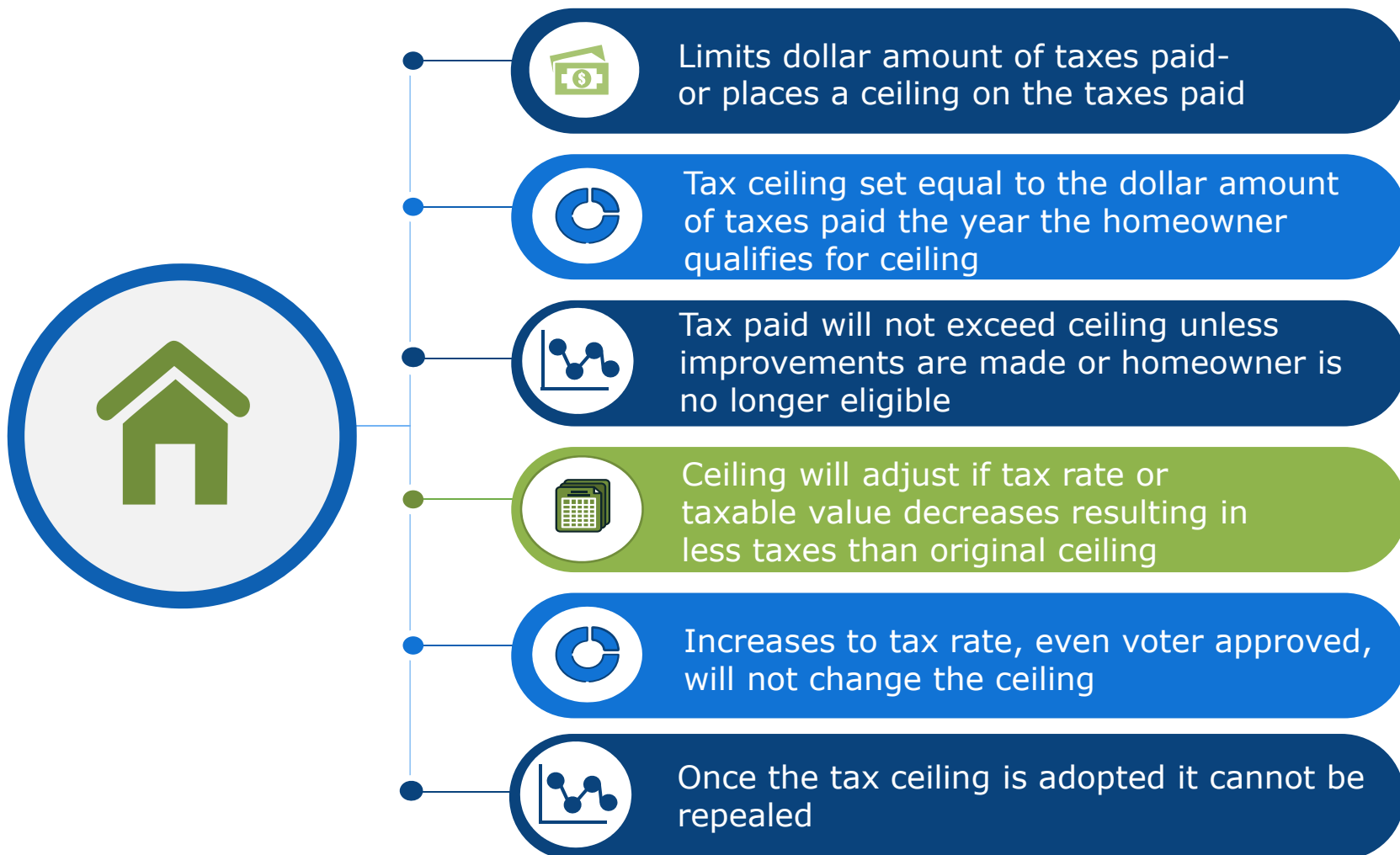
Agenda



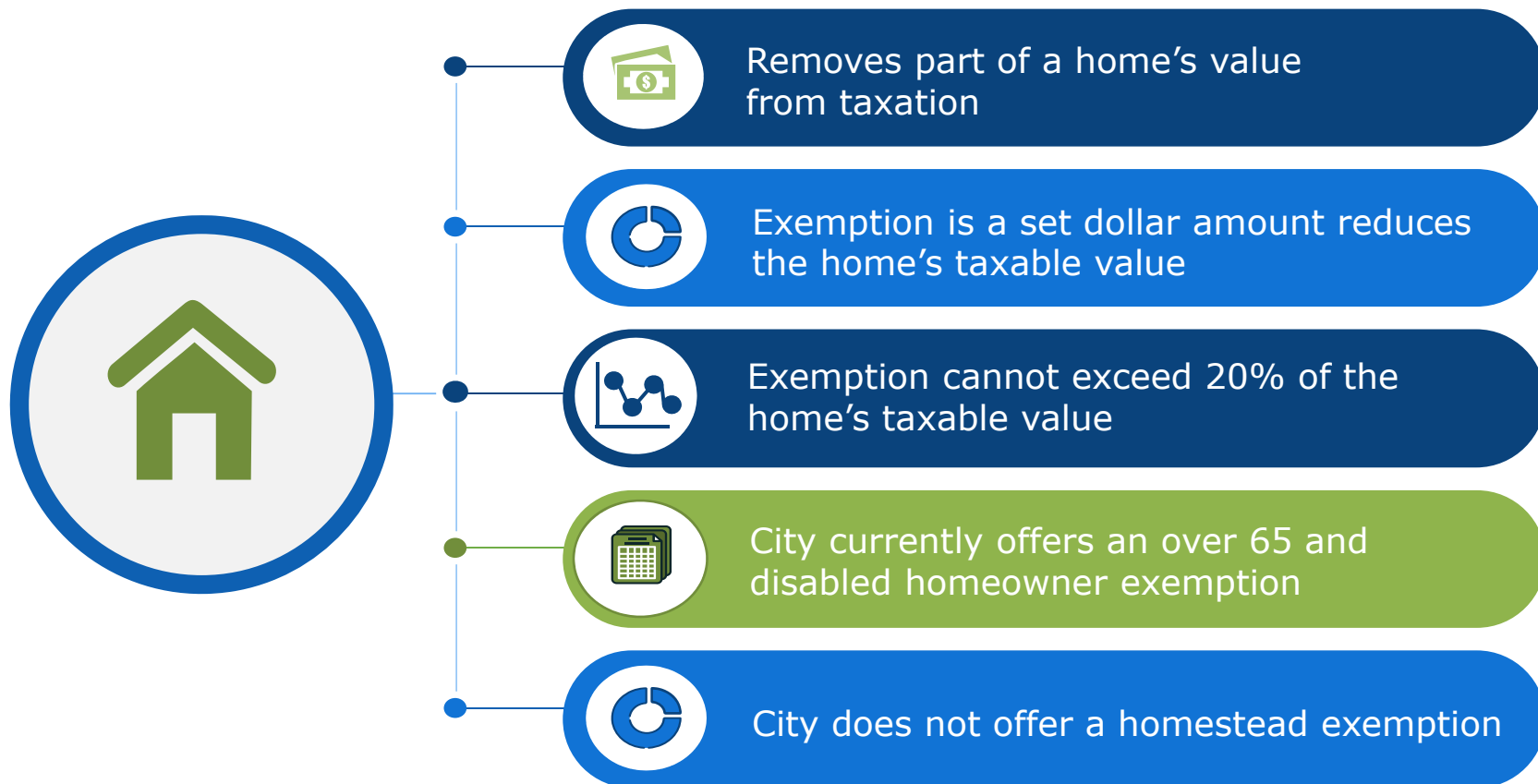
Tax Ceilings & Exemptions



Homestead Tax Ceiling



Tax Exemptions



Current Exemptions



65 or Older

- ✓ \$25,000 Exemption
- ✓ Homeowner eligible when they turn 65 and file an application for the exemption
- ✓ \$257K FY2020 taxes exempted



Disabled Veteran

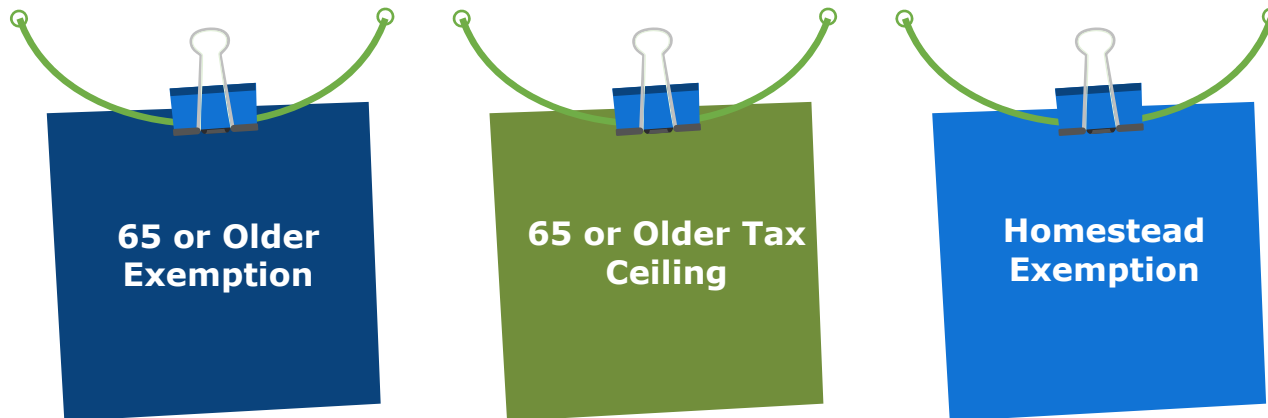
- ✓ \$25,000 Exemption
- ✓ Homeowner must meet the definition from US Dept of Veterans Affairs
- ✓ \$27K FY2020 taxes exempted



100% Disabled

- ✓ 100% of value exempt
- ✓ Homeowner must meet the definition of disabled for disability insurance benefits
- ✓ \$149K FY2020 taxes exempted

Peer City Offerings



\$ 4K-New Braunfels
\$10K-Schertz
\$88K-Austin
\$22K-Round Rock
\$51K-Georgetown
\$15K-Bryan
\$30K-College Station
\$65K-San Antonio
\$10K-Universal City

New Braunfels
Schertz
San Antonio

\$5K/20%-New Braunfels
\$5K-Austin
\$5K-College Station
\$5K/.01%-San Antonio
1%-Universal City

Surveyed New Braunfels, Schertz, San Antonio, Universal City, Austin, Georgetown, Round Rock, Bryan, and College Station

Case Study



Case Study

- ✓ Assumes tax ceiling put in place for tax year 2014
- ✓ Based on actual tax payer data

	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017*	Tax Year 2018
Number of over 65 exemptions	1448	1527	1647	1744	1835
Increase in exemptions		79	120	97	91
Tax generated	\$886,000	\$1,015,000	\$1,223,000	\$1,645,000	\$1,899,000
Estimated tax generated with ceiling in place	\$886,000	\$948,000	\$1,077,000	\$1,216,000	\$1,387,000
Tax forfeited due to ceiling	\$0	\$67,000	\$147,000	\$429,000	\$513,000
Average reduction per homeowner from 2014	\$0	\$44	\$89	\$246	\$279
Savings between years	\$0	\$44	\$45	\$157	\$33

* Voter approved tax rate increase from .5302/\$100 to .6139/\$100

Case Study Conclusions



Average Value Growth

- Average home value increased 7% per year.



Average Tax Paid

- Average value growth increased taxes an average of \$53 annually



2017 Voter Approved Increase

- An additional 1 cent increase would have been needed to produce the same amount of revenue if had ceiling in place **



2019 Budget Effect

- Budget would have been reduced by \$513,00 if ceiling was in place

**Per the case study, 2017 tax revenue would have been reduced by \$429,000 so the tax rate increase to support the GO bond debt and operational expense would need to be an extra 1 cent (one cent produces approximately \$500,000 in tax revenue) to produce the same amount of revenue.

Considerations and Next Steps



Considerations



3.5% Revenue cap effective for FY2021. If cap was in place in FY20, Rollback rate equals 59.45 and GF revenue would be reduced by \$1.1M



Faced challenges in prior fiscal years meeting and expanding core services



Continue to face challenges funding infrastructure, facility and neighborhood CIP projects



Kissing Tree expected to add \$100M annually in new home values. Many of these residents are over 65 and ceiling placed on the taxes paid.

Options for Consideration



Increase Over 65 Exemption

- ❖ An additional \$5K exemption would save the homeowner \$30.70 annually.
- ❖ Based on tax year 2018 exemptions, this would be a reduction in GF revenue of \$55-60K .
- ❖ Could be implemented over several years.



Implement Homestead Exemption

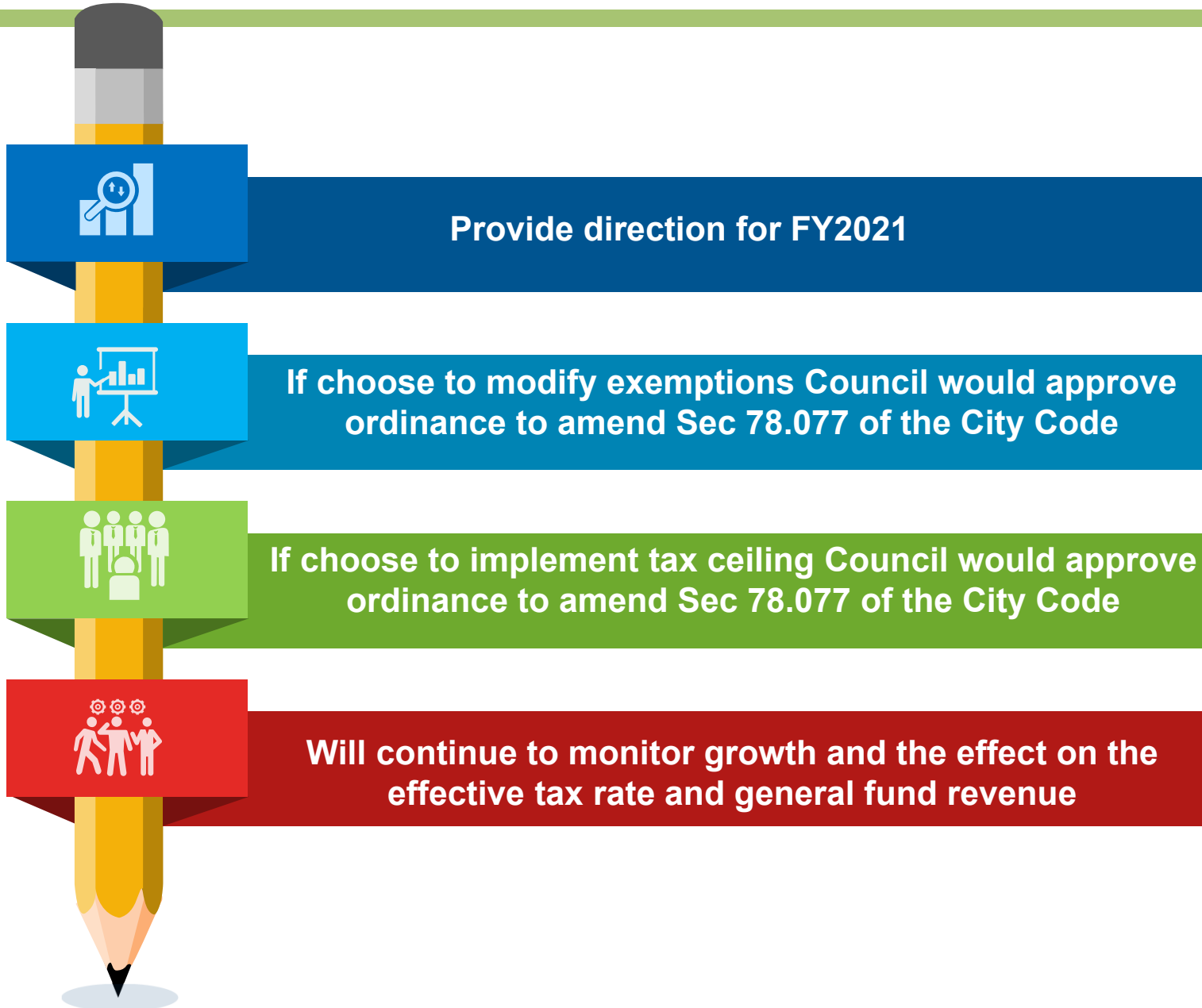
- ❖ Based on tax year 2018 exemptions, this would be a reduction in GF revenue of \$140-145K.
- ❖ Could be implemented over several years.



Maintain Current Exemptions

- ❖ Maintain exemptions at current levels until the effect of revenue caps is more evident.
- ❖ Can re-evaluate annually

Next Steps



Questions?



Thank You



Bert Lumbreras
City Manager



Stephanie Reyes
Interim Assistant City Manager



Heather Hurlbert
Director of Finance