



City of San Marcos

City Council Work Session

May 18, 2021



Agenda

- Exemptions and tax ceilings – what they are and how they work
- City's Current Exemptions
- City Comparison
- Tax Ceiling Analysis
- Scenarios
- Next steps



Tax Exemptions

- Removes part of a home's value from taxation
- Exemption is a set dollar amount reducing the home's taxable value
- City currently offers an over 65 and disabled homeowner exemption
- City does not offer a homestead exemption



Homestead Tax Ceiling

- Limits dollar amount of taxes paid or places a ceiling on the taxes paid
- Tax ceiling set equal to the dollar amount of taxes paid the year the homeowner qualifies for the ceiling
- Tax paid will not exceed ceiling unless improvements are made or homeowner is no longer eligible
- Ceiling is adjusted if tax rate or taxable value decreases resulting in less taxes than original ceiling
- Increases to tax rate, even voter approved, will not change the ceiling
- Once the tax ceiling is adopted it cannot be repealed
- City does not currently offer



Current City Exemptions

- **65 or Older**
 - \$25,000 Exemption
 - Homeowner eligible when they turn 65 and file an application for the exemption
 - \$281K FY2021 total taxes exempted for a total of 1,982 homeowners
- **Disabled**
 - \$25,000 Exemption
 - Homeowner must meet the definition of disabled for disability insurance benefits
 - \$14K FY2021 total taxes exempted for a total of 108 homeowners
- **100% Disabled Veteran**
 - 100% of value exempt
 - Homeowner must meet the definition from US Dept. of Veteran Affairs
 - \$193K FY 2021 total taxes exempted for a total of 130 homeowners



City Comparison

City	County	2021 Est Population*	2010 Census Population*	65 or Older Exemption	65 or Older Tax Ceiling	Homestead Exemption
Kyle	Hays	51,973	28,683	\$ 30,000	No	N/A
San Marcos	Hays	66,952	45,267	\$ 25,000	No	N/A
Pflugerville	Travis	67,796	48,717	\$ 35,000	No	N/A
Leander	Travis	75,976	27,709	\$ 10,000	Yes	N/A
Temple	Bell	82,987	66,614	\$ 10,000	Yes	\$5000/20%
Cedar Park	Travis	84,580	55,777	\$ 30,000	Yes	\$ 5,000
Georgetown	Williamson	90,262	48,012	\$ 12,000	Yes	\$ 5,000
New Braunfels	Comal	101,637	58,059	\$ 3,750	Yes	\$5000/20%

* Source: World Population Review



Tax Ceiling Analysis

	Tax Year 2020	Tax Year 2021	Tax Year 2022	Tax Year 2023	Tax Year 2024	Tax Year 2025
Number of over 65 exemptions	2,250	2,250	2,250	2,250	2,250	2,250
Taxable value	454,327,000	495,216,430	519,977,252	545,976,114	573,274,920	601,938,666
Percent Increase		9%	5%	5%	5%	5%
Tax rate	0.5930	0.5930	0.5930	0.5930	0.5930	0.5930
Tax generated	2,694,159	2,936,633	3,083,465	3,237,638	3,399,520	3,569,496
Estimated tax generated with ceiling in place		2,694,159	2,694,159	2,694,159	2,694,159	2,694,159
City reduced tax collected due to ceiling		242,474	389,306	543,479	705,361	875,337
Average reduction per homeowner from 2020		108.00	173.00	242.00	313.00	389.00
Annual Savings to homeowner		108.00	65.00	69.00	71.00	76.00



City Scenarios Based on Tax Year 2020

- Increase over 65 exemption by \$10,000 to \$35,000
 - Save the homeowner \$59.30 annually
 - General Fund revenue reduction of \$118K
- Implement Homestead Exemption of \$25,000
 - Save the homeowner \$148.25 annually
 - General Fund revenue reduction of \$735K
- Implement Sr. Tax Ceiling
 - No impact to TY2020 but as assessed values increase there would be incremental savings to homeowner
 - No impact to TY 2020 but as assessed values increase there would be a reduction in revenue to the General Fund



Next Steps

- If choose to modify exemptions or tax ceiling Council would need to approve an ordinance to amend Section 78.077 of the City Code effective with the Fiscal Year 2023 budget



Discussion/Questions?