


TEXAS A&M
AGRILIFE
EXTENSION




THE V.G. YOUNG
INSTITUTE OF
COUNTY
GOVERNMENT

Accounting in the Tax Office

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Disclaimer

This course is intended as **general information only** and **does not carry the force of legal opinion or accounting expertise.**

The Local Government Code (LGC) and the Texas Property Tax Code remain the official sources for regulatory information.

For legal guidance, **consult your county attorney.**

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Welcome

A county tax office must handle the fiscal duties of the county with honesty, precision, and accountability.

This 2-hour course explains the county tax office's essential functions:

- Using depositories for county funds
- Preparing and submitting reports
- Creating budgets
- Determining collection costs




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Course objectives

- Understand banking terms and depository selection procedures
- Know the proper procedures for developing and submitting required reports
- List the procedures for preparing a county budget
- Know how to determine collection costs

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Unit 1

**Depositories for
County Public Funds**

Texas Local Government Code:
§116.021 - 116.027

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What is a depository?

A **depository**, is a bank, savings bank, or savings and loan association organized under Texas law or under another state or federal law with its main office or a branch office in Texas.

For other banking-related terms from Chapter 116 of the Texas Local Government Code (LGC), see the *Glossary*.

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Money

- **Money** collected or held by a district, county, or precinct officer in a county and by the officers of a defined district or subdivision in the county, including the funds of a municipal or quasi-municipal subdivision or corporation that has the power to select its own depository, but has not done so
- **Warrants, checks, and vouchers** evidencing the money deposited in the county depository are subject to audit and countersignature as provided by law

—LGC Chapter 116

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Depository contract

The commissioners court must use a competitive bidding process to choose and contract with one or more banks in the county for the deposit of the county's public funds:

- The court contracts with the bank(s) for 2 or 4 years
- Contract renewal: May add 2 years with new interest rates and financial terms negotiated with the bank by the commissioners court

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4-year contract term

If the contract term is 4 years, the county must be able to negotiate with the bank to determine changes in


- Interest rates
- Financial terms

The changes will go into effect during the final 2 years.

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Slide 8

- KH15** No requirement for specific date to select depository
Kathy Hollomon, 9/23/2021
- KH16** added information regarding what can be negotiated
Kathy Hollomon, 9/23/2021





County depository not selected

If for any reason a county depository is not selected as presented on the previous slides, the commissioners court must give 20 days' notice before selecting 1 or more banks in the same manner by following the competitive bidding process or negotiated bids.

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Notice of intention to contract

The commissioners court must post notices that it intends to receive applications for a depository bank.

- The county judge shall place over the judge's name in a **newspaper** of general circulation in the county weekly notice for at least 20 days before the date to submit an application under §116.023(a). If no newspaper is published in the county, notice must be placed in a newspaper published in the nearest county
- Notice shall also be posted at the **courthouse door**
Local Government Code §116.022

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Applications

A bank in the county wanting to be a county depository must deliver its application to the county judge on or before the first day of the term of the commissioners court at which the depositories are to be selected.

Each **application must include:**

- Specified information about the bank's financial condition
- A certified check or cashier's check for at least 0.05% of the county's revenue for the preceding year

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Check

The **check is a good-faith guarantee** that if chosen as a county depository, the bank will execute the required bond.

If the chosen bank does not provide the bond, the county shall retain the amount of the check as liquidated damages, and the county judge shall re-advertise for applications, if necessary, to select a depository.

After the commissioners court selects its depository, it will return the checks from the other applicants.

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Selection of depositories

The commissioners court will meet to select banks as county depositories. At the meeting, the court will:

1. Enter into the court minutes all applications filed with the county judge.
2. Consider all applications.
3. Select the qualified applicants offering the most favorable terms and conditions for handling county funds.

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Selection notes




Commissioners court **may reject applicants** whose management or condition does not warrant placing county funds in their possession.

Conflict of interest provisions: Texas LGC §131.903

Selected applicant has **15 days to file security**.

The court shall, by an order **entered in its minutes**, **designate the bank** as a depository or sub-depository for county funds **effective until the end of the 60th day after** the date fixed for the next depository selection. Texas LGC §116.025

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Security/collateral

The commissioners court can choose for security:

- Personal bond; surety bond; bonds, notes, and other securities; first mortgages on real property; certificates of deposit; real property; or a combination of these, as provided by the LGC; or
- Investment securities or interests in them as provided by Chapter 149, Acts of the 70th Legislature, Regular Session, 1987

Types of security and valuations: LGC §116.052-116.060

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Security excess or lack

If **more security** is pledged than is required by the LGC

Commissioners court must permit the release of the excess security

If **less security** is pledged than the amount of county funds on deposit with the county depository

The depository must immediately pledge additional security with the commissioners court

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Signature plate

A county with the county tax assessor-collector's signature plate can use the stamp on checks, refunds, and other documents.

- Keep the signature plate locked up securely
- If the county tax assessor-collector is absent, allow the signature plate to be used only by the chief deputy




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Unit 2

Reporting Requirements and Reports

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Reporting

Each county tax office sets procedures for **filing required reports on collections with governmental units.**

Internal controls mandate different reporting structures for **daily and weekly reporting.**

Handout: Reporting Schedule

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Monthly reports

The tax collector for each taxing unit must submit a **written report made under oath** to the unit's governing body **accounting for all taxes collected during the previous month.**

Texas Property Tax Code §31.10

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Collection reports

Report Deadlines:


 October, November, December, January 25th day of the next month


 February, March, April, May, June, July, August, September 15th day of the next month




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Consolidated Collections

- A collector for more than one taxing unit may prepare a single report accounting for all taxes collected, and submit a certified copy of the report as the monthly report to the governing body of each unit.

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Annual report

The collector must also submit an **annual report under oath** accounting for all property taxes collected or delinquent during the previous 12-month period.

- Deadline: 60th day after the last day of the fiscal year
- File with: Commissioners court as required (LGC §114.041 and §114.046)


The statute of limitations on collections requires that the tax assessor-collector **remove some delinquent taxes** due (Texas Property Tax Code §33.05)

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Slide 23

KH22 New slide - single slide split for clarification
Kathy Hollomon, 9/23/2021

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County report

The county auditor determines the time and manner that reports on collections, fees, and related disbursements are to be made to the auditor's office (LGC §114.002)

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Examples

<p>All-inclusive report Specify all monies collected for ad valorem taxes by:</p> <ul style="list-style-type: none"> • Taxing entity • Delinquent tax attorney fees • Commissions earned • Any other collections by type 	<p>Also may include:</p> <ul style="list-style-type: none"> • A recap of all banking activity for each account • Declaration of ownership of funds held in trust (escrow accounts from taxpayers) • Special Inventory Tax funds
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State reports

The county tax office must submit reports to state agencies:

<p>Texas Agricultural Finance Authority</p> <p>Young Farmer Loan Guarantee Program Report</p>	<p>Texas Department of Motor Vehicles</p> <ul style="list-style-type: none"> ▪ Motor Vehicle Sales and Use Tax Report ▪ Monday Registration Report to TxDMV ▪ RTS reports: Internal, on demand, and external 	<p>Texas Parks and Wildlife Department</p> <p>Texas Boat and Motor Sales and Use Tax Report</p>
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KH1





Young Farmer Loan Guarantee Program




- Provides money to establish or enhance agricultural operations
- Funded through a “**Voluntary Assessment**” of \$5 on **farm license plates** which may be refunded
- Administrated by the Texas Agriculture Finance Authority

The **tax office must file a monthly report** with the Texas Agriculture Finance Authority detailing the remittances.

Texas Transportation Code §502.404

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KH2




Young Farmer Loan Guarantee Program

“**Voluntary Assessment**” and Refunds

- Tax Office personnel should provide registrants with a notice of refund procedures when they pay the \$5 fee
- Tax Offices cannot waive the \$5 voluntary assessment or authorize refunds or credits for the fee

Handout: *Texas Agricultural Fund Assessment Fee*

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Motor vehicle, boat, and motor report

The tax collector must file a report with the Texas Comptroller of Public Accounts on:

- **Gross amount of sales tax collected** during the month
- **Interest earned** on the Motor Vehicle Sales Tax Account
- **Prepayments** made by the tax office

Before preparing the report: Send all monies collected to the State; final funds transferred are the interest earned.

See the *Motor Vehicle Tax Manual* - Comptroller’s website.

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Slide 28

KH1 Slide 26 Updated second bullet to include ability to refund and updated code section.
Kathy Hollomon, 9/23/2021

Slide 29

KH2 Added Slide re requirement to collect and offer notice of refund procedures
Kathy Hollomon, 9/23/2021




Motor vehicle registration

The tax office must submit a **Monday Motor Vehicle Registration Report** to the TxDMV.

- Available from TxDMV Registration and Title System (RTS)
- 2 parts:
 - 1 for TxDMV
 - 1 for the County Treasurer

Texas Transportation Code §502.198

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RTS

The Registration and Title System (RTS) is an online system that enables the tax office to interact with the public to report:

- Vehicle registrations
- Vehicle title transfers
- Daily sales tax collected on vehicles transferred

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RTS reports

- **Internal reports:** Usually printed through the system by the system administrator or onsite in tax office without TxDMV support
- **On-demand reports:** Printed by the tax office after the system administrator requests the information from TxDMV
- **External reports:** May be requested at any time by the system administrator from TxDMV, which processes and sends it to the tax office when available

Report designations




D: Daily

W: Weekly

M: Monthly

P: Periodic




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Unit 3

Budgets

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Budgeting




Budgeting is:

- Making choices about the use of resources
- Especially important when resources are limited

For county government accounting, **all resources must be used to perform the basic services required by law.**

The **county tax assessor-collector's responsibility** is to prepare the budget for all funds maintained and controlled by the tax assessor.

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Budget officer

The county budget is prepared by the **budget officer** for consideration by the commissioners court.

The population of the county determines who will be the budget officer:

County population	Budget officer
< 225,000	County Judge
> 225,000	County Auditor

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Appointed budget officer

In counties with more than 125,000 citizens, the commissioners court may **appoint a county budget officer** to prepare a county budget for the fiscal year.
LGC §111.061-062

A county that establishes the office of budget officer may **abolish that office only by a formal action** of the commissioners court during a specific time frame.

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Adoption of budget policy

The date applies whether operating on a calendar or fiscal year since both are required to mail tax statements by October 1, or as soon thereafter as practicable.
TX Property Tax Code §31.01

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Begin the budget process early

The budget process should begin **several months before** the March commissioners court meeting to allow time to:

- Estimate revenues and expenditures properly
- Set a reasonable tax rate
- Print and issue the statements before the October 1 deadline


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Budget policy areas

Department and program priorities	Salaries and benefits
Receipts (other than taxes) for which officials and department heads will influence their estimates significantly	General spending level
Use of state and federal revenue sharing funds	Indebtedness
	Budget calendar
	Unexpended budget balance

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Tax assessor-collector responsibilities

- Operate the county tax office effectively
- Identify equipment, supplies, or personnel needs
- Prepare a budget for all funds maintained and controlled
- Help the county budget officer prepare the county budget

The office's effectiveness depends in part on the level of funding approved by the commissioners court during the budget process.

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Budget requests

1. Departments submit their budget requests
2. Commissioners court meets with the budget officer and departments to review the requests

If the expenditure requests far exceed the anticipated resources, the commissioners must decide on spending areas to cut:

- 'Across the board' budget cuts are discouraged
- May discuss the feasibility of increasing taxes

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Budget hearings

The **goals of budget hearings** should be to determine:

- Whether the commissioners' court see a need or desire for:
 - Increasing or decreasing taxes
 - Raising or lowering charges for county services and facilities

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County budget categories

A **county budget** should have 2 categories:

- **Revenue estimates and reports:** Fund-by-fund estimates of receipts, disbursements, and beginning and ending fund balances
- **Line-item expenses and supplementary data:**
 - Specific budget elements, each listed on a separate line of its own
 - Shows the county's overall financial picture




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Revenue estimates and reports

- Show revenues collected by the tax office over 3–5 years in each area
- Follow the trends to estimate conservatively for each line item
- Identify any new sources of revenue due to legislative action
- Explain new areas of responsibility
- Highlight any property valuations and tax abatements that may affect property tax revenues

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Revenue areas

Tax office personnel **should work closely with the budget officer** to estimate tax levies and collections and to include all factors to consider for:

- Property taxes
- Fees of office
- Motor vehicle registration
- Other receipts

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Revenue: Property taxes

Property taxes are relatively easy to estimate because the factors involved are known with a good degree of accuracy.

- Appraised Values
- Adopted Tax Rates

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Revenue: Fees of office

For each office that collects fees, create 1 estimate based on:

- Past experience
- Trends
- Conditions affecting significant fees

Work closely with the budget officer.
Most fees of office are set by State law.

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Restricted fees of office

The Property Tax Code restricts the tax assessor-collector's use of these fees:

- Fees for collecting taxes for other jurisdictions
- Tax Certificates
- Returned Check Fees
- Scofflaw fees
- County's portion of TABC
- SIT (Special Inventory Tax) penalties and interest

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Revenue: Motor vehicle registration

Counties may keep part of the motor vehicle registration fees, plus \$350 for each mile of county road, up to 500 miles. Vehicle registration fees **restricted for use:**

Fee type	Fee	Transportation Code
Title	\$5.00	\$501.138
Registration	\$1.90	\$502.1911
Transfer	\$1.25	\$502.192
License plate or sticker replacement	\$2.50	\$502.060

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Registration: County fee

In addition to the TxDMV fees, commissioners court may impose a fee of up to **\$10 for each vehicle registered in the county.**

- If imposed, the fee takes effect January 1
- TxDMV must be notified before September 1 of the preceding year
- The fee may be used only in the county's road and bridge budget

Transportation Code §502.401

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Revenue: Other receipts

Unless the tax levy and collections formulas are known to make calculations possible, the **same terms to estimate 'fees of office' must also apply to 'other receipts.'**

- Many counties charge for various services and facilities —dump grounds, swimming pools, and board for prisoners of other jurisdictions
- Because the revenue is minimal, it is not worth the effort to make reasonable projections about its use

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Expenses and supplementary data

When possible and practicable, assign expenditures in the county budget to the appropriate department. This practice:

- Helps the officials, department heads, and court members know the total cost of operating each office
- Allows some expenses to be easily applied to the proper office (telephone bills, Social Security, etc.)

Other expenses (such as for supplies) may require another system to assign to departments.

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Account titles

Make account titles consistent throughout the budget.

This practice makes it easier to compare various funds and departments.

Example: It can be difficult to compare expenses if some offices include part-time and overtime help as 'salaries' but other offices set up separate line items for them.

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Detailed account titles

Providing details in the account titles allows departments to:

- **Maintain adequate control** over expenditures
- Have the flexibility to **meet unexpected changes** after the budget is adopted without the need for continued budget amendments

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General budget categories

Having general budget categories allows you to offset a change the price or quantity of one item by making an opposite change on another item **without requiring a budget amendment.**

Need	Operating Supplies		
	Fuel	Oil	Water
Budgeted	100 gal	30 gal	500 gal
Adjusted	-20 gal	+20 gal	-

Example: The fuel needed was reduced by 20 gallons, and the oil was increased by 20 gallons, and no budget amendment was needed.

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Budget amendments

Budgetary control involves creating categories at the most general level possible while still allowing control. Create general categories to help avoid having to amend the budget.

Budget amendments:

- Complicate the claims approval and payment process
- Require extra time and effort for the county
- Delay payments to vendors unnecessarily

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Budgetary control

In some budget categories, you may need to estimate each item individually.

Note: In the Operating Supplies example, the category was broken down to estimate fuel, oil, and water.

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Budget preparation

Provide **budget preparation papers** to each county department that include:

- Personnel schedule
- Capital outlay

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Budget preparation: Personnel

The **personnel schedule** should list:

- All **approved positions** (filled or vacant) including job classification identification (title, salary grade level)
- The **names of the employees** in those positions
- The **budgeted salary** for each position for the year
- New positions requested**, with justifying documentation

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Budget preparation: Capital outlay

A **capital outlay schedule** supports the request for capital outlay in the general departmental estimate. It includes:

- Detailed descriptions of the **item(s) to be purchased**
- Estimated cost to buy or lease** - Include quotes for freight, installation, and other expenditures necessary for the items to be ready to use
- Estimates of future years' **repairs and maintenance costs**
- Justification** as to the necessity of the purchase

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Communication is key

Ask yourself, *'Can the commissioners court justify and explain a tax increase for this expense?'*

Give reasons for the budget request to the court in **writing, then follow up verbally**. Possible justifications:

New state mandate	The state has assigned responsibility or new rules that apply to your office
Additional responsibility	The office has been asked to assume new duties that require more equipment, supplies, or personnel
Other factors	Other changes have increased the office's workload

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GASB

The federal government has set requirements to make state and local annual reports them **more complete** and **easier for the public to understand and use**.

The rules are explained in *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* by the Governmental Accounting Standards Board (GASB No. 34)




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Unit 4

Determining Collection Costs

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Actual costs of collection services

Although reasonable fees may be collected for assessing and collecting, the fees may not exceed actual costs incurred. To determine the actual costs:

1. Tax assessor-collector makes initial estimate of 'actual costs'	2. Tax assessor-collector gives information to commissioners court to prepare the budget	3. If the court OKs the budget, it implies that it agrees that the fees charged are 'actual costs'	4. Independent auditor verifies the costs and compliance in the annual county audit
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Texas Property Tax Code §6.27

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Actual costs of collection services

The tax assessor-collector has the authority to make the initial determination of the amount of 'actual costs.'

If the county tax office treats all jurisdictions it contracts with equally, the taxing units **save significant amounts of money.**

Texas Property Tax Code §6.27

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Determine actual costs

Key assumptions

- The salaries and benefits of accounting, collecting, and assessing personnel have been considered.
- The computer technology can perform the tasks with minimal additional data processing resources.
- The initial setup fee for adding the entity to the county system is acceptable; the new entity's records can be converted to the county system.

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Determine actual costs

Key assumptions

- All entities receive the same services and reports; the entities pay extra for additional specialized reports.
- Consider requiring some entities to pay 5% commission; address issue with the entities, citing pertinent legislation.
- To cut costs, prorate the number of statements mailed; can include multiple parcels in 1 statement.

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Determining costs: Method A


Total cost of collection
 - Estimated cost to collect county taxes

 Estimated actual cost of collecting taxes for outside entities

Collection office costs: Estimate and deduct the costs of other tax office operations (motor vehicle and voter registration, exclude utilities and capital outlay).

County tax collection costs: Assume that the current charge for county collections is a fair measure of its cost.

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Method A

Other costs: Estimate of other costs (office supplies, miscellaneous costs; but not utilities or capital outlay)


Actual costs: Amount required to collect county taxes

Per parcel cost: Actual cost ÷ number of additional parcels

Major flaw of Method A: The assumption that the fee for collecting county taxes accurately reflects its cost

- The fee is based on a percentage of collections (such as 2%), meaning that as the levies for the county and/or the taxing unit increase, so does the fee.
- If the fee system is based on actual costs, the costs should not necessarily change with the tax levy.

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Determining costs: Method B

- Uses only **specifically identified costs**
- Assumes that **limited additional time** will be required of key employees in accounting, assessing, and data processing departments to work with outside entities

Choosing the right contact personnel is critical for establishing and maintaining good communication and rapport between the county, the entity for which it collects, and the taxpayers.

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Method B

Key: Compatibility with the county's computer system

- Minimal additional time must be required for the data processing system to exchange computer files on delinquent taxes owed/paid
- If record formats are incompatible, the data will need to be entered manually:
 - Include the cost of manual entry in the setup fee
 - May waive the setup fee if the data is compatible with the county's system


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Method B

- **No additional postage/limited additional supply costs** are incurred because adding each entity requires only one more line of print on the current tax bill sent to county taxpayers.
- When a new entity is set up, the county:
 - Notifies taxpayers that it is assuming the collection responsibilities
 - Verifies account information


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Method B costs

- 1. Calculate salaries:** Use the number of days/month devoted to the effort to calculate the salaries and benefits of personnel involved (deputies, accountants, collection supervisor)
 - May vary during peak and off-peak periods
 - Extra time involved in setup is included in setup fee
- 2. Calculate other costs:** Part (such as 1/3) of travel expenses and a percentage (such as 10%) of office supply costs
- 3. Calculate actual cost:** Add salary and other costs
- 4. Determine number of parcels**
- 5. Calculate per-parcel cost:** Divide actual cost by parcel count


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Example: Methods A and B

Actual Cost Estimate Method A: Fiscal Year 20XX		Actual Cost Estimate Method B: Fiscal Year 20XX	
Total Tax Office budget	\$1,480,592	Estimated salary	\$17,790
(less utilities and capital outlay)		Estimated benefit cost	5,159
Less estimated costs for other divisions of the Tax Office	- 914,580	1/3 of travel cost	900
Estimated costs of Collections Dept.	\$566,012	10% supply cost	7,441
Less costs for county tax collection:		Total pass-on cost ('Actual Cost')	\$31,290
Current taxes	- 520,000	# of additional parcels	372,067
Delinquent taxes	- 15,500	Cost per parcel	\$0.0841
Total pass-on cost ('Actual Cost')	\$30,512		
# of additional parcels	372,067		
Cost per parcel	\$0.0820		


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Example notes

- Both methods estimate the county's cost of providing tax collection services ~ \$.08/parcel
- Emphasize that this is only a rough, preliminary estimate based on a given set of assumptions
- Actual costs could exceed \$.08 or be almost \$0
- Cannot estimate actual costs accurately without a comprehensive study of county tax office costs
- Estimate should be made with input from tax assessor-collector, county auditor, data processing director, and independent auditor

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Maximize efficiency and effectiveness

Calculate the actual cost for outside collections **annually** and **specify it in the budget** for commissioners' court approval.

To help the commissioners court easily comply with State law, set up the department budget to **list collection costs separately from other county tax office functions.**

Other county taxing units should review their methods of setting collection fees to **ensure that they reflect only 'actual costs'** to maximize the efficiency for all entities involved.

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Thanks

Thank you for completing this *Accounting in the Tax Office* course.

Questions or comments? Call the V.G. Young Institute at 979-845-4572.

Please help us improve the course material by completing a brief survey and speaker evaluation.

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