04/11/22 Letter from Tim Addison

Ad Valorem or property taxes can be a very confusing subject. I will attempt to define some of the terms used by the state and how they affect us here in Yoakum County. First of all, the state does not consider what a single individual pays in taxes when they refer to a tax increase or decrease. They only look at the total amount of taxes levied by a county; therefore, when mineral appraisals are low, the tax rate will be higher to make up for the lost value. State statute allows the county to levy a rate that brings in the same amount of revenue as the previous year. The state refers to this new rate as the “no new revenue tax rate” because it brings in the same revenue as last year. Counties have the ability to raise the rate up to an additional $0.035/$100 of value. This rate is known as the “voter-approval tax rate.” Any tax rate at or above that amount must be approved by a tax election. Counties have a “hard cap” of $0.80 for the general ad valorem rate and $0.15 for the FC&LR rate. The FC&LR revenue can only be expended on the county road system.

This complicated system can make it difficult to create a budget for the county. When mineral values are low, we must be very frugal with our expenditures so we don’t overburden our taxpayers; however, many of our costs are fixed. Examples of these fixed costs would be salaries, utilities, supplies, and road materials. To provide for the necessary revenues in our budget, we must supplement with our fund balance. This court has been diligent in its efforts to build and maintain a strong fund balance to stand in the gap when oil has dropped in price. These funds allow us to continue providing services until the oilfield can recover. When mineral values go up, we take the opportunity to replenish the fund balance at a time when the tax rate is low. It is perhaps the most important tool we have in our “toolbox” to combat broad swings in the price of oil.

The final component of taxes I want to discuss is appraisals. The county is not involved in setting values. In fact, none of the taxing entities including the schools and cities have anything to do with it. It is a system developed and controlled by the state. The taxing entities in the county fund the Yoakum County Appraisal District and provide board members to handle the job. The appraisal district contracts with two private appraisal firms to compile the data and set the appraised values. These firms use state rules and regulations to calculate the values. After the values are set, the state audits a sample set from each category (residential, commercial, farm land, mineral, etc.) and compares the appraisals to the state appraisals. Each category must be within 95% of the state value. If it is lower than 95%, then the district has two years to bring the values into compliance. As always, if you have any questions, contact your elected officials for further explanation.

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