



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#125482

PAGE 1 OF 4

DATE: 06/27/2017

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE TAX OFFICE
AGRICULTURAL ROLLBACK TAXES**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tax Office Agricultural Rollback Taxes.

BACKGROUND:

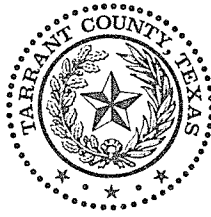
In accordance with Local Government Code, Subchapter A, Sections 115.001 Examination of Records, and 115.002 Examination of Books and Reports, we determined whether agricultural rollback taxes were calculated, assessed, and billed accurately during the five (5) months ended February 28, 2017.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

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May 19, 2017

The Honorable Ron Wright, Tax Assessor-Collector
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Tax Office Agricultural Rollback Taxes

SUMMARY

In accordance with Local Government Code, Subchapter A, Sections 115.001 *Examination of Records*, and 115.002 *Examination of Books and Reports*, we determined whether agricultural rollback taxes were calculated, assessed, and billed accurately during the five months ended February 28, 2017. While the financial impact was minimal, we observed that the 2011 Tax Statement Date for the City of Fort Worth was not always accurate. This condition was previously reported in 2009 and 2012. We discussed this issue with Tax Office management. Attached is management's written response.

BACKGROUND

The Tarrant Appraisal District (TAD) grants a special agricultural appraisal method to qualified open-space lands in accordance with Article 8., Sec. 1-d-1, of The Texas Constitution. Under this appraisal method, landowners receive a substantial tax savings for land devoted to farm, ranch, or wildlife management purposes based on the land's agricultural production. The law imposes a "rollback tax" on 1-d-1 land when removed from agricultural use. TAD determines whether a change of use has occurred and sends the landowner written notice of the determination. If the landowner does not protest the rollback, TAD provides written notification of the acres removed from agricultural purposes to the Tax Assessor-Collector.

It is the responsibility of the Tax Assessor-Collector (Tax Office) to calculate, assess, and bill the rollback taxes. The rollback tax equals the difference between the taxes the landowner *actually paid* in the five years preceding the change of use and the taxes the landowner *would have paid* on the property's market value, including interest. The rollback tax could be imposed on the entire land or a portion of the land previously designated for agricultural use. Beginning October 2015, the NCD(New/Change/Deletion) tapes provided by TAD include agricultural accounts. Tax Office staff manually enters the change of use date and the acres removed from agricultural use into *Tax Client* in order to calculate the tax rollback. The system automatically calculates the rollback tax and interest, and generates a tax statement. The rollback tax is due when the rollback tax statement is mailed to the landowner. The rollback tax is delinquent on February 1 as long as it is 20 days after the statement is mailed.

As of September 2016, there were 4,804 accounts on the tax roll designated as 1-d-1 land used for agricultural purposes. During the review period, Tax Office staff assessed and billed 87 accounts for agricultural rollback taxes totaling over \$2.98 million, including interest.

OBSERVATION AND RECOMMENDATIONS

The 2011 Tax Statement Date for the City of Fort Worth Was Not Always Accurate

We recalculated a sample of 50 agricultural rollback levies, including interest, during the review period. We observed that 2011 Tax Statement Date for the City of Fort Worth in *Tax Client* was not accurate for 9 of the accounts tested. No other tax year was affected for the sample items tested. This date is used as a basis to calculate the rollback interest charged to the account. While the financial impact was minimal, the interest calculated and billed in *Tax Client* was not accurate. Tax Office staff could not explain why the Tax Statement Date shown in *Tax Client* was different for the City of Fort Worth than for the other taxing entities on the 9 accounts. During our review, management implemented an independent review to verify the accuracy of the rollback tax statement calculations.


Recommendation

In addition to an independent review, we recommend Tax Office management work with SpindleMedia to ensure system controls are in place whereby the Tax Statement Date is static among all taxing entities on an account.

CLOSING REMARKS

We appreciate the cooperation of the Tax Office during our review. If you have any questions concerning this report, please do not hesitate to call.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment:
Management's Response

Distribution:
Tom Spencer, Chief Deputy
Elisa Hand, Director of Property Tax
Jeff Hodges, Property Tax Assessment Manager

Team:
Kim Buchanan, Audit Manager
Maki Ogata, Senior Auditor



Tarrant County Tax Office

INTEROFFICE MEMORANDUM

To: S. Renee Tidwell, County Auditor
From: Ron Wright, Tax Assessor-Collector
Date: 06/19/17
Re: Agricultural Rollback Calculations

The Tax Office has reviewed the Auditors Report dated 05/19/2017 on their examination of agricultural rollback tax calculations performed by the Tax Office.

Based on your recommendation, we have asked our software vendor Spindlemedia to ensure adequate system controls are in place so that the Tax Statement Date remains static among all taxing entities. We have also implemented a verification process that includes a management review of all calculations.

We would like to thank the Auditor and her staff for their continued support.

Distribution: Tom Spencer, Chief Deputy
Elisa Hand, Property Tax Division Director
Jeff Hodges, Assessment Manager
Kim Buchanan, Audit Manager
Maki Ogata, Senior Auditor