



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#114323

PAGE 1 OF 4

DATE: 12/11/2012

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

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tax Office Agriculture 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, the Auditor's Office determined whether agricultural rollback taxes were calculated, assessed, and billed accurately during the ten (10) months ending July 31, 2012.

The Auditor's Office found that interest was not calculated and billed correctly for 16 accounts. As a result, Tax Office staff did not bill taxpayers \$10,535.73 of interest owed to the City of Fort Worth.

Attached to this report is a written response from the Tax Assessor-Collector.

FISCAL IMPACT:

There is no direct fiscal impact associated with this action.

SUBMITTED BY: Auditor

PREPARED BY:

S. Renee Tidwell

APPROVED BY:



TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

RONALD D. BERTEL, CPA
FIRST ASSISTANT COUNTY AUDITOR
rbertel@tarrantcounty.com

November 19, 2012

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 ten months ending July 31, 2012. We found that interest was not calculated and billed correctly for 16 accounts. As a result, Tax Office staff did not bill taxpayers \$10,535.73 of interest owed to the City of Fort Worth.

We discussed this issue with Tax Office management. Attached is a written response from the Tax Assessor-Collector.

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. Agricultural accounts are not included on the NCD (New/Change/Deletion) tapes provided by TAD. Using information provided by TAD, a Tax Office clerk manually enters the change of use date and the acres removed from agricultural into *Tax Client*. 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.

There are 9,599 accounts on the tax roll designated as 1-d-1 land used for agricultural purposes as of July 31, 2012. During the review period, Tax Office staff assessed and billed 56 accounts for agricultural rollback taxes totaling over \$3.97 million, including interest.

OBSERVATION AND RECOMMENDATION

Interest related to agricultural rollback taxes was not always calculated and billed correctly.

We recalculated all 56 agricultural rollback levies, including interest, during the review period and found that interest was not calculated and billed correctly for 16 accounts. *Tax Client* calculated the interest incorrectly because the Tax Statement Date entered into the system for the City of Fort Worth was not accurate. Tax Office staff could not provide an explanation as to 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 16 accounts. As a result, Tax Office staff did not accurately bill taxpayers \$10,535.73 of interest owed to the City of Fort Worth.

Recommendation

We recommend that Tax Office staff bill the additional interest owed by the 16 taxpayers. Upon receipt of payment from the taxpayers, the interest should be remitted to the City of Fort Worth. Management should also perform an independent review to verify the accuracy of the rollback tax statements. Furthermore, the Tax Office and SpindleMedia should ensure that 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. Renée Tidwell, CPA
County Auditor

Attachment:
Management's Response

Distribution:
Tom Spencer, Chief Deputy
Jim Pritchard, Property Associate Chief Deputy
Jeff Hodges, Property Tax Assessment Manager

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



TARRANT COUNTY TAX OFFICE

100 E. Weatherford, Room 105 • Fort Worth, Texas 76196-0301 • 817-884-1850
taxoffice@tarrantcounty.com

RON WRIGHT
Tax Assessor-Collector

December 5, 2012

Rene Tidwell, County Auditor
The Honorable District Judges
The Honorable Commissioner's Court

Subject: Auditor's Report – Review of Agricultural Land Rollback Taxes

The Tarrant County Tax Office recognizes the value of the auditor's review of Agricultural Land Rollback taxes.

The Tax Office acknowledges that an error was made in the tax statement date field for 16 accounts where the land was in the City of Fort Worth. We cannot determine why this error occurred or why it was different when compared to dates for other entities.

The tax office software will be modified by Spindlemedia to prohibit manual changes to the statement date field. At this time a completion date has not been confirmed with the vendor.

In addition, the review process should note discrepancies in dates. The procedure for processing Ag Rollbacks will be updated to include a check of dates for each entity before the statement is released.

The Tax Office staff has investigated the possibility of billing the accounts in question for lost interest. At this time, the Tax Office does not have a way to go back and charge back interest on accounts. The software package does not allow this office to back bill accounts. Other solutions, such as reversing the transaction and recalculating could cause the general ledger to be out of balance. With these obstacles, the Tax Office will be unable to recoup lost interest.

We appreciate the effort of the Auditors to provide review and recommendations on Tax Office operations.

Should you have any questions, please don't hesitate to contact me.

Sincerely,



Ron Wright
Tarrant County Tax Assessor-Collector