



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO# 131761

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DATE: 12/10/2019

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE TAX OFFICE
HOMESTEAD TAX EXEMPTIONS**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tax Office Homestead Tax Exemptions.

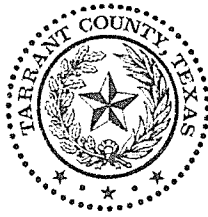
BACKGROUND:

In accordance with Local Government Code, the Auditor's Office performed a review to determine whether various homestead exemptions, including General Homestead, Disabled, Disabled Veteran, Surviving Spouse, and Over 65, were granted only on properties with a residential dwelling. The Auditor's Office also determined whether Tarrant County residents had only one homestead exemption during tax year 2018.

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
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

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

November 27, 2019

The Honorable Wendy Burgess, Tax Assessor - Collector
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Tax Office Homestead Tax Exemptions

In accordance with Local Government Code, the Auditor's Office performed a review to determine whether various homestead exemptions, including General Homestead, Disabled, Disabled Veteran, Surviving Spouse, and Over 65, were granted only on properties with a residential dwelling. We also determined whether Tarrant County residents had only one homestead exemption during tax year 2018.

Our audit was limited in scope since we could not determine whether property owners qualified for the homestead exemption(s) and whether property owners had the same exemption(s) in another county. We tested 435,656 tax records using data mining analytics and found that property owners only had one homestead exemption within Tarrant County. However, we identified 5 accounts that had no residential dwelling recorded in *Tax Client* or Tarrant Appraisal District (TAD) records. Therefore, these accounts do not appear to qualify for a homestead exemption. We provided the Tax Office with the detail of these accounts to communicate to TAD. We also recommend that Spindlemedia, the *Tax Client* software developer, implement a system control that will alert the Tax Office when a property tax account has a homestead exemption but no residential dwelling. In the meantime, we recommend that the Tax Office Quality Assurance team implement data mining procedures to identify unimproved properties with homestead exemptions. The Auditor's Office is available to assist the Tax Office with the appropriate procedures.

During our review, we also found that *Tax Client* did not yield consistent data. The data initially obtained from *Tax Client* resulted in 435,656 records with homestead exemptions. Using the same criteria, we later obtained over 5 million records from the same database. We consulted with staff from the Information Technology Department (ITD) Tax Support and Database Administration groups, the Tax Office Quality Assurance team, and Spindlemedia, but were unable to determine the reason for the difference in the number of records extracted from *Tax Client*. We recommend that Tax Office staff continue to work with ITD and the software vendor to determine the reason for the difference.

According to the Section 6.01 of the Texas Property Tax Code, TAD is solely responsible for appraising property within the county for ad valorem tax purposes. TAD is also responsible for authorizing homestead exemptions. TAD sends the Tax Office property tax account information, including exemptions, via an electronic file with new, changed, and deleted (NCD) property accounts for 67 taxing units within Tarrant County. The monthly NCD file is uploaded into *Tax Client*, the Tax Office's software, throughout the year.

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,

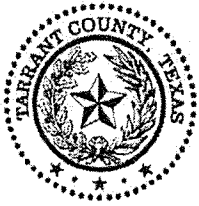


S. Renee Tidwell, CPA
County Auditor

Attachment:
Management's Response

Distribution:
Chris Nchopa-Ayafor, Chief Information Officer
Tom Spencer, Tax Office Chief Deputy
Elisa Hand, Director of Property Tax
Jeff Hodges, Property Tax Assessment Manager

Team:
Kim Trussell, Audit Manager
Steve Watson, Senior Auditor



TARRANT COUNTY TAX OFFICE

100 E. Weatherford, Room 105 • Fort Worth, Texas 76196-0301 • 817-884-1100
taxoffice@tarrantcounty.com
In God We Trust

WENDY BURGESS
Tax Assessor-Collector

December 3, 2019

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

Subject: Response to Auditor's Report – Tax Office Homestead Exemption

The subject audit reviewed Tax Office databases to determine if there was an improvement on a property with a homestead exemption for tax year 2018. Generally, an improvement on a property with a homestead exemption would indicate a residential dwelling.

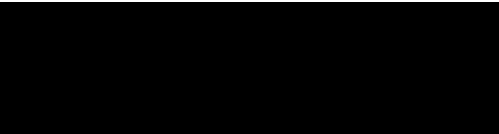
The results of the audit indicated 5 properties out of a total of 435,656 accounts had a homestead exemption but no improvement. During the review, these findings were transmitted to the Tax Office. The Tax Office contacted Tarrant Appraisal District (TAD) for a response. After review TAD indicated 3 accounts were not eligible for an exemption & a notice of intent to cancel was sent. TAD advised that 2 accounts remained eligible under Section 11.135 of the code. This section allows homeowners to retain their homestead exemption when an improvement is rendered uninhabitable or unusable by a casualty or by wind or water damage while the homeowner constructs a qualified residential structure. This continuance has strict time limits.

It is understood that TAD has sole authority to grant homestead exemptions in Tarrant County which is transmitted to the Tax Office on a monthly basis. When an error or problem is observed in the TAD data, the Tax Office communicates that to TAD. This occurs on a routine basis. However, as was noted in the audit neither the Auditors or the Tax Office can determine the validity of a homestead exemption.

Additionally, the Tax Office cannot comment on the consistency of the results obtained by query during the audit period. The Tax Office did not perform the queries and cannot review log files.

We appreciate the Auditors office review of Tax data. We especially appreciate the spirit of cooperation between the offices.

Should you have any questions, please contact me or my Chief of Staff, Tom Spencer.


Wendy Burgess
Tax Assessor-Collector