

Unused Increment Rate

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The unused increment rate can be used to increase the voter-approval tax rate, depending upon the tax rates adopted by a city in the previous three years. The unused increment rate is the three year rolling sum of the difference between the actual tax rate and the voter-approval tax rate. A city has the ability to bank any unused amounts below the voter-approval tax rate to use up to three years. Conversely, if a city adopts the voter-approval tax rate all three years (2020-2022), the unused increment rate would be zero.

VOTER-APPROVAL TAX RATE

(Tax rate used to levy taxes in preceding year(s))

— (MINUS)

ACTUAL TAX RATE

(Voter-approval tax rate in preceding tax year less unused increment rate for the preceding year)







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UNUSED INCREMENT RATE

Maximum Unused Increment Rate – Three Year Look Back Calculation

Taxing units calculate the unused increment rate by comparing the actual tax rates in the previous three-years to the voter-approval tax rate, the maximum tax rate a unit can adopt without triggering an election. This comparison is made before considering the unused increment allowance in the voter-approval tax rate.

If a taxing unit uses any portion of the unused increment rate in a year, the contribution to the unused increment would be zero for that year. The unused increment for any year prior to 2020 is considered zero.

				Look back three years	
2021 (Year 1)	2022 (Year 2)	2023 (Year 3)			
					
					
1¢	2¢	2¢	=	5¢ (Max)	
Taxing unit adopts a tax rate \$0.01 less than the voter-approval tax rate.	Taxing unit adopts a tax rate \$0.02 less than the voter-approval tax rate.	Taxing unit adopts a tax rate \$0.02 less than the voter-approval tax rate.	Taxing unit may adjust the voter-approval tax rate higher by up to \$0.05 without triggering an election.		

For more information, visit our website:
comptroller.texas.gov/taxes/property-tax

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