

## ACCRUING 40% PULLBACK REVENUE

Reference COM-06-081 and COM-06-093

Property taxes are collected in the year following property assessments. 40% Pullback is the tax revenue collected or accrued on assessments for the calendar year the school year began. Therefore, the 40% Pullback revenue recorded for the 2006-2007 school year is based on the tax assessments for calendar year 2006, payable in 2007.

Example: December 31, 2006 – Final Settlement

After final settlement, all local taxes collected (based on the 2005 Abstract of Assessments for Taxes Payable in 2006) in February, March, April, May, and June are CASH pullback. Refunds and county audit adjustments could affect the Current Property Tax (11110) revenue account if they relate to the 2005 Abstract of Assessments rather than the 2006 Abstract.

The 40% pullback amount is calculated by multiplying the districts “total valuation” amount times the greater of the district’s M&O millage rate or 25 mills (Uniform Tax Rate) times 40%.

The pullback that the district is supposed to receive will also be on the abstract copy sent to the district in April or May by the Department of Education during the current fiscal year.

School Districts receive a final calendar-year tax settlement statement in December of each year. The “final settlement” for that current year is the last current property tax (11110) received in the fiscal year. (Unless there is an audit adjustment or refund)

### Example of 40% Pullback Calculation

Abstract of Assessments

(Fictional numbers in examples throughout this document.)

Assessment Year 2006

School Year 06-07

XXX School District

	Total Valuation
Real Estate	286,700,000
Personal	101,575,000
Utilities	<u>12,950,000</u>
TOTAL	<u>401,225,000</u>

Multiply Total by .025	X	.025
(25 mills in this ex.)		<u>10,030,625</u>

Multiply by 40%	X	<u>.40</u>
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<b>40 % Pullback Revenue-11120</b>	<b>4,012,250</b>
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Assuming the District is keeping up with pullback AS TAX MONEY IS RECEIVED, once the pullback amount (in this example, 4,012,250.00) is fully received, remainder of tax money received will be receipted as follows:

Receipt(s) for tax revenue over 40% pullback amount is coded to account code 04815 instead of revenue code:

Receipt DR's Cash:	2000	01010	737,750.00
Receipt account 04815 which is a CR	2000	04815	737,750.00

IF the District receipts revenue to 11120 until fiscal year end, and then compares 11120 receipted to assessment 40% Pullback calculation amount and they have receipted OVER that amount, journal entry as follows will be needed:

Example:

District has receipted through June, 4,750,000.00 to 11120. District should have receipted only 4,012,250.00 to 11120. Make the following journal entry:

DR	2000	11120	737,750.00
CR	2000	04815	737,750.00

Reverse this journal entry in period 1 in the NEW Fiscal year as follows:

JE PERIOD 1 YR 08 (recognizes deferred tax collections receipted to account 04815 as current property tax in new fiscal year):

DR	2000	04815	737,750.00
CR	2000	11110	737,750.00

**In Summary:**

1. It is not necessary to break out relief taxes (Homestead); it can be coded as current property tax.
2. Final tax settlement for the calendar year is usually received in January. All revenue received in the fiscal year after the final tax settlement (except for audit adjustments and refunds) is received as 40% pullback (11120) until total 40% pullback calculation is received and receipted as such.
3. NOTE: Any relief tax (Homestead) received January and succeeding months will be 40% pullback (11120). Relief tax must also be coded to 40% pullback or else the fund balance will be overstated with accrual.
4. Other tax receipts such as delinquent, excess commission and land redemption are recorded to their corresponding revenue codes. These are not a part of 40% pullback.
5. Final tax settlement received in December or January is coded to 11110. All transactions affecting revenue code 11110 (Property Taxes –Current) will normally be complete after receipt of the Final Tax Settlement. Exceptions would be refunds authorized by the County Judge and Audit Adjustments. All succeeding property tax and homestead tax revenue received are recorded to pullback (11120) until the 40% calculation total is receipted.
6. Caution, watch for property tax relief received in January, this will be coded to 40% pullback.

**Additional Note:**

If a district has capital outlay mills, the 40% calculated amount shown on the abstract should include Capital Outlay mills. Pullback should include everything except debt service. Therefore, if a district has capital outlay mills they need to allocate the 40% calculated amount accordingly:

Example:

Total Assessments	300,000,000
Capital Outlay Mills	3.00
M&O Mills	25.00
Debt Service Mills	10.00

40% Pullback       $300,000,000 \times .028 \times .40 = 3,360,000$

Fund 5	40% Pullback	360,000 (3,360,000/28 x 3)
Fund 2	40 % Pullback	3,000,000 (3,360,000/28 x 25)