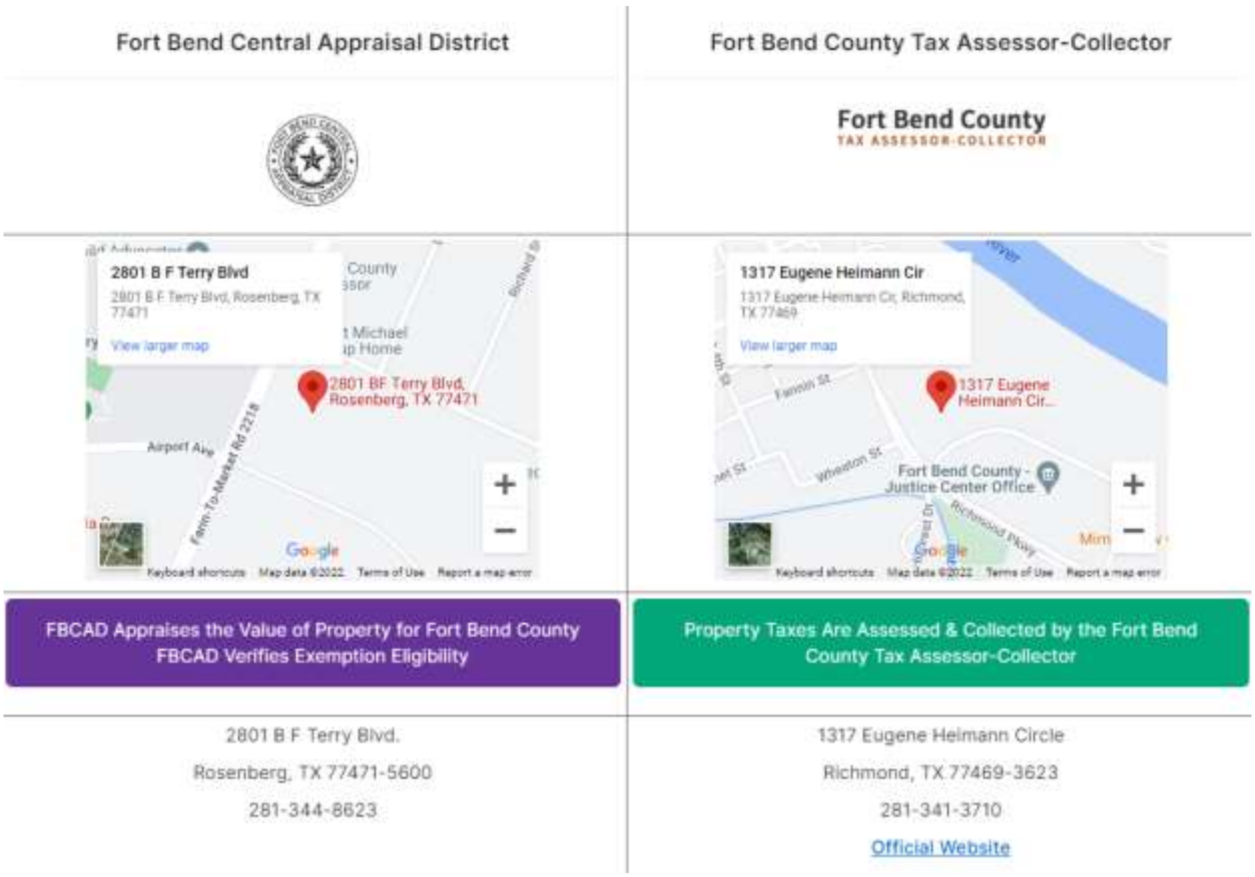
Understanding the Property Tax System

Property taxes are the largest source of money local governments use to pay for schools, streets, roads, police, fire protection and may other services. Texas law establishes the process for determining property value, ensuring values are equal and uniform, setting tax rates, and collecting taxes.

Texas Property Tax Basics



Truth In Taxation	Texas Comptroller Of Public Accounts
Property Tax Transparency	COMPTROLLER.TEXAS.GOV
Learn of any property taxes that may be imposed on your property by local taxing units; the date, times & location of public hearings on tax rates including the governing body meetings to voice your opinions.	Who Does What? What Do They Do? When Do They Do It? Where Does the Money Go? Why Do They Do It? How Can I Challenge What They Do?
The Truth In Taxation website allows property owners to discover the No-New Revenue, Proposed, Voter-Approved and the Adopted Tax Rates for their property	Find answers to basic questions regarding the Texas Property Tax System directly from the Texas Comptroller
Official Website	Lyndon B. Johnson State Office Building 111 East 17th Street Austin, Texas 78774 Official Website

Appraisal District Role

Valuing Property

Tax Code Section 23.01 requires that taxable property be appraised at 100% of market value as of January 1st of a tax year.

Market value is the price at which a property would transfer for cash or its equivalent under current market conditions if the property is:

a. for sale for a reasonable amount of time to find a seller,
b. the seller and buyer know everything a property can be used for and all restrictions on its use
c. neither the buyer nor the seller is in a position to take advantage of the other
d. and they both seek to maximize their gains.

How Property is Valued

The appraisal district in each county determines the value of all taxable property within the county boundaries. This includes residential, commercial, industrial, land, and business personal property.

Tax Code Section 25.18 requires appraisal districts to reappraise all the property in its jurisdiction at least once every 3 years.

Tax Code Section 23.01 requires that appraisal districts comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and that the same appraisal methods and techniques be used in appraising the same or similar kinds of property.

Individual characteristics that affect a property's market value must be evaluated when determining a property's market value.

Before appraisals begin, the appraisal district compiles a list of all taxable property. The list contains a description and the name and address of the owner for each property.

After the list is complied, the appraisal district then classifies properties according to a variety of factors including size, use, construction type, etc.

The appraisal district uses data from recent property sales to build an appraisal model for each neighborhood that is applied to each property in the neighborhood.

Appraisers use three common approaches when appraising property. They are the sales comparison (market) approach, the income approach, and the cost approach.

1. The market approach is based on sales prices of similar properties. It compares the property being appraised to similar properties that have recently sold, then adjusts the comparable property for difference between then and the property being appraised.

2. The income approach is based on income and expense data and is used to determine the present worth of future benefits. This approach looks to determine what an investor will pay now for an anticipated future revenue stream from a property.

3. The cost approach is based on what it would cost to replacing the building (improvement) on a property with another building (improvement) of equal utility. Depreciation is applied and the estimate is added to the land value.

FBCAD, as with most appraisal districts, employs a market-modified cost approach to value for most residential properties. This approach first builds the value of the improvements based on continuously updated cost manuals produced by independent organizations (Marshall and Swift is an example).

Then, a ratio study is conducted on area sales to calculate and apply a market or neighborhood factor to the cost calculation. The goal through this process is to achieve a median ratio of 1 or as close to that number as possible. Below is an example of what our analysts are looking at when conducting the ratio study.

Neighborhood: 3172				
	Assessment Ratio	SalesPrice	Adjusted Sale Price	Value
Low Value	91.73%	$240,000.00	$239,000.00	$249,500.00
High Value	109.42%	$343,000.00	$337,500.00	$342,490.00
Median	99.43%	$308,750.00	$308,750.00	$296,825.00
Mean	99.83%	$297,790.00	$295,450.00	$296,709.00
Weighted Mean	99.64%			
Standard Deviation	5.14	31,019.11	30,844.67	28,939.92
Coefficient of Dispersion	3.92			
Coefficient of Variation	5.15			

Although oversimplified in the above explanation, one can see that there are several other calculations that are used to determine the reliability of the appraisal model such as the standard deviation, coefficient of dispersion, and coefficient of variation.

Notice of Appraised Value

A Notice of Appraised Value generally informs property owners of the value of their property for a given tax year that is subject to taxation.

These notices are required by the Tax Code if the value of a property is higher than it was in the previous year, the value of a property is higher than the property owner gave on a rendition, the property was not in the appraisal records the previous year, or an exemption that was on a property the previous year has been canceled or reduced for the current year.

FBCAD, however, will generally send a notice every year.

A detailed notice contains the description of the property; taxing units that tax the property; the appraised value for the previous year; the appraised value for the current year; an explanation of available property tax exemptions; last year's and this year's exemptions; statutory language; an explanation of how to protest the property value; Appraisal Review Board (ARB) hearing information; and an explanation that the appraisal district only determines property values and does not decide on tax increases.

Tax Code Section 25.19 requires the Chief Appraiser to send a notice of appraised value by May 1 or April 1 for residence homesteads, or as soon as possible after.

If a property owner disagrees with their property value, they have the right to file a protest with the ARB. A protest form and information about how and when to file a property value protest is included with the notice of appraised value. You can also visit www.fbcad.org/appeals/ to file your protest.

General Information

Once the chief appraiser certifies the appraisal records, local taxing units then finalize their budgets and determine the tax rate needed to fund their budgets.

Although appraisal districts can raise your value, they cannot raise taxes. The values produced by the appraisal district ensure equitable distribution of the tax levy.

The budgets adopted by local elected officials determine whether there is a tax increase or not. If the adopted budget is higher than that of the previous year, then those officials have enacted a tax increase. They will then set a tax rate needed to fund that budget.

After the tax rate is determined, the Tax Office, led by the Tax Assessor Collector, is responsible for calculating and sending tax bills, collecting tax payments, and disbursing them to taxing units.

Property taxes are known as ad valorem taxes (Latin for "to the value") because taxes are levied on the value of a property.

How Property Tax is Determined

When the certified appraisal roll is received from the appraisal district, the property values are loaded into a tax office's computer system.

The governing body of each taxing unit sets their tax rate. The certified appraisal roll and the adopted tax rates are used to calculate property taxes for the current tax year every October/November.

Tax statements are then printed and mailed to property owners and mortgage companies.

Property owners pay their taxes. Then, the tax office disburses the taxes collected to the taxing units it serves.

Not all taxing units' taxes are collected by the tax office. There are other private tax collecting agencies that taxing units higher to do this. Some taxing units collect taxes themselves.

Property Tax Payments

Property owners must pay their taxes by February 1st of the following tax year. For example, 2022 property taxes will be due February 1st, 2023. Property taxes are considered late if they are paid after

February 1st of the following tax year; this is known as the delinquency date.

Any property taxes not paid on February 1st become delinquent and are assessed penalty and interest. Real property delinquent taxes incur a collection fee of 15-20% on July 1st. Business personal property delinquent taxes incur a collection fee of 15-20% after April 1st.

Property Tax Bill

Tax Code Section 31.01 requires the tax assessor-collector to prepare and mail a tax bill to each property owner listed on the tax roll or to that person's agent by October 1st of the tax year or as soon after as practicable each year.

In the case of properties with a mortgage with property taxes that are paid from an escrow account, the legal requirement is satisfied by sending a tax bill to the mortgage company.

Written authorization by the property owner is not required to send a tax bill to their mortgage company when the mortgage company acknowledges that it has authority to pay property taxes on a property.

The Texas Property Tax Code requires that tax bills include the following information:

1. the property that is being taxed
2. the appraised value, the assessed value, and the taxable value of the property

3. the market value and the taxable for purposes of deferred or additional taxation as provided by the Tax Code.

4. The assessment ratio for each taxing unit (In Texas, that is 100%)

5. The type and amount of any exemption on a property and whether it applies to the appraised or the assessed value

6. the total tax rate for each taxing unit

7. the amount of property taxes due, the due date, and the date they will be considered delinquent

8. the payment option and discounts provided by the Tax Code, such as the quarter payment plan, if it is available to a taxing unit's taxpayers, and state the date on which each of the discount periods end

9. the rates of penalty and interest imposed for late payment of property taxes

10. the name and telephone number of the assessor for each taxing unit associated with the property and if different the name and telephone number of the collector for each taxing unit associated with the property

11. for real property, for the current tax year and the five tax years preceding: the appraised value and taxable value, the total tax rate of each taxing unit, the amount of taxes imposed by each taxing unit, and the percentage increase or decrease in the amount of taxes imposed by each taxing units compared to the amount imposed for the preceding tax year

12. for real property, the percent increase or decrease for the current tax year as compared to the fifth tax year before the current tax year: The appraised value and taxable value of the property, the total tax rate for each taxing unit, the amount of taxes imposed by each taxing unit, and if the information is missing or unavailable for an of the preceding tax years a statement stating this fact

13. The amount of the fee for streetlights in certain counties where the county imposes fees on property owners who benefit from streetlights put along a county road and who require the fee be put on property tax bills.

Additional Information

For more information about the Property Tax System, view the Comptroller's Texas Property Tax Guide at Texas Property Tax Basics - June 2020 (fbcad.org) and their Property Tax System Basics at Property Tax System Basics (texas.gov).