How Property is Valued

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Taxes

Property Tax Assistance

Valuing Property

With few exceptions, Tax Code Section 23.01 requires taxable property to be appraised at market value as of Jan. 1. Market value is the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- it is offered for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the need or demand of the other.

▼ How Property is Valued

Each appraisal district determines the value of all taxable property within the county boundaries. Tax Code Section 25.18 requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. Tax Code Section 23.01 requires that appraisal districts comply with the Uniform Standards of Professional Appraisal Practice if mass appraisal is used and that the same appraisal methods and techniques be used in appraising the same or similar kinds of property. Individual characteristics that affect the property's market value must be evaluated in determining the property's market value.

Before appraisals begin, the appraisal district compiles a list of taxable property. The list contains a description and the name and address of the owner for each property. In a mass appraisal, the appraisal district then classifies properties using a variety of factors, such as size, use, construction type, age and location. Using data from recent property sales, the appraisal district appraises the value of typical properties in each class.

Three common approaches that the appraisal district may use in appraising property are the sales comparison (market) approach, the income approach and the cost approach.

Sales Comparison (Market) Approach

The sales comparison (market) approach is based on sales prices of similar properties. It compares the property being appraised to similar properties that have recently sold and then adjusts the comparable properties for differences between them and the property being appraised.

Income Approach

The income approach uses income and expense data to determine the present worth of future benefits. This approach seeks to determine what an investor would pay now for a property based on its anticipated future revenue stream.

Cost Approach

The cost approach is based on what it would it cost to replace the building (improvement) with one of equal utility. Depreciation is applied and the estimate is added to the land value.

▼ Notice of Appraised Value

Tax Code Section 25.19 requires a chief appraiser to send property owners a *Notice of Appraised Value* by:

- April 1, or as soon thereafter as possible for residence homesteads; or
- May 1, or as soon thereafter as possible for any other property.

A *Notice of Appraised Value* is sent if:

- **the value of a property is higher than it was in the previous year** (The appraisal district's board of directors can decide to send notices only if a property's value increases by more than $1,000.);
- **the value of a property is higher than the value rendered by the property owner** (see Rendition section below for more information);
- **the property was not on the appraisal district's records in the previous year**; or
- **an exemption or partial exemption approved for the property for the preceding year was canceled or reduced for the current year**.

A *Notice of Appraised Value* contains:

- the property description;
- a list of the taxing units allowed to tax the property;
- the preceding year's appraised value;
- the preceding year's taxable value;
- the current year's appraised value;
- an explanation of available partial or total exemptions;
- last year and current year exemptions;
- a detailed explanation of how to protest;
- the date and place the appraisal review board (ARB) will begin hearing information;

- an explanation of the availability and purpose of an informal conference with the appraisal office before a hearing on a protest; and
- an explanation that the appraisal district only determines a property's value and does not decide on tax increases.

If a property owner disagrees with the value in the notice, they may use the *Property Owner's Notice of Protest* included with the notice to file a protest with the ARB.

For additional information on protests and appeals, see our Appraisal Protests and Appeals [comptroller.texas.gov/taxes/property-tax/protests/index.php] webpage.

▼ Limitation on Residence Homestead Value Increases

The appraised home value for a homeowner who qualifies his or her homestead for exemptions in the preceding and current year may not increase more than 10 percent per year.

Tax Code Section 23.23(a) sets a limit on the amount of annual increase to the appraised value of a residence homestead to not exceed the lesser of:

- the market value of the property; or
- the sum of:
  - 10 percent of the appraised value of the property for the preceding year;
  - the appraised value of the property for the preceding year; and
  - the market value of all new improvements to the property.

Tax Code Section 23.23(e) defines a new improvement as an improvement to a residence homestead made after the most recent appraisal of the property that increases its market value and was not included in the appraised value of the property for the preceding tax year. It does not include repairs to or ordinary maintenance of an existing structure, the grounds or another feature of the property. Tax Code Section 23.23(f) states that a replacement structure for one that was rendered uninhabitable or unusable by a casualty or by wind or water damage is also not considered a new improvement.

The appraisal limitation only applies to a property granted a residence homestead exemption. The limitation takes effect Jan. 1 of the tax year following the year in which the property owner qualifies for the homestead exemption. It expires on Jan. 1 of the tax year following the year in which the property owner no longer qualifies for the residence homestead exemption.

If an ARB, arbitration or court determination lowered a property's appraised value, the appraisal district cannot increase the appraised value unless the increase is reasonably supported by clear and convincing evidence.

▼ Rendition

A *rendition* is a form that may be used by a property owner to report taxable property owned on Jan. 1 to the appraisal district. Both real and personal property may be rendered. The rendition identifies, describes and gives the location of the taxable property. Business owners must report a rendition of their personal property. Other property owners may choose to submit a rendition.

Persons filing renditions who are not the property owner, owner's employee or affiliated entity or a secured party must have the rendition notarized.

If the total taxable value of personal property is less than $2,500 in any one taxing unit, the property is exempt in that taxing unit.

- **Advantages**

  A property owner who files a rendition is in a better position to exercise his or her rights as a taxpayer.

  The property owner's correct mailing address is established on record so taxing units send tax bills to the right address.

  The property owner's opinion of his or her property's value is on record with the appraisal district. The chief appraiser must send a notice of appraised value if he or she places a higher value on the property than the value listed on rendition by the property owner.

- **Deadlines**

  Rendition statements and property report deadlines depend on property type or location. The statements and reports must be delivered to the chief appraiser after Jan. 1 and no later than the deadline indicated below. Allowed extensions also vary by property type or location as referenced below.

Rendition Statements and Reports	Deadlines	Allowed Extension(s)
Property generally	**April 15**	◦ May 15 upon written request ◦ Additional 15 days for good cause shown
Property regulated by the Public Utility Commission of Texas, the Railroad Commission of Texas, the federal Surface Transportation Board or the Federal Energy Regulatory Commission. Tax Code 22.23 (d).	**April 30**	◦ May 15 upon written request ◦ Additional 15 days for good cause shown

  - **Property Inspection**

    Tax Code Section 22.07 authorizes the chief appraiser or a representative to enter the premises of a business, trade or profession to inspect the property to determine the existence and market value of tangible personal property used for the production of income and if it has taxable situs.

- **Penalties**

  A penalty of 10 percent of the total amount of taxes imposed the on the property for that year could be incurred for failing to timely file a rendition statement or property report.

  A penalty of 50 percent of the total amount of taxes imposed on the property for the tax year of the statement or report could be incurred for filing a false report or statement or for altering, destroying or concealing any record.

Additional Resources

Rendition Forms [comptroller.texas.gov/taxes/property-tax/forms/]