

The seal of the Texas Comptroller of Public Accounts is visible in the background. It features a five-pointed star in the center, surrounded by a wreath of olive and oak branches. The words "THE COMPTROLLER" are written in a circular path around the top, and "TEXAS" is at the bottom.

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Texas Comptroller of Public Accounts

# Property Tax Administration in Texas

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Tax Code Section 5.05(a) authorizes the Comptroller's office to prepare and issue publications relating to the appraisal of property and the administration of taxes as a public service. By publishing this manual, the Comptroller's office is making available an information resource of a general nature regarding the appraisal of property and the administration of taxes. This publication does not address and is not intended to address all aspects of property appraisal, tax administration or property tax law. The information contained in this publication neither constitutes nor serves as a substitute for legal advice.

Pursuant to Tax Code Section 5.041(f), the Comptroller's office may not advise a property owner, a property owner's agent or the appraisal district on a protest matter. Questions regarding property appraisal, tax administration, the meaning or interpretation of statutes, legal requirements and other similar matters should, as appropriate or necessary, be directed to an attorney or other appropriate counsel.



# Property Tax Administration in Texas

Property taxes – also called ad valorem taxes – are locally assessed. The appraisal district appraises property located in the county, while local taxing units set tax rates and collect property taxes based on those values. Texas law allows the Texas Comptroller of Public Accounts to advise local governments and taxpayers on property tax issues, but does not grant jurisdiction to intervene in local tax matters. This pamphlet is a brief summation of the duties and activities of the Comptroller’s Property Tax Assistance Division (PTAD).

## I. Local Appraisal System

Appraisal districts are responsible for appraising all property subject to property taxes in Texas, according to Tax Code Chapter 6. Unless otherwise provided by law, appraised values are required to represent market value, which is defined as the value for which the property would likely sell on Jan. 1.

There are three standard approaches used to determine market value:

- The *market approach* uses sales of properties to estimate the value of similar properties that have not sold. For instance, sales in a residential neighborhood can be used to estimate the value of all properties in the neighborhood, assuming the sales are adjusted for differences in property characteristics such as size, age, location, etc.
- The *income approach* uses the net income from a property used for business purposes to estimate the price a potential buyer would pay for commercial property.
- The *cost approach* first determines the cost necessary to replace the property and then depreciates that value based on the age and condition of the property to arrive at an estimate of the current market value.

All three approaches must be considered in valuing property. One approach may be used or all three may be calculated and reconciled to arrive at a single value.

Appraisal districts are required to reappraise all property at least once every three years, but may have to reappraise more often to ensure that values represent market value as of Jan. 1 each year.

Taxpayers receive notices of appraised value from their appraisal districts if values or ownership change. They have the right to protest the property value if they believe it overstates

the market value or if they believe the value is higher than a sample of similar properties. Protests may be resolved informally with the appraisal district staff or by appraisal review boards (ARB).

Administrative reviews of appraisal district values are done by ARBs. At hearings before ARBs, taxpayers and appraisal districts present evidence on which the ARB bases its determination. Taxpayers may appeal ARB decisions to district court in the county where the property is located. As an alternative to filing appeals to district court, taxpayers may appeal certain ARB determinations through binding arbitration or the State Office of Administrative Hearings.

Appraisal districts must certify appraisal rolls to the taxing authorities (school districts, cities, counties, etc.) by July 25. Once a certified appraisal roll is received by the taxing units, governing bodies set the tax rates, and tax collectors send out tax bills on or after Oct. 1.

## II. Property Value Study (PVS)

The Comptroller’s office is required to conduct a PVS for school districts every other year. PTAD prepares a PVS for approximately half of the school districts each year. The primary purpose of the PVS is to help ensure equitable distribution of state funding for public education. The secondary purpose of the PVS is to collect data to provide taxpayers, school districts, appraisal districts and the Legislature with useful information about property values.

The results of the PVS can affect a school district’s state funding. The Commissioner of Education uses the PVS to ensure equitable distribution of education funds. Generally, school districts with less taxable property value per student receive more state dollars for each pupil than school districts with more value per student.

To estimate a school district’s taxable value, the Government Code requires the Comptroller’s office to do the following:

- use generally accepted sampling, standard valuation, statistical compilation, and analysis techniques;
- ensure that different levels of appraisal on sold and unsold property do not adversely affect the accuracy of the study and that different levels of appraisal resulting from protests determined by the appraisal review board on the grounds

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- of market or appraised value or unequal appraisal are appropriately adjusted in the study; and
- test the validity of taxable values and presume that local value represents taxable value when local value is determined to be valid.

The Comptroller's office tests the taxable values the appraisal district assigns to each tested property category by constructing a statistical margin of error around the estimate of value for selected property categories in each school district. PTAD uses the actual margin of error if it is greater than 5 percent. In all other instances, PTAD has an allowable error of 5 percent, even if the actual margin of error is much smaller. PTAD considers values valid, or acceptable, when they are within the margin of error. Values outside this margin of error are considered to be invalid.

The Comptroller's office, in some cases, may use the local appraisal roll values as the estimates of the total taxable values in eligible school districts, even when the local appraisal roll values are invalid. This is known as a grace period. A school district is only eligible for a grace period if: (1) in the current PVS year, the local value is invalid and does not exceed the state value; (2) in the two preceding PVSs, the local value was valid; (3) in the current PVS year, the aggregate local value of all studied categories is not less than 90 percent of the lower limit of the margin of error; and (4) the appraisal district that appraises property for the school district was in compliance with the scoring requirements of Tax Code Section 5.102.

The steps involved in conducting the PVS are:

- Step 1. Gather and prepare market data (sales, costs, income/expenses and other information).
- Step 2. Select a sample using a statistical model designed to achieve a uniform margin of error in each school district to the extent practicable.
- Step 3. Appraise property when necessary (instead of using sales data).
- Step 4. Match PTAD values with local values.
- Step 5. Compute property ratios (comparing PTAD values with local values).
- Step 6. Stratify by common features, usually value.
- Step 7. Analyze data and report results.

Results of the most recent PVS can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/pvs.html](http://comptroller.texas.gov/taxinfo/proptax/pvs.html).

### III. Methods and Assistance Program (MAP)

PTAD performs Methods and Assistance Program (MAP) reviews implementing Tax Code Section 5.102, which requires the Comptroller's office to conduct a review of all appraisal districts every two years. The review must address four issues: governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodologies. PTAD reviews approximately half of all appraisal districts each year. School districts located in counties that do not receive a MAP review in a year are subject to a PVS in that year.

PTAD sends preliminary findings to chief appraisers by email by Sept. 1 or as soon thereafter as practicable. Reviews are completed no later than Dec. 31. The final results are published on PTAD's website.

After the final results are issued, the appraisal districts and their boards of directors have one year to take remedial action on the recommendations contained in the reports. If the recommendations are not implemented within that year, the appraisal district is referred to the Texas Department of Licensing and Regulation.

More information on the MAP program can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/map/index.html](http://comptroller.texas.gov/taxinfo/proptax/map/index.html).

### IV. Other PTAD Programs

PTAD offers assistance and implements statutory requirements in many innovative ways, by providing information to customers who need property tax assistance in the most accessible manner possible, including use of the latest technologies offered by the Internet.

PTAD is committed to its mission of assisting local property taxpayers, appraisal districts, appraisal review boards, tax assessor-collectors and elected officials to ensure property tax administration is uniform and fair statewide. This assistance is designed to ensure local government and taxpayers retain control of this form of taxation.

#### **ARB Model Procedures**

In compliance with Tax Code Section 5.103(a), the Comptroller's office developed model procedures for ARBs. The model procedures offer a guide for ARBs to use in developing hearing procedures that are specific to the individual district in which the ARB will hold hearings.

A copy of the ARB model procedures can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/arb/index.html](http://comptroller.texas.gov/taxinfo/proptax/arb/index.html).

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## **ARB Survey Report**

In compliance with Tax Code Section 5.103(e), the Texas Comptroller of Public Accounts provides a survey as a reasonable opportunity for persons to offer comments and suggestions concerning ARBs. Tax Code Section 5.103(f) requires the Comptroller's office to issue an annual report summarizing comments and suggestions received from property owners. The Comptroller's office does not have jurisdiction to intervene in local tax matters or take direct action on any comment or suggestion submitted.

More information about ARB survey results and annual reports can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/resources/reports.html](http://comptroller.texas.gov/taxinfo/proptax/resources/reports.html).

## **ARB Training**

In compliance with Tax Code Section 5.041, each year PTAD conducts two types of ARB seminars. The first is a comprehensive, introductory class aimed at new ARB members, and the second is an advanced ARB training class aimed at returning ARB members. PTAD is responsible for training all ARB members and provides this training annually. To assist in this training, PTAD produces two publications: *Appraisal Review Board Manual* and *Continuing Education Course for Appraisal Review Board Members*.

PTAD assists property owners in the ARB protest process by offering two videos on how to present your case at an appraisal district hearing – one for homeowners and one for small businesses.

## **Biennial Property Tax Report**

Tax Code Section 5.09 directs the Comptroller's office to publish a biennial report on tax rates and property values. This report provides the governor, the lieutenant governor, the speaker of the House of Representatives and each member of the Legislature information on appraised values, taxable values and tax levies and rates of counties, cities and school districts. The report is published electronically in December of every even-numbered year and can be found on PTAD's website.

## **Binding Arbitration**

Tax Code Chapter 41A gives property owners meeting certain criteria the option of requesting binding arbitration as an alternative to filing an appeal of an ARB's decision to state district court. The property owner must file a *Request for Binding Arbitration* with the appraisal district within 45 days of receiving the ARB order determining the protest, along with a \$500 deposit by cashier's check or money order payable to the Comptroller of Public Accounts. The appraisal district must certify the application and forward the request, deposit and a copy of the protest order to the Comptroller's office within 10 calendar days. Decisions by the arbitrator are binding on the parties.

The Comptroller's office must maintain a registry of qualified arbitrators meeting the requirements of law. Roughly 1,300 taxpayers use this service each year.

PTAD offers two online videos, *Binding Arbitration for Beginners* and *Taking Your Case to Binding Arbitration* to assist taxpayers with the arbitration process.

More information about arbitration services can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/arbitration/](http://comptroller.texas.gov/taxinfo/proptax/arbitration/).

## **Call Center and Website**

In compliance with Tax Code Section 5.08, PTAD's information services call center provides professional and technical assistance on property tax matters as requested without charge.

The information services group can be contacted Monday through Friday, 8 a.m. until 5 p.m., at 1-800-252-9121 ext. 4-6586 or by email at [ptad.cpa@cpa.texas.gov](mailto:ptad.cpa@cpa.texas.gov).

## **Education Approval**

Occupations Code Section 1151.1015 requires the Comptroller's office to approve continuing education programs and educational courses for property tax appraisers and tax assessor-collectors. PTAD approves content and assigns continuing education credits to continuing education programs and educational courses, approves instructors for educational courses, and approves the content of property tax professional certification exams.

More information and about education approval for property tax professionals can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/education.html](http://comptroller.texas.gov/taxinfo/proptax/education.html).

## **Forms**

PTAD creates, publishes and regularly maintains forms, applications and other information important to the administration of local property taxation. About 194 forms are accessible through PTAD's website. Various categories of forms include forms for the ARB, arbitration, collections, education, exemptions, property value study, rendition, railroad rolling stock, special appraisal, special inventory, proper value reports, truth-in-taxation, surveys and notices.

Property tax forms can be found on PTAD's website at [comptroller.texas.gov/taxinfo/taxforms/02-forms.html](http://comptroller.texas.gov/taxinfo/taxforms/02-forms.html).

## **Laws, Rules and Opinions**

After each legislative session, PTAD publishes *Texas Property Tax Law Changes* that includes highlights or general summaries of recent legislation relating to property tax. It is intended to be an informational resource to guide readers to legislation that impacts a particular issue. It does not include all legislation or exact or complete text of the legislation highlighted and is not a substitution for legal advice.

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PTAD updates and publishes the *Texas Property Tax Code* after each legislative session to provide access to the statutes that guide the administration of property taxes in Texas. The annotated version of this publication includes summaries of court cases, Attorney General Opinions and other references. This publication can be easily accessed on PTAD's website for free or ordered in paperback or on compact disc for a fee.

PTAD makes changes to agency rules on matters for which the Comptroller's office has rule-making authority. PTAD rules can be found online in the *Handbook of Texas Property Tax Rules*, together with courtesy copies of the text of proposed and adopted rule amendments and repeals.

PTAD posts online summaries of court decisions and recent Attorney General Opinions concerning various property tax issues.

### **Local Government Relief for Disabled Veterans Exemption**

PTAD manages the process for a city adjacent to a United States military installation or a county in which a United States military installation is wholly or partly located to apply for a disabled veteran assistance payment from the state under Local Government Code Section 140.011. The city or county must be a qualified local government during the fiscal year in which payment is sought.

### **Operations Survey Data**

In compliance with Tax Code Section 5.03(b), PTAD conducts an annual survey of appraisal districts concerning the administration and operation of their offices. The survey results are reported and posted on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/resources/reports.html](http://comptroller.texas.gov/taxinfo/proptax/resources/reports.html).

### **Penalty and Interest Charts**

PTAD maintains *Penalty and Interest Charts* that provide the principal and interest rates on delinquent property taxes required by Tax Code Section 33.01. The schedules include rates for taxes delinquent on Feb. 1 of the tax year. These rates do not apply to delinquent taxes based on a different delinquency date.

The penalty and interest charts can be found on PTAD's website at [comptroller.texas.gov/taxinfo/proptax/taxbills/](http://comptroller.texas.gov/taxinfo/proptax/taxbills/).

### **Presentations**

In compliance with Tax Code Section 5.08, PTAD's information and outreach effort includes regularly participating in conferences sponsored by property tax professionals, local government officials and taxpayer groups.

### **Publications**

Tax Code Section 5.05 authorizes the Comptroller's office to issue publications concerning the administration of local property tax. Under this authorization, PTAD prepares and issues several publications, including:

- Appraisal District Director's Manual
- Appraisal Review Board Members Manual
- Continuing Education for Appraisal Review Board Members
- Guidelines for Appraisal of Public Access Airport Property
- Guidelines for Appraisal of Recreational, Park and Scenic Land
- Guidelines for Qualification of Agricultural Land in Wildlife Management Use
- Heavy Equipment Dealer's Special Inventory Manual
- Manual Discounting Oil and Gas Income
- Manual for Appraisal of Agricultural Land
- Manual for the Appraisal of Timber Land
- Manufactured Housing Retailer's Special Inventory Manual
- Motor Vehicle Dealer's Special Inventory Manual
- Solar and Wind-Powered Energy Device Exemption Guidelines
- Vessel and Outboard Motor Dealer's Special Inventory Manual

PTAD prepares a sample media packet annually to help appraisal districts inform taxpayers of their rights and remedies. The packet includes sample radio announcements that can be printed and given to local announcers or downloaded for local radio stations. As most of the information is required by law to be published in newspapers, the packet includes samples of many different required notices that appraisal districts may take to their local newspapers.

In compliance with Tax Code Sections 5.06 and 41.461(a), PTAD publishes *Property Taxpayers Remedies* that informs taxpayers about how to protest their property value. Appraisal districts may include it with notices of appraised value to comply with Tax Code Section 41.70, requiring the chief appraiser to publish notice of how to protest.

### **Tax Rate Posting**

Tax Code Section 5.091 requires the Comptroller's office to prepare an annual list of total tax rates reported to the Comptroller's office by taxing units other than school districts. The tax rates included are for the preceding year and must be listed in descending order. PTAD publishes this list on its website not later than Dec. 31 of each year, as required.



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**[comptroller.texas.gov/taxinfo/proptax](http://comptroller.texas.gov/taxinfo/proptax)**

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