

The Property Tax in Texas

For many Texans, the property tax is the most mysterious tax they pay. Each spring they receive a notice from an entity they aren't familiar with telling them what their property is worth. Then in the fall they receive a notice of the taxes they owe on that property to their city, county, school district, and possibly several other taxing units they didn't know existed.

As confusing as it may seem, Texas law provides numerous protections to property owners (taxpayers), as well as opportunities to offer input on the value of their property, the tax rates that apply, and the local spending that taxes on their property support.

Though the state itself does not levy a property tax, it writes the laws that govern how property is appraised and how tax rates are adopted. The appraisal process is professionally managed and property owners have rights of appeal. And though few participate, the process by which local jurisdictions adopt tax rates must be open to the public and follow certain required steps.

A property owner's tax bill is the product of two numbers:

Taxable <u>Property Value</u> 100	X	Property Tax Rate	=	Property Tax Due
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People often focus on the value the local appraisal district assigns to their property, equating higher values to higher taxes. But in fact, local jurisdictions are required to begin their budget process by adjusting their tax rates down as values grow; however, jurisdictions commonly adopt tax rates much higher than this calculated "effective" tax rate. **It is the local desire for more revenue and the subsequent adoption of the higher tax rate that drives up property taxes—not the appraisal.**

In this research report, TTARA tries to shed some light on the rather perplexing process of how property is valued and taxed, so that taxpayers can better understand the system that often seems so exasperating.

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Figure 1
Texas Property Tax: What is Taxed

Item	Owned By:	
	Individuals (i.e. non-business purposes)	Business (i.e. for production of income)
Real Estate (Land & Buildings)	Taxed	Taxed
Personal Property	Not Taxed	Taxed

What is Taxed

The property tax in Texas applies to all real property and some tangible personal property in the state. Generally, all real estate—land and buildings—whether owned by an individual or a business is taxed. While the tax also applies to all tangible personal property, “household goods or personal effects not held or used for the production of income” are specifically exempted. In effect, tangible personal property is only taxed if it is owned by a business (Figure 1).

What Is Exempt

Because the base of the property tax is defined in the Constitution, all exemptions must also be authorized in the Constitution, either specifically stated and self-executing, or granting the Legislature authority to provide one.

Residential Exemptions. The most extensive exemptions are those for homeowners, as a way of easing the cost of homeownership. Residence homestead exemptions vary depending on the unit of government that levies the tax, and many offer optional exemptions that might not be available in other taxing units. A residence homestead exemption (\$25,000 in value) is mandatory for school district taxes. Also mandatory is a school district exemption of \$10,000 for the residence homesteads owned by persons who are age 65 or more or who are disabled (these may be extended to surviving spouses). A mandatory county exemption of \$3,000 also exists against taxes levied for the construction and maintenance of farm-to-market roads or flood control. Other taxing units may, at their discretion, offer optional residence homestead exemptions of up to 20 percent.

The value of a residence homestead that exceeds the appraised value for the previous year by more than 10% is exempt from property taxes in the current tax year. Another limitation on taxes paid by homeowners is a hard limit on the property taxes due on residence homesteads owned by persons who are age 65 or older or who are disabled. These tax “freezes” are required for school taxes, but are optional for counties, cities, and junior college districts. That amount can be reduced if values or exemptions change or increase if property improvements are made. The benefits of these provisions are extended to surviving spouses.

Most exemptions are delineated in the Property Tax Code. Exemptions for certain public use and low and moderate income housing are provided in the Government Code, the Local Government Code, and the Transportation Code. They are administered by appraisal districts in the same manner as other exemptions.

Business Exemptions. In addition to exemptions on residential property, certain exemptions are available to businesses. Among the most important are exemptions for pollution control property. This exemption applies only to property put in place because of regulatory mandate. The Texas Commission on Environmental Quality determines property eligibility for the exemption.

Local jurisdictions may, at their option, offer an exemption for “Freeport” property —personal property inventory that is detained in Texas for 175 days or less. This exemption may include goods, wares, ores and merchandise, but not oil and gas and other petroleum products. They may also offer exemptions for goods-in-transit that are stored in warehouses for 175 days or less, as well as aircraft parts detained for 730 days or less.

The Property Redevelopment and Tax Abatement Act (Chapter 312 of the Property Tax Code) permits cities and counties to develop local tax abatement guidelines for property located within reinvestment zones. These agreements provide tax exemptions for real property improvements—i.e. new investments—and certain personal property for up to ten years to promote economic development. Taxing units, other than school districts, may enter similar agreements. School districts may offer temporary limitations on the taxable value of certain new capital projects under Chapter 313 of the Property Tax Code. The Comptroller is required to maintain a central registry of all local property tax abatement agreements. Other special purpose exemptions are identified in Figure 2.

Figure 2 Texas Property Tax: What is Exempt

- residence homesteads (general, age 65 and older, disabled person, 100% disabled veterans, donated homesteads to veterans, and surviving spouses of members of the armed services killed in action);
- property owned by the state or a political subdivision, if used for a public purpose;
- certain transitional housing;
- property exempted from ad valorem taxation by federal law;
- tangible personal property not producing income;
- income-producing tangible personal property having value of less than \$500;
- mineral interests having value of less than \$500;
- family supplies;
- farm products and implements of husbandry;
- cemeteries;
- property owned and used exclusively by charitable organizations performing one or more of 24 listed functions;
- hospitals providing charity care;
- low-income housing improved by certain charitable organizations, such as Habitat for Humanity;
- community housing developments;
- land owned by community trusts;
- ambulatory health care centers;
- property owned and used by organizations engaged primarily in performing certain charitable functions;
- colonia model subdivisions;
- property owned and used by youth spiritual, mental, and physical development associations, such as the YMCA and YWCA;
- places of worship owned and used by religious organizations;
- private schools;
- property owned by disabled veterans according to disability ratings;
- property owned and used by veteran’s organizations (VFWs, American Legions, etc.), county fair associations, and other miscellaneous exemptions;
- property owned by non-profit community business organizations providing economic development services;
- historic sites;
- marine cargo containers used in international commerce;
- Freeport goods;
- motor vehicles used for personal use or both income-producing and personal use;
- certain goods-in-transit;
- solar and wind-powered energy devices with on-site use;
- offshore drilling equipment not in use;
- property subject to tax abatement agreements under Tax Code Chapter 312;
- intra-coastal waterway dredge disposal sites;
- non-profit water supply or wastewater service corporation property;
- pollution control equipment;
- landfill-generated gas conversion facilities;
- energy storage systems in non-attainment areas;
- property subject to certain water conservation initiatives; and
- raw cocoa and green coffee in Harris County.

Appraising Property

Determining Values. The Texas Constitution provides all real and tangible personal property, unless exempt by the Constitution, must be taxed in proportion to its value as ascertained by law and that taxation must be equal and uniform. The Property Tax Code was enacted in 1979 to provide the mechanism for administering the property tax.

Central (county) appraisal districts, or CADs, are established within each county and are tasked with listing and valuing all property within the county's boundaries, administering exemptions, and performing other duties required by law. The law permits CADs to consolidate by agreement, which is the case with Potter and Randall Counties. Each CAD is governed by a board of directors selected by designated taxing units. The most important role of the CAD board is to appoint the chief appraiser to administer the appraisal office. The chief appraiser has specific duties related to the operation of the district and the creation of the appraisal roll annually.

The chief appraiser identifies property located within district boundaries from:

- real property records from prior years and county deed records; and
- renditions of business personal property provided by property owners.

A single appraisal of property within each county is mandated by the Constitution, which also provides that the Legislature shall prescribe by general law the methods, timing, and administrative process for implementing the law. Further, the Constitution states that property may not be appraised at more than its fair cash market value for property tax purposes.

The appraisal district must appraise property at its market value as of January 1, except for special appraisals permitted by law. Owners of business personal property may opt to use a September 1 appraisal date if appropriate notice is provided. Market value is determined using generally accepted appraisal methods and techniques with consideration of the individual characteristics of the property. Market value is defined as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed 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 the purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Basic Property Tax Terms & Their Meanings

Appraisal: Appraisal is the process of determining the value of property, whether real or tangible personal. In Texas, the values are determined by appraisal districts.

Appraisal Review Board (ARB): The ARB is a board of citizens assigned to hear contests filed by property owners disputing the value assigned to their property by the appraisal district.

Assessment: The assessment of property is the process of determining the tax due on the property. The assessment is based on the taxable value of the property multiplied by the appropriate tax rate(s) (per \$100).

Central or County Appraisal District (CAD): Each Texas county constitutes the boundaries of an appraisal district which is required to list and value all taxable property and administer the law related to property taxation.

Taxing Unit: A unit of government that levies a property tax. Taxing units include school districts, counties, cities, junior colleges, and a variety of special purpose districts.

Effective Tax Rate (ETR): The tax rate, when applied to the current year's tax base (excluding new value), would raise the same amount of property tax revenue as collected in the previous year.

The chief appraiser is authorized to use the most appropriate method to determine a property's market value—either by:

- market sales comparison;
- income;
- cost approach; or
- a reconciliation of all three.

These methods of appraisal are designed to arrive at market value. While market sales are the best indicators of value, they may not exist for certain types of property and other indicators must be considered.

For commercial and other business property, the income derived from the operation of the property and the expenses incurred provide good indicators of what a willing buyer would pay a willing seller for the property. The cost approach is the most appropriate method when a building is under construction, sales data is unavailable, or income and expense information cannot be gathered.

The appraised value of a residence homestead is limited to no more than a 10% increase over the prior year, plus the market value of all new improvements to the property. The limitation takes effect on January 1 of the tax year following the first tax year that an owner qualifies for the residence homestead exemption. Special provisions exist for property rendered uninhabitable by casualty, wind, or water damage, as well as property subject to a disaster recovery program.

Specific appraisal methods are required to be used for certain special types of properties, such as dealer inventories (motor vehicles, boats, manufactured housing, vessels, and heavy equipment), oil and gas interests, and low and moderate income housing. Recreational, park, and scenic land and public access airport property must be appraised as required by law.

The Texas Economic Development Act (Tax Code Chapter 313) also provides for appraised value limitations on designated property for school district tax purposes. Property must qualify according to use, such as manufacturing, research and development, and energy generation, and be certified by the Comptroller. The value limitations may extend no more than ten years.

Agricultural Land Valuation. Land used for farm, ranch, wildlife management, and timber purposes are appraised for tax purposes based on their "productive," rather than market value—usually a much lesser amount. Often called "ag exemptions," open-space land devoted principally to agricultural use may receive special appraisal based on its income and expenses for enterprises typical in the county. This land may qualify after five years for wildlife management as provided by guidelines prescribed by the Texas Parks and Wildlife Department and the Comptroller. Special provisions exist for the qualification and appraisal of land used for timber production and in restricted use timber areas (aesthetic management zones, critical wildlife habitats, or streamside management zones).

Continued...Basic Property Tax Terms & Their Meanings

Rollback Tax Rate (RTR): The tax rate, when applied to the current year's tax base, would raise 8 percent more property tax revenue for maintenance and operations than the previous year plus cover the taxing unit's budgeted interest and sinking fund obligations for the year. If a taxing unit adopts a tax rate that exceeds the RTR, voters may petition to hold an election to reduce the adopted tax rate to the rollback tax rate.

Maintenance and Operations Tax Rate (M&O): The tax rate used to fund the general operating expenses of a taxing unit.

Interest and Sinking Fund Tax Rate (I&S): The tax rate required to generate the amount of revenue to pay for the year's debt service obligations of a taxing unit.

Total Tax Rate: The total tax rate levied by a taxing unit. It is the sum of the tax rates for maintenance and operations and for interest and sinking fund obligations.

Personal Property: Generally, personal property is any type of property that can be moved (e.g. automobiles, jewelry, clothes, machinery, inventories, etc.).

Real Property: Generally, real property is any property that cannot be readily moved. It includes land and buildings or other fixtures affixed to the land. All real property in Texas is subject to the property tax unless specifically exempted.

Owners must apply for the special appraisal and provide adequate information so the appraisal district can verify the use of the land. If the use of the land later changes to something that is not agricultural in nature, the law provides for a recapture of taxes for five preceding years based on the difference in the land's market value and its special appraisal. Similar rollback provisions exist for change of use of timber land; recreational, park, and scenic land; and public access airports.

State Oversight. Although values are determined locally by chief appraisers, the state plays a key oversight role necessitated by the school finance system. State aid to schools depends in part on a school district's property wealth, so it is important for the integrity of the school finance system that property be valued consistently across districts. To ensure this, state law requires the Comptroller to conduct a biennial study of property values across school districts. The study determines the appropriate value of categories of property through a sampling process for the prior year. If the study indicates that a school district's values for those categories are not within a 5% margin of error, state funding may be adjusted. A CAD has a one year grace period so that value disparities can be corrected locally, avoiding a reduction in state aid to schools.

In alternate years, the Comptroller also conducts a review of appraisal district operations to ensure adherence to generally accepted appraisal methods and the use of uniform procedures statewide, commonly referred to as "MAP" reviews (Methods and Assistance Program).

Notice and Rendition. Homeowners are generally provided with appraisal notices from their CAD by April 1. Owners of other types of property are generally provided notices of appraisal by May 1.

While real property is relatively easy to identify, business personal property is moveable and not always visible. State law requires businesses that own tangible personal property to file rendition statements with appraisal districts, identifying the personal property they own within the county by April 15 and providing information concerning value.

Disputing Values and Exemption Determinations

Owners who believe the appraisal district has not correctly valued their property may contest the valuation. Typically, a property owner may request the appraisal district provide an informal review. If the property owner is not satisfied with the result they may file written notice and pursue a more formal appeal to the local Appraisal Review Board, or ARB.

In counties with a population of 120,000 or more, ARB members are appointed by the local administrative district judge. In less populous counties, CAD boards appoint ARB members. ARB members are paid for their time by the CAD.

Timely protests may be filed with the ARB by regular mail or electronically, generally before June 1. In an ARB hearing, the appraisal district has the burden of proof concerning value and unequal appraisal. The district must establish the value of the property by a preponderance of the evidence; if the district fails to do so, the ARB must find in favor of the property owner. ARB hearings may be held in person or by affidavit as required by law and procedures prescribed by the Comptroller. Automatic and good cause hearing postponements are permitted. Notice must be provided at least fifteen days before the date of the hearing, and the property owner is entitled to access material that will be used as evidence by the appraisal district. With limited exception, hearings are open to the public, and the ARB must maintain records of the proceedings. Orders of ARB decisions must be delivered to the protesting parties by certified mail and to the chief appraisers, so the tax roll will reflect the ARB's determinations.

An ARB must substantially complete the hearing process and approve the appraisal records by July 20 (if the CAD board of directors in counties with populations of one million or more approves, ARBs may have until August 30).

If dissatisfied with the decision of the ARB, a property owner has several avenues of pursuit concerning determinations of value, exemptions, or any other matter included in the ARB's order. However, before pursuing an appeal, a property

owner must pay taxes on the value that is not in dispute (in an exemption case, no tender is required because the entire value is disputed). An appeal to district court must be filed within 60 days of the appraisal review board’s order to be valid. Venue is in the county in which the property is located.

Owners of homesteads (any value) or of any other property valued at \$3 million or less may pursue binding arbitration as an alternative to district court. Requests must be filed within 45 days of receiving the appraisal review board order determining protest accompanied with deposits of between \$450 and \$1,050, based on the value of the property. Arbitration proceedings are conducted locally by arbitrators appointed by the Comptroller. Arbitrator decisions which are not appealable must be made within twenty days after the arbitration is conducted. Deposits are either returned to the property owner if the value determination is nearer to the owner’s opinion of value, or paid to the arbitrator if the determination is nearer to the appraisal district’s opinion of value. Comptroller rules dictate the procedures relating to the administration of this program.

Alternatively, appeals for any property valued at \$1 million or more may be filed with the State Office of Administrative Hearings (SOAH). Decisions by SOAH in these cases are binding and may not be appealed to district or appellate courts.

Regardless of the avenue of pursuit, a property owner who prevails in a value or unequal appraisal appeal, an appeal of a late filed correction motion, or other specified matters may be awarded reasonable attorney’s fees. Fees are based on tax liability, but may not exceed \$100,000. A prevailing property owner is entitled to a tax refund based on the difference between taxes paid and the amount for which the owner is liable based on the court’s determination, plus interest of 9.5% calculated from the delinquency date until the refund is made.

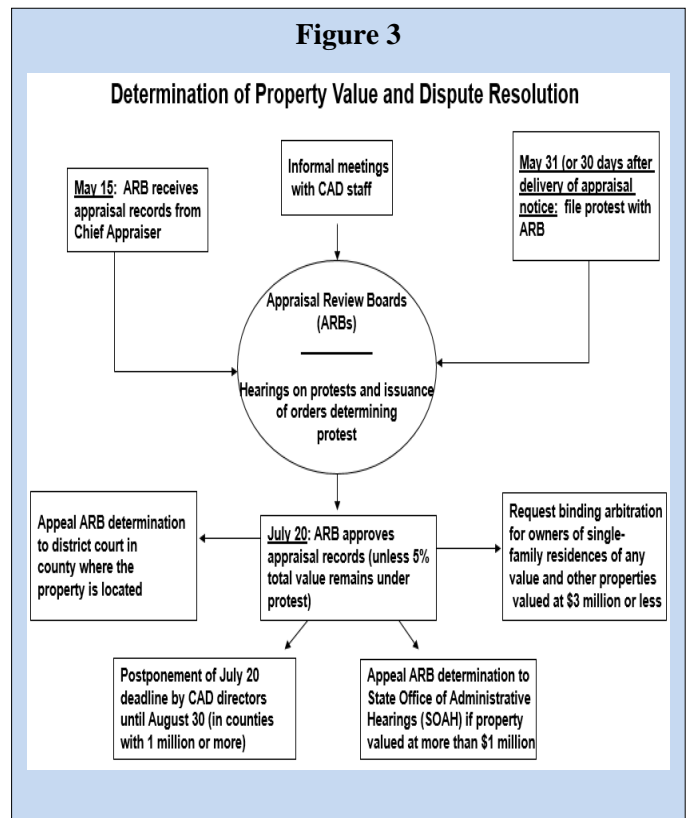
The process of disputing appraisal district determinations is illustrated in Figure 3.

Assessing (Taxing) Property

Setting the Tax Rate. The chief appraiser must provide counties, cities, and school districts estimates of their taxable values by April 30 so preliminary budget and tax work can begin. Chief appraisers are required to provide the assessor for each taxing unit a certified appraisal roll that lists taxable property located within its boundaries by July 25 for use in the final budget and tax calculations. This deadline may be adjusted if the ARB does not complete the appraisal records by July 20.

The process that local property taxing units must follow in adopting their tax rates based on those tax rolls is prescribed in the Texas Constitution and statutes. That process is known as “truth-in-taxation” or “TNT.”

Property owners must be given notice if their properties have been re-valued from the prior year, as well as a reasonable estimate of the amount of taxes that would be imposed on the property if the total amount of property taxes for the subdivision were not increased. A taxing unit seeking to adopt a tax rate that increases the amount of property taxes from the prior year must hold public hearings so the public may weigh in (newly annexed property and new improvements are excluded from the calculation).



Texas statutes detail how the exact, and extremely complex, math is to be done. Generally, a taxing unit calculates its “effective tax rate” (ETR)—the tax rate on the current year tax roll which would raise the same amount of property tax revenue as in the prior year. The calculation is complex and requires several adjustments. Not only is new value excluded, but adjustments are made to exclude increased spending to meet certain state mandates. Generally, if the district’s property has increased in value, the ETR will be less than the tax rate the district imposed in the prior year. The ETR is essentially a district’s “no new taxes” tax rate. If a taxing unit opts to adopt a tax rate greater than the ETR (i.e., “raise taxes”), it must hold two public hearings before doing so (school districts and water districts are only required to have a single public hearing).

In conjunction with the ETR, a taxing unit also calculates its “rollback tax rate” (RTR). The rollback rate for entities other than school districts is the tax rate at which the district would increase its adjusted property tax revenue for maintenance and operations by 8 percent. If a taxing unit adopts a rate higher than the RTR, voters may petition to roll the tax rate down to the rollback rate. A petition must be completed within 90 days and have the signatures of either 7 or 10 percent of the jurisdiction’s registered voters, depending on whether the amount of the tax increase is more or less than \$5 million.

A taxing unit is required to adopt its tax rate before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit. Public notices and hearings are required to set a tax rate above the ETR, and motions and votes must conform to statutory requirements. To set a rate that exceeds the ETR, 60% of the governing body must vote to do so.

The 8 percent rollback tax rate limit is a subject of controversy for many reasons.

First, the exclusion of new value is essentially a proxy for population growth—recognizing that as new property comes onto the tax rolls jurisdictions have a responsibility to provide services to it. However, it can allow some taxing units to exclude what can be substantial amounts of new taxes from rollback.

Second, as a proxy for inflation, the 8 percent level appears out of date for today’s low inflation environment. The rollback limit was initially set at 5 percent in 1979 when the rate of inflation was 11 percent. Responding to local complaints that inflation was eroding government purchasing power, the Legislature in 1981 increased the threshold to 8 percent (inflation was still running in double digits). Over the past twenty five years, inflation has never been higher than 4 percent, giving local taxing units excess taxing capacity that was not initially anticipated.

Third, the petition requirements are a very high barrier—particularly for large jurisdictions. For example, Harris County voters would have 90 days to gather a petition of over 150,000 signatures—a daunting, if not impossible, task.

Collecting Property Taxes. Assessor-collectors for taxing units prepare and mail tax bills by October 1 or as soon thereafter as practicable. County assessor-collectors are elected positions within each Texas county and are tasked with collecting the county’s property taxes. Other taxing units may contract with county assessor-collectors (or other assessor-collectors) to collect their taxes, as well, but they are not legally required to do so. Many special districts, particularly municipal utility districts, contract with law firms or companies to collect their taxes.

Taxpayers have four months to pay their bill. Split payment of taxes is permitted on a local option basis, and installment payments for disabled persons, persons age 65 or older, or veterans to pay taxes on their residence homesteads are required to be offered. Installment payments are also permitted for residence homesteads in disaster areas. Discounts are provided by local option, as are service in lieu of tax payments.

If a taxpayer has not paid a tax bill by February 1 of the subsequent year, the tax is considered delinquent and a penalty of 6 percent is assessed, plus 1 percent each additional month, or portion of a month, up to July 1. After July 1, the penalty is increased to 12 percent, with an additional 1 percent each month. Military personnel are entitled to extensions without penalty. The taxing unit may contract with an attorney to collect delinquent taxes and include the fees paid to

the attorney as a part of the amount due. However, if the jurisdiction opts to collect the delinquent taxes on its own, it may not assess collection fees.

Taxes that remain delinquent by July 1 may incur penalties and interest exceeding 30%. If taxes are not paid, the property can be seized and sold to recover taxes due. Property may be reclaimed by owners whose property is sold or transferred due to delinquency within specified timelines.

The property tax calendar on page 10 (Figure 4) shows the appraisal (January—May), review (June—July), assessment (August—September), and collection (October—January) phases for property tax administration.

Characteristics of a Good Property Tax

The essential elements of a quality property tax system are:

- a tax base that can be equitably and efficiently administered with appropriate oversight;
- a professional valuation process that produces a single taxable value for each property based on market value;
- reasonable exemptions that alleviate economic distortion;
- a workable and meaningful appeals process;
- an open and understandable rate-setting process; and
- a reasonable amount of taxes owed.

Prior to adoption of the bill that created the Property Tax Code in 1979 (often termed the “Peveto bill” for its House sponsor), property taxes in Texas were poorly and unequally administered by too many ill-equipped and understaffed tax offices operating in a manner that was neither equitable nor fair. Property was appraised by thousands of taxing units, often at different values, and taxes were assessed and collected without oversight. The Property Tax Code established county-wide administration of the property tax through professionally-staffed appraisal districts to provide an equitable and efficient process of establishing value. The new code also required that each property have a single appraisal based on its market value.

Appraisal district staff who determine values must be registered with the Texas Department of Licensing and Regulation and achieve professional certification within five years. Appraisal districts may contract with professional appraisal firms to perform valuation services. Appraisal systems based on accurate data inputs and the requirements for compliance with generally accepted appraisal standards produce professional and uniform valuations—independent from the taxing units that set tax rates. The fact that chief appraisers and appraisal district boards of directors are appointed rather than elected creates some degree of insulation from political influence.

Equality and professional administration of appraisal districts are achieved through oversight by the Comptroller of Public Accounts. The Comptroller in alternating years reviews (1) the methods and procedures of each appraisal district and (2) the actual values they assign to properties to ensure that the overall system produces values that are correct.

Local jurisdictions other than school districts can raise property taxes by up to 8 percent without being subject to rollback—a limit that was put in place when inflation was over 10 percent. Over the past twenty five years, inflation has never been higher than four percent, allowing jurisdictions to raise taxes much more easily than initially intended.

**Figure 4
Texas' Property Tax Timeline**

Date	Appraisal Review Board	Property Owner	Central Appraisal District	Taxing Jurisdiction
January 1		Generally all property is valued as of this date	CADs work to determine values	Collect prior year taxes
April 1	ARB member training occurs		CAD must mail notices of value to owners of single family residences	
April 15		Businesses owning tangible personal property must file a rendition statement with the CAD		
April 30		Property owners must file for exemptions with the CAD	Chief Appraiser provides preliminary estimate of tax roll to taxing units	Taxing units receive estimate of appraisal roll from chief appraiser
May 1			CAD must mail value notices of ALL property by this date	
May 31			Deadline for filing written protest of appraised value with the ARB	
June-July	ARB hearings on protests: ARB notifies CAD of corrections to appraisal records			
July 20	ARB notifies chief appraiser of any remaining appraisal amounts in dispute			
July 25			Appraisal roll certified by chief appraiser to taxing units	Taxing units receive official tax roll from chief appraiser
August 7				Taxing units must calculate and publish tax rates (ETR, RTR, and proposed rate)
September 1				Notices of proposed tax rates must be published; public hearings required for tax increases
September 30				Taxing units adopt their tax rates for the current tax year
October 1				Tax bills mailed
December 29		90 days after the tax rate adoption deadline for voters to petition to "roll back" a tax rate exceeding the RTR		
February 1, following year		Unpaid taxes incur penalties		

Transparency is provided in both the appraisal and the tax rate setting process through notices, public information, and public hearings. Notices of appraised value, which include estimates of taxes, are delivered to individual property owners annually. Property owners may protest values they believe are incorrect. Information concerning how property is appraised is available from appraisal districts and the Comptroller of Public Accounts.

The ability of property owners to protest values and then to appeal local appraisal review board decisions is essential to a fair process. Appraisal review boards composed of appointed citizens consider and determine property owner protests. Further review is allowed by district courts, arbitrators, and SOAH.

Taxing units are required to publish tax rate information annually and must conduct public hearings concerning proposed tax rates. A petition process, though cumbersome, exists to force an election to reduce tax increases if they exceed a certain level; increases in school district tax rates above a certain level require voter approval.

Overall, Texas’ system of property tax administration, while far from perfect, scores high relative to other states. The reasonableness of the ultimate tax bill relative to the public services provided is in the eyes of the beholder (or the payor); however, comparisons to other states reveal that Texas property taxes are among the highest in the nation.

The Minnesota Center for Fiscal Excellence and the Lincoln Institute of Land Policy track comparative property tax rates for different types of properties in locations across the states. The average effective property tax rate (i.e. tax due relative to the market value of the property) for all types of properties in Texas are substantially higher than national averages (Figure 5). Homestead taxes tend to range from 21 to 31 percent higher; commercial taxes from 13 to 39 percent higher; industrial taxes from 61 to 90 percent higher; and apartment taxes 23 percent higher. High property taxes in Texas reflect the state’s heavy reliance on the property tax as a method of local finance relative to other states—a tradeoff for Texas’ absence of a personal income tax.

Regardless of how well administered it may be, Texas’ property tax system bows under its high levels of taxation. While transparency in the system is promoted through notices, website information, property owner protests, and public hearings and meetings for tax rate setting, many taxpayers simply feel helpless in affecting how much they pay in property taxes. Their property values continue to increase due to market conditions, yet they rarely see corresponding reductions in their tax rates.

Figure 5 Effective Property Tax Rates, Texas and the US				
Type of Property	Texas Rate	US Average Rate	Texas vs US Average	Texas Rank (from Highest)
Urban Median-Value Home	1.854%	1.527%	121%	15
Rural \$150,000 Home	1.768%	1.345%	131%	16
Urban Commercial: \$25 ml Value	2.474%	2.188%	113%	19
Rural Commercial: \$25 ml Value	2.456%	1.761%	139%	8
Urban Industrial: \$25 ml Value	2.571%	1.597%	161%	5
Rural Industrial: \$25 ml Value	2.456%	1.294%	190%	2
Urban Apartment: \$600,000 Value	2.391%	1.938%	123%	14

Source: “50-State Property Tax Comparison Study,” Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence, April 2015



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The Texas Taxpayers and Research Association (TTARA) is a non-profit, non-partisan membership-supported organization of businesses and individuals interested in state and local fiscal policies in Texas and the way those policies impact our economy. TTARA members operate in every part of Texas; they employ and provide incomes to thousands of Texans; they produce or provide every type of good or service Texans consume; and, they provide a major portion of the revenue that supports public services at every level of government. TTARA has been recognized as the state's leading organization specializing in tax and fiscal policy for more than 50 years. The organization's annual meeting, held in the fall each year, features top elected leaders and government officials discussing current tax, expenditure, and other public policy issues.

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