



Roadmap to **TEXAS PROPERTY TAXES**

Market Insights

Texas has an aggressive property tax system, resulting in the seventh highest property tax burden in the nation. However, when considering overall tax burden, which includes other taxes like income tax, sales tax, etc., it ranks in the lower third of all states.

Texas mandates high standards of equality and uniformity. This means that property owners may expect to see regular revaluations at or near market value but may be assured that their final tax bill will be representative of the tax burden of other similar properties.

Texas is a nondisclosure state, meaning that sales prices do not have to be disclosed. However, most appraisal offices, local hearing panels, and district courts will require such disclosure before they consider any value reductions. It is usually best to be forthcoming with assessing officials and work out value issues under the provisions of equal and uniform valuation. The real estate market is still on an upward trend, and values will continue to see increases because of increased rental rates in all market segments.

General Assessment Overview

With no state income tax, the bulk of the funding for state and local budgets is derived from property taxes. The Texas Property Tax Code requires that property taxes be levied on all real and personal property at 100% of fee simple market value. Reappraisals are required at least once every three years; however, property can be reappraised every year.

Yearly reappraisal is typical for commercial and multifamily properties in the larger metropolitan areas, including Austin, Dallas/Fort Worth, Houston, and San Antonio, especially for properties valued at \$1,000,000 or more. Appraisal districts in the metropolitan areas are typically aggressive in their attempts to maintain 100% of market value on the tax roll. Assessment officials are very well educated and trained, so the consideration of equity analysis, the income approaches to valuation, and other advanced value techniques are often well received when discussing property valuations.

The Texas assessment date is January 1 of each year.

Property Tax Appeals

Prior to a formal hearing, most appraisal districts will try to work with property owners to informally review a property. If an agreement cannot be reached informally, the taxpayer can formally appeal to the Appraisal Review Board (ARB), an independent group not employed by any taxing entity.

Appeals are due by May 15 or 30 days after notices are issued, whichever is later.

In a formal ARB hearing, property owners and the chief appraiser discuss and defend their positions to the board. Once the ARB makes a decision, written notices will be sent to the property owner by certified mail. If still dissatisfied with the ARB's ruling, taxpayers have several appeal options depending on different criteria: filing an appeal to district court, through binding arbitration, or to the State Office of Administrative Hearings (SOAH).

If appealing to the state district court in the county where the property is located, a petition for review must be filed within 60 days of receiving the ARB's written order. This is a lawsuit appeal where the property owner is the plaintiff and the appraisal district is the defendant.

Binding arbitration is only an option for properties that are residences or have an appraised value of \$5 million or less. The request must be made within 45 days of the ARB decision notice. The comptroller's office will review the request and, if approved, assign an arbitrator to the case, who will then schedule an arbitration hearing. The arbitrator has 20 days to make a decision. A refundable deposit is also required for this type of appeal.

Appeals to the SOAH must be filed within 30 days of receiving the order of determination from the ARB and requires a \$1,500 deposit. This level of appeal is for properties with values more than \$1 million concerning the appraised or market value of the property or an unequal appraisal. A qualified administrative law judge will hear the appeal and make a final decision.

Even with an appeal pending, property taxes must be paid timely or the appeal will be dismissed. There are three payment options: property owners can pay the full amount (if the appeal is successful, a refund will be issued); property owners can pay a portion of the taxes based on the value that is not in dispute; or property owners can pay the tax amount of the preceding year.

Tax Bills

To calculate total taxes, multiply the taxable value by the tax rate that is set by taxing entity. **Tax bills are typically issued between October and November and are due on January 31.**

Personal Property

The Texas business personal property lien date is January 1 of each year. **Tax returns are due April 1** for any county that allows a Freeport Exemption. Extensions for up to 30 days can be requested but must be submitted in writing to the assessor's office by April 1.

Texas also offers a Freeport Exemption on inventory that is in the state for 175 days or less. An exemption application is due to the assessor's office by April 30. Extensions are not granted.

Because of legislation passed in 2003, it is now mandatory for the yearly filing of business personal property. If a property owner fails to file or files late, penalties of 10% of the tax liability will be imposed.

Texas Tax Calendar

Real Estate

Assessment Date	Jan 1
Value Notices Issued	Apr - May
Appeal Deadline	May 15 (30 days after issued)
Tax Bills Issued	Oct - Nov
Tax Bills Due	Jan 31

Personal Property

Assessment Date	Jan 1
Tax Returns Due	Apr 1
Value Notices Issued	May - Jun
Appeal Deadline	May - Jun (30 days after issued)
Tax Bills Due	Jan 31