

Presentation to the
**Senate Select Committee on
Property Tax Reform & Relief**
The Honorable Paul Bettencourt, Chair

Overview of Property Tax System in Texas

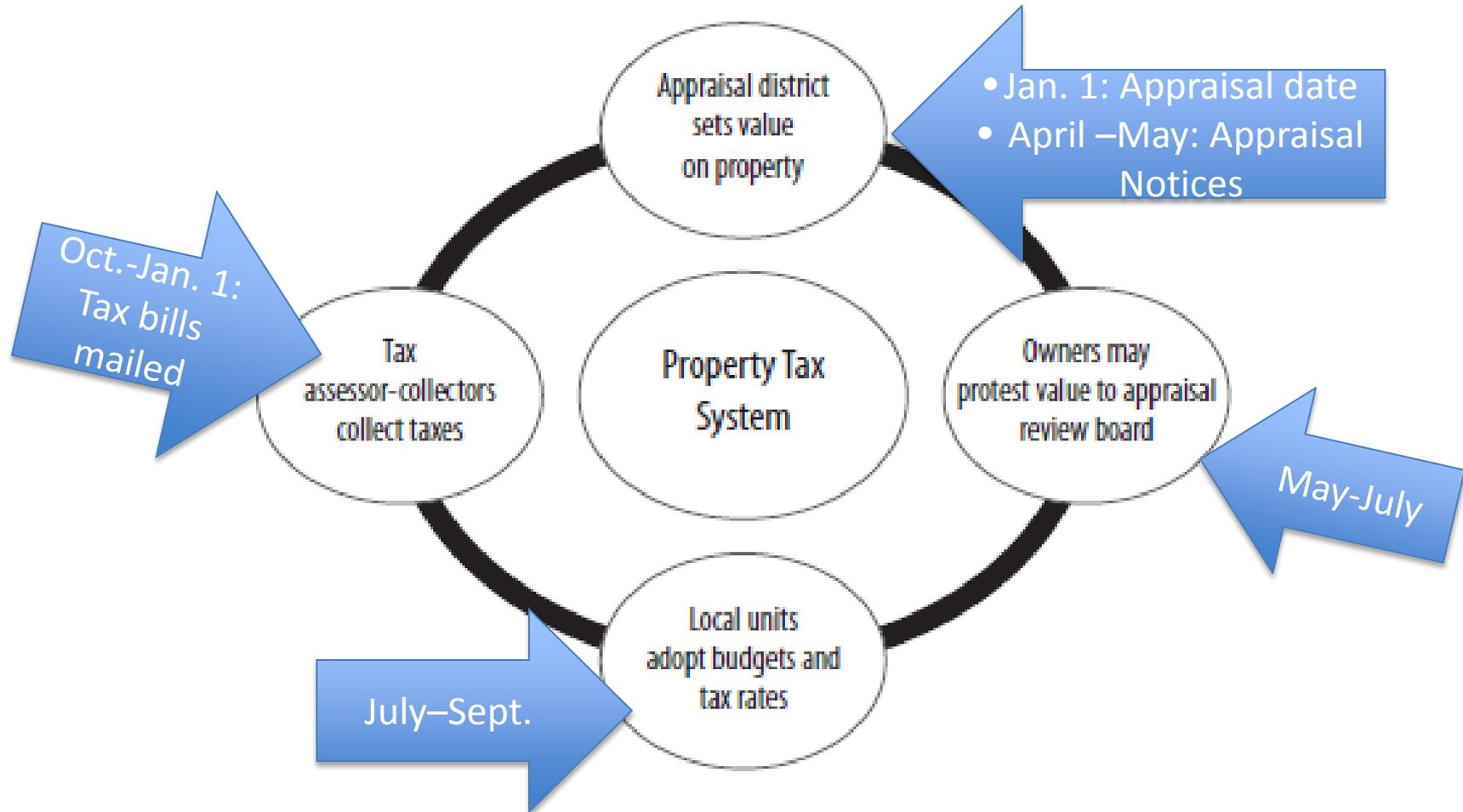
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Texas Comptroller of Public Accounts

Four Phases of Property Tax



Phase One: Appraisal

- Each Texas county is served by appraisal district that determines value of all taxable property
- Taxing units that collect property taxes are represented by members of appraisal district board of directors
- Most property appraised as of January 1
- Usually appraised at market value, except special appraisal (e.g. agricultural productivity)
- Mass appraisal
- Reappraisal every three years (update property characteristics, define market areas, and updating appraisal model)

Phase One: Notice of Appraised Value

- Chief appraiser must deliver required notice to property owner of appraised value of property by April 1 if residence homestead, May 1 if other type of property, or as soon as practicable
- Notice of appraised value required when:
 - Appraised value greater than previous year;
 - Appraised value greater than value rendered by property owner;
 - Property not on appraisal roll in preceding year; or
 - Exemption approved in previous year cancelled or reduced

Phase One: Homestead Exemptions and Tax Ceilings

Texas offers a number of homestead exemptions:

- Exemption from school district taxation of \$25,000 of appraised value
- If disabled or age 65 or older entitled to homestead exemption from school district taxation of additional \$10,000 of appraised value
- Exemptions for disabled veterans and surviving spouses
- Local option exemption of up to 20 percent of homestead value

Tax Ceiling

- If qualified for age 65 or older or disabled homestead exemption, taxpayer may qualify for tax ceiling on school district taxes
- Tax ceiling is set at amount paid in the year property owner qualifies for age 65 or disabled exemption
- A county, city or junior college district may adopt tax ceiling

Phase Two: Protest before Appraisal Review Board (ARB)

- Generally deadline for filing protest is April 30 for residence homesteads and May 31 for all other property
- An ARB is board of local citizens that hears disagreements between property owners and appraisal district
- ARBs generally begin hearing protests in May and must complete most hearings by July 20
- Most appraisal districts offer opportunities to resolve protest prior to formal hearing
- Generally chief appraiser has burden of establishing a property's value by a preponderance of the evidence for market and appraised value and unequal appraisal protests

Phase Two: Appealing ARB Order

- Once ARB rules on protest, it sends written order to property owner.
- If property owner dissatisfied, property owner can:
 1. File suit within 60 days in district court
 2. Appeal within 45 days through binding arbitration if property is residence homestead or property with appraised value of \$3 million or less
 3. Appeal within 30 days to State Office of Administrative Hearings (SOAH) for properties over \$1 million (except for industrial)
- Property owner required to make conditional payment of taxes

Phase Three: Taxation

- ARB must approve appraisal records by July 20, other deadlines may apply to counties with population of 1 million or more
- Taxing units decide how much property tax revenue necessary to fund budget and based on current year's values, what tax rate is needed to produce that amount
- Beginning in early August, most taxing units take first step toward adopting tax rate by calculating :
 - effective tax rate
 - rollback tax rate
- If adopted tax rate exceeds rollback rate:
 - School districts: automatic rollback election
 - Other taxing units: voters can petition for rollback election

Phase Four: Collections and Deferrals

- Assessors must mail tax bills by Oct. 1. or as soon as practicable
- Property owners typically have until Jan. 31 of following year to pay taxes
- On Feb. 1, penalty and interest charges begin accumulating
- If homeowner age 65 or older or disabled, may defer or postpone paying taxes
- Installment payments available for certain taxpayers

Property Value Study (PVS)

- Property Tax Assistance Division (PTAD) required to conduct PVS for school districts every other year
- Primary purpose is to help ensure equitable distribution of state funding for public education
- Secondary purpose is to collect data to provide taxpayers, school districts, appraisal districts and the Legislature with useful information about property values
- To estimate a school district's value, PTAD uses generally accepted sampling, standard valuation, statistical compilation and analysis techniques
- PTAD tests the taxable values the appraisal district assigns to various categories of property by constructing statistical margin of error around PTAD's estimate of value (usually 5%)
- Values within the margin of error are valid and invalid if outside the margin of error

Methods and Assistance Program (MAP)

- Comptroller conducts MAP review of all appraisal districts every two years
- Reviews address the appraisal district's governance; taxpayer assistance; operating procedures; and appraisal standards, procedures and methodologies
- Comptroller sends preliminary findings to chief appraisers in September
- Comptroller sends final results in January
- After final results issued, appraisal districts have one year to take remedial actions based on recommendations in reports
- If the recommendations are not implemented within that year, the appraisal district is referred to Texas Department of Licensing and Regulation

Additional Comptroller Functions

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.

ARB Training

- In compliance with Tax Code Section 5.041, each year PTAD conducts ARB seminars for new ARB members, and an advanced ARB training class aimed at returning ARB members. PTAD is responsible for training all ARB members and provides this training annually.

Arbitration Registry

- 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 Comptroller's office must maintain a registry of qualified arbitrators meeting the requirements of law. Roughly 2,000 taxpayers use this service each year.

Category Market Value, 2010-2014

Category	2010 School District Market Value	Percent of Total	2011 School District Market Value	Percent of Total	2012 School District Market Value	Percent of Total	2013 School District Market Value	Percent of Total	2014 School District Market Value	Percent of Total
A Single-Family Residential	935,884,236,311	44.69%	944,866,283,978	44.56%	955,842,309,808	43.27%	992,795,685,924	42.73%	1,084,791,800,331	43.04%
B Multifamily Residential	82,954,880,536	3.96%	85,464,952,701	4.03%	92,705,166,830	4.20%	104,145,520,266	4.48%	119,259,550,218	4.73%
C Vacant Lots and Tracts	41,113,743,675	1.96%	39,524,305,962	1.86%	39,141,595,835	1.77%	39,344,410,771	1.69%	42,520,259,915	1.69%
D1 Qualified Open-space Land	218,110,215,325	10.41%	219,866,258,881	10.37%	224,116,591,687	10.15%	228,959,507,930	9.85%	238,525,499,618	9.46%
D2 Farm and Ranch Improvements on Qualified Open-space Land	18,258,589,528	0.87%	17,999,957,656	0.85%	17,544,460,135	0.79%	5,764,521,570	0.25%	3,425,710,647	0.14%
E Rural Land, Not Qualified for Open-space Appraisal and Residential Improvements	47,812,044,393	2.28%	49,323,296,861	2.33%	50,767,831,911	2.30%	64,991,707,188	2.80%	71,493,010,434	2.84%
F1 Commercial Real	274,003,611,160	13.08%	278,833,535,120	13.15%	292,767,683,122	13.25%	317,584,857,021	13.67%	342,640,106,797	13.59%
F2 Industrial Real	91,268,061,389	4.36%	95,035,096,033	4.48%	99,697,724,794	4.51%	104,583,295,330	4.50%	110,006,646,050	4.36%
G Oil and Gas, Minerals and Other Subsurface Interests	112,806,722,087	5.39%	106,032,209,765	5.00%	128,027,401,079	5.80%	133,472,377,177	5.74%	158,024,731,401	6.27%
H1 Personal Vehicles	133,447,539	0.01%	127,750,895	0.01%	109,612,449	0.00%	102,321,590	0.00%	111,586,564	0.00%
J Utilities	48,303,199,418	2.31%	50,123,566,769	2.36%	53,702,958,982	2.43%	58,231,442,924	2.51%	64,137,543,156	2.54%
L1 Commercial Personal	118,291,863,731	5.65%	120,615,745,980	5.69%	128,545,176,458	5.82%	135,481,087,012	5.83%	142,177,133,885	5.64%
L2 Industrial Personal	87,897,225,522	4.20%	95,083,846,380	4.48%	108,428,481,322	4.91%	119,028,197,486	5.12%	123,945,563,821	4.92%
M1 and M2 Mobile Homes and Other Tangible Personal Property	5,719,463,154	0.27%	5,771,831,818	0.27%	5,756,275,820	0.26%	5,760,282,960	0.25%	6,007,494,083	0.24%
O Residential Inventory	8,048,686,387	0.38%	7,740,525,076	0.37%	7,046,400,516	0.32%	7,174,414,685	0.31%	7,144,015,206	0.28%
S Special Inventory	3,601,282,490	0.17%	4,030,372,011	0.19%	4,615,240,394	0.21%	5,474,586,298	0.24%	6,103,118,611	0.24%
Other	-	0.00%	-	0.00%	2,096,560	0.00%	544,052,719	0.02%	163,559,848	0.01%
Total	2,094,207,272,645	100.00%	2,120,439,535,886	100.00%	2,208,817,007,702	100.00%	2,323,438,268,851	100.00%	2,520,477,330,585	100.00%

Note: In 2013, the definitions of Categories D2 and E were changed to allow for more accurate reporting of values by appraisal districts.

Prior to 2013, Category D2 was Non-Qualified Agricultural Land and Category E was Farm & Ranch Improvements.

Category Market Value Percentage Change 2004 through 2014

	2004 to 2005 % Change	2005 to 2006 % Change	2006 to 2007 % Change	2007 to 2008 % Change	2008 to 2009 % Change	2009 to 2010 % Change	2010 to 2011 % Change	2011 to 2012 % Change	2012 to 2013 % Change	2013 to 2014 % Change
A Single-Family Residential	7.88%	10.30%	11.53%	8.43%	2.04%	-0.06%	0.93%	1.16%	3.87%	9.27%
B Multifamily Residential	8.76%	10.07%	13.31%	10.29%	2.83%	-3.63%	3.07%	8.47%	12.34%	14.51%
CVacant Lots and Tracts	7.59%	12.64%	10.22%	12.47%	-0.22%	-3.20%	-3.65%	-0.97%	0.52%	8.07%
D1 Qualified Open-space Land	8.71%	18.31%	19.15%	17.16%	6.91%	2.22%	0.81%	1.93%	2.16%	4.18%
D2 Farm and Ranch Improvements on Qualified Open-space Land	3.88%	11.94%	14.61%	9.13%	-4.68%	-5.18%	-1.19%	-2.53%	-67.14%	-40.57%
E Rural Land, Not Qualified for Open- space Appraisal and Residential Improvements	7.66%	8.94%	10.99%	9.08%	5.57%	3.73%	3.16%	2.93%	28.02%	10.00%
F1 Commercial Real	8.33%	12.95%	14.12%	12.14%	2.46%	-3.76%	1.72%	5.00%	8.48%	7.89%
F2 Industrial Real	1.68%	12.34%	11.35%	7.16%	1.09%	-1.48%	4.66%	4.91%	4.90%	5.19%
G Oil and Gas, Minerals and Other Subsurface Interests	29.90%	37.68%	2.61%	27.36%	-10.77%	4.19%	-6.00%	20.74%	4.25%	18.40%
H1 Personal Vehicles	1.93%	-1.17%	-9.28%	-29.22%	-11.07%	-5.93%	-4.27%	-14.20%	-6.65%	9.05%
J Utilities	1.62%	3.02%	8.52%	5.53%	0.82%	1.62%	3.80%	7.14%	8.43%	10.14%
L1 Commercial Personal	3.38%	7.57%	9.00%	10.03%	2.06%	-4.87%	2.03%	6.57%	5.40%	4.94%
L2 Industrial Personal	9.69%	10.05%	15.31%	15.12%	2.23%	-9.35%	8.64%	14.03%	9.78%	4.13%
M1 and M2 Mobile Homes and Other Tangible Personal Property	2.40%	1.25%	-0.27%	1.75%	0.60%	-0.61%	0.82%	-0.32%	0.36%	4.29%
O Residential Inventory	16.72%	17.23%	30.30%	5.44%	-3.13%	-16.80%	-4.04%	-8.97%	1.82%	-0.42%
S Special Inventory	13.94%	6.30%	8.27%	5.07%	-11.16%	-17.47%	11.96%	14.51%	18.62%	11.48%
Total	8.12%	12.25%	12.04%	11.07%	1.69%	-1.14%	1.30%	4.17%	5.19%	8.48%

Note: In 2013, the definitions of Categories D2 and E were changed to allow for more accurate reporting of values by appraisal districts. □
 Much of the percent change between 2012 and 2013 in these two categories is the result of the revised reporting criteria.

Property Tax Units, 2010-2014

	2010 Number of Units	2011 Number of Units	% Change from 2010 to 2011	2012 Number of Units	% Change from 2011 to 2012	2013 Number of Units	% Change from 2012 to 2013	2014 Number of Units	% Change from 2013 to 2014
School Districts	1,024	1,024	0.00%	1,022	-0.20%	1,020	-0.20%	1,019	-0.10%
Counties	254	254	0.00%	254	0.00%	254	0.00%	254	0.00%
Cities	1,064	1,065	0.09%	1,064	-0.09%	1,065	0.09%	1,066	0.09%
Special Districts	1,680	1,686	0.36%	1,712	1.54%	1756	2.57%	1,790	1.94%
Total	4,022	4,029	0.17%	4,052	0.57%	4,095	1.06%	4,129	0.83%

Growth of the Property Tax by Unit Type, 2003-2014

Tax Year	Special Purpose District Levy	Percentage Change	County Levy	Percentage Change	City Levy	Percentage Change	School Levy	Percentage Change	Total Levy	Percentage Change
2003	\$3,092,285,295		\$4,121,758,950		\$4,415,212,819		\$17,264,153,972		\$28,893,411,036	
2004	\$3,369,068,834	8.95%	\$4,462,844,074	8.28%	\$4,607,757,531	4.36%	\$18,533,964,802	7.36%	\$30,973,635,241	7.20%
2005	\$3,609,629,697	7.14%	\$4,772,652,208	6.94%	\$4,901,791,597	6.38%	\$20,194,915,813	8.96%	\$33,478,989,315	8.09%
2006	\$3,972,185,910	10.04%	\$5,339,613,542	11.88%	\$5,322,985,519	8.59%	\$20,918,122,059	3.58%	\$35,552,907,030	6.19%
2007	\$4,513,060,409	13.62%	\$5,836,989,949	9.31%	\$5,890,306,731	10.66%	\$18,874,239,532	-9.77%	\$35,114,596,621	-1.23%
2008	\$4,952,734,969	9.74%	\$6,342,704,903	8.66%	\$6,451,012,447	9.52%	\$21,233,517,226	12.50%	\$38,979,969,545	11.01%
2009	\$5,133,820,497	3.66%	\$6,526,724,060	2.90%	\$6,593,755,037	2.21%	\$21,780,056,204	2.57%	\$40,034,355,798	2.70%
2010	\$5,392,511,510	5.04%	\$6,567,069,864	0.62%	\$6,755,401,406	2.45%	\$21,558,289,126	-1.02%	\$40,273,271,906	0.60%
2011	\$4,926,074,010	-8.65%	\$6,742,912,786	2.68%	\$6,810,049,306	0.81%	\$22,001,561,060	2.06%	\$40,480,597,162	0.51%
2012	\$5,543,422,374	12.53%	\$7,064,659,174	4.77%	\$7,069,533,905	3.81%	\$23,072,781,962	4.87%	\$42,750,397,415	5.61%
2013	\$5,318,507,423	-4.06%	\$7,537,749,427	6.70%	\$7,324,521,932	3.61%	\$24,854,671,461	7.72%	\$45,035,450,243	5.35%
2014	\$6,370,469,864	19.78%	\$8,114,998,194	7.66%	\$7,789,068,440	6.34%	\$26,792,677,172	7.80%	\$49,067,213,670	8.95%

**2013 tax levy information differs from 2012-2013 Biennial Report due to updated information reported by appraisal districts*

Questions?

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