

**PROPERTY**  
**TAX SYSTEM**  
**BASICS**

# **PROPERTY TAX SYSTEM BASICS**

**Property taxes are local taxes that provide the largest source of money local governments use to pay for schools, streets, roads, police, fire protection and many other services. Texas law establishes the process followed by local officials in determining the value for property, ensuring that values are equal and uniform, setting tax rates and collecting taxes.**

**Texas has no state property tax. The Texas Constitution and statutory law authorizes local governments to collect the tax. The state does not set tax rates, collect taxes or settle disputes between you and your local governments.**

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## **Who Does What?**

**Your local property tax system has several main components.**

**The property owner, whether residential or business, is responsible for paying taxes and has a reasonable expectation that the taxing process will be fairly administered. The property owner is also referred to as the taxpayer.**

**An appraisal district in each county, administered by a chief appraiser, appraises the value of your property each year. The appraisal district's board of directors hires the chief appraiser. Local taxing units elect the board of directors and fund the appraisal district based on the amount of taxes levied in each taxing unit. For more information about your local appraisal process, please contact your county's appraisal district. The appraisal district can answer questions about exemptions and how your appraised value was determined.**

**An appraisal review board (ARB) is a board of local citizens that hears disagreements between property owners and the appraisal district about the taxability and value of property. In counties with a population of 120,000 or more, members of the ARB are appointed by the local administrative district judge in the county in which the appraisal district is located. The board of directors appoints ARB members in all other counties.**

**Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they must spend to provide public services. Property tax rates are set according to taxing unit budgets. Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.**

**In many counties, taxing units contract with the county tax assessor-collector to collect all property taxes due in that county. The assessor-collector then transfers the appropriate amounts to each taxing unit. Although some taxing units may contract with an appraisal district to collect their taxes, the appraisal district does not levy a property tax. For**

information about local taxing unit budgets and tax rates, please contact the individual school district, county, city, junior college or special district.

The role of the Comptroller's Property Tax Assistance Division (PTAD) is primarily limited to monitoring responsibilities. PTAD conducts a biennial Property Value Study (PVS) for each school district for state funding purposes. The PVS, an independent estimate mandated by the Texas Legislature, ensures that property values within a school district are at or near market value for equitable school funding. The Comptroller's values do not directly affect local values or property taxes, which are determined locally.

PTAD also performs Methods and Assistance Program (MAP) reviews of all appraisal districts every two years. The reviews 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 will be subject to a PVS in that year.

## **What Do They Do?**

The Texas local property tax is just that — a *local tax*, assessed locally, collected locally and used locally.

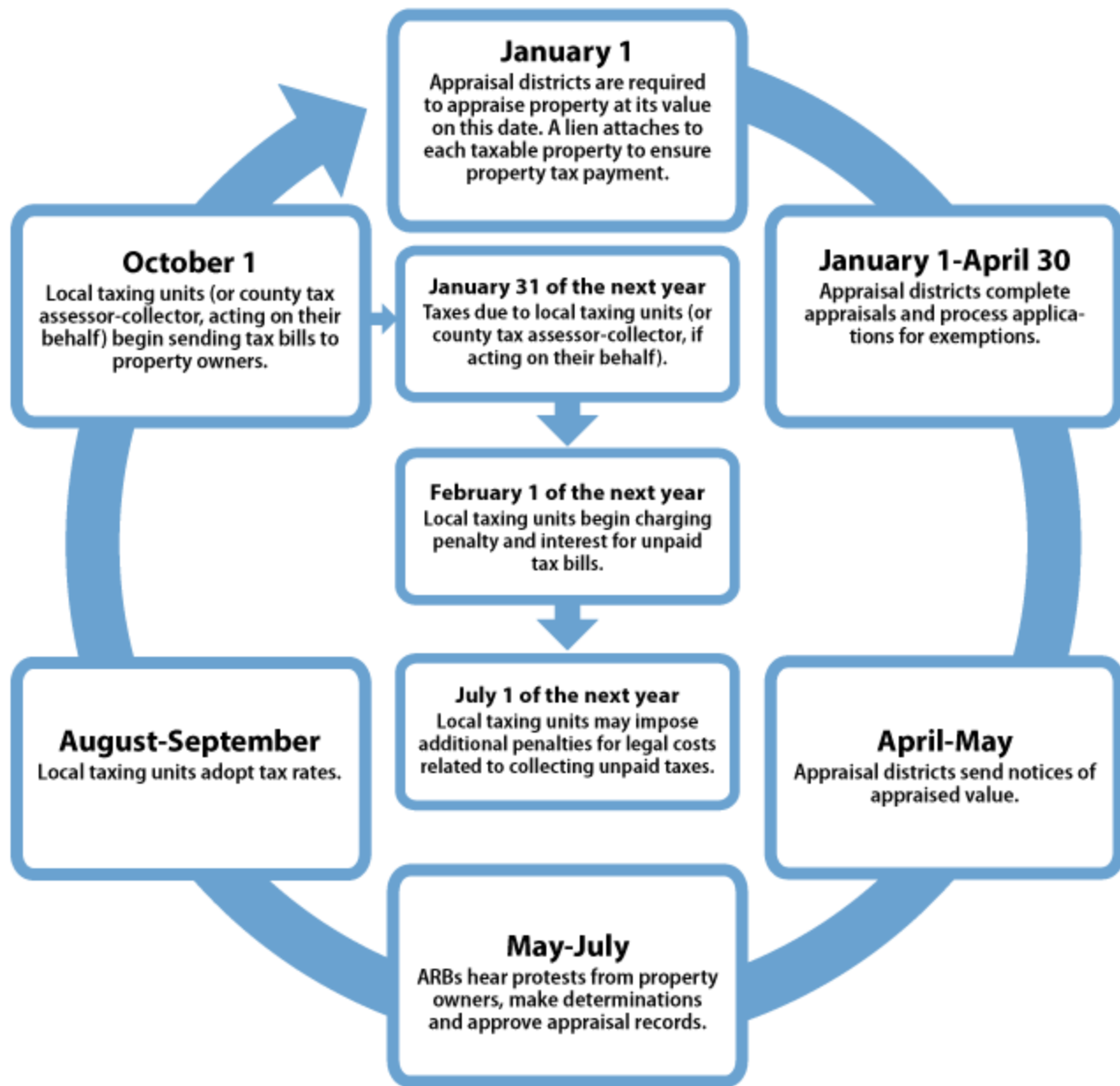
More than 4,100 local governments in Texas — school districts, cities, counties and various special districts — collect and spend these taxes.

Several types of local governments may tax your property. Texas counties and local school districts tax *all* nonexempt property within their jurisdictions. You also may pay property taxes to a city and to special districts such as hospital, junior college or water districts.

The governing body of each of these local governments determines the amount of property taxes it wants to raise and sets its own tax rate. Many, but not all, local governments other than counties contract with their county's tax assessor-collector to collect the tax on their behalf.

## **When Do They Do It?**

The property tax process for each tax year includes a series of steps.



When the last day for performing an act falls on a Saturday, Sunday or legal holiday, Tax Code Section 1.06 designates the deadline as the next regular business day.

## Where Does the Money Go?

The local property tax is the largest single funding source for community services. State government receives no benefit from these local taxes. Your local property taxes help to

pay for your public schools, city streets, county roads, police departments, fire protection and many other vital programs.

## Path of a Property Tax Dollar



## Why Do They Do It?

The Texas Constitution sets out five basic rules for property taxes in our state:

1. **Taxation must be equal and uniform.** No single property or type of property should pay more than its fair share. The property taxes you pay are based on the value of property you own. If, for instance, your property is worth half as much as the property owned by your neighbor (after any exemptions that apply), your tax bill should be one-half of your neighbor's. This means that *uniform appraisal* is very important.
2. **Generally, all property must be taxed based on its current market value.** That's the price it would sell for when both buyer and seller seek the best price and neither is under pressure to buy or sell. The Texas Constitution provides certain exceptions to this rule, such as the use of "productivity values" for agricultural and timberland. This means that the land is taxed based on the value of *what it produces*, such as crops and livestock, rather than its sale value. This lowers the tax bill for such land.
3. **Each property in a county must have a single appraised value.** This means that the various local governments to which you pay property taxes cannot assign different values to your property; all must use the same value. This is guaranteed by the use of county appraisal districts.
4. **All property is taxable unless federal or state law exempts it from the tax.** These exemptions may exclude all or part of your property's value from taxation.
5. **Property owners have a right to reasonable notice of increases in their appraised property value.**

Broad questions about the nature and purpose of property taxation in Texas can be directed to your local state representative or senator. Contact information for all members of the Texas Legislature can be found at [Texas Legislature Online](#).

## **How Can I Challenge What They Do?**

**If you are dissatisfied with the results of a decision by your local ARB, you have the right to appeal its decision to district court in the county where the property is located.**

**Alternatively, you may appeal the ARB's determination to binding arbitration or to the State Office of Administrative Hearings (SOAH) provided certain criteria are met.**

**Binding arbitration is conducted by an independent third party. The Comptroller's office maintains a registry of qualified arbitrators and processes requests for arbitration and accompanying deposits, but plays no other role in this process.**

**If the property value as determined by the ARB order is over \$1,000,000, you may file an appeal with SOAH. The decisions of SOAH administrative law judges are final and may not be appealed. For more information on this process, visit the SOAH website.**