

# Understanding Appraisal Districts

Homeowners know the Lone Star State for its friendly tax laws. While most of these laws are relatively straightforward, some are more complex. Texas' appraisal districts and property tax laws are prime examples.

Understanding how Texas appraisal districts work can help you reduce your tax liability and avoid a shock when opening your annual bills. With that in mind, the experts at Patten Title have created this guide to Texas appraisal districts and annual home valuations. Join us as we examine everything homeowners and real estate professionals need to know about this critical process.

## WHAT ARE APPRAISAL DISTRICTS?

Appraisal districts are county-level entities tasked with assessing a property's value for tax purposes. So, what does that mean for homeowners?

Because each county in Texas has the right to charge homeowners property taxes to pay for essential government infrastructure and municipal services, appointed professionals working in different appraisal districts assess homes each year to make sure the county has enough money.

These appraisal districts are governed by a board of appointed directors. The directors are appointed in the fall of odd-numbered years by taxing units or entities that receive the money, like school districts, junior colleges, cities, and county representatives.

Texas law says that the board of directors can appraise property values and then assess tax liability based on those appraisals. By default, each board must have five members, though sometimes you'll see appraisal districts with up to 13 members.

## HOW DO APPRAISAL DISTRICTS CALCULATE HOME VALUATIONS?

Home valuations are based on a property's "current market value," which is the estimated price for which the homeowner could sell the property if they listed it under existing marketing conditions.

For instance, if your home's estimated market value is \$400,000, that's the value the appraisal district would use to calculate your tax obligation.

To determine current market value, assessors from your appraisal district will consider several factors:

- Size and age of the home
- Area or neighborhood where it's located
- Lot size
- Recent upgrades

As part of their appraisal duties, they'll also pull comparable homes and properties to adjust your estimated valuation accordingly. However, your overall assessment and tax liability could change if you qualify for exemptions.

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## WHY DO HOME VALUATIONS GO UP EACH YEAR?

Think about your home as an [appreciating asset](#). While the rate at which homes appreciate fluctuates from year to year, they're almost always going up in value, which means your tax liability will increase too.

A few key factors can increase your home's value faster than the market average. For instance, if you live in a popular neighborhood where many residents sold their homes recently, your house will likely appreciate at a more accelerated rate.

Major [home improvements](#) can also increase your home's value. Some improvements, such as adding extra living space to your home or installing an in-ground pool, can cause your property to increase in value by tens of thousands of dollars. Conversely, remodeling a bathroom or kitchen will likely lead to more modest value increases.

Although rising home values will lead to increased tax liability, having an appreciating asset is a net positive. As your home value goes up, so does your equity.

## HOW TO CHALLENGE APPRAISAL DISTRICTS' HOME VALUATIONS

If you look at your tax bill and are surprised at the new valuation, you have some recourse. Texas homeowners have the power to [contest their home's appraised value](#) and their tax liability.

If you think your home has been significantly overvalued resulting in an unfair tax liability, your first step is to contact your local Appraisal Review Board (ARB) to file a protest. The ARB will review all relevant information about the property and determine whether it was properly valued for tax purposes.

As the homeowner, it is your responsibility to argue your case and provide the ARB with information demonstrating that the home was overvalued. You can prepare by researching recent home sales in your area to see how they compare to the assessed value of your property. If these other homes sold for significantly less than your home appraised for, you may be able to reduce your tax liability.

Even if the ARB rules unfavorably, you can still appeal the decision and have your case heard before the state district court, the State Office of Administrative Hearings, or an independent arbitrator.

There are a few things you can try [before you file your challenge](#). First, talk to someone within the appraisal district about your property's appraisal. They can best explain how it was evaluated and how the final number was reached.

Also, you can ask for appraisals on similar homes in your district to see how each is different. This information will help you if you choose to file a challenge.

Consider having an appraisal done by an independent real estate appraiser. While this is likely to cost a little more money, it could give you the most information when you file a challenge with the ARB.

## LEARN MORE ABOUT APPRAISAL DISTRICTS

Whether you're a real estate agent, broker, or Texas homeowner, you'll want to familiarize yourself with appraisal districts and how they impact tax liability. To learn more about Texas appraisal districts, property zoning, and other factors that could affect a home's valuation, request Patten Title as your title company.

In addition to providing realty title services, Patten Title delivers an array of assistance, tools, and resources for homebuyers, homeowners, real estate agents, and brokers.



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