

Property Tax System 101

What are property taxes?

Property taxes—also called ad valorem taxes—are locally assessed taxes. The county appraisal district appraises property located in the county, while local taxing units set tax rates and collect property taxes based on those values. Property taxes provide more tax dollars for local services in Texas than any other source—they help pay for public schools, city streets, county roads, police, fire protection and many other services.

How does the property tax system work?

There are three main parts to the property tax system in Texas:

- An appraisal district in each county sets the value of property each year. A chief appraiser is the chief administrator and operates the appraisal office.
- A citizen board, called the appraisal review board (ARB), settles any disagreements between a property owner and the appraisal district about a property's value.
- Local taxing units—city, county, school and special districts—decide how much money they will spend by adopting a budget. Next, the units set tax rates that will raise the revenue necessary to fund their budgets. The adopted budgets and the tax rates set to fund the budgets determine the total amount of taxes that a person will pay.

The property tax year has four stages: appraising taxable property, protesting the appraised values, adopting the tax rates and collecting the taxes.

1. A large part of each appraisal district's job is to estimate what your property is worth on January 1. What a property is used for on January 1, market conditions at that time and who owns the property on that date determine whether the property is taxed, its value and who is responsible for paying the tax. Your appraisal district also processes applications for tax exemptions, agricultural appraisals and other tax relief.
2. Around May 15, the appraisal review board begins hearing protests from property owners who believe their property values are incorrect or who did not get exemptions or agricultural appraisal. When the ARB finishes its work, the appraisal district gives each taxing unit a list of taxable property.
3. In August or September, the elected officials of each taxing unit adopt tax rates for their operations and debt payments. Several taxing units tax your property. Every property is taxed by the county and the local school district. You also may pay taxes to a city and to special districts such as hospital, junior college, water, fire and others.

4. Tax collection starts around October 1 as tax bills go out. Taxpayers have until January 31 of the following year to pay their taxes. On February 1, penalty and interest charges begin accumulating on most unpaid tax bills. Tax collectors may start legal action to collect unpaid taxes on February 1.

Does Texas have a state property tax?

No. Texas has only local property taxes levied by local taxing units. The state does not have local tax records on each property and its ownership and does not set your property's value for property taxes.

Which local taxing units may tax my property in Texas?

All taxable property will pay county and school taxes. If the property is located inside a city's boundaries, you also may pay city taxes. Special taxing units— junior college, hospital district, road district and others—may also tax your property.

How can the State Comptroller help local governments and taxpayers?

State law allows the Comptroller's office to advise local governments and taxpayers on property tax issues, but it cannot intervene in local tax matters.

Who do I contact if I want to file a complaint against the ethics or professional conduct of a chief appraiser, appraiser or tax assessor-collector?

You can file a written protest with the Texas Department of Licensing and Regulation (TDLR). The TDLR regulates the registration and professional conduct of persons in the appraising, assessing and collecting occupations. You may contact TDLR by calling (800) 803-9202 or by e-mail at www.license.state.tx.us/complaintinfo.htm or by mail at:

P.O. Box 12157
Austin, Texas 78711

Who governs a local county appraisal district?

A local board of directors governs the appraisal district.

How are directors chosen?

The governing bodies of taxing units that vote on the appraisal district's budget (county, city, school and some conservation and reclamation districts) select the appraisal district's directors. If the governing bodies do not select the county tax assessor-collector as a director, the county tax assessor-collector (if he or she collects the county's taxes) serves as a non-voting director.

How is an appraisal district funded?

Each taxing unit located in that appraisal district pays its pro rata share of the budget. Some appraisal districts have adopted different funding mechanisms. Most appraisal districts base each taxing unit's share on the amount of taxes levied by that unit compared to the total taxes levied by all units in the district.

How are appraisal review board (ARB) members appointed?

The board of directors of each appraisal district appoints the appraisal review board members.

What qualifications must an individual meet to serve on the appraisal review board?

An individual must be a resident of the district for two or more years before taking office. No special requirements are necessary. An individual may not serve if he or she is an appraisal district director or an employee or officer of an appraisal district, tax office or the Comptroller's office. Also, an individual is ineligible to serve in counties having a population of more than 100,000 until the fourth anniversary of the date the person ceased to serve as a member or officer of a taxing unit for which the appraisal district appraises property or if the person has ever appeared before the review board for compensation. Finally, an individual cannot serve if he or she is closely related (second degree by blood or marriage) to an individual paid as a tax agent or is in the business of appraising property for tax purposes in the appraisal district.

ARB members may not contract with the appraisal district or with a taxing unit in the district. This includes the member or a business entity in which the member has a substantial interest.