

COUNTING THE COST FROM A TAXABLE VIEW

“Information About New Construction Appraisal & Taxes”

The Montague County Appraisal District is responsible for appraising property at market value for taxing purposes. The amount of tax you pay is determined by the value and that depends on what you build. The nicer and larger the home, the more the taxes will be. We are required by law to value your property at market value.

The State of Texas and the laws that govern our operation **do not** set the taxes you pay. They require us to appraise the property at 100% of market value and we do so using mass appraisal techniques – to meet the requirements of appraising in an equal and uniform manner.

“Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A) *exposed for sale in the open market with a reasonable time for the seller to find a purchaser;*
- B) *both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and*
- C) *both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.*

Section 1.04 Texas Property Tax Code

There is no way we can estimate the value before the property is built. “Why not?”, you ask. Use for example someone wanting us to estimate the value of a barn. There can be a great deal of difference in the value of a pole barn used to store hay with a dirt floor; or a horse barn; or a barn/shop with a concrete floor, insulation, electricity, and plumbing. There are even more differences in homes. So you can see the choices are all left to the property owner.

We have included some information, to help you understand what our job is and know what to expect.

In estimating a property’s market value, an appraiser utilizes three approaches to value: The **cost** approach, the **market** approach (or sales comparison), and the **income** approach. Since, the income approach deals with income producing property (primarily commercial) it will not be utilized in most residential properties.

The **cost approach** deals with “market” cost to construct the property. For instance, if you hired a building contractor who built your home as a “turn key” job (you did not do any of the labor, purchasing or work) – the cost to build would be an indication of value. If you were your own contractor or did part of the labor or purchasing, your actual cost would not be an indication, since we are determining “market” value and when you sell the property, you would gain back the “sweat equity” you put in the property.

The **market approach (or sales comparison)** deals with similar type properties that have sold. We would compare those sales to your property.

The Montague County Appraisal District appraises property utilizing “mass” appraisal techniques. Our schedules are based on a combination of cost and market. We will come and measure the house, garage, porches, storage building, etc., then apply the schedule to your particular property. The majority of property owners, after seeing the value in their appraisal notice, feel the value is fair. If you feel the value is over market value, please come in and talk with us. You should bring supporting documentation for us to review [ie: Independent Fee Appraisal, closing statement, title policy, “turn key” building cost, survey, or any other pertinent information relating to the value of your property].

The MCAD measures the property from the exterior, and rounds to the nearest foot. The exterior measurements do not match most plans, since they are figured on the interior measurements and calculate to the inch.

The MCAD tries to inspect the interior of most properties during the construction phase. For two-story homes, it is important that we get the correct measurements of the upper living area from the start. We do not take plans to measure the house. We welcome your plans, however we must verify the measurements during our inspection. We will look at anything you want us to look at & are happy to do an inside inspection and reappraise the property if needed.

We appraise the property as it was on January 1st of that taxing year. If the home was not complete on January 1st, we will estimate the percentage complete. For example, if the house was approximately 50% complete on January 1st, the value would be based on 50% of the value for that tax year.

Please be realistic in your dealings with us on your value. For instance, if you spent \$350,000 to construct a nice home – you would not expect us to appraise that same home for \$250,000.

To derive an estimate of the taxes, you will take the market value of the property divided by 100, then multiply that times the last year’s tax rates. We have a copy of the combined tax rates for your area. If this will be your homestead and you are younger than 65 you can subtract approximately \$220. If you have other exemptions or are 65 or more years old, we can assist you with an estimate.

The amount of taxes you pay are based on the tax rate set by the taxing entities (school district, county, hospital, city, etc.). They receive the funds, spend the funds and decide how much income they need. The Montague County Appraisal District’s budget is divided between the taxing entities, and they pay for the expenses required to run our office.