



# **MCLENNAN COUNTY APPRAISAL DISTRICT PROPERTY VALUATION WORKSHOP**



# WORKSHOP OBJECTIVES

To understand:

- Property Tax System
- The valuation process
- What is Market Value
- Market Trends
- Time frame for protesting property value
- Evidence required to protest property value

# PROPERTY TAX SYSTEM

## Taxing Units

A taxing unit is a local government that levies property taxes. These taxing units set tax rates and collect property taxes:

1. City
2. County
3. School district
4. Special district

## County (or Central) Appraisal Districts (CAD)

An appraisal district is a special purpose local government that appraises property for property tax purposes.

# PROPERTY TAX SYSTEM CONT.

## **State Agencies**

Do not levy property taxes but have some property tax related responsibilities:

- Comptroller of Public Accounts
- Texas Department of Licensing and Regulation
- Texas Education Agency

## **Texas Legislature**

Passes laws that govern the property tax system

# APPRAISAL DISTRICTS

Appraisal districts are responsible for appraising all property subject to property taxes in Texas, according to Tax Code Chapter 6. Unless otherwise provided by law, appraised values are required to represent market value, which is defined as the value for which the property would likely sell on January 1st.

# ESTIMATING VALUE

- a) Chief Appraiser's most important responsibility
- b) Property Tax Code Section 25.18(b) requires reappraisal of all real and personal property at least once every three years
- c) Property is usually appraised at its value as of January 1 of the tax year, with a few exceptions
- d) Property is appraised in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and the Property Tax Code

# PROPERTY VALUE STUDY

The Property Tax Assistance Division (PTAD) of the Comptroller's office is required to conduct a PVS for school districts every other year. The primary purpose of the PVS is to help ensure equitable distribution of state funding for public education. The secondary purpose of the PVS is to collect data to provide taxpayers, school districts, appraisal districts and the Legislature with useful information about property values.

# METHODS AND ASSISTANCE PROGRAM

PTAD performs Methods and Assistance Program (MAP) reviews implementing Tax Code Section 5.102, which requires the Comptroller's office to conduct a review of all appraisal districts every two years. The review must address four issues: governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodologies. School districts located in counties that do not receive a MAP review in a year are subject to a PVS in that year.



# COST PRICE AND VALUE

## Specific

- Price = money spent to acquire property
- Cost = money, time and labor spent to acquire property

## General

- Value = monetary worth of property as of a particular date for most

# MARKET VALUE

Most properties are appraised at **market value**

Some properties are appraised using specialized appraisal methods or different value standards. Examples of these include

- residential homesteads (owner-occupied homes)
- agricultural or timber land

## MARKET VALUE DEFINITION

*the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:*

- *exposed for sale in the open market with a reasonable time for the seller to find a purchaser;*
- *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*
- *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.*

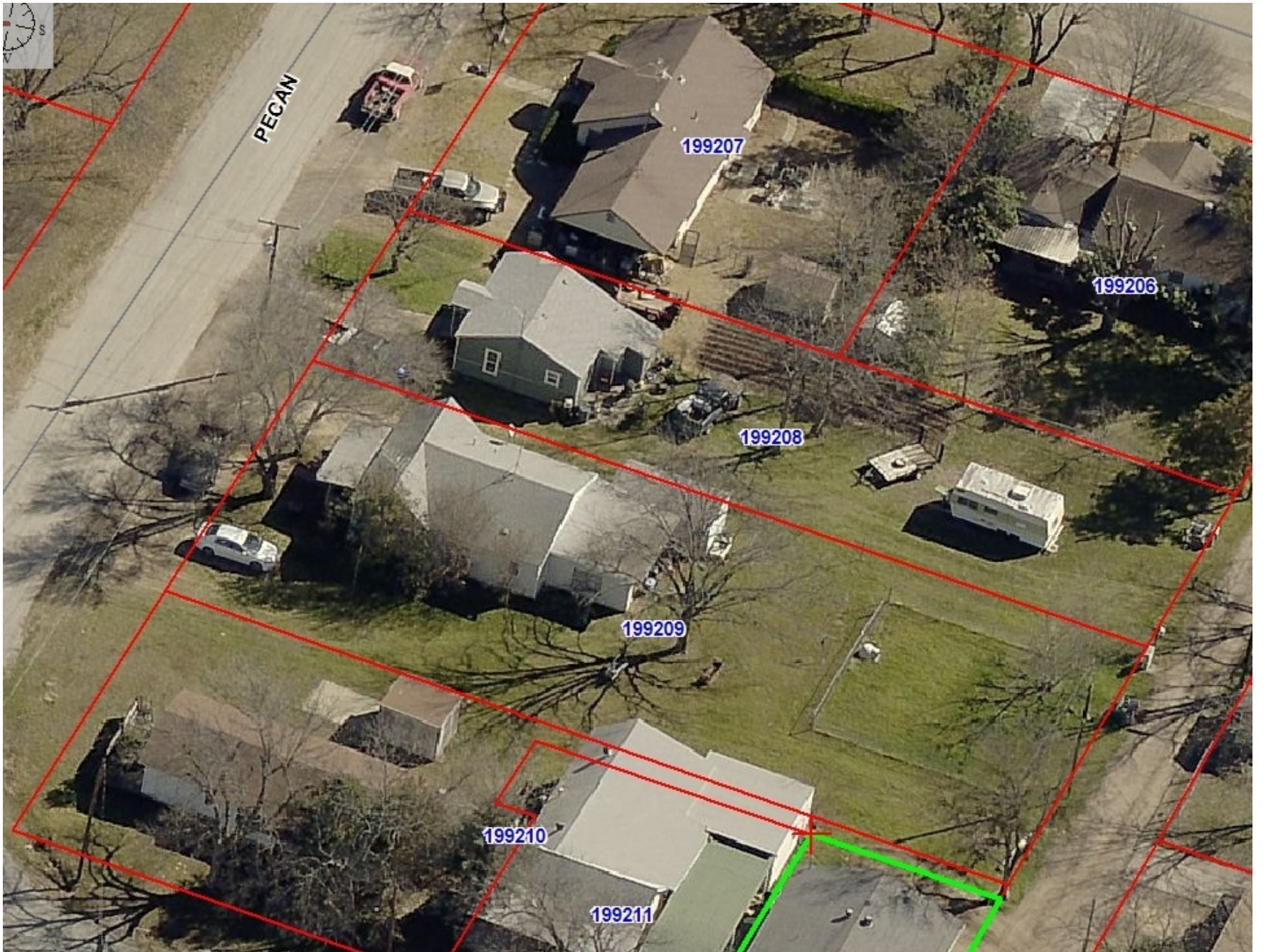
# MASS APPRAISAL

- *appraising large numbers of properties at the same time using valuation models and statistics.*

- The staggering volume of properties prohibits individual inspections and appraisals for each property. Therefore, the chief appraiser applies mass appraisal techniques to assign appraised values to properties on the appraisal rolls. Mass appraisal seeks to place an appraised value on property in an equal and uniform manner.

# DEVELOPING VALUES

- Property Inspection is conducted either on-site or using technology such as aerial photographs, Google street view and Google Earth
- Cost tables are developed from Marshall and Swift and adjusted for the local market
- When there is a lack of sales in a neighborhood the values may go up based on inflation when the cost tables are updated
- Structures are listed using the cost tables based on size, quality of construction, age, condition, and physical damages



PECAN

199207

199206

199208

199209

199210

199211

## DEVELOPING VALUES CONT.

- Entire neighborhoods are adjusted so the median appraisal is 98-100% of its sale price
- Foreclosures are considered, but typically not used unless they make up 20% of the market. Most foreclosures do not meet the definition of Market Value

Profile Run 669

Profile Detail 10731

Appraisal Year 2014

Neighborhood RES LAKE  
SHORE HILLS

NBHD Code 48007.0

Sample Size 15

Sample Percent 4.24%

Population 354

Old NBHD Adj 1.04

Avg Land/Sale 12.29%

Mean Ratio

Weighed Mean

Median Ratio

Avg Sale/Appr

Avg Sale/Appr PSF

Related Diff

C of D

Current

97.70%

96.13%

98.11%

\$123,404

\$72.83

1.02

0.0612

Updated

100.16%

98.53%

100.49%

\$121,593

\$71.99

1.02

0.0612

Adjustments

Mean 1.05

Median 1.04

Calculated 1.07

Target Ratio  %

New Adj

Status: Locked by user ORRJ on 3/6/2014

Rev R...	Δ	Sale Price	Rev Appr	Rev Imp	Ind Adj	SCIV	L...	TLA	Sale Date	O...	Prc
91.94%		\$124,250	\$114,240	\$102,240	1.15	\$112,250	\$...	1832	1/30/2013		17%
92.14%		\$135,000	\$124,390	\$112,390	1.15	\$123,000	\$...	2036	11/26/2013		18%
93.73%		\$127,500	\$119,510	\$107,510	1.13	\$115,500	\$...	1439	5/20/2013		17%
93.92%		\$131,000	\$123,040	\$111,040	1.12	\$119,000	\$...	1365	6/27/2013		17%
97.09%		\$122,500	\$118,940	\$106,940	1.08	\$110,500	\$...	2270	4/30/2013		17%
98.98%		\$146,991	\$145,490	\$130,490	1.06	\$131,991	\$...	1779	11/1/2013		17%
100.49%		\$97,433	\$97,910	\$82,910	1.04	\$82,433	\$...	1516	5/20/2013		17%
102.26%		\$113,500	\$116,070	\$104,070	1.02	\$101,500	\$...	1459	4/26/2013		17%
103.47%		\$115,000	\$118,990	\$106,990	1.01	\$103,000	\$...	1639	12/20/2013		17%

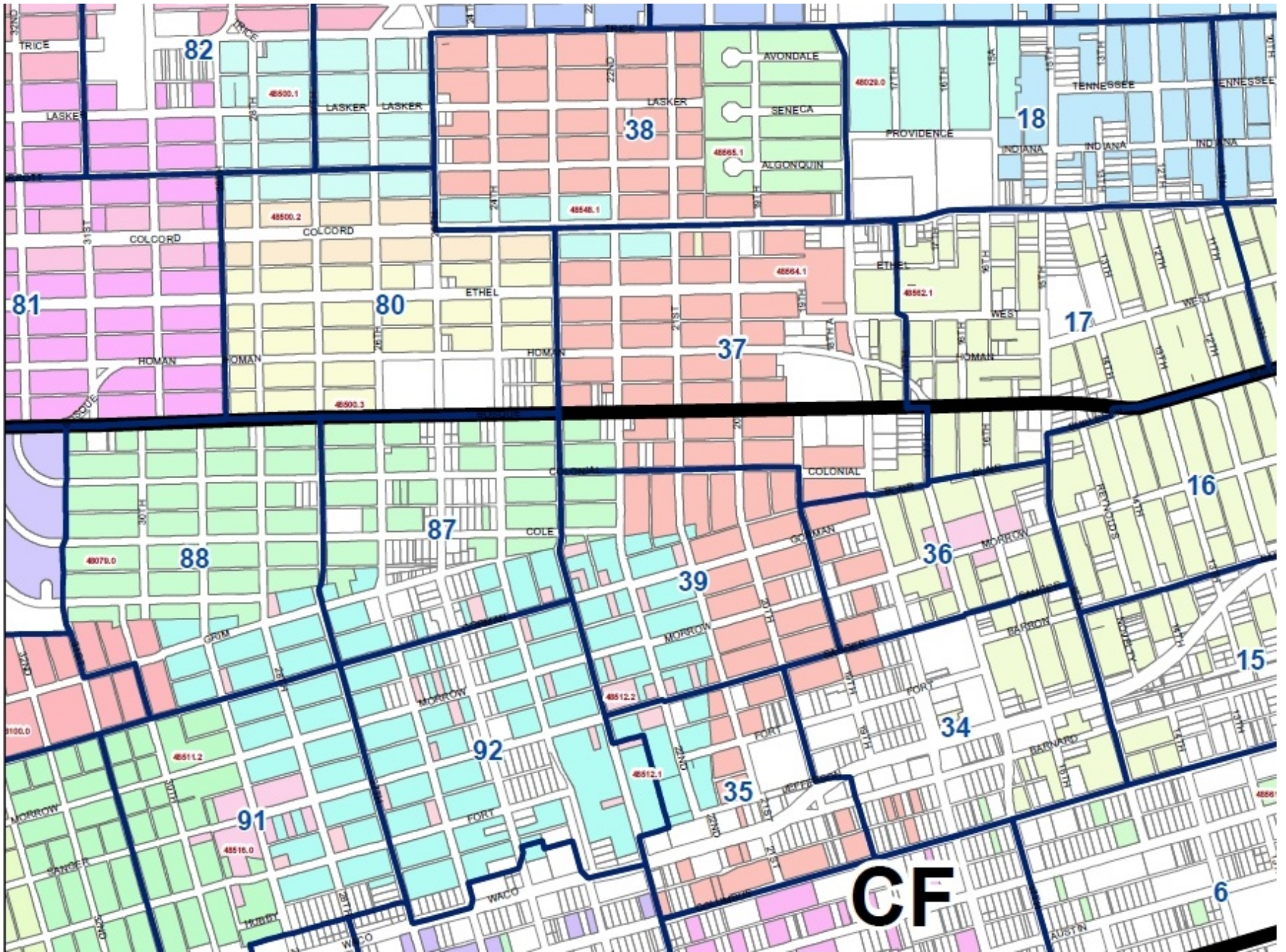
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# APPRAISAL DISTRICT NEIGHBORHOOD

*-is an area in which the properties are subject to the same economic forces.*

- Properties are grouped with emphasis on similarity more than location
- They may range in size from 2-2,000 and consist of multiple subdivisions and blocks
- Rural neighborhoods are grouped by quality of construction in each ISD



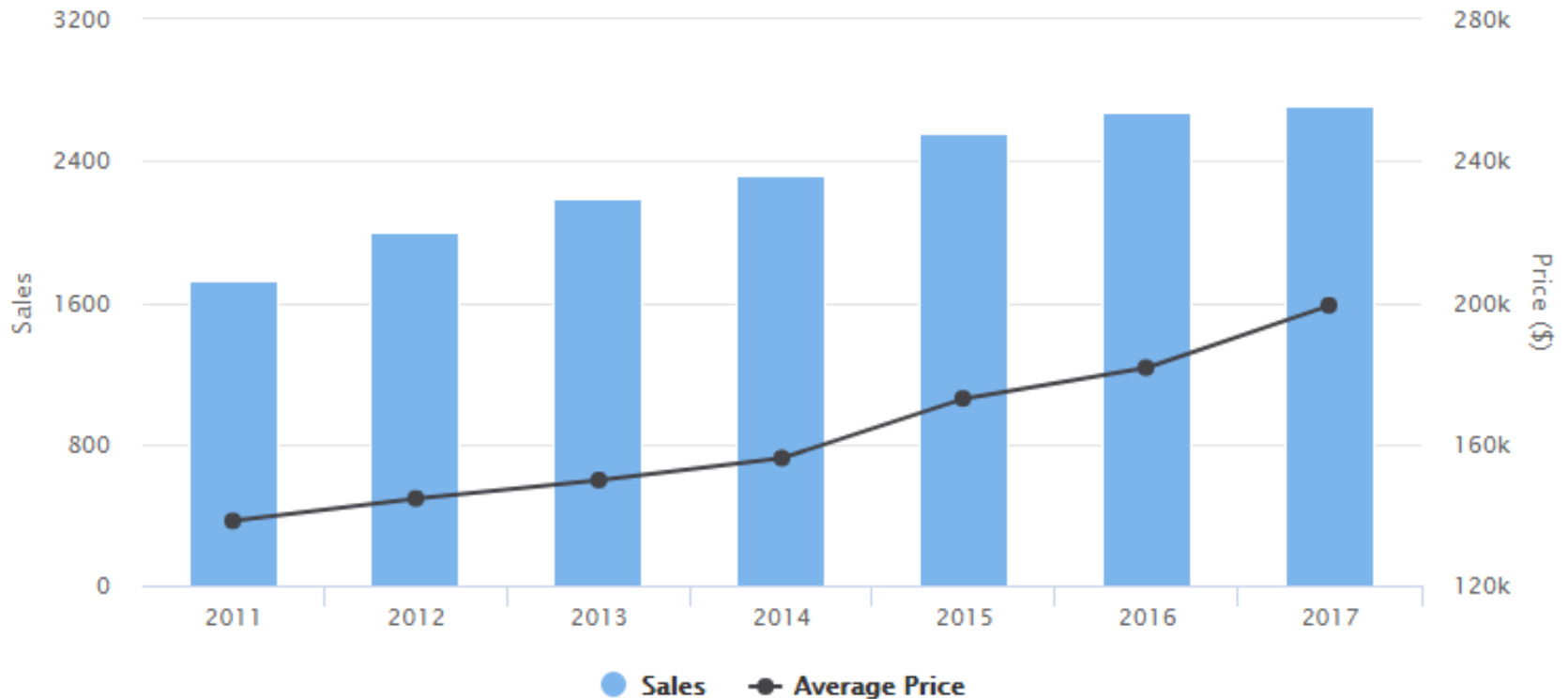
# REASONS FOR VALUE INCREASE

- McLennan County has seen revitalization due to new construction and remodeling in recent years.
- Proximity to churches, schools, grocery stores, and job opportunities
- Sales in your area
- Inflation
- Improvements/additions such as:
  - Garage
  - Porch
  - Fence
  - Driveway
  - Deck
  - Storage Building
  - Terrace
  - In-ground Pools
  - Living Area Addition



**REAL ESTATE CENTER**  
TEXAS A & M UNIVERSITY

### Home Sales and Average Price



# INFORMAL MEETING WITH APPRAISER

For problems with:

- Foundation
- Roofing
- Plumbing
- Electrical
- Other repairs not completed

# HELPFUL EVIDENCE FOR PROTESTING VALUE

One or more of following:

- Current photos
- Cost estimates for repairs
- Fee Appraisal
- Closing statement
- Construction cost

# APPRAISAL TIMELINE

- Property value set as of January 1
- Appraisal notice sent to property owner/agent in April or as soon as practical
- Informal meeting with Appraisal District appraiser available from April through May
- Property owner may file formal protest (to be settled by Appraisal Review Board) by May 15 or within 30 days of **notice being sent**
- Formal hearings heard by ARB mid May through July 16

# ASSESSMENT PROCESS

- Appraisal roll certified by July 25
- Potential for protesting value after certification is very limited and done through a motion to correct the appraisal roll
- Tax rates are set prior to September 30
  - $(\text{Tax Levy (or Budget)} \div \text{Total Taxable Value}) \times 100 = \text{Tax Rate}$
- McLennan County Tax assessor/collector mails tax statements to property owner/agent in October
- Property owners have until January 31 to pay taxes without incurring penalty and interest



# ENTITIES SET TAX RATES

Entities that tax your property:

- School District
- City
- McLennan Community College
- McLennan County
- Special Districts (water)

# COMMON RESIDENTIAL EXEMPTIONS

- Homestead
- Disabled Person (School tax freeze)
- Disabled Veteran
- Over 65 (School tax freeze)
- 1D1 open space is not an exemption, it is a special use agricultural appraisal based on income from leasing

## REMEMBER

- Property value may change from year to year
- Higher taxes may result in higher mortgage payments if escrowed
- Value reduction does not guarantee tax reduction
- MCAD only sets property value or level of appraisal compared to other property owners. It has no control over the tax amount.

# MCLENNAN COUNTY APPRAISAL DISTRICT

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# ADDITIONAL INFORMATION

You Can find more information at State of Texas Comptroller of Public Accounts website:

<http://www.window.state.tax.us/taxinfo/proptax/>



# Question and Answer