Understanding the Values on Texas Notices of Appraisal

O'Connor explains how to understand the values on Texas notices of appraisal.

O'CONNOR
Tax Reduction Experts

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Property taxes are the largest bill that homeowners in Texas face, and they always put a damper on the holidays, as they are due on January 31 every year. Once taxes are in the rearview mirror, many Texas taxpayers shift their focus to federal income taxes. Yet, there is an important tax event that many people miss entirely that sits between these two dates. That is the mailing of the Notices of Appraised Value that are sent out by Texas appraisal districts between late March and early April.

Appraisal notices are vital for understanding future property taxes, as they contain several useful pieces of information that will shape future property taxes. By understanding these notices, property owners will be aware of any changes in value, which will allow them to prepare for a tax increase or perhaps open the door for an appeal. Most notices will have three separate values on them, which can be confusing to taxpayers. O'Connor will break down these three categories and how owners might be able to lower them with property tax appeals.

Why Appraisal Notices are Important

Since they arrive between two major tax events, it is understandable that appraisal notices often go overlooked. However, they are a goldmine of information when it comes to understanding a property. Depending on the county, the notice will have either two or three values, with each one being an important figure to understand. These are the market, appraised, and taxable values. Each of these numbers, along with tax rates, change every year, which is why they should all be monitored regularly.

Market Value

Market value tends to be the attention-getter on the notice, as it is usually the largest. In theory, this category is what a home or business would sell for on the open market if it were sold on January 1 of the tax year. The appraisal district computes this value by studying market trends and sales over the previous few years. This data is then used with techniques like mass appraisal to apply the value to homes and businesses. Because most appraisals are done without actually visiting the property, market value is more of a one-size-fits-all approach, which does not factor in things like condition or damage. It is predicated on size, location, age, and any documented improvements. Because it is based on previous housing market data, the market value could be out of date. For instance, it could be stuck in a boom period where homes were selling like hotcakes, but the present market has slowed significantly.

Appraised Value

This is the market value, but it is constrained by legal limits. Texas has various laws and caps that keep the appraised value from rising too quickly, especially for properties with a homestead exemption. Generally, appraised value can increase at a maximum of 10% annually. In many cases, this will be roughly equal to the market figure and often will be identical. However, in high-dollar markets that have seen a lot of demand, the market value could be significantly higher than the appraised one. In some jurisdictions, owners will only be given the market and appraised values, meaning they will have to figure out the third category on their own in order to anticipate their upcoming bill or know when it is time to launch an appeal.

Taxable Value

This is the most important of the three, as it is what determines taxes. Taxable value is computed by taking the appraised figure and applying any exemptions that owners have. For homeowners, there can be options such as the homestead, over-65, and disabled exemptions. Once exemptions and any other reductions are subtracted from the total, the final taxable value is determined.

As the name suggests, the taxable value is the basis for all property tax bills. This figure is multiplied by tax rates from across the county, with dozens of taxing bodies applying their own tax rates. It is a common misunderstanding that Texans have a flat tax rate that is levied equally. Instead, organizations such as school districts, MUDs, hospital districts, and more each have unique rates that are applied. This is why taxable value is so important, as it can regulate what owners pay to all of these organizations by lowering the base.

Lowering the Values

Since tax rates are varied and cannot be challenged, the only way to secure lower taxes is to bring down the values. The first and easiest way to accomplish this is through exemptions. Thanks to recent legislation, the homestead exemption now reduces taxable value by $140,000, though this only applies to school taxes. If a property owner is disabled or over 65, then they can add $60,000 more to this total if they have the corresponding exemption. Depending on the county, having a homestead exemption may also grant a reduction in taxable value for other categories of taxes, though this is not universal.

Outside of exemptions, the only way to lower the values is to use appeals. Appeals target the appraised value directly, which would then also change the taxable figure. This is why reviewing the Notice of Appraised Value is so important, as it allows owners to see if their values are inaccurate or excessive. Large jumps in either market or appraised value could indicate that the home or business is overassessed or that the appraisal does not reflect true market forces. Owners should also review the notice to make sure all of the exemptions are being applied correctly. A missing exemption can be appealed as well, potentially bringing in even more savings.

The Deadline for Appeals is May 15

The final reason to keep up with the appraisal notice is that the deadline for appeals follows closely behind. The statewide deadline is May 15, though this can be later if the date falls on a weekend. In that case, the deadline moves to the next workday. In addition, if the notice arrives late, then there could be more time. Owners have 30 days from the mailing date of the notice to file an appeal, unless the deadline is later than that. With notices hitting mailboxes in late March or early April, that means owners should have over a month to put together the evidence needed for an appeal.

About O'Connor:
O'Connor is one of the largest property tax consulting firms, representing 185,000 clients in 49 states and Canada, handling about 295,000 protests in 2024, with residential property tax reduction services in Texas, Illinois, Georgia, and New York. O'Connor's possesses the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs a team of 1,000 worldwide. O'Connor's core focus is enriching the lives of property owners through cost effective tax reduction.

Property owners interested in assistance appealing their assessment can enroll in O'Connor's Property Tax Protection Program ™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

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