

Property Tax Myth Busting: Tax Rates

O'Connor discusses and busts tax rates myths.

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While Texas property tax payments are typically completed in January, notices of appraisal will begin to be sent out in March. These are some of the most useful tools to understand what the property is worth in the minds of the appraisal district and what the future burden could be. They will contain a wealth of important information, including the size, classification, and ownership details for your home or business. It will also have two or three values assigned to it: market, appraised, and taxable values.

One figure that will generally be missing is tax rates. One of the top questions we see online is about what the rate is in a particular county or city. This is understandable, as property owners want to know how much taxes will be in the future. However, this reveals a common myth about property taxes. There is no central rate to apply to real estate. In this article, O'Connor will break down how tax rates work in Texas and explain why they fluctuate from year to year.

No Central Property Tax Rate

Texas has no income tax, and the sales tax rate is the same no matter which state. Property taxes are an entirely different animal. While the sales levy is regulated at the state level, property taxes are not centrally regulated. Instead, there are dozens of tax rates across any given county. This is because rates are generated by taxing bodies, which are government institutions that require funding from property taxes to function. If owners look at the breakdown of their tax bill or the multiple bills they receive in some jurisdictions, they will see many districts with separate rates, each contributing to part of the whole.



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Taxing Entities

School districts, municipal utility districts (MUDs), hospital districts, counties, special districts, and cities are only a few of the taxing entities that levy rates on property owners. In many jurisdictions, owners will get three property tax bills, one for the county, one for the MUD, and one for the school district. Inside these bills, owners will see several other bodies with varying rates as well. For instance, a bill from Harris County will list the likes of the Lone Star College System, Port Authority, emergency services, the hospital district, and other groups. Each has its own rate and impact on the bill.

Tax Rates Change

With so many different sources, it is easy to see how taxes can swing from one year to the next. Each of these entities has an annual budget. To meet these funding requirements, a rate must be set. As needs naturally change yearly, a body must adjust its rate to compensate. This makes both tax rates and the burden associated with them unpredictable. This is why every taxpayer needs to stay up to date on both their assessments and their property records, as both can see substantial changes.

Property Values and Taxes

The two main components of a bill are property values and rates. We recently did an article addressing the three types of property values, as there tend to be a lot of misunderstandings associated with them. To recap quickly, market value is what the appraisal district estimates the property will sell for on the open market. Appraised value is the market number that has been controlled by market caps and other regulations. The taxable value is the appraised sum minus exemptions and other reductions.

Once the taxable value has been determined, it is then multiplied by the various rates to generate a bill. Since property values are linked to market forces and rates to annual budgets, this can cause a great amount of fluctuation in property taxes from year to year. In years where the majority of taxing bodies raise rates and the taxable value soars, levies can increase substantially. This is why it is important for a taxpayer to stay informed about their property's value, as it can have a huge impact on future costs. This makes the values on the appraisal notices mailed in March vital to understand.

Can Exemptions and Appeals Lower Tax Rates?

While important, neither property tax appeals nor exemptions lower tax rates. Since they come from so many sources, rates cannot be lowered or challenged. However, tax reduction can be achieved by lowering the taxable value. Exemptions are the first step, as they can shield a good amount of value from taxes. If a property owner is over 65 and your home is considered a

homestead, for instance, then they might be able to combine exemptions to eliminate school district taxes entirely. Property tax appeals challenge the appraisal district's values, and if they succeed in lowering them, then the appeals are usually able to lower the overall bill.

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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