

UNDERSTANDING AND PROTESTING YOUR PROPERTY TAX APPRAISAL

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“So What’s Your Problem?”

- “It’s too high” isn’t enough!!
- Instead: Discover or supply facts that demonstrate why values are excessive relative to appropriate legal standard

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PART I: Understanding your value statement

- *Mechanics of arriving at values on statement*
- *Identify potential sources of challenge to value*
- *Immediate and longer-term tax savings*

PART 2: Launching an effective protest

- *Filling out form*
- *Requesting data*
- *Filing*
- *Hearing*
- *Appeal*

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Part One – Understand the Value Statement



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Value Statement: Improvements vs Land

Property Valuation History						
Values by Year		2016	2015	2014	2013	2012 n/a
Improvements	+	\$328,820	\$306,690	\$312,360	\$260,660	\$240,690 \$0
Land	+	\$25,940	\$25,940	\$25,940	\$25,940	\$25,940 \$0
Production Market	+	\$0	\$0	\$0	\$0	\$0 \$0
Personal	+	\$0	\$0	\$0	\$0	\$0 \$0
Mineral	+	\$0	\$0	\$0	\$0	\$0 \$0
Total Market	=	\$354,760	\$332,630	\$338,300	\$286,600	\$266,630 \$0
Agricultural Loss	-	\$0	\$0	\$0	\$0	\$0 \$0
Homestead Cap Loss	-	\$18,130	\$27,510	\$60,920	\$34,430	\$37,390 \$0
Total Assessed	=	\$335,630	\$305,120	\$277,380	\$252,170	\$229,240 \$0

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Value Statement: Improvements + Land = MV

Property Valuation History						
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Improvements	+	\$328,820	\$306,690	\$312,360	\$260,660	\$240,690 \$0
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Value Statement: Assessed vs. Market Value

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Market Value vs. Assessed Value

- Market Value: Willing buyer, willing seller – theoretical price that your home would bring after sufficient time on the open market
 - As of January 1, 2020
 - Oil price and virus after effective date
 - Cannot be taxed at value that exceeds the market value of your home
 - **MARKET VALUE ACTS AS A “CAP” ON VALUE SUBJECT TO TAX**
- Assessed Value: Market Value limited by the Tax Code
 - “As much of the market value as the Code permits you to be taxed on . . .THIS YEAR.”

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Market Value Caps Assessed Value - “Homestead Cap”

Limitation on magnitude of increase in assessed value in a single year.

Makes Current Year's Assessed Value (what is taxable) the Lesser of:

This year's market value (blue arrow)

Previous year's appraised value + 10%, plus improvements (green arrow)

“Homestead Cap” is difference between this year's Market Value and Assessed Value – portion of Market Value that you cannot be taxed on THIS YEAR.

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Total Assessed	=	\$335,630	→ \$305,120	\$277,380	\$252,170	\$229,240 \$0
			← +10% \$335,632			

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Reduce Assessed (Taxable) Value This Year . . . And Next Year

This Year:

Argue that Market Value is less than the Assessed Value (blue)

EX: Reduce MV to \$300,000,

new Assessed (Taxable) value is also \$300,000, because you cannot be taxed at anything above current MV.

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. . . And Next Year

If you cannot reduce MV below Assessed Value this year, argue it anyway – MV acts as “cap” on Assessed Value in future years.

No “cap” on increases in Market Value, so challenge every year to keep it low!

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So . . . What do you do?

- Challenge Market Value every time it increases.
- Use MV as cap – if you can drop MV below this year's assessed value, save money this year (and start ahead next year!)
- How do you successfully challenge market value?
 - *Mistakes*
 - *HCAD's Comparables (Evidence Packet)*
 - *Neighboring properties*
 - *Exemptions*

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Mistakes: Check online tax statement

- “Backup” to HCAD's Market Value
- Go to: <https://www.howardcad.org/>
- Choose “Property Search” icon located at top right
- Search by Name, using last name
 - *Tip: Choose “Advanced” and search by name & house number*
- Scroll through detail and check for accuracy
- Compare to previous year – choose grey box, arrow down to 2019
- Compare to neighborhood – use map to locate, then search by property number

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Challenge Market Value

- Challenge Market Value on any basis that would impact the price of your home on the open market
 - *Deferred maintenance (EX: needs roof, exterior paint, kitchen bath renovations, etc.)*
 - *Focus on source of increase – land value? Improvements?*
 - *Mistake – check online tax statement to make sure rooms, square footage, lot size, “add-ons”, etc. are correct.*
- Compare your appraisal to HCAD’s comparables – you can get their online statements as well – and differentiate.
- Compare to neighboring properties

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Sources of Evidence

- Appraisal
- Comparable sales – Ask for and pick up HCAD’s evidence packet!
 - *Get District’s comparable sales and ask questions*
 - *Differentiation, if applicable*
 - Deferred maintenance
 - “Lesser” features – garage, pool, yard, updated interior, etc.
 - Pictures
- Comparable “no-sales”
- Repair estimates

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“Equal and Uniform”

- Statutory definition: “the appraised value of the property exceeds the median appraised value of a reasonable number of comparable properties appropriately adjusted.”
- Constitution art. VIII, § 1:
 - (a) *Taxation shall be equal and uniform.*
 - (b) *All real property and tangible personal property in this State, unless exempt as required or permitted by this Constitution, whether owned by natural persons or corporations, other than municipal, shall be taxed in proportion to its value, which shall be ascertained as may be provided by law.*
- Case Law: suggests “equality” trumps “market value.”

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Part Two – Protest!



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Implementing Your Strategy: Perfecting your Protest

- Form
 - *Usually comes with appraisal notice.*
 - *Use is optional.*
- Indicate the grounds on which you are protesting
 - *Market/Assessed Value*
 - *Inequality*
 - *Other*



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Other Bases for Protest

- Property Owner
- Exemptions
 - *Homestead*
 - *Over 65/disabled*
 - *"Other" homestead*
 - *Agricultural*
 - *Others*
- Failure to receive actual notice ("the" notice vs actual notice)
 - *Must protest*

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Protest Form

Section 3: Reasons for Protest

To preserve your right to present each reason for your protest to the ARB according to law, be sure to select all boxes that apply. Failure to select the box that corresponds to each reason for your protest may result in your inability to protest an issue that you want to pursue.

<input type="checkbox"/> Incorrect appraised (market) value.	<input type="checkbox"/> Ag-use, open-space or other special appraisal was denied, modified or cancelled.
<input type="checkbox"/> Value is unequal compared with other properties.	<input type="checkbox"/> Change in use of land appraised as ag-use, open-space or timberland.
<input type="checkbox"/> Property should not be taxed in _____ (taxing unit).	<input type="checkbox"/> Incorrect appraised or market value of land under special appraisal for ag-use, open-space or other special appraisal.
<input type="checkbox"/> Property is not located in this appraisal district or otherwise should not be included on the appraisal district's record.	<input type="checkbox"/> Owner's name is incorrect.
<input type="checkbox"/> Failure to send required notice. _____ (type)	<input type="checkbox"/> Property description is incorrect.
<input type="checkbox"/> Exemption was denied, modified or cancelled.	<input type="checkbox"/> Incorrect damage assessment rating for a property qualified for a temporary disaster exemption.
<input type="checkbox"/> Temporary disaster damage exemption was denied or modified.	<input type="checkbox"/> Other: _____

Section 4: Additional Facts

What is your opinion of your property's value? (Optional) \$ _____

Provide facts that may help resolve this protest:

NEVER SHARE YOUR
OPINION OF VALUE!!

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Perfecting Your Protest



- *Grounds for Protest*
 - Will generally have to file protest before you receive any meaningful data.
 - If you fail to raise a particular ground, you waive the right to protest on that ground.
 - Form categories - Check anything that might conceivably apply.

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Place Your Bet!

- Time frame is jurisdictional – if you do not timely mail your protest, you waive the right to protest!!
 - Key date is postmark date, so make sure your envelope is postmarked.
 - Hand deliver and ask for a receipt or signed/stamped copy
 - Or Certified Mail, RRR
 - Take good notes!

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Reading the Cards

- Collect Data
 - Formally: Obtain “evidence packet”
 - Informally: ask questions!
- Don’t Show Your Hand!
 - DO NOT suggest a value.
 - DO NOT provide “facts in support protest” too early.



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The Appraisal Review Board

- Panel of taxpayers with varying degrees of experience and sophistication.
- Appear:
 - In person
 - Through agent
 - By affidavit
- Procedure:
 - 15 minute hearing
 - District technically has burden of proof
 - Computer analysis of mass appraisal
 - If you have asked for data, they cannot rely on anything not provided!
 - "Pre-hearing" conference/settlement offer



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Decision and Order

- The Board will discuss and vote at the end of your hearing.
- District will mail formal order granting or denying the protest.
- Receipt of that order starts timetables for further appeals, so record date when received.



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Appeal to District Court

- Timeline to file is jurisdictional – if you miss the deadline, you have waived your right to appeal.
- Have to pay the amount of undisputed taxes.
- Analysis of whether to appeal should be made on multi-year basis.
- “Frog in boiling water.”



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Arbitration in Lieu of Litigation





- “As an alternative to filing an appeal under Section 42.01, a property owner is entitled to appeal through binding arbitration under this chapter an appraisal review board order determining a protest filed under Section 41.41(a)(1) or (2) concerning the appraised or market value of property if:
 - (1) the property qualifies as the owner’s residence homestead under Section 11.13; or
 - (2) the appraised or market value, as applicable, of the property as determined by the order is \$3 million or less.”
- Determined by a member of the Comptroller’s Arbitration Panel.
- Generally, “split the baby.”

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Protect the Record



- DO gather all of the available data 
 - *Formal request*
 - *Who, What, When, Where, Why*
- DO ask questions informally 
- DO NOT suggest a value. 
- DO NOT provide “facts in support of your protest” too early. 

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Thank you and Good Luck!



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