

## Understanding Your Values

*A detailed explanation of the market value, appraised value, & taxable value*

*By: Connie Goodrich*

The 2018 Property Tax bills are in the mail. Depending on your appraisal district you may see a combination of these terms on your value notice: Market Value, Appraised Value, Capped Value, Assessed Value, Taxable Value. What do they mean? Which one do I protest? Which one determines how much tax I pay? Below is insight to add clarity on this confusing topic.

In general, all appraisal districts start with **Market Value**. This is the appraisal district's opinion of what your property would have sold for as of January 1 of the current tax year in its "as is" condition on that date. Market Value is where it all starts and that is the value that you can have some influence on by **protesting** your **Market Value** each year. A reduction in Market Value generally lowers your property tax bill (see homestead cap issue below, however). Your Taxable Value is what you actually pay taxes on. It can be lower than the Market Value due to exemptions or homestead caps (see below). Unless you have a homestead or some other exemption, your Market Value and Taxable Value are the same.

**Homestead Exemptions** - If your property is your residential homestead and you have filed all the paperwork to qualify for a homestead exemption in the current tax year, the value you pay taxes on will be less than the Market Value. This is because, all school districts must grant a homestead exemption (part of your value is exempt from taxation). Cities, Counties and other taxing entities *may* offer homestead and other exemptions as well. Each exemption reduces your tax liability.

**Homestead Cap** – In Texas, property which has a homestead exemption generally has a "cap" on the value that you pay taxes on. This is sometimes called the "Capped" Value by some CADs and the "Appraised" Value by others. Let's look at an example to see how this works. Subject to some exceptions noted below, if your Market Value (what your house would sell for) was \$300,000 last year and it increases to \$340,000 this year, then your value is "capped" at \$300,000 plus 10% or \$330,000. Most districts call that the "Capped" Value but some call it the "Appraised" Value. The next year, if your Market Value goes to \$370,000, your value is capped at last year's capped value of \$330,000 plus 10% or \$363,000. Again, the only value you can protest is the Market Value. So, in that final year, if you protest and get the Market Value lowered from \$370,000 to \$365,000, then since that is still above your capped value of \$363,000 the reduction will not save you any money that year – although it may help mitigate increases in future years. That is a topic for another day.

There are two scenarios your appraised value can actually increase by more than 10% even if you have a homestead on your property.

- *Scenario 1:* You make improvements to your property (i.e. adding a pool). In this case, your appraised value can increase by a maximum of 10% plus the added market value of the improvements you made to your property.

- *Scenario 2:* You recently purchased a property. In this case, you will lose the 10% homestead cap for one year. The new owner of the property should expect the appraised value to increase close to what they purchased the property for. Every year after the purchase the value can only increase by a maximum of 10% if the property has a homestead exemption.

### *The Takeaway*

*Since we have no Income Taxes in Texas, property taxes in Texas are a significant cost of home ownership. You can have some influence on your tax liability by being proactive and protesting your Market Value each year. A reduction on your Market Value generally reduces our tax liability. In addition, exemptions (such as the Homestead exemption) reduce your tax liability.*

*For help in protesting your property taxes yourself and to obtain other valuable information on the property tax protest process, go to [www.propertytax.io](http://www.propertytax.io).*

### **Market Value**

The market value is the appraisal district's interpretation of what they think a property would sell for on January 1<sup>st</sup> of the assessment year. The market value is controlled by the appraisal district and is the only value you can file an appeal on. Unlike the appraised value, the market value is not limited to a maximum increase in value from the previous year. In order to determine market value, the appraisal district has a time frame (typically April – February) in which they collect data on properties that could impact the market value of the property. Example data sources the appraisal district examines are sales from MLS, mortgage information published on deeds, permits, physical inspections, rental rates, and sales information from other data sources.

### **Appraised Value**

The appraised value (referred to as the homestead cap value) is not controlled by the appraisal district. You cannot file an appeal to reduce the appraised value, only to reduce the market value. Many times, the appraised value and the market value are the same value, but in no circumstances can the appraised value exceed the market value. If you have a homestead on the property, the appraised value is the minimum of the market value OR the previous year's appraised value plus 10%. By law, the appraised value (with a homestead exemption) can only increase by a maximum of 10% per year. To an extent, the appraised value is controlled by state lawmakers. They control the law that determines the maximum increase in appraised value from the previous year (currently 10%).

There are two scenarios your appraised value can actually increase by more than 10% even if you have a homestead on your property.

- *Scenario 1:* You make improvements to your property (i.e. adding a pool). In this case, your appraised value can increase by a maximum of 10% plus the added market value of the improvements you made to your property.
- *Scenario 2:* You recently purchased a property. In this case, you will lose the 10% homestead cap for one year. The new owner of the property should expect the appraised value to increase close to what they purchased the property for. Every year after the purchase the value can only increase by a maximum of 10% if the property has a homestead exemption.

## Taxable Value

The taxable value is the difference in the appraised value and the total exemptions offered for the property. The taxable value can vary depending on the taxing jurisdiction. Different taxing jurisdictions offer different exemptions amounts (i.e. one taxing jurisdiction can offer a \$25,000 homestead exemption, and another a \$10,000 homestead exemption). The appraisal district does not control the taxable value. Your local government officials and state representatives control your taxable value to an extent. As an example, in Texas, it is required by law that school districts offer a minimum homestead exemption of \$25,000, but local government officials can increase the exemption amount should they so choose.

From Collin County Appraisal District

## What is a homestead cap value?

### Details

Published on Monday, 15 October 2012 09:10

Cap value applies to residential homesteads only and it goes into effect the second year after a residential homestead exemption has been granted for your residence. If the property is your residence homestead, the appraised value may not exceed the lesser of the market value of the property or the sum of:

Cap value applies to residential homesteads only. If this property is your residence homestead, the appraised value may not exceed the lesser of the market value of the property or the sum of:

- 10 percent of the appraised value of the property for the preceding tax year;
- the appraised value of the property for the preceding year; and
- the market value of all new improvements to the property

Hope this helps give you a good reference as you come across your property tax statements and valuation from the Central Appraisal District.

All the best!



- Servicing the DFW Metroplex
- Certified Real Estate Appraiser
- Celebrating Over 25+ Years in Real Estate Industry
- Texas Monthly Magazine - 5 star Realtor Professional 2013 - 2018
- "D" Magazine recognized as "Best of Realtors" - 2016 & 2017
- Top Producers in Volume & Units Sold - Keller Williams Realty McKinney
- Results driven team - Listing, Buyer, Marketing & Client Care Specialists

**Are you interested in selling?**

**Contact Connie for a complimentary market analysis & for home staging recommendations/consultation.**

**[www.conniegoodrich.com](http://www.conniegoodrich.com)  
214.906.7547 | [connie@goodrichrc.com](mailto:connie@goodrichrc.com)**