

Appraisal District Reappraisal Plan

Purpose

Reappraisal is the process of reevaluating property for assessment purposes. Reappraisals provide critical information for appraisal districts to maintain the procedures, manuals and systems used to produce values. By law and as a matter of best practice, appraisal districts must have reappraisal plans to ensure effective use of resources to meet their statutory requirement of appraising property at market value as of Jan. 1 each year.

Statutory Requirements and Generally Accepted Appraisal Practice

Texas Constitution Article VIII, Section 1, requires all property taxation to be equal and uniform in proportion to its value. Because market values change continuously and at different rates, appraisal uniformity can only be maintained with frequent revaluation of factors that affect market value.

Tax Code Section 23.01(a) requires appraisal districts to appraise all taxable property at its market value as of Jan. 1. In a rapidly changing market, annual evaluation of property values may be necessary to determine appropriate market value each year. However, the International Association of Assessing Officers' (IAAO) *Standard on Property Tax Policy* states that, while maintaining market value implies annual evaluation of property, it does not necessarily mean that every value must change each year.

Additionally, because appraised value is only one factor in determining property taxes, a change in value does not equate to a change in taxes. Various state laws on appraisal, such as exemptions and appraisal caps, and state laws on property taxation, such as tax ceilings and tax rate compression, mean that a percent change in property value does not equate to an equivalent percent change in property taxes assessed.

Tax Code Section 25.18 requires appraisal districts to implement a plan for periodic reappraisal of all property within the jurisdiction and provide for the following activities at least once every three years:

- identify properties to be appraised;
- identify and update relevant property characteristics in the appraisal record;
- define the appraisal district's market areas;

- identify property characteristics that affect property value in each market area;
- develop an appraisal model that reflects the relationship among the property characteristics affecting value in each market and determines the contribution of individual property characteristics;
- apply conclusions reflected in the model to the characteristics of the properties being appraised; and
- review appraisal results to determine value.

The IAAO's *Standard on Property Tax Policy* states that appraisal districts should consciously reevaluate factors that affect market value, express the interactions of those factors mathematically and use mass appraisal techniques to estimate property values.

The IAAO cautions that long intervals between revaluations generally result in regressive assessments (meaning that low-value homes are appraised at a higher percentage of their true market value than are high-value homes) and violation of the uniformity principle. Continuing to use market factors from prior years without recalibrating them for the current market creates value estimates that are hypothetical and risk violating the constitutional equal and uniform clause.

In 2005, the Texas Legislature added Tax Code Section 6.05(i) to require the appraisal district board of directors to adopt a biennial reappraisal plan to ensure adherence with the law and generally accepted appraisal practices. The board must hold a public hearing in even-numbered years to adopt the reappraisal plan and distribute the plan to the governing body of each taxing unit and to the Comptroller's office within 60 days of approval. Prior to 2005, the chief appraiser was responsible for the reappraisal plan.

Planning a Reappraisal

The IAAO's *Appraisal Assessment* provides guidance on planning a reappraisal. It states that in jurisdictions that keep values current, revaluation is a routine part of an annual cycle. The basic motivation for reappraisal is to maintain equity. Without frequent reappraisals, over-appraised property causes the owners to pay more than their fair share of taxes. Under-appraised property contributes to lower tax bases, causing the taxing units to set higher tax rates and reduces their ability to issue bonds.

The objective of reappraisal is to develop and implement new values that reflect the market and achieve equity.

For more information, visit our website:

comptroller.texas.gov/taxes/property-tax

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