

# Appraisal Process and Property Taxation

City Council “B” Session  
February 14, 2018

# Appraisal Process and Property Taxation Overview

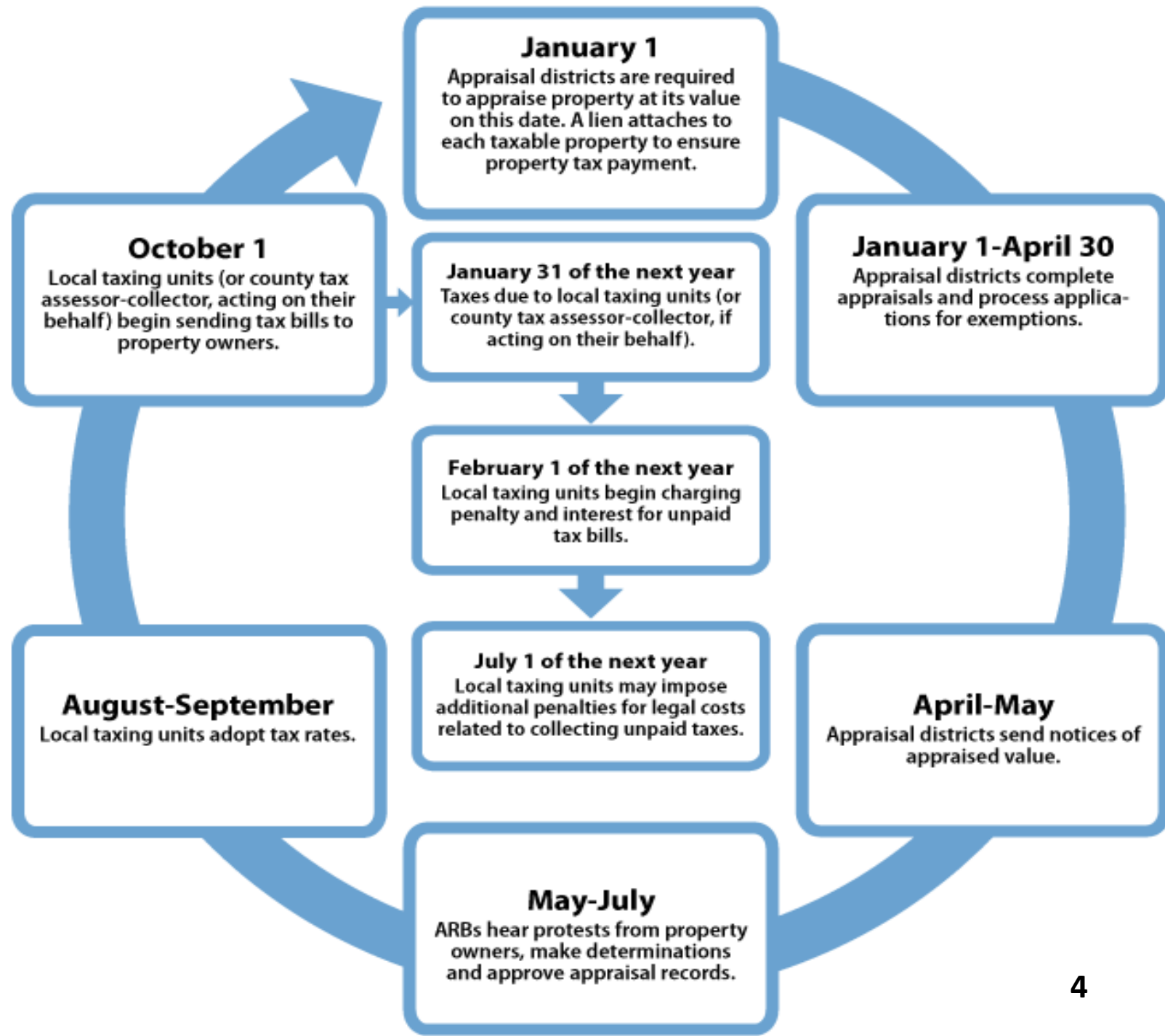
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Presented by:  
Chief Appraiser Michael Amezcuita  
Bexar Appraisal District

# Bexar Appraisal District

- Board of Directors
  - Cheri Byrom, Chair
  - Roberto Treviño, Councilman, District 1, Vice Chair
  - George Torres, Secretary
  - J. Keith Hughey
  - Sergio “Chico” Rodriguez, Commissioner, Pct. 1
  - Albert Uresti, MPA, Bexar County Tax Assessor Collector

# The property tax process for each tax year includes a series of steps



# Texas Constitutional Provisions for Property Taxes

- Taxation must be **equal and uniform**
- Generally, all property must be taxed based on its **current market value**
- All property is taxable unless federal or state law **exempts it from the tax**
- Property owners have a right to **notice of increases** in their appraised property value

# Property Tax Code Provisions Regarding Appraisals

- All property is appraised at its market value as of January 1<sup>st</sup>
- The market value of property shall be determined using generally accepted methods and standards

# State and Local Tax Bill

- Texas has a very low state tax bill, ranking 45<sup>th</sup> in state taxes per resident
- Texas has a very high local tax bill – 16<sup>th</sup> highest in the nation

# Our Decisions Have Consequences

## What Texas legislators said:

We'll lower local school property taxes and replace it all with new revenue.

## What really happened:

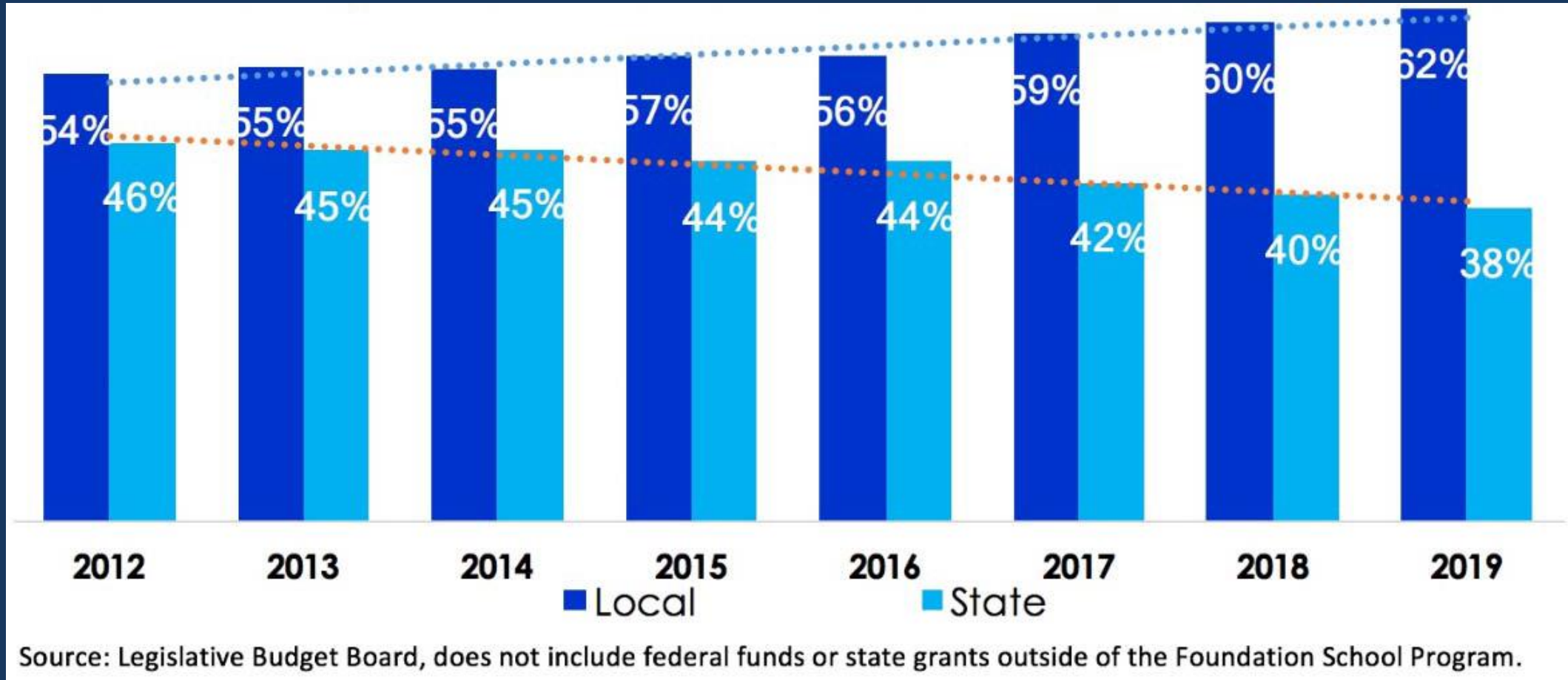
There wasn't enough new state revenue, so legislators cut vital services and forced cities, counties and schools to pick up the slack.



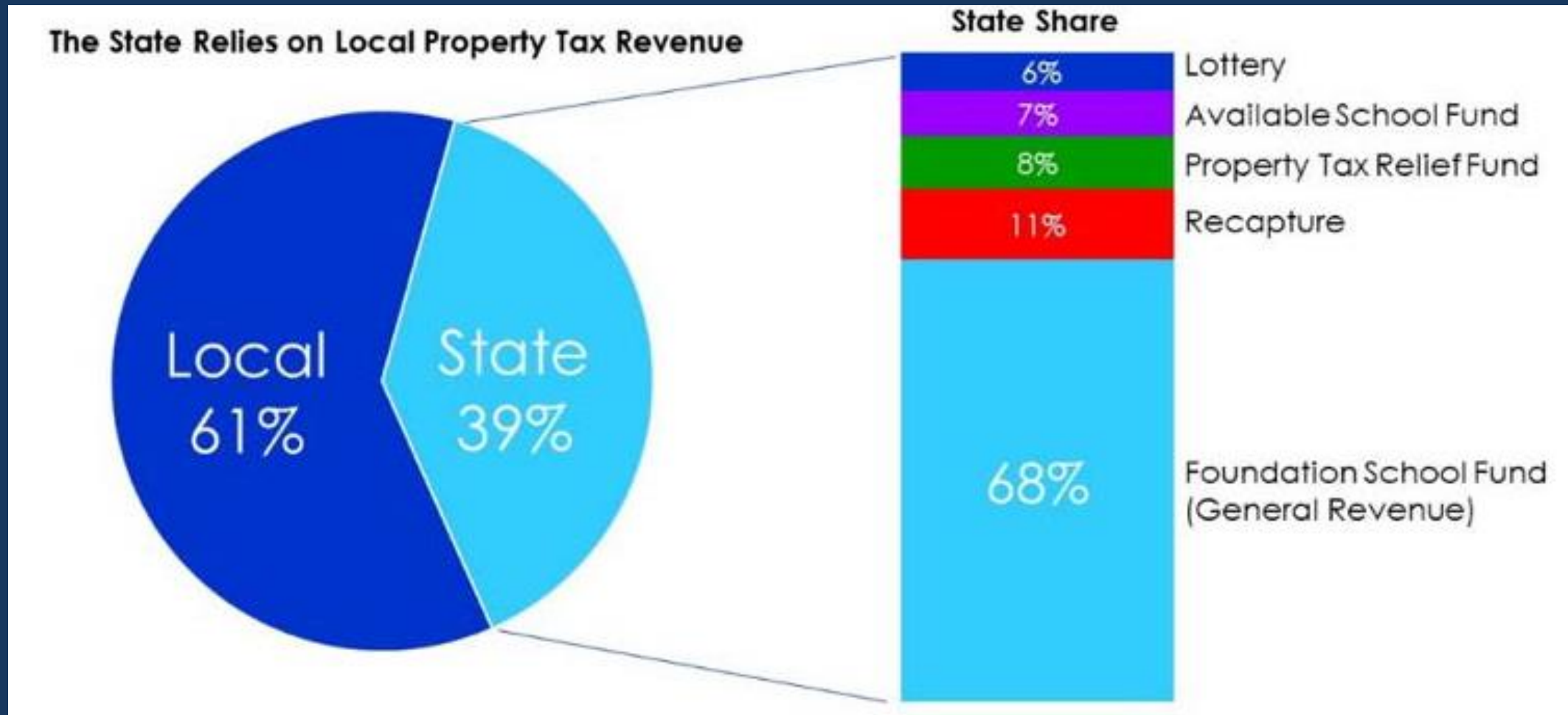
Increase in local taxes is due to the state shifting a larger share of costs to school districts, cities and counties



# Most funding for schools comes from Local Property Tax collections



# Sources of Funding: State and Local Share



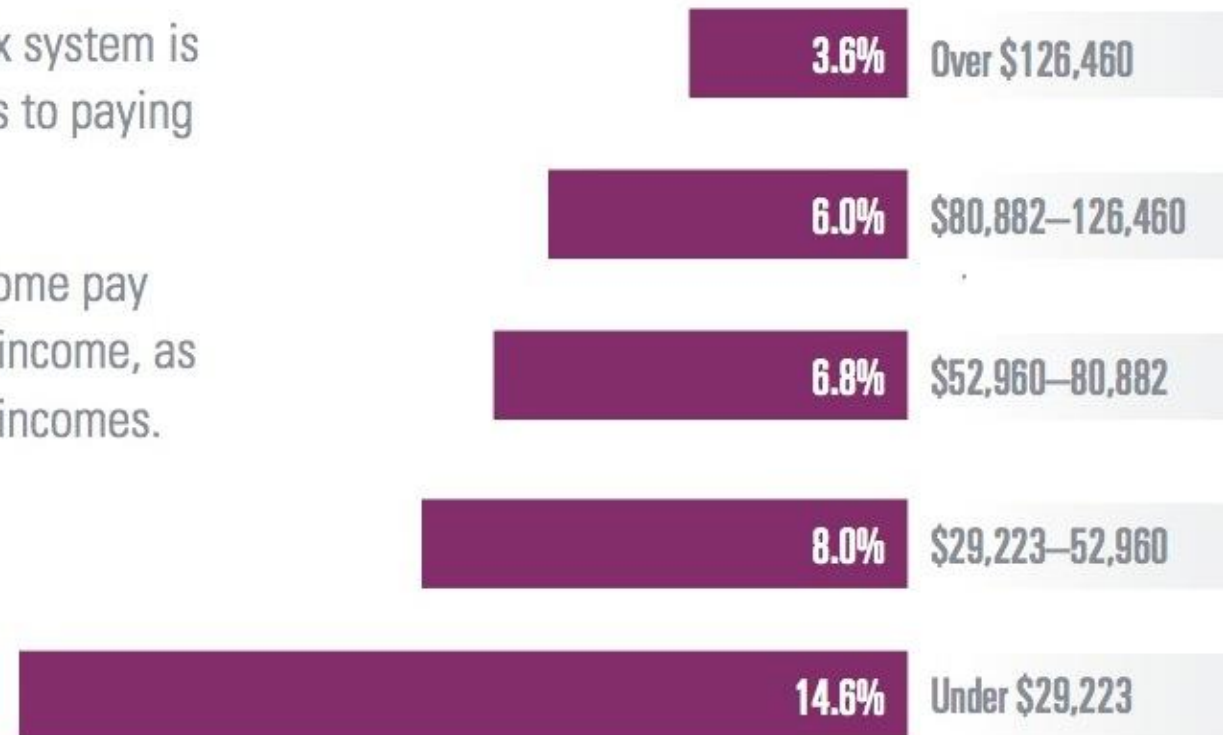
# Texas' Regressive Tax System

## Texas Households with the Lowest Income Pay the Highest Percentage in Taxes

Another way to look at the fairness of Texas' tax system is to examine the share of family income that goes to paying for public services.

The one-fifth of households with the lowest income pay four times as much in taxes, as a share of their income, as do the one-fifth of households with the highest incomes.

State/Local Taxes as a Share of Personal Income

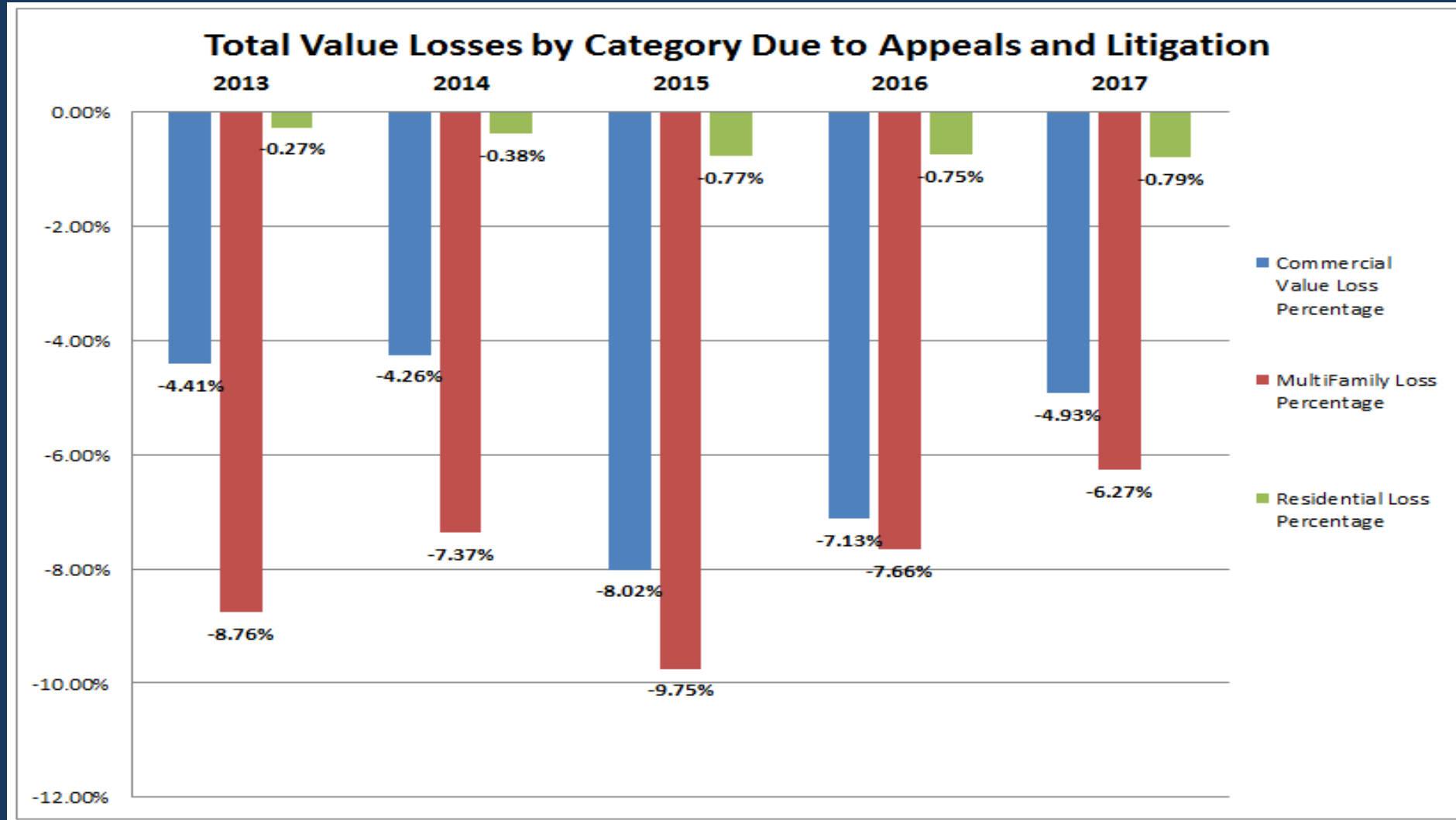


Source: Texas Comptroller of Public Accounts,  
Tax Exemptions and Tax Incidence 2011

# Appraisal and Appeals Laws

- Texas does not have a legal requirement for sales disclosure of property
  - More market data available for residential properties
- “Equal and Uniform” provision allows for large commercial properties to reduce their values below market value
  - The more unique a property, the fewer comparables are available for analysis

# Actual Losses to Date

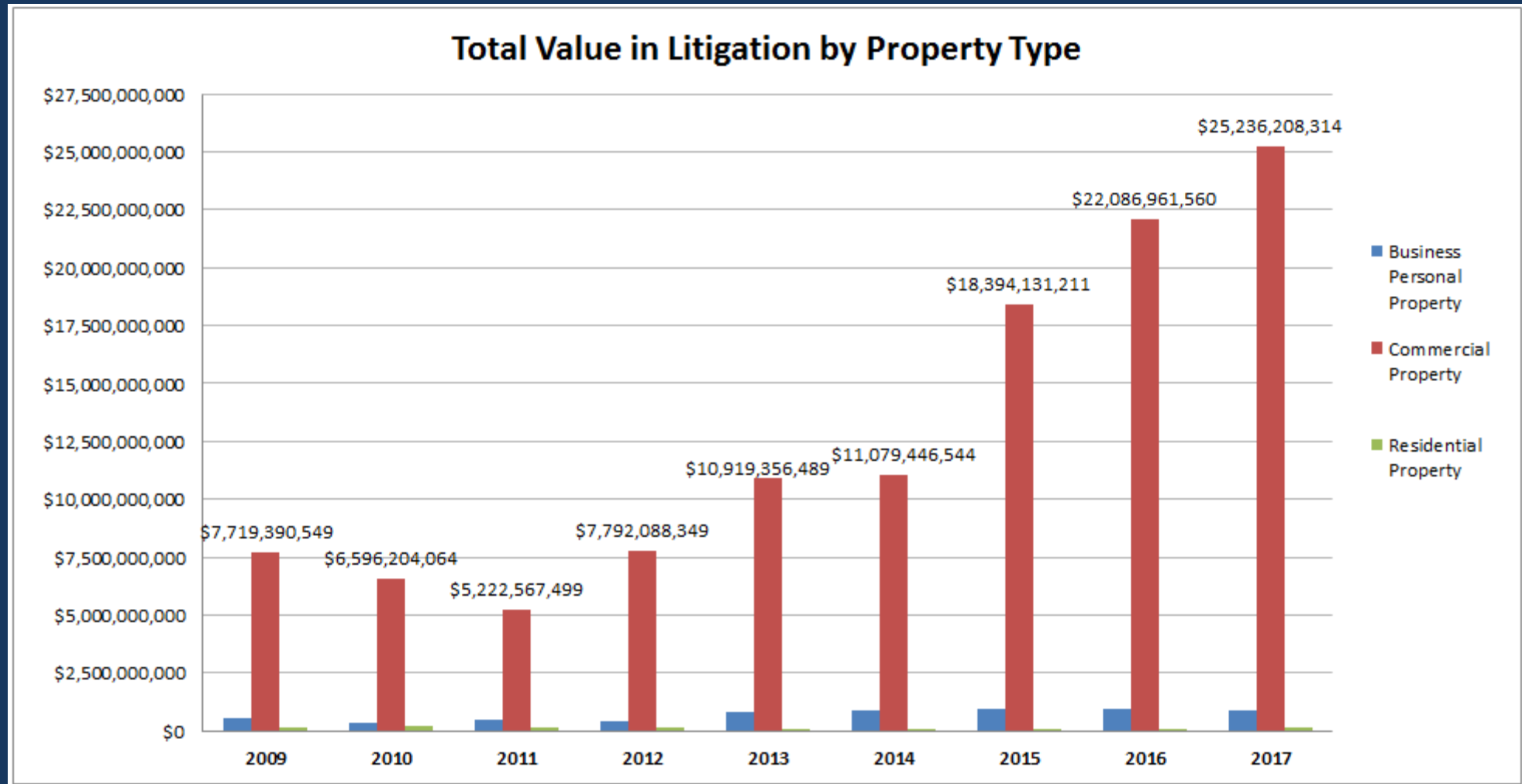


# Example Value Loss due to “Equal and Uniform” Appeal

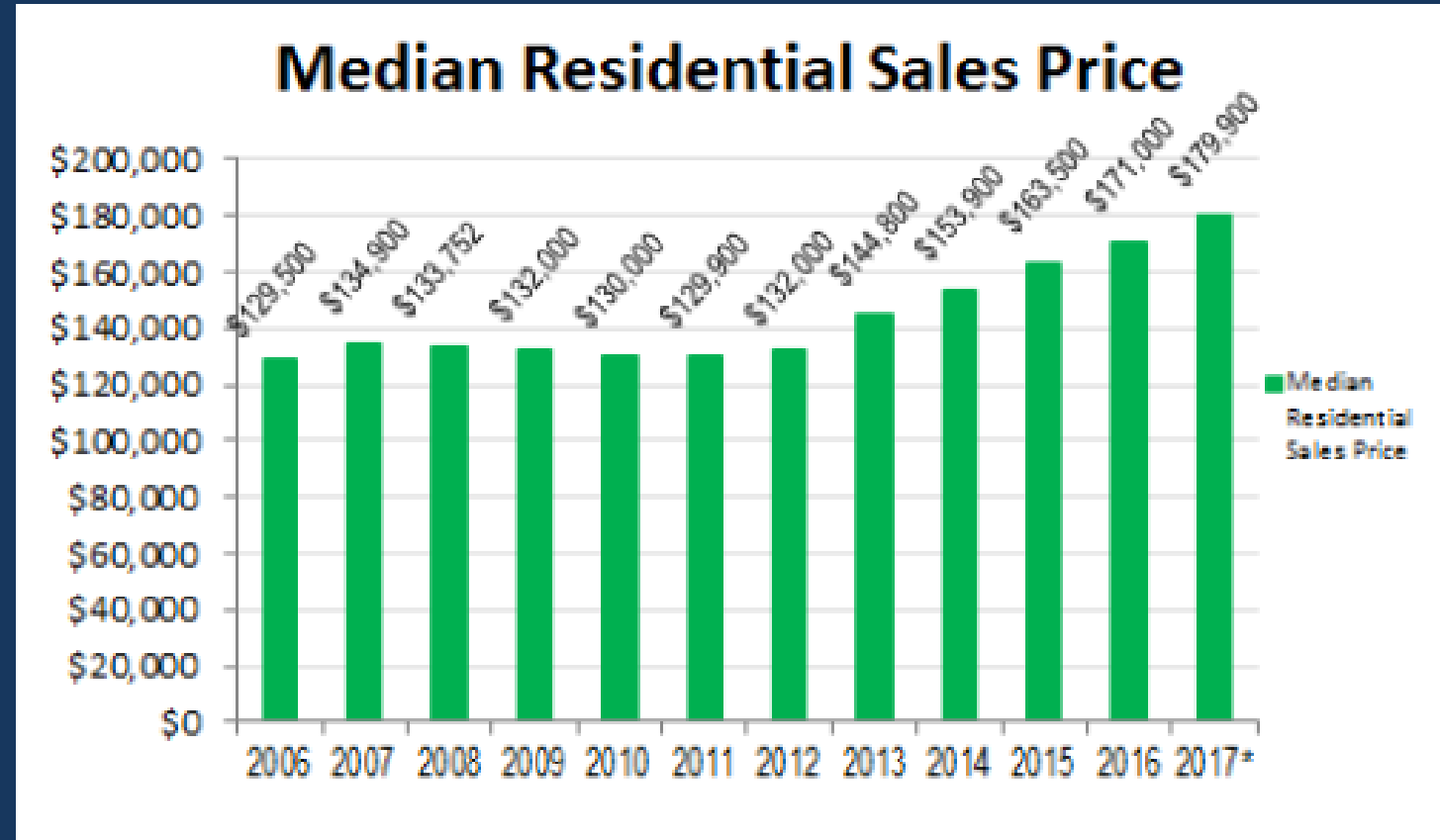
Lincoln Heights Shopping Center	2015	Percent Change From Notice
Initial Preliminary Appraisal Noticed Value	\$33,517,900	
Post ARB Appeal Value	\$30,000,000	-10.50%
Post Litigation Final Value	\$28,900,000	-13.78%
January 11, 2017 Sale Price	\$74,300,000	
<i>Post Litigation Value as a Percentage of Sale Price</i>	<i>38.90%</i>	

Note: Difference in Final Value and Sale Price represents \$253,000 less revenue to City

# Litigation has grown tremendously due to “Equal and Uniform” Appeals



- Increase in Residential Sales Price
- Appraisals must reflect the level of value that the sales prices indicate
- Appraisal districts must appraise property at 100% of market value





# City Options for Tax Relief

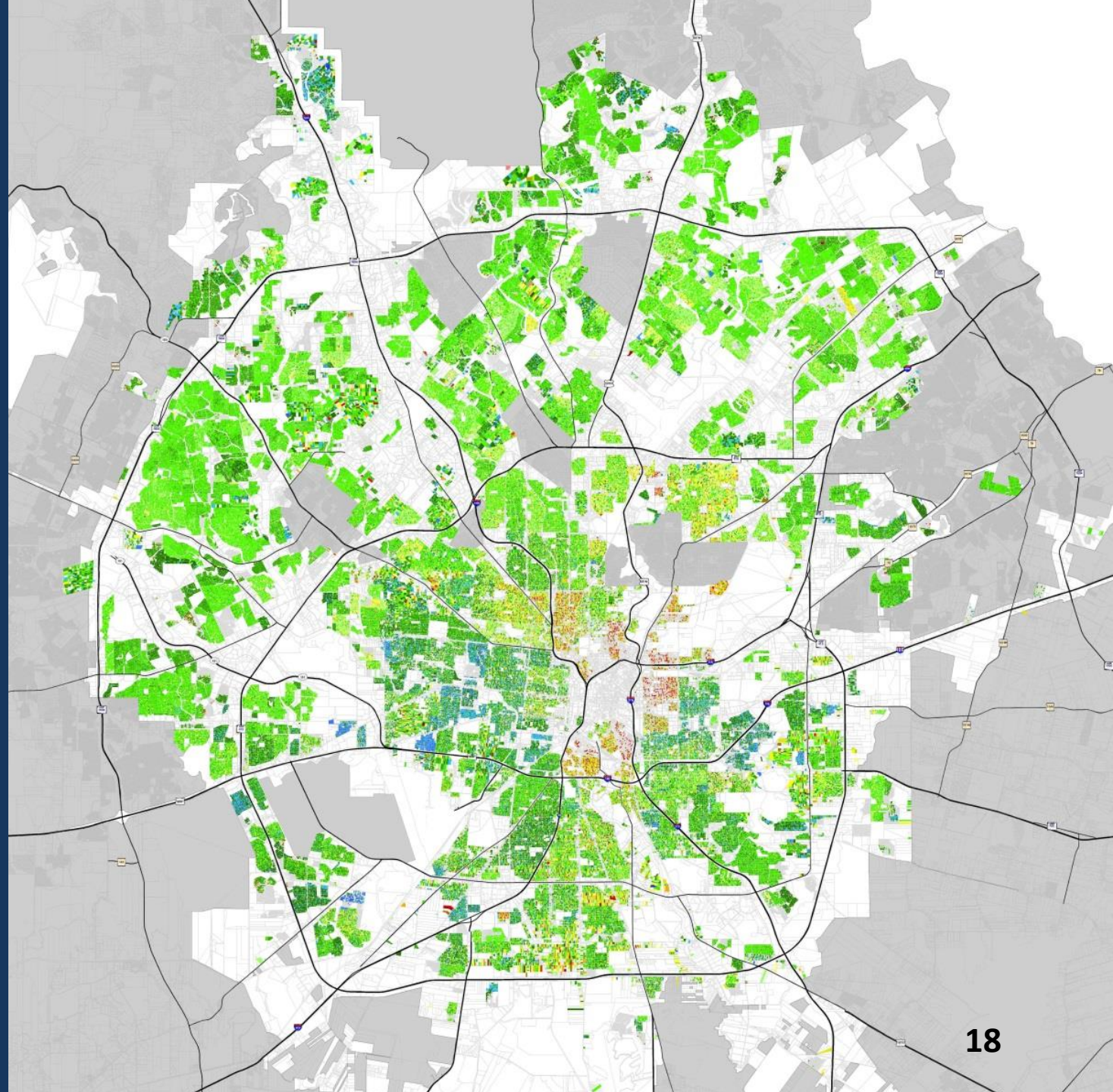
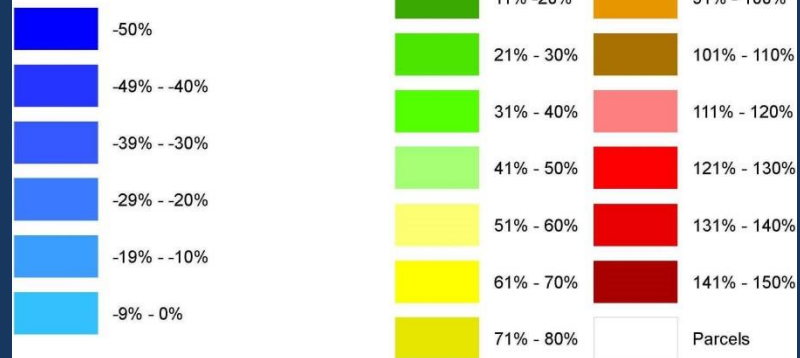
- Adopt a local homestead exemption
- Reduce the property tax rate
  - May not be a viable option due to growth and the shifting of responsibilities from the state to the local level

# Residential Market Value Change 2007 - 2017

## Legend

### Single Family Residence

#### Total Market Change Percentage



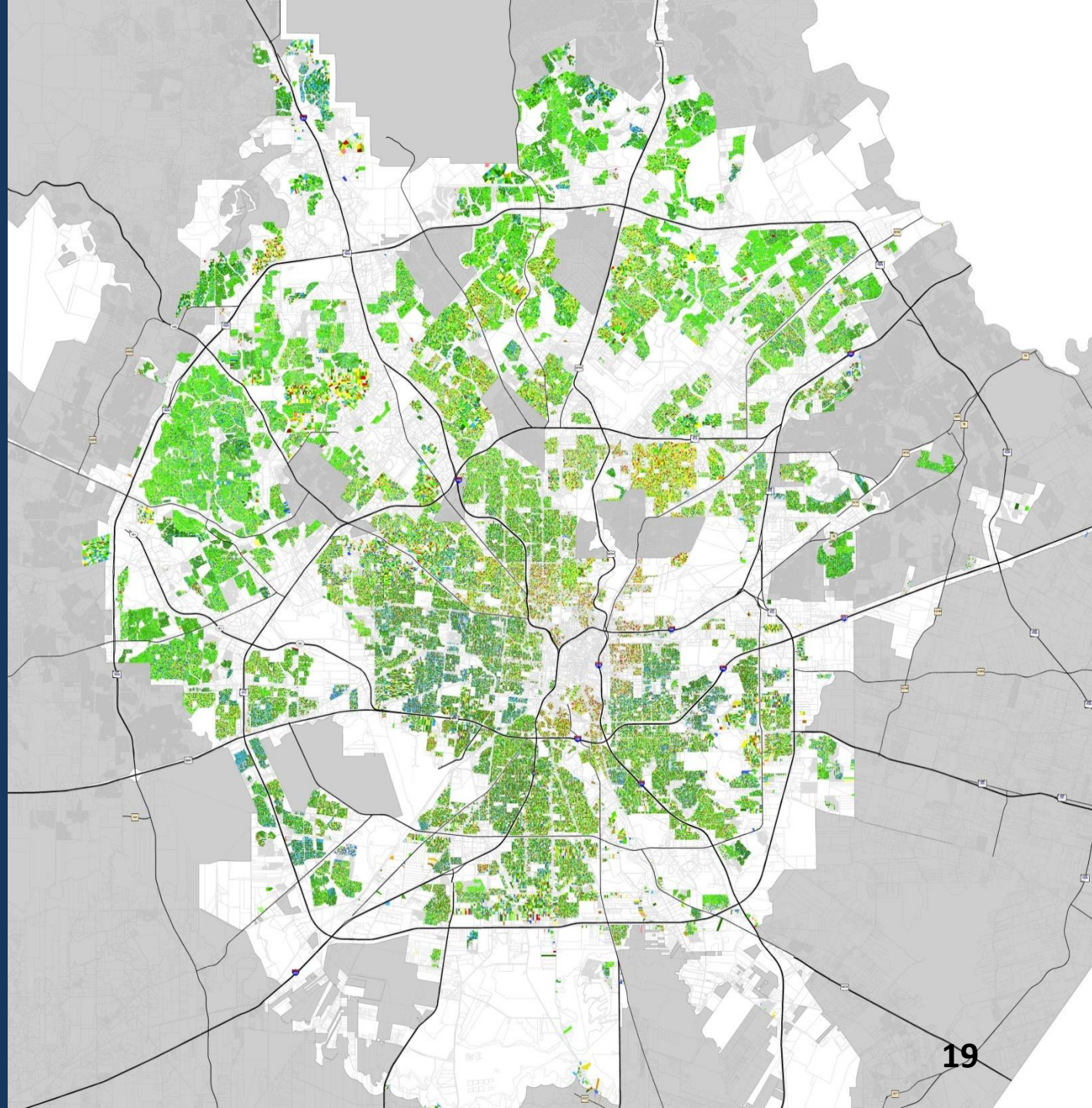
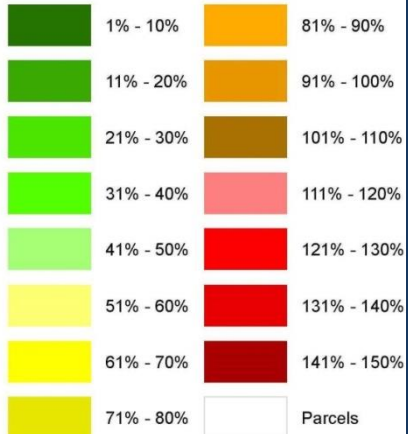


# Residential Taxable Value Change 2007 - 2017

## Legend

### Single Family Residence

#### Taxable Value Percent Change



# Pending Legislation and Property Tax Relief Options

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Presented by:  
Chief Financial Officer Ben Gorzell



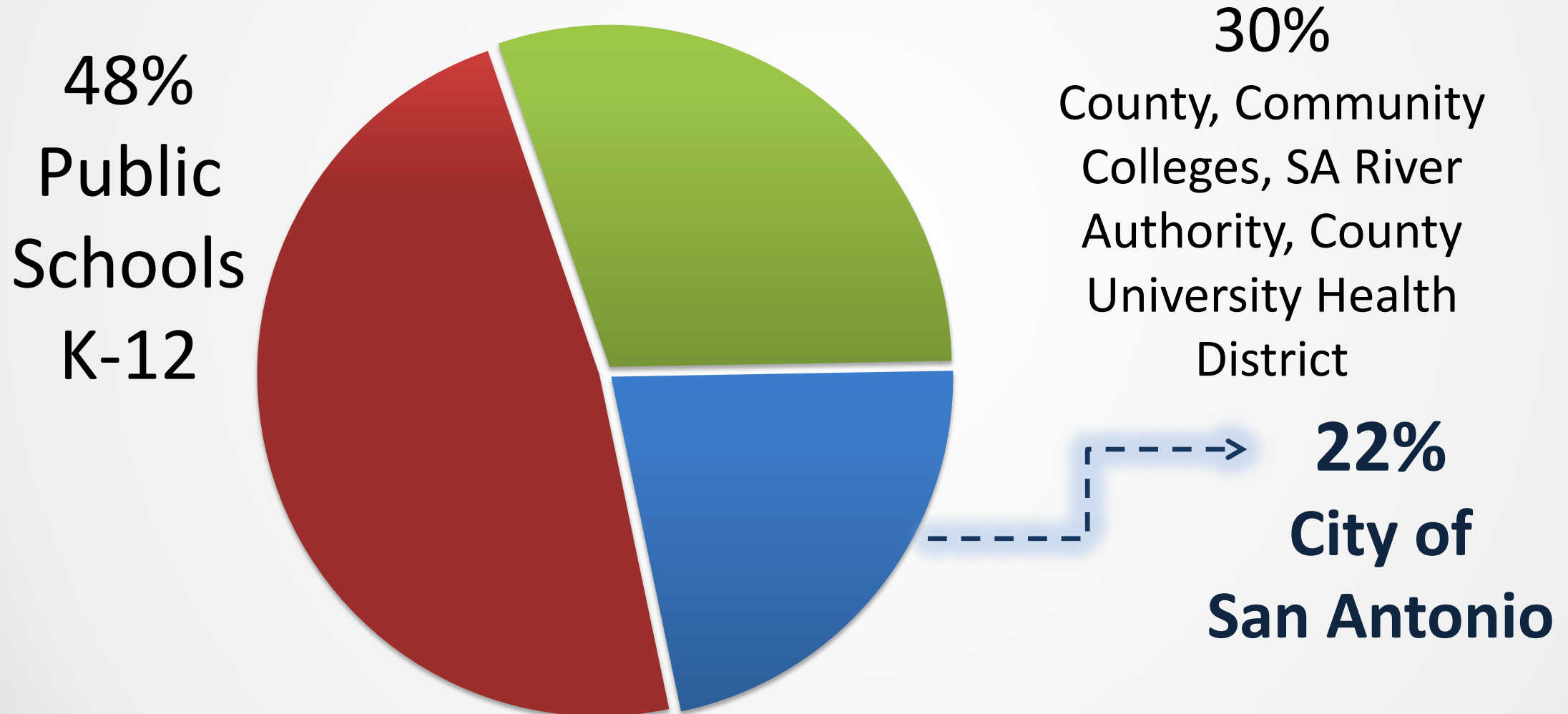
# Governor Abbott's Recent Tax Proposal

- Reduces property tax rollback rate from 8.0% to 2.5%
  - Any increase in the tax rate above the cap can be used only for public safety compensation and critical infrastructure
    - Would require a two-thirds supermajority vote by the City Council and the citizens
    - Increases above the cap may not, in total, exceed the statewide increase in population growth plus inflation
      - Revenue cap would be effective beginning in FY 2022
- State prohibited from imposing future unfunded mandates on cities and counties

# Governor Abbott's Recent Tax Proposal

- Requires a two-thirds supermajority vote to approve issuance of new local debt (General Obligation Bonds)
  - Requires additional debt disclosure on the ballot
  - May require voter participation by at least 33% of qualified registered voters
- Restricts the use of Certificates of Obligation
  - Limits the use of CO's to infrastructure projects related to a natural disaster

# City of San Antonio is 22% of the Property Tax Bill

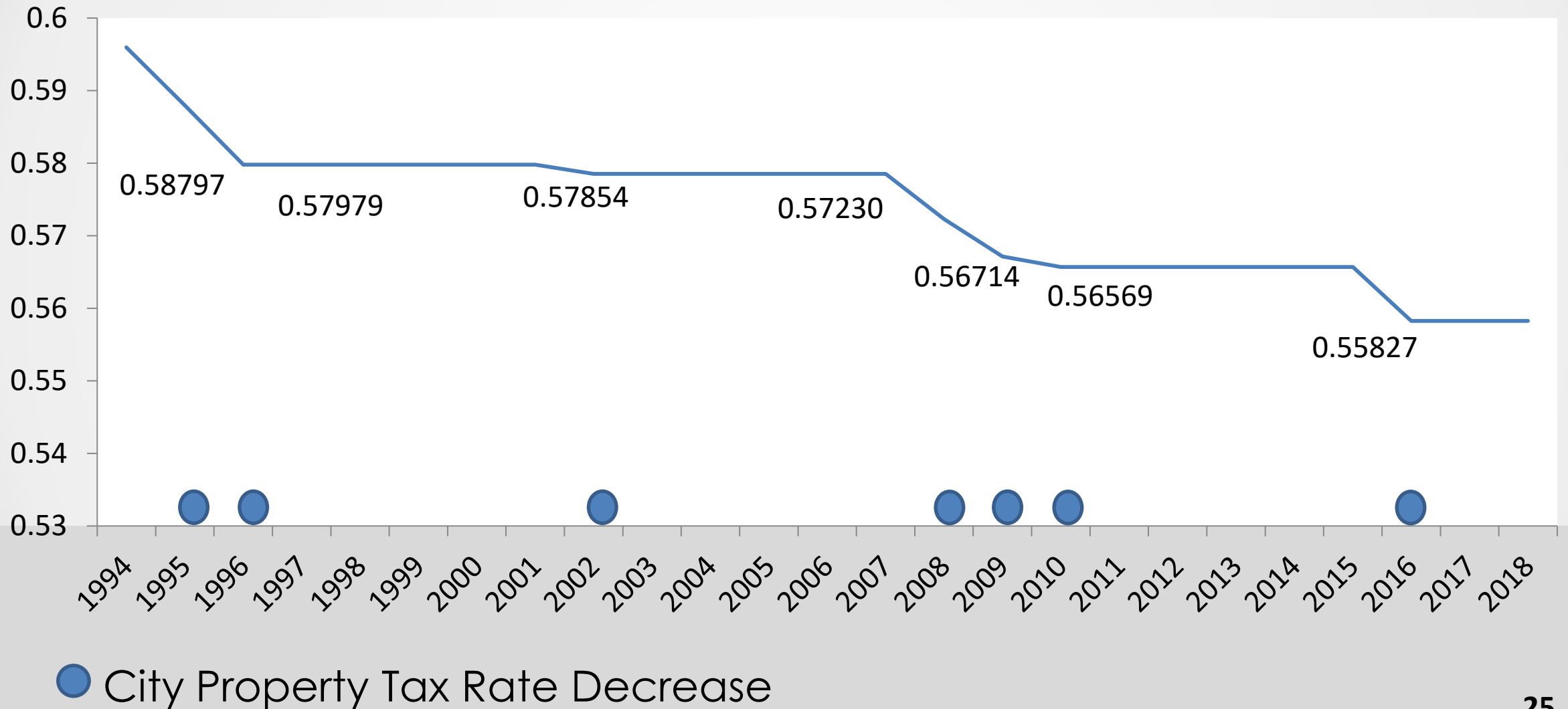


# Property Tax Bill for Average Homestead - \$168,963

Tax Unit	Tax Bill	Share
San Antonio ISD	\$2,178	49.75%
Bexar County	495	11.32%
County University Health System	467	10.66%
County Road & Flood	26	0.60%
<b>City of San Antonio</b>	<b>943</b>	<b>21.55%</b>
Alamo Colleges	240	5.47%
San Antonio River Authority	28	0.65%
<b>Total</b>	<b>\$4,377</b>	<b>100%</b>



# City has not increased the property tax rate in 25 years and has lowered it 7 times during that period





Had a 2.5% revenue cap been in place during the past decade

**\$339  
Million**

Less revenue to  
the City over  
10 years

**\$81  
Million**

Smaller General  
Fund in FY 2018

**\$4.74**

Monthly average  
savings to City average  
Homestead

# \$81 Million

## in the General Fund pays for

Hiring 810  
Police Officers

More than  
Parks Budget  
of \$51 Million

More than  
Library, Code  
and Human  
Services Budgets  
of \$78 Million

# Property Tax Code Provides For Homestead Exemptions

- Some exemptions mandated by state law
  - Disabled Veteran and Surviving Spouse: \$5,000 – 100% of appraised value
  - Armed Services Surviving Spouse: 100% of appraised value
- Homestead valuation limited to 10% increase annually
- Additional optional local exemptions

# City Optional Homestead Exemptions

- The City provides targeted property tax relief to those who need it most
  - Over-65 homestead exemption in the amount of \$65,000
  - Disabled homeowners exemption of \$12,500
  - In 2005, the City established a limitation, or tax freeze, on ad valorem taxes imposed on the homestead of a person who is disabled or 65 years of age or older

# City Tax Relief

## \$47 Million

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**101,000** seniors & disabled  
homestead exemptions &  
frozen city tax payments

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**28,000** senior and disabled homeowners  
pay **\$0** City Property Taxes

# Consideration of Additional Local Homestead Exemption

- Applies to all homesteads regardless of value
- May not be adopted as a dollar amount, only as a percentage
- Limit of up to 20% of appraised value with a minimum of \$5,000 if exempted amount results in less than \$5,000
- Must be approved by City Council prior to July 1, 2018 to be effective in FY 2019

# Tax Rates and Local Option Exemptions

## Largest Texas Cities

Jurisdiction	Local Homestead	Over 65 Exemption	Disabled Exemption	FY 2018 Tax Rate	Senior Tax Freeze	Assessed Valuation (In Billions)
Houston	20%	160,000	160,000	0.58642	N	231.13
San Antonio	0	65,000	12,500	0.55827	Y	107.59
Dallas	20%	95,000	95,000	0.78420	N	118.32
Fort Worth	20%	40,000	40,000	0.83500	Y	60.95
Austin	8%	85,500	85,500	0.44180	N	138.78
El Paso	1%	40,000	40,000	0.75966	N	34.10
Corpus Christi	10%	50,000	50,000	0.60626	Y	20.31



# Local Homestead Exemption Options

## Tax Savings with Local Homestead Exemption

Value of Homestead	Average Tax Bill	.01% Exemption*	5% Exemption	10% Exemption	20% Exemption
\$100,000	\$2,436	\$27.91	\$27.91	\$55.83	\$111.65
200,000	5,251	27.91	55.83	111.65	223.31
300,000	8,066	27.91	83.74	167.48	334.96
500,000	13,696	27.91	139.57	279.14	558.27

## Budget Impact

Impact to General Fund	\$3,563,286	\$6,740,309	\$13,092,655	\$25,993,190
Impact to Debt Service	2,173,299	4,111,012	7,985,399	15,853,620
Total Impact	\$5,736,585	\$10,851,321	\$21,078,054	\$41,846,810

\*Provides a minimum \$5,000 exemption.

# Other Property Tax Based Programs

- Neighborhood Empowerment Zones
  - Property tax abatements for new improvements
  - Fee waivers for new improvements
- Community Land Trusts
  - Low cost long-term land or housing unit leases
  - Income restrictive
- Homestead Preservation Districts
  - Not currently available to San Antonio

# Considerations

- State proposed legislation
- Federal Budget

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