

State Tackles Appraisal Inconsistencies

By Charles E. Gilliland and Michael Oberrender

Administration of Texas' property tax system relies on 253 chief appraisers operating local central appraisal districts (CADs). Potter and Randall Counties share a single appraisal district; the remaining counties each have their own. These districts shoulder responsibility for appraising millions of properties for taxation. While chief appraisers have access to guidance from the Property Tax Assistance Division (PTAD) of the Texas Comptroller's office, they have historically retained a substantial degree of authority to interpret and apply Texas property tax laws. Consequently, property owners may encounter differences in how local appraisal districts set values.

Some appraisal districts have been using inconsistent methods for determining market value. According to the Texas Taxpayers and Research Association, these offices have, for many years, operated with "inadequate oversight." The inconsistencies resulted in appraisals that frequently differed from market value, the standard specified in Texas property tax law. To remedy this situation, the Texas Legislature in 2009 enacted a provision requiring the comptroller to review operations in each appraisal district every other year (Section 5.102 of the Texas Property Tax Code). Dubbed the Methods and Assistance Program (MAP), this initiative seeks to ensure that appraisal

district operations conform to a reasonable level of professional standards.

Under MAP, the PTAD reviews CADs in four dimensions of operations:

- governance,
- taxpayer assistance provided,
- operation and procedures and
- appraisal standards, procedures and methodology.

Appraisal district reviews began in 2010, with 128 counties reviewed that year. The remaining 125 counties were reviewed in 2011. The review process consisted of a two-part assessment. The first part focused on a set of five mandatory pass-fail questions followed by 196 yes-no questions (183 regular and 13 bonus).

At completion of the initial analysis at the beginning of the year, PTAD reported their findings to each appraisal district along with recommendations for improvement. After receiving the recommendations, each appraisal district worked with PTAD to correct as many problems as possible before the final PTAD report was written at the end of the year.

The second phase of the process started after the final report and allowed the CAD one year to correct the remaining issues. Failure to address the remaining issues prompted PTAD to refer CADs to the Texas Department of Licensing and Regulation (TDLR) for remedial action designed to ensure implementation of the remaining recommendations.

The first part of the initial assessment contained five required tests to ensure that a CAD could efficiently establish taxable values. The goal was to examine the effectiveness and transparency of the

CAD's appraisal process. The questions concentrated on:

- current appraisal maps (69 CADs failed initially and 24 at final review),
- property inspections that matched appraisal district records (27 failed initially and 12 at final review),
- written procedures for appraisals (79 failed initially and 23 at final review),
- values that are reproducible using the CAD's procedures and records (91 failed initially and 41 at final review) and
- timely submission of all requested documents to the PTAD reviewer (five failed initially and six at final review).

After the final review, any CAD that failed any categories was required to correct the problems within one year or face sanctions from TDLR. When this article was written, the only CADs facing sanctions are from the group assessed in 2010. CADs that took the assessment in 2011 and failed any categories will receive sanctions from TDLR this year.

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At the end of the first round of assessments for all appraisal districts (2010 and 2011), the PTAD made 11,115 preliminary recommendations (5,336 for 2010 and 5,779 for 2011). These recommendations were for the 196 yes-no questions that were asked. By year's end, for all counties, 7,454 of the recommendations had been resolved (3,073 in

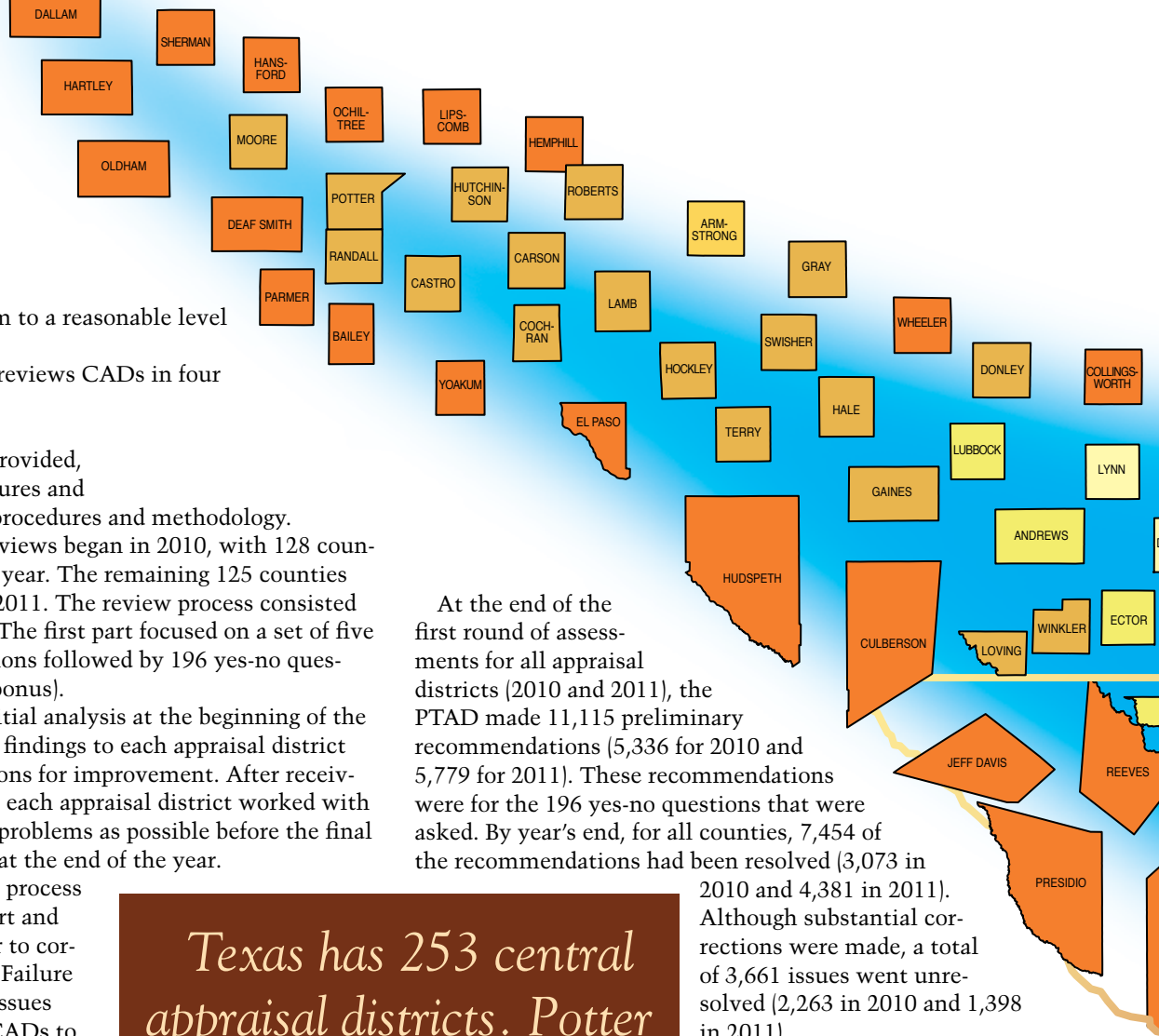
2010 and 4,381 in 2011). Although substantial corrections were made, a total of 3,661 issues went unresolved (2,263 in 2010 and 1,398 in 2011).

Final graded recommendations also were assigned in taxpayer assistance, governance, operating procedures, and appraisal standards and procedures. In the taxpayer assistance category 95 percent of the CADs either exceeded or met the requirements. In governance the percentage dropped to 89; operating procedures, 82 percent; and appraisal standards and procedures,

76 percent. Forty-one CADs were rated unsatisfactory, with scores ranging from 1 to 74. By the end of the assessment year, the number of unresolved recommendations ranged from 31 to 141.

The first full results of the program were released in 2012. After receiving one full year to comply with recommendations, eight CADs failed (Armstrong, Borden, Collingsworth, Dallam, Live Oak, McMullen, Sterling and Trinity) and were reported to TDLR. Six of these failed to correct the mandatory pass-fail questions and six failed to correct a substantial number of comptroller recommendations as well.

The CADs that failed share similar characteristics. All have a population fewer than 10,000. Much of their land is rural. All have limited taxable value (four have less than \$500 million). Additionally, they have small budgets (six have a budget less than \$200,000). They have a small number of employees (six CADs have a staff of fewer than four), limited appraisal expertise, and low pay (three CADs pay the chief appraiser a salary of \$15,000 as of 2009).





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