Inequities Between Similar Properties

An appraisal cap stays in place until a residential property is sold. At that time, the property's appraised value "pops up" to its market value. This creates some rather glaring inequities.

Suppose there are identical, $75,000 properties at 100 Elm Street and 102 Elm Street. The chart below shows that after 15 years, each property would be appraised at $148,495 with a five-percent cap in place. Further, suppose that the actual market value of each property grows by seven percent annually to $193,390. If 102 Elm sells in the fifteenth year, the appraised values would be quite different. All other things being equal, the owners of 102 Elm would pay substantially more in property taxes than would their neighbors.

Identical Homes: 100 Elm Street and 102 Elm Street		
	100 Elm	**102 Elm**
Current Appraised Value	$75,000	$75,000
Appraised value in 15 years with 5-percent cap	$148,495	$148,495
Market value in 15 years assuming 7-percent growth in value	$193,390	$193,390
Sold in 15th year?	No	Yes
Appraised value in 16th year	$148,495	$193,390

The result would be the kind of appraisal unfairness that led to property tax appraisal reforms in Texas in 1979.

Further, it seems obvious that a residential appraisal cap shifts the tax burden to properties that *aren't* going up in value and to commercial and industrial properties.

-- Excerpted from draft interim report,
House Local Government Ways & Means Committee