

## **Information for Use by a Property Owner Concerning Urban and Rural Land Valuation Process**

The Potter-Randall Appraisal District (PRAD) is required to appraise all property at its Market Value as of January 1 of each tax year according Section 23.01 of the Texas Property Tax Code. Texas Property Tax Code Section 1.04 defines Market Value as 'The price at which a property would transfer for cash or its equivalent under prevailing market conditions if; 1) It is exposed for sale in the open market with a reasonable time for a seller to find a purchaser, 2) Both the seller and purchaser know of all uses and purposes to which the property is capable of being used and the restrictions on its use, and 3) Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the other.

Rural and urban vacant properties within PRAD boundaries are appraised using mass appraisal standards. PRAD uses a computer-assisted mass appraisal program for rural and urban vacant residential properties.

The appraisal process performed by PRAD begins with discovery. Discovery is the method the appraisers use to discover information from Multiple Listing Service, realtors, appraisers, individual property owners by request letters we mail, deeds and by request letters from the State Comptroller's office. Discovery can be through plats for new rural or urban developments, the use of aerial photography, sales, and physical inspections.

Each rural and urban vacant property is identified by the type of property it is, for example, a lot for a single family residence or it could be a large tract of land for farming or ranching. The property is also grouped into a neighborhood based on the location of the property. Each neighborhood is defined by a boundary. Boundaries can be streets, counties, schools, maps and etc. Depending on its use and location, lots or tracts of land can be appraised by the front foot method, square foot method, flat price method or by the per acre method.

Since appraisal districts are required to appraise property at market value, sales data must be entered into the mass appraisal program. PRAD receives sales information from Multiple Listing Service (MLS), property owners, the state comptroller's office and fee appraisals.

Once the sales information is entered into the mass appraisal program then a sales ratio study is performed to determine if the appraised value should be changed. This sales ratio study is performed annually in each neighborhood on all properties. Based on the level of appraisal, the values in each neighborhood are adjusted if needed. An acceptable level of appraisal is a ratio that is between 95 percent and 105 percent of the appraised value to the sales price. If values do not meet that level of appraisal, we estimate a typical market value from the sales by comparing each sale by their similarities then adjust them accordingly.

If the appraised values are adjusted in any given year then a Notice of Appraised Value would be mailed to the property owner for that year indicating the appraised value. The Notice of Appraised Values is generally mailed around May 1<sup>st</sup> of each year. If the property owner disagrees with their appraised value they may submit a Notice of Protest at this time, usually with a deadline of May 31<sup>st</sup>.

Should you have any questions concerning the appraisal of your property please contact PRAD at (806) 358-1601.