



WHAT EVERY LAWYER SHOULD KNOW ABOUT PROPERTY TAXES

An insiders' guide to the confusing world of property taxation from BRUSNIAK TURNER.

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CHALLENGING YOUR PROPERTY TAX VALUE ~ THE EASY WAY ~

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WHO KNOWS?

Buying and selling property usually kicks off with a simple yet challenging question: "What is it worth?" Most of us, unfortunately, do not carry a crystal ball or years of appraisal expertise around. Yet each year, a tax bill appears in your mailbox answering that question based on someone else's opinion. How can you check if it is right? In previous newsletters, I talked about serious flaws in property tax valuations. If you missed them, you can catch up here: [Taxation By Guesstimation](#) and [Property Tax Valuation—The Method To The Madness](#).

After centuries of haphazard guessing as to how to value property, three methods for determining market value were agreed upon. The easiest and most user-friendly of the methods is called the comparable sales approach.

SOLVING THE PRICE PUZZLE: HOW IS IT DONE?

As the name suggests, the comparable sales approach is all about comparing apples to apples—or at least apples to similar fruit (Pears, maybe? But definitely not to Cantaloupes). If you do not know a property's worth but you have data regarding recent

sales of similar properties, you are halfway there.

Think of this as being akin to the “reasonable person” standard from negligence law, focusing on the behavior of reasonable buyers and sellers of similar properties—not fools. Recall the saying, “a fool and his money are soon parted.” No one wants their property taxes based on foolish purchases.

The concept is based on the common sense "principle of substitution," meaning a reasonable buyer will not pay more for a property than the cost of a similar one offering equal utility and desirability. Real property law and appraisal theory agree that every property is unique. No two are identical. So, we settle for the next best thing, ones that are similar enough to be compared—"comparables."

FINDING YOUR “COMPS”: THE HEART OF GOOD PROPERTY VALUATION

To use the comparable sales approach, gather as many recent similar sales of property as you can. Look closely at factors like location, style, size, age, condition, and the sale date. Select only comparables that best match your property’s key features. (Insider tip: Appraisal districts sometimes use weird choices—make sure their comps match up, too.)

The Texas Tax Code limits sales data to the last 24 months unless recent data is sparse.

Aim to pick between five and seven good comparables, but do not stress about hitting an exact number. However, too few comparables might weaken your analysis. Remember to think about features that could influence purchasers. For example, homebuyers tend to focus on lot size, square footage, bedrooms, bathrooms, location desirability, and whether there is a scenic view or an eyesore nearby.

CREATE A COMPARISON CHART

Next, create a handy chart that lines up your property alongside the chosen comparables. The chart does not have to be complicated—just clear and well-organized. Why? Because it will serve as your strongest evidence of the property's value.

Since no two properties are identical, you will need to adjust for differences. Does a comparable have an extra bathroom or a stunning view that your property lacks? Adjustments (positive or negative) account for these differences. Yes, this involves a bit of educated guesswork, so keep your estimates reasonable.

A quick rule of thumb: if your total adjustments exceed 15% of a comparable's sales price, perhaps you should reconsider its relevance. Keep this flexible, but trust your instincts—after all, no one knows your property and its comparables better than you.

Make the adjustments to the comparable properties; not to your subject property. The goal is to make the comparable properties as similar to your property through the adjustments process.

Your chart can be either simple or detailed. Many great templates are available online, but let's use this one as an example. It represents a property you are trying to value, which has 2,050 square feet. You have identified three strong comparables and have made adjustments to the comparables based on your best judgment.

| Comparable | Sale Price | Adjustments | Adjusted Price |
|------------|------------|---|----------------|
| <u>A</u> | \$250,000 | +\$5,000 (space), -\$3,000 (garage), -\$8,000 (pool) | \$244,000 |
| <u>B</u> | \$280,000 | -\$10,000 (location), +\$4,000 (age), -\$2,000 (view) | \$272,000 |
| <u>C</u> | \$260,000 | +\$6,000 (lot size), -\$3,000 (condition) | \$263,000 |

BREAK IT DOWN: PRICE-PER-SQUARE-FOOT MAKES LIFE EASIER

Using total sales prices can make property comparisons more challenging. Make comparisons easier by breaking values down: use price per square foot for homes, per acre for land, and per unit or per room for apartments and hotels. To calculate, divide each comparable's adjusted sales price by its size.

| Comparable | Sale Price | Adjustments | Adjusted Price | Square Footage | Price per Sqft |
|------------|------------|--------------------------------|----------------|----------------|----------------|
| <u>A</u> | \$250,000 | -\$11,000 (pool, garage) | \$239,000 | 2,000 sqft | \$119.50 |
| <u>B</u> | \$280,000 | -\$6,000 (condition, location) | \$274,000 | 2,200 sqft | \$124.55 |
| <u>C</u> | \$260,000 | +\$3,000 (lot size, condition) | \$263,000 | 2,100 sqft | \$125.24 |

Then, add together the calculated price-per-square-foot values from the chart (e.g., \$119.50 + \$124.55 + \$125.24) and divide by the number of comparables (3) to find their average (which in this case is \$123.10 per square foot).

Multiply this average (\$123.10 per square foot) by your property's actual square footage (2,050 square feet) to arrive at your property's market value of \$252,355 under the sales comparison approach.

As you can see, the math used in the sales comparison approach is straightforward. You make similar comparisons all the time without thinking about them. Think of when you last went car shopping or furniture shopping – you made mental comparisons of the features of each product and factored in their prices before ultimately coming to a decision. *Voila!* You performed a sales comparison approach without thinking about the steps.

FINDING THAT NEEDED INFORMATION:

A persuasive sales comparison analysis relies on valid, solid information –so it's essential

to know where to find it. Here are some sources.

Local Realtors and Brokers: Texas is a non-disclosure state, meaning sale prices are not publicly available. However, realtors and commercial brokers have access to this information and can provide it to you.

Appraisal Districts: Appraisal districts also have data and are required to provide you with whatever information they use in valuing your property. From their records, you can also find details pertaining to your property and to comparable properties.

Real Estate Websites: Platforms like Zillow, LoopNet, and similar market data publications are treasure troves of helpful insights.

Public Records: Building permits, deeds, and official records can reveal helpful clues.

Visual Inspection: Personally visit comparable properties to assess their condition and features firsthand.

Speak with Owners: If possible, talk directly to owners of comparable properties. You might uncover hidden sale factors or unique circumstances (such as included furniture or intangible assets that were part of a sale).

BUILD YOUR EVIDENCE PACKET

Appraisal district employees typically hold the home-court advantage at appraisal review board hearings. But good news—you can level the playing field with solid evidence. Visuals often speak louder than words.

Chart of Comparable Properties (*with Adjustments*): Bring your chart of comparable properties. A detailed and well-crafted comparison chart can be dynamite. Appraisal Review Board members know nothing about your property and need clear and persuasive details so they can rule for you.

Exterior Photos: Show photos of your property and comparables, emphasizing similarities and differences. (Bonus points: if you have the time, take pictures of the appraisal district's comparables to capture flaws in their analysis.)

Interior Photos (*If Helpful*): Appraisal districts cannot enter properties. If the inside of your property demonstrates that it is less desirable than its comparables, snap some pictures to highlight the differences.

YOUR ROADMAP TO WINNING

Ultimately, winning comes down to finding and using good comparables and making credible adjustments.

Remember—no one knows your property better than you, particularly not the appraisal district. Use that to your advantage.



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