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THE INDEPENDENT GUIDE TO
NEW CONSTRUCTION · AUSTIN, TX
Q3 2026 EDITION

BUYER GUIDE · TEXAS PROPERTY TAX

The New-Home Tax Reality Guide

Why the payment on the flyer may not be the payment you keep — and how to estimate the real one before you sign.

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START HERE

The payment on the flyer may not be the payment you keep.

THE CONSTRUCTION-TRAILER TEST

A payment quote based on today's incomplete tax record is like estimating the electric bill for a finished house while only the construction trailer is connected. The number may be real, but it does not represent normal use after move-in.

New homes are often quoted using a tax figure tied to **land or a partially built home**. Once the county values the **completed** house, the tax portion of your monthly payment can rise. The quote isn't necessarily wrong — it just may not describe the home you'll actually live in.

HOW YOUR TAX IS BUILT

Three numbers set your tax — and they are not the same number.

They are connected, but each is set by a different party. Confusing them is where most surprises begin.

01

Purchase Price

What you agree to pay the builder. Set by your **contract**.

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02

Expected Appraised Value

What the county expects the **completed home** to be worth for tax purposes. Set by the **appraisal district** — related to price, but not identical.

×

03

Combined Tax Rate

School district + county + city + any **MUD or PID**, expressed as one rate. Adopted by **each taxing entity**.

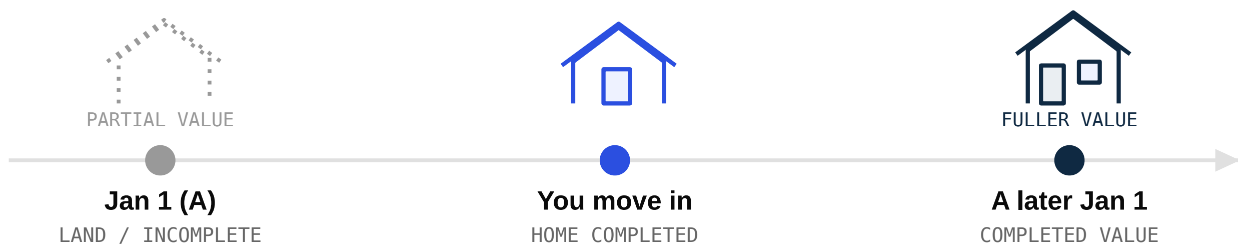
THE CONNECTION

Your tax is driven by **appraised value × combined rate** — not by the purchase price alone. When a quote uses a low value or an incomplete rate, the tax number looks smaller than the one you will actually pay.

WHY TIMING MATTERS

Land today, house tomorrow.

The appraisal district generally values the land and any improvements that exist **as of January 1**. A home that is incomplete on that date may appear at a **partial improved value** rather than its eventual completed value.



> **Not every purchase follows this pattern.** Your timing depends on when the home is finished relative to the appraisal date. Some homes are already complete on January 1; others are not.

WHAT RAISES YOUR PAYMENT

Two things can push your payment up.

When a monthly payment increases after move-in, it is usually one — or both — of these. They are different, and the fix is different.

BUCKET 1 · ONGOING

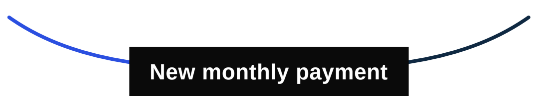
Higher future tax collection

When the completed home is valued, the annual tax rises — so the monthly escrow rises to match. This part is **permanent**: it reflects the real cost of the finished home.

BUCKET 2 · TEMPORARY

Repayment of a prior escrow shortage

If last year's escrow collected too little — because taxes were estimated on a lower value — the lender spreads that shortfall across the coming year. This part is a **one-time catch-up**.



Ask your lender which is which. One part of an increase is ongoing (higher taxes); the other is temporary (catching up a shortfall). Knowing the split tells you what your *settled* payment will look like.

SPECIAL DISTRICTS

MUD vs. PID: know which applies — and verify it.

Both are common in new communities. They are not the same, and they show up on your bill differently.

MUD

MUNICIPAL UTILITY DISTRICT

- Usually a **value-based property tax**
- Rate **adopted annually**
- May fund **debt and district operations**

- **Verify current debt, rate, exemptions, and service responsibilities**

PID

PUBLIC IMPROVEMENT DISTRICT

- Usually a **property-specific assessment**
- Amount and term depend on the **assessment plan**
- May **appear on the tax bill**

- **Verify balance, annual installment, term, and prepayment rules**

STAY NEUTRAL, STAY FACTUAL

Neither is automatically good or bad. What matters is knowing **which applies to your specific lot** and confirming the **current numbers** before you rely on any payment estimate.

DO IT YOURSELF IN ONE MINUTE

Run the math.

Estimated annual taxes = estimated taxable value × combined tax rate (as a decimal)

$450,000 × 0.028 = $12,600 ÷ 12 = $1,050 / mo

Rate as a decimal: 2.8% = 0.028. **Conservative estimate:** multiply the expected completed-home value by the full combined rate. The eventual bill may be lower after applicable exemptions.

A	**Expected completed value** What the finished home should appraise at	$__________
B	**Combined rate (decimal)** All districts, e.g. 0.028	0.________
C	**Estimated annual taxes** A × B	$__________
D	**Estimated monthly taxes** C ÷ 12	$__________
E	**Amount used in your lender quote** The tax figure in the flyer or estimate	$__________
F	**Potential monthly difference** D − E	$__________

DON'T TAKE ONE SOURCE'S WORD

Where to verify each number.

Each figure in your payment has an authoritative source. Confirm them independently.

- **County Appraisal District** → **Value and property status** — appraised value and whether the home is recorded as complete
- **Tax Office (Assessor-Collector)** → **Adopted rates and bills** — the combined rate and the actual tax statement
- **TCEQ / District Records** → **MUD identity and records** — whether a MUD applies and its official filings
- **PID Documents** → **Assessment and term** — the service & assessment plan, balance, and installments
- **Your Lender** → **Value and tax estimate used** — the exact figures behind the tax line in your quote
- **Title Documents** → **Disclosed districts and assessments** — what the closing paperwork discloses about MUD/PID

AUTHORITATIVE SOURCES ONLY

Texas Legislature statutes · Texas Comptroller · County appraisal districts & tax offices · TCEQ and official district records · Official PID service & assessment plans · CFPB escrow guidance. **Builder or lender marketing claims are a starting point, not verification.**

PRINT THIS · BRING IT

10 questions before signing.

01 What combined tax rate are you using — and does it include the school district, county, city, and any MUD or PID?

02 Is the tax figure in my quote based on land, a partially built home, or the completed home's expected value?

03 What expected appraised value did you use, and how does it compare to my purchase price?

04 Is my lot inside a MUD, a PID, both, or neither?

05 If it's a MUD: what is the current rate, and what debt and services does it cover?

06 If it's a PID: what is the assessment balance, annual installment, remaining term, and prepayment rule?

07 Could my escrow be short after the completed home is appraised — and how would that be repaid?

08 When do you expect the county to reassess the completed home?

09 Which homestead or other exemptions might apply, and when can I file?

10 Can you show me, in writing, the value and rate behind the tax number in my quote?

HOW THIS PLAYS OUT

Three situations, three lessons.

SCENARIO 1 **Comparing communities**	Two homes list at the same price. One sits in a community with a MUD or PID; the other doesn't. The monthly payments are not the same. **Lesson:** Compare the full expected payment, not the sticker price.
SCENARIO 2 **Incomplete assessed value**	A quote used the land value because the home wasn't finished by January 1. After completion, the county values the whole house and the tax rises. **Lesson:** Estimate taxes on the completed value so the later bill isn't a surprise.
SCENARIO 3 **Escrow shortage + future collection**	A payment jumped for two reasons at once: taxes rose on the finished home, and last year's escrow was short and had to be repaid. **Lesson:** Ask which part of an increase is ongoing and which is a one-time catch-up.

SAVE THIS · SCREENSHOT THIS

The 5 numbers to verify before you trust a payment quote.

1. **Expected appraised value**
   Of the completed home — not land

2. **Combined tax rate**
   All districts, as a decimal

3. **Tax figure used in your quote**
   Ask what value and rate produced it

4. **MUD rate and / or PID installment**
   If either applies to your lot

5. **Escrow amount — and any shortage**
   Ongoing cost vs. one-time catch-up

ONE RULE TO REMEMBER

Never compare homes using principal and interest alone.

Compare the complete expected payment — using a realistic tax estimate for the *completed* home, including any MUD or PID that applies to the lot.

DO THE MATH IN SECONDS

New Home Dispatch Tax Reality Calculator

Or use the one-minute worksheet on page 7 to estimate your completed-home taxes.

ESTIMATE MY PAYMENT →

APPENDIX · SOURCES & VERIFICATION

- Texas Legislature statutes
- County appraisal districts & tax offices
- Official PID service & assessment plans
- Texas Comptroller
- TCEQ and official district records
- CFPB escrow guidance

Exemptions: Verify current exemption amounts, eligibility, and filing procedures with the county appraisal district. This guide is educational information, not tax, legal, or financial advice. Figures shown are illustrative planning estimates; confirm every number with the official sources above before relying on it.