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Mr. Pennington's expertise is based on 30 years of experience and includes all types of real and personal property appeals and experience in property tax litigation support. His jurisdictional responsibilities include properties located in Louisiana and Texas. A Graduate of The University of Northern Colorado (1976), he is a licensed Senior Property Tax Consultant and a Texas Real Estate Broker.

PROPERTY TAX BASICS FOR BUILDING OWNERS

In Texas, the second largest operating expense after debt service is property taxes. And, since the majority of property taxes are passed through to tenants, it's extremely important to control them – particularly in today's competitive market.

Texas tax rates are high because of our property tax system. Since we have no state income tax, property taxes are the primary financial resource for the operations of government. Annual valuations are determined by local appraisal districts and taxes are levied and collected by counties, cities and school districts. Since tax valuations can be contested annually, property owners and managers should know that the Texas Constitution sets out five basic rights in regards to property taxation:

- 1 Taxation must be fair and equitable.
- 2 All tangible property must be taxed based on its current market value. Properties receiving exemptions and agricultural valuations are excepted from this rule.
- 3 All property is taxable unless exempted by state and federal law.
- 4 Taxpayers have a right to reasonable notice of increases in the appraised value.
- 5 Each property in a county must have a single appraised value.

Building owners/managers should understand the meanings of fair and equitable taxation and the concept of market value for property tax purposes.

UNIFORM AND EQUAL

Through court decisions and legislation, the issue of fair and equal taxation, also known as uniform and equal appraisal, has been determined to mean that a taxpayer's property should be assessed at the median level of appraisal in relation to other like and comparable properties. Thus, if an office property sells and an appraisal district raises the value to the sales price, while leaving surrounding comparable properties at lower values, an appeal based on uniform and equal appraisal would be possible.

With the exception of a recent sale or a property under construction, the market value on office buildings is generally determined by using the income approach to value. Typically, a pro-forma is used to determine market rental rates, vacancies, operating expenses and capitalization rates. Court rulings and the Texas Property Tax Code state that current market information must be used in this process, not historical data. Using this data, the appraisal district and/or the taxpayer will

determine the property's current fee simple market value, as required by the Texas Property Tax Code.

ON THE DOCKET

The Texas property tax calendar is divided into four phases:

JANUARY 1 - MAY 15 THE APPRAISAL PHASE

- The appraisal district collects information to appraise properties for the current tax year
- Administer exemptions and special appraisals
- Update property records
- Taxpayers file personal property renditions and appraisal districts set valuations based on those filings
- Notices of appraised values are mailed to taxpayers

MAY 15 - JULY 25 THE EQUALIZATION PHASE (THE ADMINISTRATIVE REMEDY)

- The tax roll is submitted to the Appraisal Review Board (ARB)
- Taxpayers file protests

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- The informal and formal appeal process begins
- After the appeal hearings, the ARB approves and certifies the tax roll

**JULY 25 - SEPTEMBER 30
THE ASSESSMENT PHASE**

- Taxing entities receive the certified tax rolls
- Local jurisdictions adopt budgets
- Tax rates are adopted
- Tax statements are mailed to taxpayers
- Some taxpayers dispute their ARB rulings and appeal their appraised values to district court for Judicial Review

**OCTOBER 1 - JANUARY 31
CURRENT COLLECTION PHASE**

- Taxes are collected by local jurisdictions
- Taxes become delinquent 2/1

Generally speaking, filing a protest should be done on or before May 31 of the current tax year or after receipt of a Notice of Appraised Value from the

appraisal district. All protests should be executed on protest forms provided by the appraisal district or those provided by the Texas Comptroller's Property Tax Division.

In most Texas counties, the taxpayer and or the representative are allowed the opportunity to have an informal hearing with the appraisal district staff. If the taxpayer does not come to a resolution of their appeal with the staff, they are entitled to a hearing before the Appraisal Review Board (ARB), which is made up citizens charged with the task of settling valuation disputes.

If a taxpayer disagrees with the ruling of the ARB, they have three avenues of further appeals which they can pursue:

The right to seek relief from judicial review (litigation).

In commercial cases with valuation at \$1,000,000 or less, the right to file for binding arbitration (which is substantially less costly than filing suit).

Taxpayers have a right to appeal to the State Office of Administrative Hearings (SOAH). (This new level of appeal is established for Bexar, Cameron, El Paso, Harris, Tarrant and Travis counties.) •

DIVERSIONS

MALAPROPISM

... the substitution of a word for a word with a similar sound, in which the resulting phrase makes no sense but often creates a comic effect. Norm Crosby made a career out of doing it by mistake. Gib Lewis, a former Texas Speaker of the House... we're not so sure.

- » "This is unparalyzed in the state's history."
- » "I want to thank each and every one of you for having extinguished yourselves this session."
- » "I am filled with humidity."
- » There's a lot of uncertainty that's not clear in my mind."

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