



TAX ADVISORS GROUP
PROPERTY TAX | MINIMIZED

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A resource document for tax professionals



COMMERCIAL REAL ESTATE IN TEXAS: WHY MARKET VALUE AND EQUITY MATTER

INTRODUCTION

This resource document was written to highlight some of the key ways you can rein in your commercial property taxes in Texas; a state with one of the most aggressive tax systems in the nation.

In Texas, commercial real estate (and business personal property) is consistently over assessed, overvalued – and is generally left unchallenged due to the complexities of valuation and assessment appeals. For organizations that have significant operations or holdings in the state of Texas, knowledge of the state constitution and taxpayer rights can help companies successfully navigate the state's tax code system to reduce overall tax liabilities.

The following pages cover the Texas Constitution and what it affords taxpayers related to property taxes, equal and uniform assessment (equity), and determining fair market value of your property; strategies your business can employ to keep more of your hard-earned profits.



THE TEXAS CONSTITUTION: 5 BASIC RULES FOR PROPERTY TAXES

1. Taxation must be equal and uniform. No single property or type of property should pay more than its fair share. The property taxes you pay are based on the value of property you own. If, for instance, your property is worth half as much as the property owned by your neighbor (after any exemptions that apply), your tax bill should be one-half of your neighbor's. This means that uniform appraisal is very important.
2. Generally, all property must be taxed based on its current market value. That's the price it would sell for when both buyer and seller seek the best price and neither is under pressure to buy or sell.
3. Each property in a county must have a single appraised value. This means that the various local governments to which you pay property taxes cannot assign different values to your property; all must use the same value.
4. All property is taxable unless federal or state law exempts it from the tax. These exemptions may exclude all or part of your property's value from taxation.
5. Property owners have a right to reasonable notice of increases in their appraised property value.

Source: <https://comptroller.texas.gov/taxes/property-tax/basics.php>

EQUAL AND UNIFORM ASSESSMENT

“Even if your property is assessed at 100% of market value, but comparable properties in the area are assessed below market value then yours should be also.

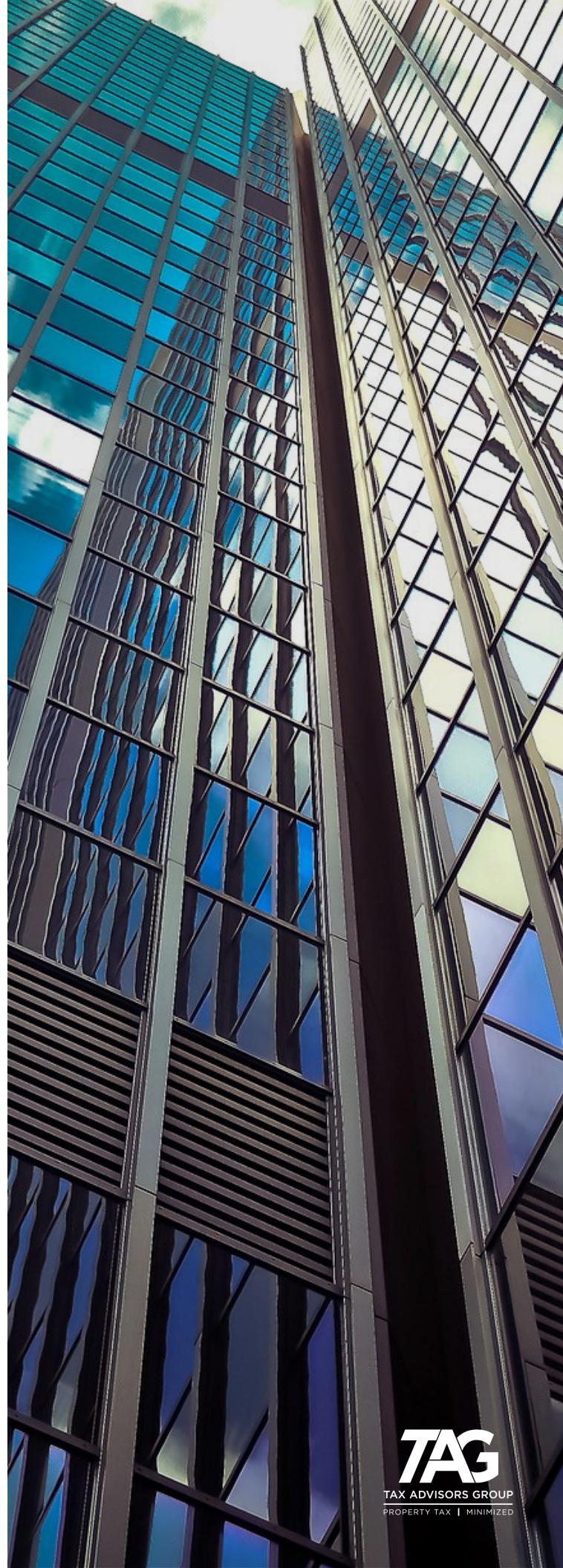
In Texas, the Constitution and statutory law authorizes the more than 250 local governments to assess, collect, and determine use of property taxes.

Local governing bodies determine the amount of taxes they want to collect and each local government sets its own tax rate.

With a reasonable expectation that taxing will be fair, the taxpayer is responsible to pay property taxes annually for real estate and business personal property.

When determining property tax values, it is important to not only look at fair market value, but to also consider equal and uniform assessment (equity).

Even if your property is assessed at 100% of market value, but comparable properties in the area are assessed below market value then yours should be also.





DETERMINING FAIR MARKET VALUE OF YOUR PROPERTY

Determining market value of your property should be viewed from every applicable approach (cost, sales and income) as well as equity.

Property taxes are due annually in Texas. Therefore, the value of your property must be tracked year by year and location by location where applicable.

Further, the value must be analyzed each year based on income, cost, and market comparisons to determine equity in accordance with property tax law.

The Notice of Appraised Value received from the county should also be evaluated annually to determine if the value of your property is appropriate for the market.



CONCLUSION: MINIMIZING PROPERTY TAXES CAN IMPROVE THE FINANCIAL HEALTH OF YOUR BUSINESS

Today's economy demands more from all of us. It demands that we work smarter and work to find ways to improve our company's bottom line.

Equal and uniform assessment, in addition to independent market value, in Texas is the best way to do just that. Companies using this approach see tax savings upward of 30% annually.

With the uncertain economic forecast extending into the next few years, these are savings that could quite literally save your business, or at a minimum, stem the tide of excessive layoffs, revenue losses, and declines in profit.



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TAG has represented property owners for more than two decades. Along the way, we've developed internal analysis tools combined with standard market resources to ensure clients are paying the least possible property tax, with a focus on retail, office and industrial properties.

Our experience has also shown the additional value that comes from working hand-in-hand with the business personal property team.

Many clients enjoy utilizing TAG's expertise in both areas to streamline processes and optimize knowledge sharing, as well as maximize opportunities for tax savings.

If you are considering how to get started, reach out to us today, and we can coordinate a time to provide you more information on our process and how we are helping companies like yours save millions every year.

LEARN MORE

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