

TEXAS PROPERTY TAX APPEALS: MARKET VALUE VS. EQUAL AND UNIFORM

Property owners and tenants alike are generally familiar with the three methods in which commercial real estate is valued: the cost, income and sales comparison approach to value. These methods use replacement cost less depreciation, the property's income stream or sales of similar structures to estimate market value: the price a subject property would sell for on the open market. This is referred to as "appraised value". But equally as important in Texas is the constitutional guarantee of "equal and uniform" taxation, an alternate basis on which a protest may be filed. Referred to as the "equity approach", this protection allows for a reduction in value if a subject property's appraised value is greater than the median of a sample of similar properties in the county. The equity approach requires skillful examination and challenge before the Appraisal Review Board in order to successfully reduce a property's taxable value. For example, some counties will classify urgent care, surgical facilities and psychiatric or behavioral health buildings as a Hospital for valuation purposes. This affects not only the cost, sales and income valuation models, but also means the property is compared against hospitals in the appraisal district's equity analysis. A surgical facility should be uniform with other surgical properties similar in design, size and use, not with acute care hospitals that contain emergency and long-term care capabilities. Likewise, a psychiatric hospital is vastly different than an acute care facility in buildout and function. The same applies to various types of retail centers, the senior housing industry, multi-family complexes, amusement arcades, storage/warehouse structures and other types of commercial real estate. The equity approach to value is common practice, but not all tax firms prepare this evidence in the same manner. Rather than outsource our equity analysis to an independent website, application or outside firm, PVS prepares a unique examination on each tax parcel every year. We review the appraisal district's model, looking for errors and outliers, and confirming property specifics for accuracy. But we also compile our own set of comparable properties, through internet and on-the-ground research, speaking with brokers, our clients and their tenants, and through various market websites and publications. This allows our agents to systematically discredit the appraisal district's equity approach, and offer better, more comparable properties, maximizing savings for our clients. PVS's licensed Texas agents have decades of experience filing Section 41 protests. Years of negotiating with appraisal district representatives and presenting before local Appraisal Review Boards has given us a strategic edge on how to develop each analysis and when to use each form of protest.

WHY RELATIONSHIPS MATTER

Property owners and tenants who miss the annual property tax appeal deadline (May 15 or 30 days after Notice of Appraised Value) have a second and final chance to challenge their assessment under Texas Tax Code 25.25. At any time before taxes become delinquent (February 1 following the assessment year), taxpayers may file a 25.25(d), a written protest to the Appraisal Review Board, seeking a reduction in appraised value. This type of appeal requires the commercial property owner to prove the appraisal district's error resulted in the subject property being overvalued by at least one-third. It also requires that a standard protest under Chapter 41 was not filed for the same assessment year. Similarly, a property owner may file a written protest to correct a clerical error that affects the tax liability on commercial property under Section 25.25(c) of the Property Tax Code. This applies to the current assessment year and five preceding years, provided no delinquent taxes are outstanding. Various types of clerical errors qualify, including a mistake in calculation or mathematical error, multiple appraised values being applied to the same property (duplicate taxation) and taxation of non-existent property. In 2019, Governor Greg Abbott signed HB380 into law, expanding the parameters of this code for

even greater relief to Texas taxpayers. Given the intricacies of these protests and the evidence required, it is crucial to hire a property tax agency such as Property Valuation Services, with proven success in Section 25.25 appeals.

SECOND CHANCE APPEAL OPPORTUNITY: SECTION 25.25

It is common for tax representatives in Texas to mass appeal all properties and skip the informal level of negotiation with the county representative. They save time and effort by proceeding straight to the Appraisal Review Board (ARB), or worse, file an affidavit of appearance at the ARB and proceed straight to the final level of appeal – Binding Arbitration or Litigation. While this may save their firm time and allow them to handle more cases, it is a critical step that is never skipped at PVS. We seek every opportunity to work early and informally with the county ahead of our client's formal Board hearing. It allows us to review the appraisal district's valuation analysis, we receive a one-on-one review and attention and is a give-and-take negotiation that often delivers better savings results than the ARB. If not, we have still secured our client's right to proceed to the Appraisal Review Board hearing and beyond. Respecting this step in the process is another reason PVS has lasting positive relationships with appraisal districts across the state.

WHAT MAKES PVS STAND OUT IN THE SEA OF TEXAS PROPERTY TAX REPS?

The synergy of PVS handling business personal property tax filings and real estate appeals ensures our clients never pay taxes twice on leasehold improvements and other real estate components. Our real estate and personal property departments work together when preparing personal property renditions and real estate protest evidence. Our experienced consultants identify and remove any real estate components from the personal property account, and likewise, ensure the real estate appraised value does not include any tangible assets already taxed as business personal property, such as leasehold improvements and fixed equipment. Eliminating double taxation on these assets is another way PVS saves our clients significant tax dollars each year. In addition to licensed and experienced Senior Property Tax Consultants and an attorney in our Houston office, PVS has licensed MAI and ASA appraisers on staff, who lead our methodology development, employee training efforts and oversee our annual appeal season for both real and personal property. While we have a significant portfolio in Texas, our firm works across the nation, often representing clients with a portfolio of properties across multiple states. This allows our appraisers and directors access to income and expense data, detailed sales and industry trends, and census information across the country which can be applied as evidence in our protests in Texas, giving our clients a strategic edge in their protests. Our regional Texas offices in Houston and the Dallas-Fort Worth market allow PVS to maintain a local presence and to keep up with real-time changes across multiple large jurisdictions. It also assists in our objective to meet with appraisal district staff for in-person informal discussions whenever given the option to present the strongest argument on behalf of our clients. While we strive to obtain the best possible valuation for our clients in the informal and ARB process, sometimes it is necessary to advance an appeal to the arbitration or litigation level in Texas. Our licensed consultants have decades of experience negotiating with county appraisers and legal representatives in Texas, both informally, at settlement conferences and in mediation sessions. With our decades of experience at each level of appeal and on high-valued, complex properties, PVS has compiled a vast network of appraisers and attorneys with a proven track record of success specifically in property tax. Like PVS, they have reduced assessments on every type of property, from warehouses and retail locations to hotels and multi-family properties, and multi-million dollar surgical and hospital campuses. And, like PVS, they have extensive