

HOW TO PREPARE EVIDENCE FOR YOUR PROTEST

ANY EVIDENCE PRESENTED AT THE INFORMAL OR FORMAL HEARING BECOMES A PART OF THE HEARING RECORD. SIX COPIES OF THE EVIDENCE SHOULD BE FURNISHED AT YOUR FORMAL HEARING. APPRAISAL DISTRICT STAFF WILL NOT MAKE YOUR COPIES!

PROTESTS ON REAL ESTATE (NON-COMMERCIAL) PROPERTY

A. MARKET VALUE PROTEST

Sale of Subject Property

A signed and dated closing statement is required. The closing statement will include a description of the property being transferred. A copy of the sales contract and the document number of the deed filing may be required. Photographs of your property are also good forms of evidence. See Chapters 41 and 42 Property Tax Code.

Sales of Comparable Properties

Sales of comparable properties with photographs should include the following information, if available:

1. Property address.
2. Sales date/price.
3. Grantor/Grantee.
4. Document number.
5. Financing terms/source/confirmed by.
6. Appraisal of subject property/date of appraisal/reason for sale/appraisal.

Proof of Physical, Functional or Economic Obsolescence

This type of information can be documented in a variety of ways. The best type of documents is usually estimates for repairs from contractors and photographs of physical problems. All documentation should be signed and attested. This means you must furnish "documented" evidence of your property's needs.

B. EQUITY PROTEST

The equity test requires a comparison of the appraised value of the subject property to the median appraised value of "a reasonable number of comparable properties appropriately adjusted." See Chapters 41 and 42 Property Tax Code.

1. What is meant by a "reasonable number"?
It depends. Arguable a reasonable number is all of the properties in a particular category of property type. For example, an office building should be compared to all other office buildings.
2. What properties are "comparable"?
The properties should be similar enough that the adjustments required are kept to a minimum. The larger the adjustments, the less similar the properties really are.

3. What are "appropriate adjustments"?

Adjustments should be made for factors similar to those used in market value appraisal, that is, based on generally accepted appraisal techniques. For example, location, age, physical and economic characteristics.

It is important to note that the standard of evidence per the Property Tax Code requires a reasonable number of comparable properties. Picking a few properties in your neighborhood to compare to is not a reasonable number. The selection should be random and representative. The property owner will not be successful unless they introduce a sufficient sample of comparables.

C. DENIAL OF THE AGRICULTURAL SPECIAL APPRAISAL PROTEST

The agricultural history of your property must be documented. The tax code states that you must establish a 5 of 7 year history as the first criteria to qualify. The property must be currently devoted as an agricultural endeavor or be in a federal government sponsored program. You should furnish proof of any leases, income and expenses related to the agricultural activity. The more exhaustive your evidence the easier it is for the ARB or the appraisal district to make a decision. See Section 23.51 of the Property Tax Code.

D. PROTEST OF CHANGE OF USE DETERMINATION

You must furnish proof of continued agricultural use on your property. A cessation of activity constitutes a change of use. See Section 23.55 of the Property Tax Code.

E. PROTEST DENIAL OF AN EXEMPTION

The burden of proof is on the property owner to prove an entitlement to an exemption. You should furnish any supporting documents pertinent to your exemption application. See Chapter 11 of the Property Tax Code.

F. PROTEST FAILURE TO RECEIVE NOTICE

The property owner should provide evidence that they did not receive notice. A notice is considered delivered when it is received by the post office. An interruption in mail delivery, which is outside the control of the property owner, may be valid evidence. The evidence submitted should indicate that the failure to receive notice was beyond the control of the property owner. See Section 25.19 of the Property Tax Code.

PROTESTS ON COMMERCIAL PROPERTY

A. COMMERCIAL REAL ESTATE

Sale of Subject Property

Closing statement or sales contract, signed and dated, including a description of the property being transferred and the document number, if sold during the last 3 years.

Basis of sale: Was sale based on actual income and expense data, or Pro forma income and expense data, etc.?

Appraisal: If an appraisal was made for any purpose, submit a complete copy of the appraisal report.

Income Approach

Previous year rent roll, rent summary and income statement (typically 3 years of data). Documentation of lease offering rates, lease concessions, effective lease rates and current and historical occupancy, as of January 1 of the current year.

Cost Approach

Construction contract(s), signed and dated, including a detailed description of the work to be performed.

Certified A.I.A. Document G702, or equivalent, with detail. Documentation must reflect all hard and soft costs. IRS records may be required.

Market Approach

Independent Fee Appraisal: Complete copy of the appraisal report with confirmed sales and photographs of comparable properties. The detail should include:

1. Property description.
2. Property location.
3. Land area/building area.
4. Year built.
5. Grantor/Grantee.
6. Date of contract/document number.
7. Sale price.
8. Financing terms/basis of sale.
9. Source/confirmed by.

B. BUSINESS PERSONAL PROPERTY

The appraisal district or the ARB must have evidence on which to make a ruling in all Business Personal Property cases appearing before them. Normally the form of relevant documents in order of importance are:

1. Balance sheets.
2. Inventory controls, accounting records, journals, ledgers showing acquisitions by year of purchase.
3. CPA statements of costs.
4. Leases pertaining to the property in question.
5. A statement of general accounting policy and procedures, especially concerning the capitalization and expense policy.
6. Basis of depreciation. This statement should also address inventory methods and whether physical inventory equals book inventory.

FREQUENTLY ASKED QUESTIONS

How do I appoint a Tax Agent?

To appoint an agent, you must provide that person with written authorization to represent you. You must use a special "Appointment of Agent" form available from the appraisal district or the Comptroller's office. No form is needed if the person is your attorney, mortgage lender, employee or a person acting only as a courier.

The "Appointment of Agent" form asks you to cite a date upon which your authorization for this person will end. If you don't provide an ending date, the agent will continue to represent you until you file a statement ending the appointment or appoint a new agent.

You must provide the appraisal district with a copy of the signed form.

How much time does an "Informal Hearing" take?

Informal hearings are conducted by telephone or in the appraisal district office. Phone calls are returned in the order they are received with 48 hours. Informal hearings conducted in the office are on a first come first served basis. During the peak (first week of mailing Notices of Appraised Value and the last week to file a protest) wait times may be as long as 3 hours to speak to an appraiser.

How do tax rates work?

**Property values determine each taxpayer's share of the total taxes. Changes in property values may affect the individual's tax bills, but they do not necessarily increase or decrease the total amount of taxes to a taxing unit.*

**A taxing unit's budget determines its total amount of taxes. Appraisal districts do not assess nor can taxes be protested.*

**The only meaningful way to compare tax rates is to consider the amount of tax revenue they will produce.*

**Beginning in August, taxing units take the first step toward adopting a tax rate by calculating and publishing the "effective and rollback tax rate".*

**The "effective tax rate" would provide that taxing unit with the same amount of revenue it received in the year before, on the properties taxed in both years. If property values rise, the "effective tax rate" will go down and vice versa.*

**The "rollback tax rate", by contrast, would provide the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent contingency for operating money and sufficient funds to pay its debt in the coming year.*

**In addition to "effective and rollback tax rates", "effective maintenance and operations tax rates" must also be calculated.*

What if your taxing unit plans to increase the tax rate?

Taxing units hold budget hearings to discuss what services to provide in the coming year and how to pay for them. Taxpayers concerned about spending should attend these hearings. The public hearings allow taxpayers to voice their opinions about the proposed tax increase and ask questions.

What is the Appraisal District's role in the Tax System?

There are three main parts to the property tax system in Texas:

- 1. An appraisal district in each county sets the value of property each year.*
- 2. An Appraisal Review Board (ARB) settles disagreements between property owners and the appraisal district about property values, exemptions and special valuations.*
- 3. Local taxing units, which include counties, cities, school districts and other special districts, decide how much money they will spend in the next budget year. This, in turn, determines the total amount of taxes that property owners must pay.*

What are the taxes on this property? How much are my taxes?

The appraisal district does not levy taxes or set tax rates.

Who sets the tax rates?

The governing body of each taxing entity set the rates for their jurisdiction. The taxing units decide what services they will provide in the coming year and how much money they will need to provide those services. Each taxing unit adopts a tax rate that will raise the needed tax dollars.

Can I protest tax amounts?

***NO! Appraisal districts and Appraisal Review Boards only deal with your values.** Your taxing entity will set a tax rate during a Public Hearing in August or September. The taxing entity can lower, raise or keep the same rate as the previous year. The adopted rate is applied to your certified value to determine the amount of taxes you pay in the current year. The amount of tax you will pay for the year you are protesting (current year) is determined by taxing entities in August or September, after ARB hearings have concluded.*

How does my value become part of my tax bill?

After the Appraisal Review Board has heard and decided all protest, it will formally approve the appraisal records for the year. The chief appraiser will then send to each taxing unit, within the appraisal district, a certified appraisal roll.

The elected officials of each taxing unit will adopt their tax rates. The tax roll is created when the tax rates are applied to the appraised values. After subtracting all applicable exemptions, the taxing unit multiplies the tax rate by the value shown on the certified appraisal roll. This determines how much you owe as a property tax.