Tax Tidbits – A Refresher

There is absolutely nowhere to hide from the more than 60 different taxes and fees in Texas! With 2018 property taxes now paid, income taxes are on the horizon but I challenge you to tally every tax, fee and surcharge paid for one 30 day period. I was dismayed to discover that income taxes are only half of my government obligation each year.

What is one to do? Not much except eliminate the source. Although some are dumping real estate holdings, no one is tossing the cell phone in the trash or taking a bus instead of jumping behind the wheel of a car.

When it comes to your property taxes (real or business personal), the obligation is more transparent than the taxes and fees added to every other bill you pay and, to some extent, you are in control of the bottom line. Land and improvements thereon are real property and the value is based on the market value (price a knowledgeable buyer would pay and an unmotivated owner would sell under normal conditions). For a house, simply determine what one sells for in your neighborhood, divide by $100 and multiply that times $2.75. This is close to your total local property tax obligation.

The down side of the valuation scheme used by Texas appraisal districts (CADs) is that it does not account for the condition of individual properties or terms of a sale, thus, property owners have the burden of providing this information during the equalization or protest phase each spring. Miss the May 1st deadline and you are on the hook for a higher tax bill until the following year. Disagree with the CAD and you could end up in arbitration or court.

What about your business property taxes? The value of a business depends largely on the type and its income producing potential. Income producing properties (such as apartments, strip shopping centers or office buildings) have an income potential and the net income is capitalized into a value (versus market value based on sales). Businesses render or report the value of the furniture, fixtures and equipment used to conduct the business in addition to the inventory of goods sold and on hand January 1 no later than April 1st each year. Failure to render will result in a 10% penalty added to the tax already due.

Regardless of the property type, you have the ability (and right and responsibility) to protest the value each year. Success rates in Galveston County have been fairly high for the 34% who bother to try. In 2017, 91% of the 34% reached an agreement with an appraiser and of those who went to the Appraisal Review Board (ARB), 30% were reduced (this means with 120,000 value increases, 40,800 protested, 37,128 of those had a value reduction and 1,100 of the 3,672 that went to ARB had a reduction or 94% who bothered to try got relief).

Ultimately – it pays to protest. If you don’t, you have NO chance of lowering your property taxes, confirming the adage that government belongs to he or she who shows up. Without a doubt, protesting your value is the most immediate form of tax relief available and 100% worth trying yourself (or hiring a property tax consultant to do so for you). Beware, however, that once hired, a tax agent represents you until the relationship is formally cancelled.

Some, such as me, believe that being taxed based on unrealized capital gains (with the value of your home being determined by the marketplace rather than your own actions) is unfair and have been working to reform this system. With that said, Texas taxpayers need to keep an eye on the 86th Legislative Session currently underway. Whether the House and Senate fumble the tax relief ball yet again or a Hail Mary Pass to the end zone results in a win for 7.5 million Texas homeowners – it will be a game to closely watch! Do NOT be fooled by government cries that local control is being eroded as this is nothing more than a defensive blitz to stop taxpayers from scoring a victory. Remember, you - the voters - are the ultimate local controll! ‡