

Our Broken Commercial Property Tax System Burdens Homeowners and Communities It's Time for Real Values for Texas

Under state property tax law, all properties in Texas are supposed to be taxed at 100 percent of their market value.

However, while most homeowners pay taxes on the real value of their property, many large commercial property owners routinely use appeals and lawsuits to avoid paying their fair share. Over the last five years, homeowners have carried the burden of approximately \$1.8 billion more in property taxes because of Houston's largest commercial property owners' manipulation of the property tax system. When large commercial property owners shirk their responsibility, ordinary homeowners pay more property taxes to make up the difference. It leads to frustration among homeowners and erodes support for our schools and other public services.

Taxes Shifted from Commercial Property Owners to Homeowners

Top 500 Commercial Buildings only (2009-2013)¹

All schools	\$871.3 million
City of Houston	\$389.6 million
Harris County and related entities	\$315.6 million
Harris County Hospital District	\$129.8 million
Community Colleges (Houston, Lone Star, San Jacinto Comm. Colleges)	\$61.2 million
Other cities	\$17.0 million

Isn't property tax pretty simple?

It should be. In Texas, property owners pay a property tax bill every year that is based on the value of their property. ALL property throughout the state is supposed to be taxed based on market value.

So, what's the problem?

¹ The Houston Chronicle found commercial buildings it surveyed (in Houston) appraised at an average of 60% of sales price. The Texas Association of Appraisal Districts found similar results. See Texas Association of Appraisal Districts, "Why Do We Need Mandatory Sales Disclosure in Texas?" (2007); Loren Steffy, "A Dated Law on Commercial Real Estate," Houston Chronicle, 2/3/2012. See also, "Unequal and Unfair: Why Texas Should Require Mandatory Sales Price Disclosure to Reconcile the Texas Property Tax Code with the Texas Constitution," St Mary's Law Journal, 5/10/2010.

State property tax law allows large commercial property owners to game the appeal system to lower the tax on their buildings by reducing their valuations far below what the property is actually worth. Real Values for Texas research, as well as that of the Houston *Chronicle* and the Texas Association of Appraisal Districts, shows that commercial properties are being taxed at an average of only 60 percent of their actual value. A couple examples:

- In 2011, an office building at 1400 Smith was sold for \$340 million. Its 2012 appraised value was \$191.5 million or 56% of the purchase price.²
- The building at 1000 Louisiana was sold for \$510 million in 2011. The 2012 appraised value was \$288.7 million or 57% of the purchase price.³

How much money are we talking about overall?

A LOT. Statewide, commercial owners' manipulation of the property tax system has shifted an estimated **\$5.6 billion** in tax over the last five years to homeowners. Schools have the most to lose if homeowners are unable to carry this burden, since half of all property taxes support schools.

What can we do about it?

For the first time, community leaders, public officials, and homeowners across Texas are uniting to call for reforms that will ensure that large commercial property owners do their part and pay property taxes on the actual market value of their properties.



It is time for a fair property tax system that does not burden homeowners nor deprives communities of vital public services. **It's time for Real Values for Texas.** Get more information at Realvaluesfortexas.org

² ALEX FINKELSTEIN, WORLD PROPERTY CHANNEL, "CHEVRON PAYS \$340 MILLION FOR 1.3-MILLION-SF HOUSTON OFFICE BUILDING," JUNE 30, 2011, [HTTP://WWW.WORLDPROPERTYCHANNEL.COM/US-MARKETS/COMMERCIAL-REAL-ESTATE-1/CHEVRON-OIL-HOUSTON-OFFICE-BUILDING-SALES-BROOKFIELD-OFFICE-PROPERTIES-1400-SMITH-STREET-WORLD-FINANCIAL-CENTER-4487.PHP](http://www.worldpropertychannel.com/US-MARKETS/COMMERCIAL-REAL-ESTATE-1/CHEVRON-OIL-HOUSTON-OFFICE-BUILDING-SALES-BROOKFIELD-OFFICE-PROPERTIES-1400-SMITH-STREET-WORLD-FINANCIAL-CENTER-4487.PHP)

³ Real Estate Alert, "Metlife To Sell Houston Office Stake To ING," June 8, 2011, <http://www.realert.com/headlines.php?hid=151910>