

# 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 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 \$750 million more in property taxes because of San Antonio'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<sup>1</sup>

|                         |                 |
|-------------------------|-----------------|
| Bexar County            | \$86.0 million  |
| Flood Fund              | \$9.3 million   |
| Alamo Community College | \$41.1 million  |
| Hospital District       | \$79.1 million  |
| City of San Antonio     | \$153.9 million |
|                         |                 |
| San Antonio ISD         | \$82.7 million  |
| Alamo Hills ISD         | \$28.1 million  |
| East Central ISD        | \$2.0 million   |
| Edgewood ISD            | \$1.7 million   |
| Harlandale ISD          | \$6.7 million   |
| Northeast ISD           | \$108.1 million |
| Northside ISD           | \$150.0 million |
| South SA ISD            | \$7.6 million   |
| Southwest ISD           | \$464,000       |

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<sup>1</sup> 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.

### 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?

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:

- According to the San Antonio Express, the JW Marriott Resort sues over its appraisals **each year**. The property reportedly cost over \$600 million to build. It was appraised in 2011 for \$150 million. In 2013, the appraised value was raised to \$210 million. Marriott's lawsuits challenging its 2011 and 2012 appraisals are still pending.<sup>2</sup>
- In 2013, an office building at 5859 Farinon Drive was sold for \$18.1 million. It's 2013 appraised value was \$11.3 million or 62% of the purchase price.<sup>3</sup>

### 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](http://Realvaluesfortexas.org)

<sup>2</sup> Eva Ruth Moravec, "Property Lawsuits Skyrocket in Bexar County," *San Antonio Express-News*, 1/18/2014.

<sup>3</sup> "[Office Building Sold for \\$18.1 million](#)", My SA, 1/9/2013.