

## 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 \$759.7 million more in property taxes because of Austin'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>

Travis County	\$150.8 million
Austin City	\$112 million
Austin Community College	\$31.4 million
Travis Central Health District	\$24.1 million
Austin ISD	\$238.4 million
Other schools and cities combined	\$203 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?

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.

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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.

A few examples:

- The Burleson Business Park was acquired in 2012 for \$26.1 million.<sup>2</sup> In 2013, it was appraised for \$12.7 million, just 49% of the purchase price.
- The Renaissance-Arboretum hotel was acquired in March 2012 for \$103 million.<sup>3</sup> In 2013, it was appraised for \$64.8 million, just 63% of the purchase price.
- The Raceway Crossing Industrial Center was acquired in October 2012 for \$18.68 million.<sup>4</sup> In 2013, it was appraised for \$10.6 million, just 57% of the purchase price.
- The Courtyard-Austin hotel was acquired in November 2010 for \$20 million.<sup>5</sup> The final 2011 appraisal was only \$8.9 million, less than half (44%) of the purchase price.

### 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)

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<sup>2</sup> Industrial Income Trust, SEC 10-K filing for fiscal year ended December 31, 2012. [http://industrialincome.com/uploaded-files/PDF/10-K/IIT\\_Form\\_10-K\\_12.31.12.pdf](http://industrialincome.com/uploaded-files/PDF/10-K/IIT_Form_10-K_12.31.12.pdf); CAD appraisal of 4101 Smith School Rd, TX 78744, Prop #788677.

<sup>3</sup> Inland American Real Estate Trust, Inc, SEC 10-Q filing for quarter ending March 31, 2012, <http://www.sec.gov/Archives/edgar/data/1307748/000119312512215441/d335402d10q.htm>; CAD appraisal of Arboretum Blvd, TX 78759, Prop #153537.

<sup>4</sup> Industrial Income Trust, SEC 10-K filing for fiscal year ended December 31, 2012, [http://industrialincome.com/uploaded-files/PDF/IIT\\_2012\\_Annual\\_Report\\_FINAL.pdf](http://industrialincome.com/uploaded-files/PDF/IIT_2012_Annual_Report_FINAL.pdf) 10-K for year ended 2012 CAD appraisal of 16310 Bratton Lane, 1-3 TX 78728, Prop #755080.

<sup>5</sup> Apple Nine REIT, SEC 8-K, Sept. 10, 2010, [http://www.sec.gov/Archives/edgar/containers/fix310/1418121/000093041310004787/c62750\\_8-k.htm](http://www.sec.gov/Archives/edgar/containers/fix310/1418121/000093041310004787/c62750_8-k.htm); CAD Appraisal of 12330 North IH 35 TX 78753, Prop #461124. Appraised value in chart rounded from CAD appraisal of \$8,875,045.