

HOMEOWNERS COULD SAVE IF COMMERCIAL PROPERTY OWNERS PAID TAX ON THEIR REAL VALUES

Across Texas, homeowners are feeling the pressure of high property taxes, and our state's broken commercial property tax system bears part of the blame.

While most ordinary homeowners pay taxes based on appraisals that are close to 100 percent of the real value of their property, commercial property owners routinely exploit loopholes to drive down their appraised values and their property tax bills. It's a great deal for them, but it hurts homeowners and our communities.

Up to \$274/year:
The possible savings for average homeowners if commercial owners paid tax on the real values of their properties.

\$5.6 billion:
The total amount Texas homeowners could have saved over the last five years if the top 500 commercial property owners in the state's six major markets had paid their fair share.

Here's how: When the largest commercial property owners push down their appraisals well below market value, it artificially shrinks the overall tax base. And THAT drives up property tax rates for everybody.

Texas law requires that *all* properties be taxed based on 100 percent of market value. What if that actually happened? How would that affect property tax rates and the amount that an average homeowner owes?

A new Real Values for Texas's analysis provides a look at the impact on homeowners if the top 500 commercial properties in six of the state's largest counties were required to pay on their real values.

Using 2013 data, Real Values for Texas found that a Texas homeowner who owns a \$250,000 home could save between \$200-\$274 in annual property taxes if just the top 500 commercial property owners in each county paid taxes based on 100 percent of their property values¹. Public services, and the revenue that supports them, would be maintained at their current levels.

¹ The Center for Public Policy Priorities (CPPP), which provided calculations for this analysis, determined the effect on homeowners of a revenue-neutral tax adjustment following revaluation of commercial property based on data from each appraisal district. For this specific analysis, CPPP used RVT's assumption that the top 500 commercial properties in each county are appraised at an average of 60 percent of true market value. Studies by both *The Houston Chronicle* and the Texas Association of Appraisal Districts support that number. See "A Dated Law on Commercial Real Estate," *Houston Chronicle*, 2/3/2012. and Texas Association of Appraisal Districts, "Why Do We Need Mandatory Sales Disclosure in Texas?" (2007); Loren Steffy, 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.

What if Commercial Property Owners Paid Their Fair Share?

In Harris County, for example, the 500 highest valued commercial properties were valued at \$28,241,764,883 in 2013. However, that valuation for tax purposes is not based on the real market value of the properties. Real Values for Texas estimates that if the appraised values of those properties were adjusted to 100 percent of their real market value, those largest commercial properties would be valued at a total of \$47,069,608,138 for property tax purposes. With commercial property owners paying their fair share, the tax rate for everyone could be lowered from 1.62 to 1.52. A Harris County homeowner living in a home worth \$250,000 would save about \$264 a year in property taxes.

Below are the Real Values for Texas analyses for Harris, Tarrant, Travis, Dallas, Bexar, and El Paso Counties. Savings estimates range from \$200 per year for an average homeowner in El Paso County to \$274 per year for average homeowners in Tarrant County. Savings could be greater for higher value homes and may be less for homes valued less than \$250,000.

Average Harris County Homeowner Could Save About \$264/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid Tax on Real Values
Taxable Value of ALL Properties	\$317,098,428,847	\$335,926,272,102
Valuation of Top 500 Commercial (F1 ²) Properties	\$28,241,764,883	\$47,069,608,138
Total Levy (Revenue from Property Taxes)	\$3,232,800,183	\$3,232,800,183
Combined Tax Rate (Excludes Schools)	\$1.62	\$1.52
<i>This example uses a home valued at \$250,000 as average.</i>		

² F1 is a state code that indicates commercial property. This excludes industrial and all residential property.

Average Tarrant County Homeowner Could Save About \$274/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid on Real Values
Taxable Value of ALL Properties	\$129,576,661,429	\$135,858,601,178
Valuation of Top 500 Commercial (F1)Properties	\$9,422,909,623	\$15,704,849,372
Total Levy (Revenue from Property Taxes)	\$1,206,420,784	\$1,206,420,784
Combined Tax Rate (Excludes Schools)	\$1.50	\$1.39
<i>This example uses a home valued at \$250,000 as average.</i>		

Average Travis County Homeowner Could Save About \$218/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid on Real Values
Taxable Value of ALL Properties	\$107,017,828,307	\$114,742,202,045
Valuation of Top 500 Commercial (F1)Properties	\$11,586,560,607	\$19,310,934,345
Total Levy (Revenue from Property Taxes)	\$1,180,356,901	\$1,180,356,901
Combined Tax Rate (Excludes Schools)	\$1.22	\$1.13
<i>This example uses a home valued at \$250,000 as average.</i>		

Average Dallas County Homeowner Could Save About \$254/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid on Real Values
Taxable Value of ALL Properties	\$165,200,588,717	\$176,211,614,444
Valuation of Top 500 Commercial (F1)Properties	\$16,516,538,590	\$27,527,564,317
Total Levy (Revenue from Property Taxes)	\$1,721,452,459	\$1,721,452,459
Combined Tax Rate (Excludes Schools)	\$1.44	\$1.34
<i>This example uses a home valued at \$250,000 as average.</i>		

Average Bexar County Homeowner Could Save About \$208/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid on Real Values
Taxable Value of ALL Properties	\$104,291,990,297	\$110,559,626,684
Valuation of Top 500 Commercial (F1)Properties	\$9,401,454,580	\$15,669,090,967
Total Levy (Revenue from Property Taxes)	\$1,215,878,273	\$1,215,878,273
Combined Tax Rate (Excludes Schools)	\$1.32	\$1.23
<i>This example uses a home valued at \$250,000 as average.</i>		

Average El Paso County Homeowner Could Save About \$200/Year

	Actual for Tax Year 2013	If Commercial Property Owners Had Paid on Real Values
Taxable Value of ALL Properties	\$37,001,773,021	\$39,109,986,802
Valuation of Top 500 Commercial (F1) Properties	\$3,162,320,672	\$5,270,534,453
Total Levy (Revenue from Property Taxes)	\$502,003,364	\$502,003,364
Combined Tax Rate (Excludes Schools)	\$1.43	\$1.35
<i>This example uses a home valued at \$250,000 as average.</i>		

Real Values for Texas is a movement of homeowners, teachers, parents, neighborhood activists and working families taking action to expose the impact of our state's broken property tax system on homeowners, kids, and local communities. To find out more, visit www.realvaluesfortexas.org.