PRESIDIO COUNTY

APPRAISAL DISTRICT

Appraisal Manual

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01.01.00 General Appraisal Information

Standard 6 - Mass Appraisal, Development and Reporting

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals. USPAP standard 6 is a necessary set of rules that provides structure and guidance for the Presidio County Appraisal District staff during the development and implementation of appraisal concepts.

Standard 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals. STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

1. identifying properties to be appraised;
2. defining market area of consistent behavior that applies to properties;
3. identifying characteristics (supply and demand) that affect the creation of value in that market area;
4. developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
5. calibrating the model structure to determine the contribution of the individual characteristics affecting value;
6. applying the conclusions reflected in the model to the characteristics of the property being appraised; and
7. reviewing the mass appraisal results.

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 6 because ad valorem tax administration is subject to various state, county and municipal laws.

Appraisal District Boundaries

The Appraisal District's boundaries are the same as the County's boundaries; however, the county boundary does not preclude the board of directors of two or more adjoining appraisal districts from providing for the operation of consolidated appraisal district by inter-local contract.

TPTC § 6.02(a)

(b)

Taxable Property

The appraisal district has jurisdiction to appraise all real and tangible personal property that has attained situs within its boundaries unless specifically exempted by the Property Tax Code.

TPTC § 11.01(a)

Appraisal Date

All taxable property is appraised at its market value as of January 1, with the exception of inventory, which if elected by the taxpayer, may be appraised at its market value as of September 1. To receive the September 1 appraisal date, the owner of the inventory must sign and file an application for September 1 inventory appraisal by July 31.

TPTC § 23.01(a)
TPTC § 23.12(f)

01.02.00 Appraisal Methods

Summary

All taxable property is appraised at its "market value" as of January 1st, except as otherwise provided by the Property Tax Code. The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice. The same or similar appraisal techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value.

TPTC § 23.01(b)

Market Value Defined

All taxable property is appraised at its "market value" as of January 1st, except as otherwise provided by the Property Tax Code. Under the tax code, "market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;

- both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

TPTC § 1.04(7)

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (§. 23.23), productivity (§. 23.41), real property inventory (§. 23.12), dealer inventory (§§. 23.121, 23.124, 23.1241 and 23.127), nominal (§. 23.18) or restricted use properties (§. 23.83) and allocation of interstate property (§. 23.03).

Consideration of Alternate Appraisal Methods

In determining the market value of property, the chief appraiser shall consider the cost, income, and market data comparison methods of appraisal and use the most appropriate method.

TPTC § 23.0101

Cost Method of Appraisal

If the chief appraiser uses the cost method of appraisal to determine the market value of real property, the chief appraiser shall:

(1) use cost data obtained from generally accepted sources;
(2) make any appropriate adjustment for physical, functional, or economic obsolescence;
(3) make available to the public on request cost data developed and used by the chief appraiser as applied to all properties within a property category and may charge a reasonable fee to the public for the data;
(4) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and
(5) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated value of the improvements.

TPTC § 23.011

Income Method of Appraisal

(a) If the income method of appraisal is the most appropriate method to use to determine the market value of real property, the district shall:

(1) analyze comparable rental data available to the chief appraiser or the potential earnings capacity of the property, or both, to estimate the gross income potential of the property;
(2) analyze comparable operating expense data available to the chief appraiser to estimate the operating expenses of the property;
(3) analyze comparable data available to the chief appraiser to estimate rates of capitalization or rates of discount; and
(4) base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.

(b) In developing income and expense statements and cash-flow projections, the
chief appraiser shall consider:
(1) historical information and trends;
(2) current supply and demand factors affecting those trends; and
(3) anticipated events such as competition from other similar properties under construction.

TPTC § 23.012

Market Data Comparison Method of Appraisal

If the chief appraiser uses the market data comparison method of appraisal to determine the market value of real property, the chief appraiser shall use comparable sales data and shall adjust the comparable sales to the subject property.

TPTC § 23.013

Exclusion of Property as Real Property

In determining the market value of real property, the chief appraiser shall analyze the effect on that value of, and exclude from that value the value of, any:
(1) tangible personal property, including trade fixtures;
(2) intangible personal property; or
(3) other property that is not subject to appraisal as real property.

TPTC § 23.014

Inventory

Procedures for the equitable and uniform appraisal of inventory for taxation must be established. Procedures must also be established, published, and adhered to for the determination of the quantity of property held in inventory without regard to the kind, nature, or character of the property comprising the inventory.

TPTC § 23.12(b) (1)

September 1st Inventory Appraisal

A business may request a September 1 appraisal for tax purposes. September 1 appraisal means inventory value for a tax year is determined not as of January 1 of that year, but as of September 1 of the preceding year. The last day for filing the form is July 31. If filed after July 31, September 1 appraisal will be delayed a year.

TPTC § 23.12 (f)

The district must apply the same enforcement, verification, and audit procedures, techniques, and criteria to the discovery, physical examination, or quantification of all inventories without regard to the kind, nature, or character of the property comprising the inventory.

TPTC § 23.12(b) (2)

In appraising the inventory, the district shall apply generally accepted appraisal techniques in computing the market value based on the information obtained in this Section.

TPTC § 23.12(c)

01.03.00 USPAP Procedures

The mass appraisal standards used by the district in determining the market value of property must comply with the Uniform Standards of Professional Appraisal Practice as identified in section 01.07.00.TPTC § 23.01(b)

01.04.00 Appraisal Records

Form and Content of Appraisal Records

The appraisal records shall be in the form prescribed by the Property Tax Assistance Division and shall include:

1. the name and address of the owner or, if the name and address is unknown, a statement that it is unknown
2. real property
3. separately taxable estates or interests in real property, including taxable possessory interests in exempt real property
4. personal property
5. the appraised value of land and, if the land is designated for agricultural or timber use, the productivity value of the land
6. the appraised value of improvements to the land
7. the appraised value of a separately taxable estate or interest in land
8. the appraised value of personal property
9. the kind of any partial exemption the owner is entitled to receive, whether the exemption applies to appraised or assessed value

10. the tax year to which the appraisal applies
11. an identification of each taxing entity in which the property is taxable.

TPTC § 25.02

These records may be maintained in electronic data format rather than in hard copies.

PTAD Rule 9.3012(g)

Property Identification System

The district must develop and maintain a system of property identification and description that provides a one-to-one relationship between a parcel of property and its identification. This system should provide that each property identification changes when the physical boundaries of a parcel of property changes. This system should provide for an easily generated property identification that is achieved through a minimum of steps, is easily maintained and updated, and is convenient to use.

PTAD Rule 9.0314(a-h)

State Codes

Each account is coded with a State code based on its use. This code is a two-character code.

State codes are assigned by the following:

1. the mapping department will make code changes during splits or deed transactions; and
2. all appraisal staff will add or change codes while identifying property characteristics

State codes for non-exempt and exempt properties are as follows:

A: Real Property: Single-family Residential

B: Real Property: Multifamily Residential

C1: Real Property: Vacant Lots and Land Tracts

C2: Real Property: Colonia Lots and Land Tracts

D1: Real Property: Qualified Open-space Land

Sub-classifications for Agricultural and Timberland

Irrigated Cropland

Dry Land Cropland

Barren/Wasteland

Orchards

Improved Pasture

Native Pasture

Temporary Quarantined Land

Timber at Productivity
Timberland at 1978 Market Value

Timberland at Restricted Use

Transition to Timber

Wildlife Management

Other Agricultural Land as defined in Tax Code Section 23.51(2).

D2: Real Property: Farm and Ranch Improvements on Qualified Open-Space Land

E: Real Property: Rural Land, not qualified for open-space land appraisal, and Improvements

F1: Real Property: Commercial

F2: Real Property: Industrial and Manufacturing

G1: Real Property: Oil and Gas

G2: Real Property: Minerals

G3: Real Property: Other Sub-surface Interests in Land

H1: Tangible Personal Property: Personal Vehicles, not used for business purposes

H2: Tangible Personal Property: Goods in Transit

J: Real and Tangible Personal Property: Utilities

L1: Personal Property: Commercial

L2: Personal Property: Industrial and Manufacturing

M1: Mobile Homes

M2: Other Tangible Personal Property

N: Intangible Personal Property Only

O: Real Property: Residential Inventory

S: Special Inventory

X: Totally Exempt Property and subcategories

01.05.00 <u>Reappraisal Procedure</u>

Physical Inspection

The District identifies the change of each property characteristic through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;

The Presidio County Appraisal District receives listings of all deeds filed in Presidio County through the county clerk's office. Those deeds are read and abstracted by the staff of PCAD. Information is recorded in the computer assisted mass appraisal (CAMA) software including grantor, grantee, date of recording, volume, and page in the county clerk's records. Property identification numbers are assigned to each parcel of property and remain with the property for its life.

In addition to deeds PCAD uses maps, sales data, fire and damage reports, building permits, septic permit list and new electrical drop lists received from Presidio County, photos and actual cost and market information. Appraisers walk in front of each home being inspected, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. The properties are reappraised on a three year rotation to where each property is looked at every three years. The appraisers drive to each property using the previous appraisal card and picture looking for changes that might have occurred to the property since the last on-site check. Exterior pictures of homes are kept current in the property file attached to the account.

Commercial real estate is observed on a three year rotation and industrial real estate is observed annually to verify class and condition. The inspection occurs as appraisers are checking accounts. A principle source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Those properties on which permits are filed are then inspected, measured if needed, photographed and described on the property account.

Business personal property is located by canvassing the county street by street, using data sources such as yellow pages, sales tax permit holder lists, news paper ads and other business listing publications to ensure that all business property owners are located. While conducting the field inspection, the appraiser must also determine whether the business was in operation on January 1st of the current year. All businesses are mailed a rendition about January 1 of each year. Owners are required by state law to list all their business personal property; this includes inventories, furniture and fixtures, machinery and equipment, vehicles, and aircraft. Failure to render will result in an immediate 10% penalty and a possible 50% penalty if fraud is involved in the filing of the rendition. Lists of commercial vehicles are purchased annually from Info Nation Inc and these vehicles are matched to the personal property accounts. Renditions are also required of utility companies, railroads, and pipelines.

Specific Appraiser Procedures:

The appraiser determines the area to be worked and produces appraisal cards for that area from the Computer Assisted Mass Appraisal system (CAMA). Areas are selected using geographic queries and standard print procedures available from the software. Appraisal cards should be put in a sequential order to facilitate efficiency of data gathering.

Tools for the field should be taken to the site for the gathering or verification of information. A digital camera, field cards, clipboard, measuring tape, and pencils should be taken.

The appraiser should have an identification card or business cards, and the car should be marked with a magnetic sign or other method of letting taxpayers know who is in the neighborhood. The appraiser drives to the area to be worked with the appraisal cards for that area. The appraisal cards are clipped to a board for ease of carrying and writing.

When the appraiser gets to the first property to be checked, he or she checks the drawing for accuracy. Does the shape look correct? Do the dimensions shown on the appraisal card look reasonable? If there is any question, the appraiser should measure one side to verify accuracy after knocking on the door to ask for permission from the owner. If inaccurate, the entire property should be re-measured. The appraiser should indicate on the appraisal card the observed condition of the property (Poor, Fair, Average, Good, or Excellent). This observation should be based on the age of the property in comparison. (For instance, a new home in perfect condition would be Average because all homes that are new are in new condition. A 30 year old home that has had normal wear and tear would be Average, but the same home would be Excellent if it had been remodeled by updating the kitchen with hard-surface countertops and new cabinets as well as updated bathrooms. A 30 year old home that had been abused by its owners and needs paint, replacement of trim, has broken windows and screens, and other observed damage would be classified as Poor or Fair based on how bad the damage is.

The next bit of information is to determine the appropriate classification of the property according to Marshall-Swift cost schedules which are used to develop cost tables for the District. The Marshall-Swift residential classifications and examples follow.

After each batch of appraisal cards has been checked and verified, they are given to a clerical person who enters the updated information into the CAMA system. Each property is recalculated using updated cost tables that are contained in the CAMA system.

After all properties have been entered into the CAMA system, appraisals are compared and edited to ensure accuracy and uniformity.

Defining Market Areas in the District

Annually, appraisers combine similar types of property into “neighborhoods”. These neighborhoods have improvements that are of similar construction and type as well as similar years of construction. Market sales are examined to confirm which areas are similar. In apartments, commercial retail, wholesale, and service retail, the properties are categorized by market demand. Trade areas with similar rents, quality, and age are combined to analyze and apply sales and rental data.

Land is also put into regions or neighborhoods with other parcels having similar characteristics, school districts, and amenities.

Identifying Property Characteristics That Affect Property Value

1. the location and market area of the property;
2. physical attributes of property, such as size, age, and condition;
3. legal and economic attributes; and
4. easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

Each parcel of property has detailed information recorded in the CAMA system. For land, the legal description, dimensions, zoning, size, available utilities, and special characteristics are noted in a form that can be used and compared with other land parcels.

Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicated original construction quality, the year of construction of each part of the improvement, the type of roof, the roof covering, the exterior covering of the improvement, number of baths, fireplaces, air conditioning type, and other attributes, and overall condition of the improvement.

Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determine the contribution of individual property characteristics is the next step in assigning values.

The CAMA system begins with the cost approach to value to estimate original cost of each improvement. That cost is based on local modifiers to the Marshall-Swift cost system, a nationally recognized cost estimation system. By utilizing these cost systems, properties are equalized as to their original costs. Components measured in the cost include the size of the structure, number of bathroom fixtures, type of roof structure, roof covering, exterior covering, special features such as fireplaces, pools and other special amenities. The market sales are then studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation. Finally, each structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.

This same concept is used in commercial, industrial, and apartment property. Significantly larger neighborhoods or areas are indicated for these properties using sales and income data.

Economic Index Factor Development

Economic Index Factor (EIF) study analyzes Marshall Swift costs indices through local sales in order to estimate a local index cost factor for each property classification. The resulting local property index factor can be applied to all the improved improvements with similar property characteristics in order to reflect current economic conditions based upon actual sales using modified current cost information.

01.06.00 <u>Work Completion Dates</u>

Field Work Completion Date

Real estate appraisers shall complete all field inspections by April 1st of each year. Real estate appraisers shall complete all analysis by April fifteenth of each year.
Personal property appraiser shall complete all field inspections and analysis of comparable SIC by March first and shall complete all entry of renditions (including extensions) by May twenty-fifth.

Data Entry after Inspection

After completion of each real estate and personal property reappraisal, all data will be input from the appraiser's field notes on each appraisal card to the CAMA.

01.07.00 <u>Limitation on Appraised Value of Residence Homestead</u>

Summary

The appraised value of a residence homestead may not increase more than 10 percent per year since it was last reappraised unless new improvements, excluding ordinary maintenance, ownership, or addition of property have been made to the original homestead.

Presidio CAD's CAMA system measures the percent change from the previous years' certified assessed value and the current year appraised value. Excluding ownership change, new improvements or additional property, the CAMA system will only increase the current year value of a residence homestead by 10% over the certified assessed value from the previous year.

Limitation on Appraised Value Defined

The appraised value of a residence homestead for a tax year may not exceed the lesser of:

(1) the market value of the property; or

(2) the sum of:

(A) 10 percent of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised;

(B) the appraised value of the property for the last year in which the property was appraised; and

(C) the market value of all new improvements to the property.

(a) Notwithstanding the requirements of Section 25.18 (periodic reappraisal) and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of:

(1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office; or

(2) the sum of:

(A) 10 percent of the appraised value of the property for the preceding tax year;

(B) the appraised value of the property for the preceding tax year; and

(C) the market value of all new improvements to the property.

(b) When appraising a residence homestead, the appraiser shall:

(1) appraise the property at its market value; and

(2) include in the appraisal records both the market value of the property and the amount computed under Subsection (a) (2).

(c) The limitation provided by Subsection (a) takes effect as to a residence homestead on January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 11.13. *The limitation expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for an exemption under Section 11.13.*

"New improvement" means an improvement to a residence homestead that is made after the appraisal of the property for the preceding year and that increases the market value of the property. The term does not include ordinary maintenance of an existing structure or the grounds or another feature of the property.

An improvement to property that would otherwise constitute a new improvement is not treated as a new improvement if the improvement is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by mold or water damage. For purposes of appraising the property in the tax year in which the structure would have constituted a new improvement:

(1) the last year in which the property was appraised for taxation before the casualty or damage occurred is considered to be the last year in which the property was appraised for taxation for purposes of Subsection (a)(2)(A); and

(2) the replacement structure is considered to be a new improvement only to the extent it is a significant improvement over the replaced structure as that structure existed before the casualty or damage occurred.

TPTC § 23.23

Application of New Improvement not treated as New Improvement under condition of Casualty, Mold or Water

If a house is demolished due to it being uninhabitable based on lack of necessary repairs and maintenance and a new home is built in its place, the new structure would be considered as a "significant" improvement and would be considered as new improvements when calculating the limited appraised value.

If a house is demolished due to it being uninhabitable based on mold, water damage, or casualty, and a new home of similar quality of construction and architecture type is built in its place, the new structure is not considered as new improvements. However, if the replacement structure is larger than the original structure, then the additional square footage is considered as new improvements. If the replacement structure is of a higher quality of construction, then the new structure is considered as a "significant" improvement and would be considered as new improvements when calculating the limited appraised value.

If a house is remodeled due to mold, water damage, or casualty, the improvements made on the existing structure to repair the damage would not be considered as new improvements; however, if an addition is added during the process of curing the damage, the addition is considered a "significant" improvement and would be considered as new improvements when calculating the limited appraised value.

01.08.00 Appraisal Schedules

Summary

Information is gathered on all properties using a variety of sources as identified herein for each specific appraisal schedule. Marshall & Swift pricing guide and the local market new construction costs are used in developing appraisal schedules. All information is reviewed for accuracy and reliability; information that does not meet the prescribed standard is not used in the compilation of the appraisal schedules.

Residential Appraisal

Information is gathered from Marshall and Swift Valuation Service for the calculation of residential appraisal schedules.

Information gathered from neighborhood sales ratio studies, buyer/seller surveys, and local fee appraisers define depreciation applied to each neighborhood.

Development of Appraisal Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which indicates estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Presidio County. Thus, local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Presidio CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual ages of improvements are noted in CAMA.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via ratio studies or other market analyses.

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. By adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property valued by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Land Schedule

Values for undeveloped land are compiled using sales for undeveloped land and vacant lots that are gathered, analyzed, and inspected to verify the accuracy of each sale (see Land Section). If sufficient sales indicate a discrepancy with the appraised values for a specific area, the land values of that area are adjusted to reflect current market values.

In an area where sales information on land cannot be obtained, the sales of comparable subdivisions or areas are used to determine the land valuations.

Mobile Home Schedule

Information is gathered for the mobile home schedule using sales information and the Marshall & Swift Manufactured Housing pricing guide.

Commercial and Light Industrial Schedule

Information is gathered from Marshall and Swift Valuation Service for the calculation of commercial and light industrial appraisal schedules.

Information gathered from internal sales ratio studies, buyer/seller surveys, Multiple Listing Service, national sales data base and local fee appraisers define the depreciation applied to each class of commercial and light industrial appraisal schedules.

Development of Commercial Cost Schedules

If the chief appraiser uses the cost method of appraisal to determine the market value of real property, the chief appraiser shall:

> (1) use cost data obtained from generally accepted sources;
>
> (2) make any appropriate adjustment for physical, functional, or economic obsolescence;
>
> (3) make available to the public on request cost data developed and used by the chief appraiser as applied to all properties within a property category and may charge a reasonable fee to the public for the data;
>
> (4) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and
>
> (5) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated value of the improvements.
>
> TPTC § 23.011

The cost approach to value is applied to improved commercial property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever available. Cost models are typically developed based on the Marshall & Swift Valuation Service which indicates estimated hard or direct costs of various improvement types. The basic unit cost indicator begins with a review of the Table of Contents observing the listing of property types in the Calculator Method, Occupancy Reference, Types of Buildings, or Index sections of the cost manual in order to identify the appropriate section and page for the specific property type. The initial page of the specific section is examined as to General Information, Descriptions, Construction, Occupancy, and other information that may be provided. In addition, the photographs and the Summary of Illustrations are critiqued for any specific property characteristics. This allows for the identification of the property type with the appropriate Calculator Method cost section, and the initial unit base cost per square foot for an identified property type. The observed base cost per unit is modified based upon the application of the Marshall & Swift current and local cost indices, in addition to perimeter size factors resulting in an adjusted cost per unit. The resulting adjusted base cost per unit is entered into the district's CAMA system based upon the property identification.

Depreciation Schedules

All physical, functional, and external obsolescence types of depreciation are accounted for by the difference in value between the developed cost new of a property improvement and the market contribution of that improvement in a market related transaction.

1. Physical depreciation accounts for the loss in value relating to the physical components of a property building improvement.
2. Functional depreciation impacts the property value negatively through either an inadequate or super-adequate designed building plan or improvement features.
3. External obsolescence recognizes the property loss in value due to external factors beyond the property perimeters which may have either a short or long term influence on the property value.

The district develops current per unit (per square foot) cost new for various sized buildings that involve multiple types of commercial properties. In addition, the district remains active in soliciting current sales prices through various knowledgeable and reliable sources that may involve one or more of the following: buyer-sellers, listings, offers, closing statements, recorded instruments, and other possible means.

Personal Property Appraisal Schedules

Each year information is gathered from Marshall and Swift Valuation Service for the calculation of the Business Personal Property depreciation schedule.
On or about January 20th of each year the update of Marshall and Swift Valuation Service quarterly cost indexes for Industry are received at the appraisal district. This information along with the previous year depreciation schedule is used to develop the new year depreciation schedule.

Evaluating Vehicles

Motor vehicle used for production of income and for personal activities:

(a) Except as provided by Subsection (c), an individual is entitled to an exemption from taxation of one motor vehicle owned by the individual that is used in the course of the individual’s occupation or profession and is also used for personal activities of the owner that do not involve the production of income.

(b) In this section, “motor vehicle” means a passenger car or light truck as those terms are defined by

(c) A person who has been granted or applied for an exemption under this section may not apply for another exemption under this section until after the application or exemption has been denied.

(d) This section does not apply to a motor vehicle used to transport passengers for hire.

(k) Notwithstanding Subsections (a) and (b), an individual who has been granted or has applied for an exemption from taxation under Section 11.253 for a motor vehicle the individual owns is not required to render the motor vehicle for taxation.

Inventory, Furniture/Fixtures, and Machinery/Equipment Schedules

Information gathered from internal rendition ratio studies developed from renditions with comparable SIC codes, cost manuals (Property Assessment Valuation, published by IAAO) and on-site inspections are used to determine the values for inventories, furniture/fixtures and machinery/equipment using value per defined unit, square footage or density method.

Business personal property is classified and utilizes a four digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the Federal Government to describe property type. SIC classification codes are used by the Presidio CAD staff to classify personal property accounts according to business type.

01.09.00 <u>Residential Property Appraisal Procedures</u>

Information Gathered

Prior to making an on-site inspection the appraiser pulls files for the area he/she will be working in. Files include a current Appraisal cards along with historical Appraisal cards and current and historical pictures of the property.

On-Site Inspection

The appraiser performs an on-site inspection of all properties in the area to be appraised and verifies the information in the files as it relates to physical inspection of the property. The appraiser updates the property on the Appraisal cards for any discrepancies or revisions to the property since the previous year inspection. The appraiser verifies, but is not limited to the following information:

1. Physical Address
2. Class of property
3. Condition of property
4. Number of stories
5. Characteristics of property
6. Current footprint verses historical footprint
7. New improvements
8. New Additions or deleted additions defined as:
    a. central heat and air
    b. swimming pools
    c. out buildings
    d. enclosed porches
    e. open porches and patios
    f. additions or deletions to the existing improvement

New additions

If an addition has been made to the improvement, the new area is measured and added to the existing improvement drawing located on the appraisal cards. Square footage is automatically adjusted to reflect the current improvement once it is entered into the computer system.

On-Site Inspection Completed

Once the appraiser completes the on-site inspections the appraisal cards are turned into the staff that will input the new data into the computer software.

Recalculation and Error Reports of Inspected Property

After data of inspected property is entered into computer software, all accounts are recalculated. After recalculation of property error reports are run, the appraiser compares prior characteristics and values, verses new characteristics and values. The appraiser checks the reports for errors in characteristics and unusual increases or decreases in value.

01.11.00 <u>Land Valuations</u>

Land Appraisal Summary

Accurate land values are crucial to an effective assessment system. They contribute to the accuracy of appraisals of improved parcels and ensure that land owners pay their fair share of property tax.

Physical Nature of Land

Physically, land may be defined as the surface of the earth together with everything beneath and above. The shape of a parcel of land is like a three-dimensional pyramid, with its apex at the center of the earth, extending upward through the surface into space.

Legal Rights of Land Ownership

Legally, land ownership is the right to enjoy, use, and dispose of its physical space, subject to limitations imposed by government. For example, one cannot put land to an illegal use or interfere with aircraft flying through air space.

Identification of Land

The appraisal district annually identifies, lists, and values all land and improvements thereto. This task requires:

An accurate inventory of land data, including location, ownership, classification and use, size, shape, and physical characteristics.

Records are updated as land is split, assembled, or physically improved.

Land Market Value

The Cost Approach is used when a land sale contains improvements that have a contributory value and we must value the land as if vacant. The improvement value must be extracted from the sales price by using the cost approach. The Income Approach is typically not utilized for estimating the market value of land for much the same reason. There are certain commercial uses where the Income Approach may be applicable, but typically, there is sufficient market data to estimate market values, and therefore more weight is given to the Market Approach. Land values are estimated based on available market sales for comparable and competing land under similar usage.

Collection of Market Data

The primary sources for collection of sales information is through Multiple Listing Service, and through internal mail-outs of sales verification forms to the buyers and the sellers of market transactions. Another source of sales information is through visiting with various parties that may have been a participant in a transfer of ownership: fee appraisers, lending institutions, etc. Once the sales information is gathered it must be verified. It is very important to determine if the sales is a market transaction, the intended use of the property, any special circumstances, if the buyer was related to the seller, if the buyer owns adjacent property, if the financing was typical for the local market, sale dates, on site improvements, days on the market, personal property, closing costs and if minerals were included. This is important and needs to be analyzed to see if adjustments need to be made. We are going to call the buyer and seller or real estate agents about the atypical information such as type of sale, days on market, closing costs, financing and if personal property is included. All information that is obtained must be initialed and dated.

Analysis and Appraisal of Market Data

Once sales are gathered they are analyzed for highest and best use determination and the specific characteristics found to influence the market price such as access, visibility, shape, size, view, zoning, corner or interior location, and topography. Sales are analyzed for unit price trends, typically by price per square foot, price per front foot, price per lot, or price per acre. This analysis is intended to act as a guide in selecting the unit price which best reflects the prices being paid in the market place.

Commercial tracts are predominately appraised on a price per square foot basis with consideration given to corner influence, or on a price per front foot basis. Residential lots are predominately appraised on a price per square foot basis, or on a price per lot basis, with price per front foot being more commonly considered on patio home lots, water front lots, or golf course lots. Sales are also periodically analyzed for trends relating to the land contribution as a percentage of the total property value as improved, and as a price per square foot of the living area size of the residences being constructed in new developments. Cost and builder's profit expectations may change with the supply and demand of available lot costs and materials availability and costs. Therefore, there can often be a strong correlation between how much the land value may add to the whole property value depending upon the type and value of the improvements being constructed and the availability of competing lots.

Rural farm and ranch acreage sales are gathered and grouped by school districts for property characteristics and location similarities and development potential. Tracts are analyzed on a price per acre basis.

No one method of unit price application is considered to be exclusive or superior to the other. The data is analyzed for tendencies and trends, and the units utilized in the implementation of value estimates are consistent with the preponderance of the data for property types.

Distribution of Analysis to Land Schedule

Spreadsheet applications are utilized for analyzing land sales by type for implementation of schedule building and adjustments. Commercial sales are placed in spreadsheets based highest and best use.

Residential sales are placed in spreadsheets based upon single family, multi-family, or mobile home use.

Land schedules utilized are based upon analyzing these sales for market trends. The type of unit price used in the schedules is dependent upon which unit price appears to be the best reflection of how the market is pricing the land being appraised. This may vary according to property type and/or use. The system schedules are designed to accommodate any of the appraisal methods discussed earlier in accordance with which unit price appears to be most relevant to the property being appraised. Statistical measures such as mean and weighted mean are used annually for testing appraisal schedules to sales and verifying appraisal levels and uniformity.

01.12.00 Open-Space Land (Section 1-d-1)

Eligibility

To qualify for an open-space (1-d-1) designation, the land must be currently devoted principally to agriculture use or the production of timber or forest products to the degree of intensity generally accepted in the area and must have been devoted principally to agriculture use or to production of timber or forest products for five of the preceding seven years or land that is used principally as an ecological laboratory by a public or private college or university. Qualified open-space land includes all appurtenances to the land. Appurtenances to the land means private roads, dams, reservoirs, water wells, canals, ditches, terraces, and other reshaping of the soil, fences, and riparian water rights. Land may continue in receiving special appraisal if devoted principally to wildlife management. "Wildlife management" means actively using land that at the time the wildlife-management use began was appraised as qualified open-space land under this subchapter in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation: habitat control, erosion control, predator control, providing supplemental supplies of water, providing supplemental supplies of food, providing shelters and making of census counts to determine population;

TPTC § 23.51

Land Ineligible for Qualification as Open-Space

Land that is located inside the city limits is ineligible for qualification as open-space unless the land has been devoted principally to agriculture use for the preceding five out of seven years.

TPTC § 23.56

Application Procedures

Each year the requirements for special appraisal and the availability of exemption forms shall be publicized.

The information shall be submitted in order to be published in January of each year.

TPTC § 23.43(f)

Application

To qualify for an open space appraisal, a property owner must file an application for 1-d-1 agricultural appraisal using the state approved form with the Appraisal District.

TPTC § 23.43(a)

On Site Inspection

After a 1-d-1 application is filed and on-site inspection is performed to verify the use of the land. If the information provided in the application does not match the on-site inspection and the information is not sufficient for the appraiser to make a determination as to eligibility, the property owner will be required to file production receipts and complete a questionnaire.

Deadline Date

A property owner must file an application for special appraisal before May 1. For good cause shown, the Chief Appraiser may extend the deadline by written order for a single period not to exceed 60 days.

TPTC § 23.43(b)

In February of each year, Presidio CAD compiles a list of properties that had the special use agricultural appraisal in the previous year but changed ownership during the year. The list generated is used to mail an application form to the new owners requesting that they complete the application to continue receiving the special use appraisal. If the application form is not returned by May 1, the property owners are noticed at the estimated market value. If the application form is not returned by June 1, the property owners receive a second request for return by June 30.

Late Application Allowed

If a property owner files an application after the deadline for filing but prior to the date the Appraisal Review Board approves the appraisal records, the application shall be accepted.

TPTC § 23.431(a)
§ 23.541(a)

Late Application Penalty

If an application that has been filed late is approved, the property owner is liable for a penalty of 10 percent of the difference between the amount of tax imposed on the property under the special appraisal and the amount of tax that would have been imposed if the property were taxed at market value.

TPTC § 23.431(b)
§ 23.541(b)

Late Application Disallowed

If a property owner files an application after the date the ARB approves the appraisal records, the land is ineligible for special appraisal in that year.

TPTC § 23.43(c)
TPTC § 23.54(e)

Application Renewal Procedures

One-Time Application - 1-d-1

Once property has been designated as open-space (1-d-1) the property shall continue to be eligible for special appraisal. A new application is not required unless the ownership of the land changes or its eligibility ends.

TPTC § 23.54(e)

Verification of Eligibility

If the Chief Appraiser has good cause to believe that the land currently receiving an open-space (1-d-1) appraisal is no longer eligible, a new application is mailed to a property owner in order to confirm the land's eligibility.

TPTC § 23.54(e)

Inspections

The District inspects properties during the annual rural drive that are currently receiving a special appraisal to determine their continuing eligibility. Properties believed to not be meeting the requirements for the special use agricultural appraisal are flagged and mailed a request for reapplication/verification of use. If it is determined to no longer be a qualifying use, the property is appraised at its' market value.

Applications Reviewed and Confirmed

Field Inspection Made

If an application is being filed for a special appraisal for the first time or if an inspection is necessary to determine continuing eligibility, the appraiser inspects the property to determine if the land is currently devoted to agriculture use and if the land has been properly managed.

Action on Applications

Actions on 1-d-1 open space application are taken as follows:

1. application is approved and the land is granted the special appraisal;
2. application is denied; or
3. application is denied and additional information is requested from the property owner in support of the claim

If additional information is requested, the property owner must provide the information prior to approval.

TPTC § 23.44(a) (b)
TPTC § 23.57(a) (b)

Notification Requirements on Denials

If an application is denied, the property owner must be mailed a written notice of the denial by certified mail within five days after the date of denial. The notice must include a brief explanation of the procedures for protesting the denial. The property owner is notified by certified mail as to the reason the application was denied, and to the right to file a written Notice of Protest with the Appraisal Review Board within 30 days of the date of notification of denial along with supporting documentation.

TPTC § 23.44(d)
TPTC § 23.57(d)

Protest Procedures

In order to file a protest on a denial of an application for special appraisal, a property owner must file a written protest within 30 days of the date the notice of the denial was mailed. TPTC § 41.11

Confidential Agriculture Information

Agriculture-Use (1-d-1) Application

An application for agriculture-use designation (1-d-1) is confidential and not open to public inspection. The application and the information it contains including a specific property or a specific property owner may not be disclosed to anyone other than an employee of the appraisal district who appraises property.
TPTC § 23.45

Supporting Documentation

The Lease Survey is confidential and not open to public inspection.
TPTC § 22.27(a)

Appraisal Procedures

The Cost Approach and the Market Approach are not utilized in estimating agricultural values for farm and ranch properties since they are to be estimated based upon their production/income capabilities. Agricultural values are estimated using the Income Approach, and are based upon historical cash lease income and expense data.

Collection of Open Space (1-d-1) Appraisal Data

Each year income and expense information for farm and ranch properties in Presidio County are obtained through consultations with local agricultural leaders, farmers and ranchers.

Analysis and Appraisal of Open Space (1-d-1) Appraisal Data

Lease information gathered is grouped and placed in a spreadsheet annually by their classifications for analysis.

Distribution of Analysis to Open Space (1-d-1) Schedule

Results of annual analysis are compiled for a five year history and utilized for building agricultural land schedules consistent with said results.

Information Gathered

Information concerning price data is obtained from the Cash Lease Surveys, County Extension Office and Farm Service Agency to determine the values for agriculture lands.

Values Computed

Statistical measures are utilized annually for analyzing the measures of central tendencies most reflective of net income to the land from production, and net income to the land from hunting, to assist in selecting the unit prices per acre for agricultural production schedule building for pasture land and crop land. The cash lease information filters into a unit price per acre estimate of net to the land for each soil type/classification, and the estimated potential net income to the land from hunting is added to that net income. This data is what the current year's agricultural values are estimated from. The value of land is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year for each of the soil classifications/categories of land.

The capitalization rate to be used for agricultural value calculations, as determined by the State of Texas, is to be the quoted rate of the Farm Credit Bank of Texas on December 31st plus 2.5%, or 10%, whichever is greater.

Field Work

Ag-Use Field Record Maintained

After Analysis of cash lease, the appraiser updates the Ag-Use schedule in the file maintenance for all accounts receiving the special appraisal designation. The Ag-Use schedule is maintained on the computer. Each account is updated with current year schedule calculations in addition to the following information:

1. current year valuation information;
2. lease information;
3. last year valuation information

Recreational, Park, and Scenic Land

Recreational, park, and scenic land is described as land used for individual or group sporting activities; park or camping activities; development of historical, archaeological, or scientific sites; or the conservation and preservation of scenic areas.

TPTC § 23.81

Public Access Airport Property

Public access airport property is described as privately owned land that is regularly used by the public for or regularly provides service to the public in connection with airport purposes, including the landing, parking, shelter, or takeoff of aircraft and the accommodation of individuals engaged in the operation, maintenance, or navigation of aircraft or of aircraft passengers in connection with their use of aircraft or of airport property. TPTC § 23.91

Wildlife Management Use

All questions and issues not covered in this manual will be referred to the Texas Property Tax Code, Manual for the Appraisal of Agricultural Land, Qualification of Agricultural Land in Wildlife Management Use published by the Texas Comptroller of Public Accounts, and Comprehensive Wildlife Management Planning Guidelines published by the Texas Parks and Wildlife Department.

Wildlife management is defined as actively using land that at the time the wildlife management use began was appraised as qualified open-space land under Section 23.51 of the Texas Property Tax Code in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreations: habitat control, erosion control, predator control, providing supplemental supplies of water, providing supplemental supplies of food, providing shelters, and making census counts to determine population.

It is important to note that the land must be currently used and receiving special agricultural valuation at the time the land is changed into wildlife management. The history of agricultural use, primary use, and degree of intensity standards are the same for wildlife management as they are for 1-d-1 open-space land. Please refer to the previous section for a review of these requirements.

Qualification for Agricultural Appraisal based on Wildlife Management Use

A tract of land qualifies for agricultural appraisal based on wildlife management use if the tract is currently appraised as qualified open space, primarily used for wildlife management, actively managed to sustain a breeding, migrating, or wintering population of indigenous wildlife through implementation of a wildlife management plan, the landowner manages indigenous wildlife for human use, and the tract meets the specified use requirements if applicable.

Wildlife Management Plan

In order to apply for wildlife management use special valuation, a property owner must file a Wildlife Management Plan on a form provided by the Texas Parks and Wildlife Department on or before April 30th of the year the application is for. The deadlines, denials, and protest requirements are also the same as they are for 1-d-1 open-space land.

The plan must include landowner goals for the property and provide a set of activities designed to integrate wildlife and habitat improvement. A common plan is likely to include elements of all seven listed wildlife management activities. Activities and practices should be appropriate for Presidio County.

Wildlife Management Property Association

A wildlife management property association is a group of landowners whose tracts of land: are contiguous, meet the wildlife use requirement, appraised as open space land, and are subject to a written agreement that legally obligates the owner of each tract of land to perform the management practices and activities necessary to qualify under this subchapter for appraisal based on wildlife management use.

Wildlife Use Requirement

A tract of land's wildlife use requirement is a number expressed as a percentage and calculated by subtracting one from the total number of acres in the tract of land and dividing the result by the total number of acres in the tract of land. The following formula expressed the calculation, with "x" representing the tract of land's total acreage: (x-1)/x=wildlife use requirement. If the number of acres in the tract of land is equal to or greater than the number of acres in the tract of land on January 1st of the preceding tax year, the tract of land is not subject to the wildlife use requirement.

Presidio County is located in the of the Rolling Plains ecoregion of the Wildlife Use Appraisal Regions. Based on this location, minimum acreage requirements are suggested by the Texas Comptroller of Public Accounts. The wildlife use requirement states that the percent range for qualification in our area is 93- 95%. If the land is part of a wildlife management property association then the range is 91-92%. And if the land is located in an area designated by the Texas Parks and Wildlife as habitat for endangered species, a threatened species, or a candidate species for listing as threatened or endangered, the wildlife use requirement will be in a range of 91-92%. Plans submitted by an association must be signed by each member that is an owner or their agent with the detailed information for each tract.

The percentage set for the wildlife use requirement is set by the chief appraiser with the advice and consent of the Appraisal District Board of Directors. The percentages set for Presidio County are 95% for normal tracts and 92% for tracts that are part of a wildlife management property association or a habitat for an endangered species. This calculates to minimum acreages for Presidio County of 25 acres for normal tracts and 13 acres for tracts that are part of a wildlife management property association or a habitat for an endangered species. Example 25-1=24/25=.960 or 96%. 13-1=12/13=.92.3 or 92%.

In order to calculate whether or not a property meets this requirement, take the acreage of the property applied for and subtract one, then divide by the total acreage of the property. If this value is 96% or more, then the property qualifies for wildlife management. For example, if the property is 25 acres, then 25-1=24, 24 divided by 25 is .960 or 96%. The property would then meet the minimum acreage requirements. This calculation figures a minimum acreage qualification of 25 acres for Presidio County.

Wildlife Management Annual Report

The chief appraiser *may* require a property owner receiving wildlife management special valuation to file each year with the appraisal district a signed annual report detailing the activities and results of the wildlife management plan for that year. Requests for reports will be mailed in early January of each year with a due date of April 30th of that year. Failure to return the annual report could result in loss of wildlife management special valuation. The chief appraiser will review wildlife management plans to verify wildlife management activities are consistent with the guidelines for the appropriate eco-region pursuant of comptroller Rule 9.2004.

Productivity Value

Productivity Value for wildlife management is the same as the property was as it qualified for open space land. In order to determine if a property is qualified under open space land or wildlife management, a property code of WIL has been assigned to the acct to each property that qualifies for wildlife management use.

<u>Application Procedures</u>

Application Filed

In order to qualify for open space appraisal, a property owner must file an application with the appraisal district before May 1 in the first year the property would qualify. For good cause shown, the chief appraiser may extend the deadline by written order for a single period not to exceed 60 days.

TPTC § 23.84(a)

(b)

TPTC § 23.94(a)

(b)

Late Application

If a property owner fails to timely file an application, the land is ineligible for special appraisal. TPTC § 23.84(c)

TPTC § 23.94(c)

Application Renewal Procedures

Once property has been designated for a special appraisal, the property shall continue to be eligible for special appraisal without a new application being filed for the duration of the deed restriction unless the ownership of the land changes or its eligibility ends.

If the Chief Appraiser has good cause to believe that the land is ineligible, a new application may be mailed to a property owner in order to confirm the land's eligibility. TPTC § 23.84(c)

TPTC § 23.94(c)

Additional Taxes Imposed

If land that had been qualifying for the special use agricultural appraisal is determined to have changed uses to a non-agricultural use, a rollback tax may be calculated and imposed on the property. The rollback tax is the difference between the taxes that were paid on the land's agricultural value and the taxes that would have been paid if the land had been taxed on its market value. In addition, 7% interest is charged for each year from the date on which the taxes would have been due. This rollback tax can be imposed on each of the previous years that the property was assessed at the lower value to a maximum of 5 years.

Land Not Principally Devoted to Intended Use

If land receives a special appraisal in any given year, at the end of that year the Chief Appraiser must determine if the land was devoted principally to its intended use. If it is determined that the land was not used exclusively for its intended use, an additional tax equal to the difference in the amount of tax actually imposed with benefit of the special appraisal and the amount of tax that would have been imposed without benefit of the special appraisal is charged. This amount of additional tax plus interest is included on the next tax statement sent on this property by the tax assessor-collector.

TPTC § 23.83(d)
TPTC § 23.93(d)

Special Appraisal Applied Erroneously

If it is discovered that the special appraisal was granted in error in any one of the five (5) preceding years, the difference between the appraised value of the land with benefit of the special appraisal and the market value of the land without benefit of the special appraisal will be added to the appraisal roll. TPTC § 23.84(e)

TPTC § 23.94(e)

On-Site Inspection Completed

Once the appraiser completes the on-site inspection it is dated and given to staff to be input into the computer software.

Recalculation and Error Reports of Inspected Property

After input of inspected property, all accounts are recalculated. After recalculation of property error reports are run that compare prior characteristics and values verses new characteristics and values. The appraiser checks the reports for errors in characteristics and unusual increases or decreases in value.

Notification Requirement for Change in Use

A written notice of determination is sent to the owner that a change in use has occurred within 30 days or as soon thereafter as possible. The notice will give the legal description for the tract and will also provide the land owner with the estimated amount of the rollback tax that will be assessed. An explanation will be included in regards to why the property is being assessed a rollback tax and a reference to the section of the property tax code requirements. Also included with the determination letter is a taxpayer rights and remedies pamphlet and the owner will be informed that he or she has the right to protest the determination and meet with the ARB by filing a protest. The owner will be informed that a written notice of protest can be filed no later than 30 days from the date of the notice.

01.13.00 Mobile Homes

Appraisal Procedures

Manufactured homes are reviewed in conjunction with the normal reappraisal process by each appraiser in his designated areas.

01.14.00 Commercial And Light Industrial Properties

Appraisal Procedures

General Provisions

Those provisions relating to the field inspection of residential properties as outlined in previous section apply to the field inspection of commercial and light industrial properties with the exception of those provisions outlined below.

On-Site Inspection

When appraising a commercial or light industrial property the appraiser reviews the appraisal card for verification of the following information:

1. Type of building
2. Quality of construction
3. Class according to appraisal schedule
4. Depreciation of improvements

The appraiser notes any additions, deletions or improvements to the building on the Appraisal cards.

Information Gathered

Along with the physical review of the properties and notations of any individual property characteristics that would influence the valuation of the property, the data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

Income Approach to Value

If the income method of appraisal is the most appropriate method to use to determine the market value of real property, the appraiser shall:

> (1) analyze comparable rental data available to the appraiser or the potential earnings capacity of the property, or both, to estimate the gross income potential of the property;
>
> (2) analyze comparable operating expense data available to the appraiser to estimate the operating expenses of the property;
>
> (3) analyze comparable data available to the appraiser to estimate rates of capitalization or rates of discount; and
>
> (4) base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.

In developing income and expense statements and cash-flow projections, the appraiser shall consider:

(1) historical information and trends;

(2) current supply and demand factors affecting those trends; and

(3) anticipated events such as competition from other similar properties under construction.

TPTC § 23.012

Commercial and industrial properties, including apartments and multifamily residences with greater than four units, are usually income producing properties acquired for their ability to generate income. The income approach to value is applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator.

The income value is a calculation of the estimate of the present worth of the future benefits to an income stream. Models are built using income data that includes market information on revenues, expenses, net income and capitalization rates or income multipliers, which are then used to develop a projection of an income stream to estimate the market value.

Annual market surveys are conducted by the district in an effort to identify market conditions affecting each of the different categories of income producing properties, e.g., shopping centers, offices, apartments, self storage facilities. These surveys allow the district the ability to collect market information on rents and expenses, as well as information from the property managers/owners concerning their particular property. Previous year's income and expense statements obtained by the property owners are also utilized in estimating market income, market vacancy and collection losses and market expenses. Any individual property characteristics are considered when estimating the market income and market expenses of each property.

The first step in the income approach pertains to the estimation of market rent, or the rental income that a property would most probably command in the open market, on a per unit basis. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent. An estimate of market rent is derived from analyzing actual performance and data information on similar properties furnished by property owners and local market survey trends. A vacancy and collection loss allowance is the next item to consider in the income approach. Market vacancy and collection loss allowance is also estimated by analyzing actual data furnished by property owners and local market survey trends, in an effort to determine from the market what the market 'stabilized occupancy' is for similar properties. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. Stabilized occupancy is the optimum range of long-term occupancy, which an income-producing property is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. An allowance may also be made to provide for a reasonable lease-up period, where applicable. This is a period of time during which a rental property is in the process of initial leasing. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. *Examples of Secondary income are parking income, vending machines, laundry machines, escalations, reimbursements, and other miscellaneous income generated by the operations of real property.* The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Potential Gross Income:	
25 units x $600 x 12 months	$ 180,000
Less vacancy and collection allowance	
5%	- 9,000
Plus secondary Income	
(from parking, laundry, etc.)	+ 4,000
Effective Gross Income	**$ 175,000**

After calculating the effective gross income to the property, estimates for total operating expenses are calculated. This is the sum fixed and variable expenses incurred in operating an income producing property. Allowable expenses (Utilities, Maintenance, Advertising, Office, Legal, Payroll Administration, Management, Taxes, Reserves, Insurance) and expense ratio estimates are based on the study of the local market, with the assumption of prudent management. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on net rental basis, whereby the lessee is responsible for all or most of the operating expenses of the real estate. In comparison, a self-storage facility owner is typically operated on a gross rental basis with the owner paying all operating expenses, including taxes and insurance. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning, major mechanical equipment or appliances) requiring lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property. Mortgage debt service, book depreciation and expenditures for capital improvements are not included as expenses to be deducted as an operating expense of the property.

Potential Gross Income:		
25 units x $600 x 12 months		$ 180,000
Less vacancy and collection allowance		
5%		- 9,000
Plus secondary Income		
(from parking, laundry, etc.)		+ 4,000
Effective Gross Income		**$ 175,000**
Less operating expenses		
Fixed:		
Insurance	$ 5,000	
Property taxes are reflected in the capitalization rate		
Operating and maintenance:		
Management fee	$ 10,000	
Utilities	7,000	
Supplies	3,000	
Painting and decoration	7,000	
Salaries and payroll taxes	8,000	
Repairs and replacement reserves:		
Appliances	$ 5,000	
Plumbing, electrical	7,000	
Total Operating Expense	- $ 52,000	
Net Operating Income	**$123,000**	

Direct capitalization rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. The multipliers and capitalization rates may vary between property types, as well as by location, quality, condition, design, age and other factors. Therefore, application of the rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations that a specific market participation is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band of investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained annually from available sales of property, local lending sources, and from real estate and financial publications and internet sources.

Potential Gross Income:		
25 units x $600 x 12 months		$ 180,000
Less vacancy and collection allowance		
5%		- 9,000
Plus secondary Income		
(from parking, laundry, etc.)		+ 4,000
Effective Gross Income		**$ 175,000**
Less operating expenses		
Fixed:		
Insurance	$ 5,000	
Property taxes are reflected in the capitalization rate		
Operating and maintenance:		
Management fee	$ 10,000	
Utilities	7,000	
Supplies	3,000	
Painting and decoration	7,000	
Salaries and payroll taxes	8,000	
Repairs and replacement reserves:		
Appliances	$ 5,000	
Plumbing, electrical	7,000	
Total Operating Expense	- $ 52,000	
Net Operating Income	**$123,000**	
Overall Cap Rate	11.32	
Indicated Value	**$1,086,572**	

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Identifying Intangible Value

In valuing certain commercial properties, e.g., hotels and motels, the CAD considers other individual characteristics that are specific to those types of properties. One example is the appraisal and treatment of the tangible personal property that is a necessary component of the property's ability to produce income. An understanding and identification of the intangible business value component of the total market value is also required for accurate appraisals of the properties.

> (a) If real property is appraised by a method that takes into account the value of furniture, fixtures, and equipment in or on the real property, the furniture, fixtures, and equipment shall not be subject to additional appraisal or taxation as personal property.
> (b) In determining the market value of the real property appraised on the basis of rental income, the chief appraiser may not separately appraise or take into account any personal property valued as a portion of the income of the real property, and the market value of the real property must include the combined value of the real property and the personal property.

TPTC §. 23.24

Except as provided by Section 23.24(b), in determining the market value of real property, the chief appraiser shall analyze the effect on that value of, and exclude from that value the value of, any:

(1) tangible personal property, including trade fixtures;
(2) intangible personal property; or
(3) other property that is not subject to appraisal as real property.

TPTC §. 23.014

Since the cost approach to value inherently excludes business value, it is an excellent approach for isolating the value of the real estate. Comparing the final value via the cost approach to the value of the going concern (excluding the value of the personal property) could indicate the presence and value of business value.

However, as properties age, it can be difficult to measure depreciation. As with most other types of properties, this approach is excellent for newer properties.

Another method of identifying business value is a comparison of the market sales prices of recently constructed properties with the total direct and indirect costs of the construction, land acquisition and cost of tangible personal property. The difference in those costs and the sale price could indicate the value attributable to the business, if present.

The income generated by a property, as in the case of a nursing home or retirement center, can also provide some direction as to the presence and value attributable to business value. As with the appraisal of any type of property, a thorough knowledge and understanding of the market is necessary. The CAD gathers information through surveying managers and owners, collecting market information on income and expenses of these properties from publications, actual income and expense statements and online sources of historical income such as the State website of Hotel receipts.

One method of measuring business value in a hotel is based on the premise that no one would pay more for the business portion of the hotel than the cost to replace it. The cost of replacing business aspects is the cost of hiring a hotel management company to run the hotel and affiliating with a known "brand." Using what is known as the "Rushmore method", removing the value of the business from the going concern is accomplished by capitalizing with a market derived rate, the management fee and franchise fee, then deducting that value from the value of the going concern.

01.15.00 <u>Personal Property</u>

Three Valuation Approaches for Business Personal Property

The Cost Approach

Costs used in the cost approach can be original construction cost, new or used acquisition cost, replacement, or reproduction costs. The cost approach provides an estimate of value based on the depreciated cost of the property. In applying the cost approach to personal property, the appraiser must identify make and model number, year acquired and total acquisition costs, including installation, freight, taxes, and fees. The appraisal and accounting practices for depreciating personal property may differ. Our appraisal practices consider accrued depreciation in the forms of physical deterioration, functional obsolescence, and external (economic) obsolescence. The goal of the business personal property department is to consider all three approaches in the appraisal of personal property as long as the market within the trade level is balanced. However, if a completed rendition is received, the cost approach will be the approach used.

Cost approach is that approach which measures value by determining the current cost of an asset and deducting for the various elements of depreciation, physical deterioration and functional and economic obsolescence. The logic behind the cost approach is that a prudent investor would pay no more for a property than the cost of producing a substitute property with the same utility as the subject. Therefore, if a property is new, the current cost of producing that equivalent tends to establish the upper limit of value. When the property is not new, then the appraiser must deduct for the various elements of depreciation-physical deterioration and functional and economic obsolescence. The principle of substitution states "that a prudent purchaser would pay no more for…property than the cost of acquiring an equally desirable substitute on the open market."

Cost Schedules

Cost schedules are calculated based on the SIC code which are developed by the Federal government to describe property and used by the Property Tax Assistance Division of the Comptroller's Office. The cost schedules are developed by analyzing cost data from property owner's renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exceptions are alternate price per unit format, such as per room for hotels.

The Market Approach

The sales comparison approach may have limited application for appraising machinery and equipment used in a business, because there are few sales on used items and is often liquidation sales, which typically are not at market value.

The market approach, also known as the sales comparison approach, as applied to machinery and equipment is defined as follows:

The *market approach* is that approach to value where recent sales and offering prices of similar property are analyzed to arrive at an indication of the most probable selling price of the property being appraised.

The logic behind the market approach under the premise of continued use is that a prudent investor can go to the market place and purchase an existing operating facility or purchase individual pieces of equipment in the used market to assemble an operating "package." The market approach is used in the used market to establish value by analysis of recent sales or asking prices of comparable property. For machinery and equipment, the used market is an established means of buying and selling equipment. The market consists of used machinery dealers, auctions, and public and private sales, and as such the used market is a good source for determining the value of equipment.

Income Approach

The income approach produces an estimate of the present worth of income to be received in the future. To apply this approach, the appraiser must estimate the income stream over the remaining economic life of the subject property. This is an important concept; the future income-generating capacity of personal property is typically short-lived compared to real estate. The direct capitalization technique (Income divided by Rate equals Value {I/R=V}) can be used if the single-year income applied is indicative of the annual income for the remaining life of the asset and the capitalization rate reflects the recapture period of the assets. Personal property can also be valued using a yield capitalization technique, which values the changing productivity (income) of the asset over its projected remaining life more accurately than I/R=V. Many industries use gross income multipliers (GIM) or gross rent multipliers (GRM) to value personal property that has typical and similar operating expenses.

The *income approach* is usually not applied to appraise individual items of machinery and equipment but may have validity when the assets being appraised are part of a business. The following discussion pertains to the use of the income approach as applied to the valuation of a business.

The strengths of the income approach are:

1. Best measurement of total depreciation of all assets

2. Recognition of economics

3. Reflection of the logic and rational used in virtually all business decisions

When we conclude value for a business by the income approach, we have the value of all assets in aggregate. By doing so we are accounting for all elements of depreciation. Implicit in the development of the income approach is its ability to recognize the full amount of economic obsolescence, not achievable through the use of the market or cost approach. Finally, virtually all business decisions are made on the basis of either making money or saving money. On this basis, then, the income approach reflects the logic behind most business decisions.

The weaknesses of the income approach are:

1. Cannot segregate specific assets

2. Subjectivity of income projections and rates of return

CAD Approach to Value for Business Personal Property

The CAD primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from the appraisal district's replacement cost models. The trending factors used by the appraisal district to develop RCN are gathered from based on published valuation guides. The percent good depreciation factors used by the appraisal district are based on Marshall & Swift published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

PVF = INDEX FACTOR x PERCENT GOOD FACTOR

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

The mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market and reflect current economic pressures of supply and demand.

Confidential Information

Rendition statements, real and personal property reports, attachments to those statements and reports, and other information the owner of property provides to the appraisal office in connection with the appraisal of the property, including income and expense information related to a property filed with an appraisal office and information voluntarily disclosed to an appraisal office or the comptroller about real or personal property sales prices after a promise it will be held confidential, are confidential and not open to public inspection.

TPTC § 22.27

Computer Assisted Personal Property Appraisal

The valuation process has two main objectives:

1. Analyze and adjust estimated asset cost with existing SIC models.
2. Develop new models for business classifications not previously integrated.

The delineated sample is reviewed for accuracy of SIC code, square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The data sampling process is conducted in the following order:

1. Prioritizing Standard Industrial Classification (SIC) codes for model analysis.
2. Compiling the data and developing the reports
3. Field checking the selected samples.

The models are built and adjusted using internally developed software. The models are then tested against the previous year's data. The typical RCN per square foot or applicable unit is determined by a statistical analysis of the available data.

Model values are used in the general business personal property valuation program to estimate the value of new accounts when property owners do not file a rendition with the CAD. Model values are also used to establish tolerance parameters for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range of the model value, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Schedule Updates & Verification of Accuracy

Renditions are reviews annually to update and modify the schedules to reflect local market conditions.

To verify accuracy of work the Chief Appraiser will check random samples of work checking renditions, density schedules and checking depreciation. They also pull random samples of the data entry clerk and check for errors. The appraisers are instructed if they have a unique property they are to ask for assistance and guidance from the chief appraiser.

On-Site Inspection

Business personal property is observed annually with on-site inspections to develop quality and density observations. A rendition is left for new businesses to complete along with the appraiser's business card. Similar businesses to a subject are analyzed annually to determine consistency of appraisal per square foot.

Businesses are categorized using Standard Industrial Codes. Rendition laws provide additional information on which to base values of all BPP accounts.

New Personal Property Accounts

During the field inspections, if an appraiser discovers a business that is not currently on the appraisal roll, a new account is created and information is verified through owner contact. While on the field inspection every effort is made to list assets owned by the business and or get the square footage used by the business. This information is helpful while placing a value on the newly established account.

Closed Businesses Deleted

During the field inspections, if an appraiser discovers that a business is no longer in operation, the appraiser verifies the date of closure. If the business was closed prior to January 1, the account is deleted for the current year; however, if the business was in operation as of January 1, the account is not deleted until the subsequent tax year.

On-Site Inspection Completed

Once the appraiser completes the on-site inspection the information is input into the computer software.

Business Personal Property Renditions

The current deadline for a rendition is April 15th of each year unless a written extension is received by the appraisal district on or prior to the April 15th. The extension request is for a 30 day extension (May 15th). The current policy of the Presidio CAD is to accept all renditions without penalty if the rendition is received on or before May 15th. Any rendition that is received after May 15th or not at all for that year will be tagged with a property code that will then generate the 10% penalty on the property owner's tax statement.

TPTC § 22.30

The chief appraiser shall impose a penalty on a person who fails to timely file a rendition statement or property report prior to May 15th. The property owner will receive a 10% penalty of the total amount of taxes imposed on the property for the year.

TPTC § 22.28

The chief appraiser may waive the rendition penalty if the owner proves reasonable diligence according to TPTC § 22.30

01.16.00 Special Business Personal Property

Aircraft Non-income Producing

Aircraft that is non-income producing is exempt from taxation. The owner of the aircraft must file a Non-Business Use Affidavit with this office on or before the delinquency date of February 1.

TPTC § 11.14(a)

Business Aircraft

If an aircraft is used for business purpose it is taxable by a taxing unit. If the aircraft is used continually outside this state, whether regularly or irregularly, the appraisal office shall allocate to this state the portion of the fair market value of the aircraft that fairly reflects its use in this state. The appraisal office shall not allocate to this state the portion of the total market value of the aircraft that fairly reflects its use beyond the boundaries of this state.

Communication Towers

Communication towers are discovered by using the at Federal Communications Commission (FCC) Web-site. The FCC web-site provides information about towers that are registered in Presidio County or by your search perimeters.

From the FCC web-page:
>click on WTB (Wireless Telecommunications Bureau)
>click on Towers and Antennas (far right side)
>Under Search by Tower Location
>Enter the city and state

This will list all towers registered under your search choice.

Valuation of Towers

After the information on a tower is gathered, the district will use the lease information received from the property owner through surveys mailed out in February each year, or the original cost less depreciation if available. The district also uses information from the Marshall and Swift Valuation Service to estimate the market value of the tower. For an example see Marshall and Swift Valuation Service Book, Section 67, page 6.

About February 1st each year a Tower Survey Letter is mailed to each tower and landowner. The letter asks for details such as purchase price, land size, building size, monthly lease and several other questions. This information is used along with the Marshall and Swift appraisal guide to estimate the fair market value of all communication towers.

Billboards

Billboard information is gathered through renditions. Once the owner of the land is identified, a survey letter is mailed requesting information on the ownership of the billboard.

Valuation of Billboards

Billboards are valued by using their original cost less depreciation. This original cost is available on the property owner's rendition.

Going Out of Business Requirements

House Bill 394 amended the Business and Commerce Code Chapter 17 sections 17.83 through 17.87. The previously stated sections requires a person who is conducting a "Going Out Of Business" sale to file inventories of unsold items with the chief appraiser, rather that the county clerk.
A person who conducts a "going out of business" sale must file an original inventory petition with the chief appraiser for the county in which the person's principal place of business is located, along with a $20 filing fee. An inventory filed must be in the form of a sworn affidavit. Within 5 business days of this filing the chief appraiser sends notice to the state comptroller, county clerk and the tax collector of each taxing entity that is taxing the business.   Once approved, the Appraisal District will issue the necessary permit, valid for 120 days, which must be posted in a conspicuous place at the location of the sale. Afterwards, an updated inventory list must be submitted every 30 days from the issuance date of the permit, and a final inventory with 30 days after the sale ends.
A person commits a "Class A" misdemeanor ($4000 fine and or confinement in jail for no more than a year in jail) for violating these provisions of Subchapter F, Chapter 17, Texas Business and Commerce Code.

Appraisal District Procedures "going out of business"

- Identify the business (through advertisement)
- Mail the letter explaining the law requirements while conducting a "Going Out of Business Sale". Include the permit application

and a copy of the Business and Commerce Code and a copy of any taxes that are due.

- After permit application and $20 are received by the district, issue the Going Out of Business Sale Permit.

- Mail the notification letter to the county clerk, the state comptroller, and other taxing entities if needed.

- Business owner must send an updated sale inventory list every 30 days after permit is issued.

- After 120 days from the issue date of the permit, the sale should be completed or a new permit must be issued along with a new charge $20.

- If the district receives no response, the information will be handed over to the District Attorney.

01.17.00 <u>Special Inventory</u>

Dealer's Motor Vehicle Inventory

Definition of Value

The market value of a dealer's motor vehicle inventory on January 1 is the total annual sales from the dealer's motor vehicle inventory, fewer sales to dealers, fleet transactions, and subsequent sales, for the 12-month period corresponding to the prior tax year, divided by 12.

To obtain the market value of the dealer's motor vehicle inventory for an owner who was not a dealer on January 1 of the prior tax year, the market value is estimated using the total sales from the dealer's motor vehicle inventory in the prior tax year, if any is available, divided by the number of months in operation.

TPTC § 23.121(b)
(c)

Other Personal Property

Any other personal property held by a dealer is appraised as provided by Section 01.18.00 of this Manual.

TPTC § 23.121(d)

Definition of Dealer

‘‘Dealer’’ means a person who holds a dealer’s general distinguishing number issued by the Texas Department of Motor Vehicles under the authority of Chapter 503, Transportation Code,[1] or who is legally recognized as a motor vehicle dealer pursuant to the law of another state and who complies with the terms of Section 152.063(f). The term does not include:

(A) a person who holds a manufacturer’s license issued under Chapter 2301, Occupations Code;

(B) an entity that is owned or controlled by a person who holds a manufacturer’s license issued under Chapter 2301, Occupations Code; or

(C) a dealer whose general distinguishing number issued by the Texas Department of Motor Vehicles under the authority of Chapter 503, Transportation Code, prohibits the dealer from selling a vehicle to any person except a dealer.

A dealer is presumed to be an owner of a dealer’s motor vehicle inventory on January 1 if, in the 12-month period ending on December 31 of the immediately preceding year the dealer sold a motor vehicle to a person other than a dealer. This presumption is not defendable by the fact that a dealer has no motor vehicles physically on hand for sale from dealer’s motor vehicle inventory on January 1.

TPTC 23.121(a)

(3)

TPTC § 23.121(e)

Listing of Motor Vehicle Dealers Received

In January of each year a current listing of independent and franchised motor vehicle dealers doing business in Presidio County is obtained from the Texas Department of Transportation.

Dealer’s Motor Vehicle Inventory Declaration Form *(Confidential Information)*

In early January of each year, a Dealer’s Motor Vehicle Inventory Declaration (Form #50-244) is mailed along with a letter of explanation to all dealers on file.

The declaration form must be filed no later than February 1 of each year, or, in the case of a dealer who was not in business on January 1, not later than 30 days after commencement of business. A copy of this form must also be filed with the tax assessor-collector.

TPTC § 23.121(f)

Dealer’s Motor Vehicle Inventory Tax Statement *(Confidential Information)*

On or before the 10th day of each month a dealer shall file with the tax collector a Dealer's Motor Vehicle Inventory Tax Statement (Form #50-246) covering the sale of each vehicle sold by the dealer in the prior month. A copy of the statement is also filed with the District.

TPTC § 23.122(f)

Calculations Made

The VIT coordinator compares the value indicated on the declaration form to the sales totals indicated on the monthly tax statements.

If there is a value discrepancy, the VIT coordinator accepts the values reported on the monthly tax statements as the estimate of value.

If no declaration has been received by April 15th, the VIT coordinator assigns a value to the account based on the monthly tax statements that were received in the prior year.

VIT Entry

The VIT coordinator enters the sales information from the monthly Dealer's Motor Vehicle Inventory Tax Statement into Bosanova Emulation. All accounts are recalculated and values are verified for accuracy. Each account is date stamped with last appraisal date and historical entry notes are automatically created after each entry.

Failure to File Declaration Form

If a dealer has not filed a declaration form by February 1, a Motor Vehicle Declaration Reminder Letter is mailed.

If a dealer fails to file a declaration form, or if a dealer reports the sale of fewer than five (5) vehicles in the prior year, this information is reported to the Texas Department of Transportation and TXDOT shall initiate termination proceedings. Included with the report is a copy of the declaration, if any, indicating the sale by a dealer of fewer than five (5) vehicles in the prior year. If a failure to report notice is sent to TXDOT they have the authority to cancel the dealer's distinguishing number or refuse to renew the dealer's general distinguishing number.

A dealer who fails to file a declaration commits a misdemeanor offense punishable by a fine not to exceed $500. Each day during which a dealer fails to file a declaration is a separate violation.

TPTC § 23.121(h) (i)

In addition, a dealer who fails to file a declaration shall forfeit a penalty. A tax lien attaches to the dealer's business personal property to secure payment of the penalty. The appropriate district attorney, criminal district attorney, county attorney, chief appraiser, or person designated by the chief appraiser shall collect the penalty in the name of the chief appraiser. Venue is the county in which the violation occurred or in the county in which the owner maintains his principal place of business or residence. A penalty forfeited is $1,000 for each month or part of a month in which a declaration is not filed after it is due.

TPTC § 23.121(k)

Failure to File Monthly Tax Statement

A dealer who fails to file a monthly tax statement commits a misdemeanor offense punishable by a fine not to exceed $100. Each day during which a dealer fails to file a tax statement is a separate violation.

In addition, a dealer who fails to file a tax statement shall forfeit a penalty. A tax lien attaches to the dealer's business personal property to secure payment of the penalty as outlined in Section 01.21.09 above.

TPTC § 23.122(m)

(n)

Prepayment of Taxes

On or before the 10th day of each month the owner shall deposit with the tax collector the amount of property taxes collected on vehicles sold in the prior month. The money is deposited by the tax collector in an escrow account for prepayment of property taxes. TPTC § 23.122(b)

Failure to Prepay Taxes

A dealer who fails to remit unit property taxes due shall pay a penalty of five percent (5%) of the amount due. If the amount is not paid within 10 days after the due date, the dealer shall pay an additional penalty of five percent (5%) of the amount due. TPTC § 23.122(o)

Declarations and Statements Confidential

A declaration or statement filed with a chief appraiser or tax collector is confidential and not open to public inspection. A declaration or statement and the information contained in either may not be disclosed except for the following reasons:

1. in a judicial or administrative proceeding pursuant to a lawful subpoena;
2. to the person who filed the declaration or statement or to that person's representative authorized by the person in writing;
3. to the comptroller or an employee of the comptroller authorized by the comptroller to receive the information;
4. to a collector or chief appraiser;
5. to a district attorney, criminal district attorney, or county attorney involved in the enforcement of a penalty imposed pursuant to Section 23.121 or Section 23.122 of the Property Tax Code;
6. for statistical purposes if in a form that does not identify specific property or a specific property owner;
7. if and to the extent that the information is required for inclusion in a public document of record that the appraisal or collection office is required by law to prepare or maintain;
8. to the Texas Department of Transportation for use by that Department in auditing compliance of its licenses with appropriate provisions of applicable law.

TPTC § 23.123(c)

01.18.00 Dealer's Vessel and Outboard Motor Inventory

General Provisions

Those provisions relating to Dealer's Motor Vehicle Inventory as outlined in Section 01.21.00 shall also apply to Dealer's Vessel and Outboard Motor Inventory with the exception of those provisions outlined below.

TPTC § 23.124

Dealer's Vessel and Outboard Motor Forms

The Dealer's Vessel and Outboard Motor Declaration Form (Form #50-259), the accompanying letter with explanation of the declaration and the Dealer's Vessel, Trailer and Outboard Motor Inventory Tax Statement Form (Form #50-260).

Failure to File Declaration Form

If a dealer fails to file a declaration form or reports the sale of fewer than five (5) vessels or outboard motors in the prior year, this information is reported to the Parks and Wildlife Department.

01.19.00 Dealer's Heavy Equipment Inventory

Provisions Same as Dealer's Motor Vehicle Inventory

Those provisions relating to Dealer's Motor Vehicle Inventory as outlined in previous sections also apply to Dealer's Heavy Equipment Inventory with the exception of those provisions outlined below.

Dealer's Heavy Equipment Forms

Please click on the exhibit link for Dealer's Heavy Equipment Inventory Declaration Form, the accompanying letter with explanation of the declaration, and the Dealer's Heavy Equipment Inventory Tax Statement

Failure to File Declaration Form

If a dealer fails to file a declaration form or reports the sale of fewer than five (5) pieces of equipment in the prior year, a report is not filed with any governmental agency. All other provisions of this section apply.