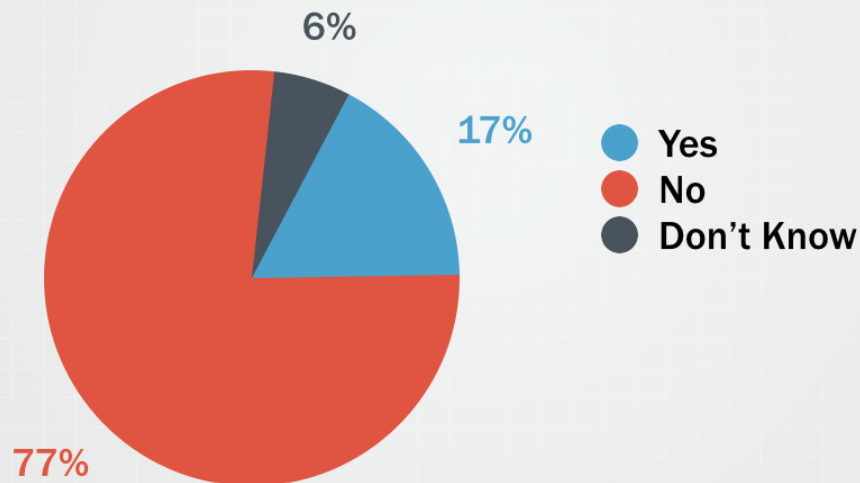


“INSIDE” INTELLIGENCE

*The Texas Weekly/Texas Tribune insider poll
for the week of 2 May 2014*

INSIDE INTELLIGENCE

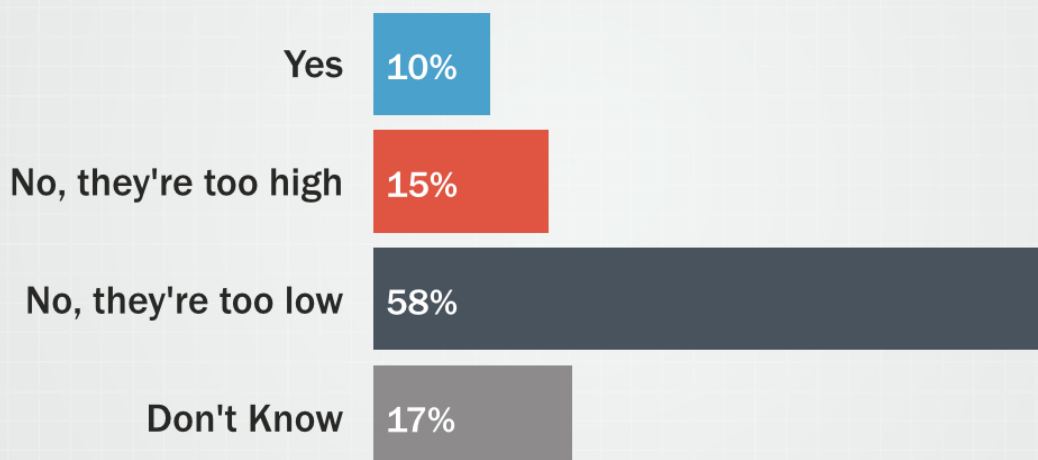
ARE TAXABLE PROPERTIES IN TEXAS CORRECTLY APPRAISED?



Inside Intelligence is an informal survey of political and government insiders in Texas and is not meant to measure public opinion.

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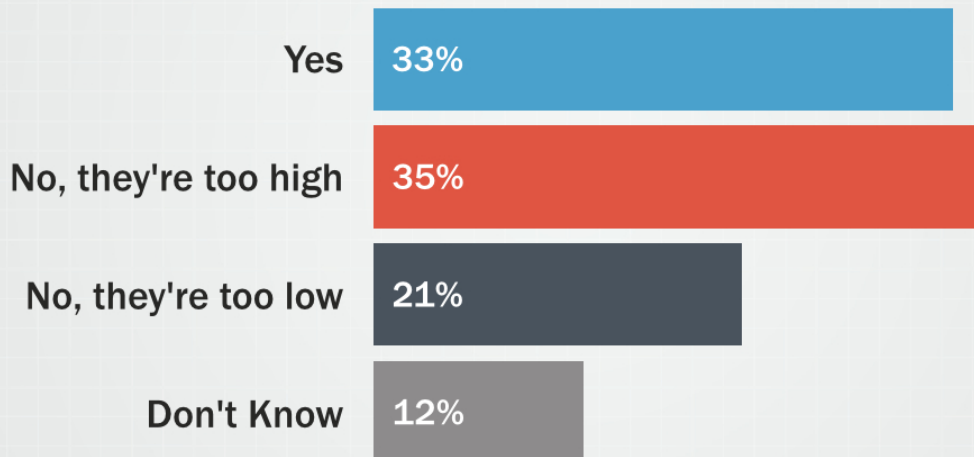
ARE COMMERCIAL/INDUSTRIAL PROPERTIES CORRECTLY APPRAISED?



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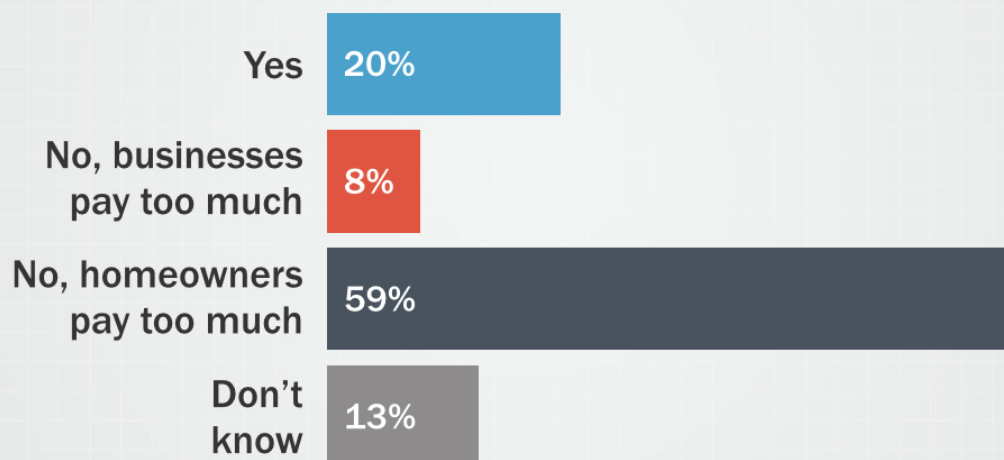
ARE RESIDENTIAL PROPERTIES CORRECTLY APPRAISED?



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BASED ON APPRAISALS, ARE PROPERTY TAX BURDENS FAIR?



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Are taxable properties in Texas correctly appraised?

- "According to the last umpteen studies from the Comptroller's office, all property is appraised at 99% of value."
- "Surprise! Texas has, by far, the best property tax system in the nation. The Peveto bill reforms of the late 1970's are still a distant dream in other states. Anger at the appraisal system is inaccurate and misplaced. Although voters may not understand it, the real source of almost all of their anger is one or more of: 1) the Lege's decision to rely too heavily on funds from the property tax (thus making the bills too high), or 2) misinformation (intentional or not) from elected officials about how the tax works, or 3) hatred of any property tax."
- "Values are always dependent on how much monies the governments need."
- "Every session legislators throw good money after bad to alleviate property taxes, but appraisals keep them high."
- "Without mandatory sales-price disclosure, appraisal districts are flying blind. It's easy to find out what subdivision homes are selling for, but high-end residential and commercial/industrial get away with murder."
- "If they are correctly appraised, then why are so many appraisals adjusted during the appeals process?"
- "Well, I think likely close enough..."
- "That's the law."
- "Give us a sales tax rather than a property tax. Having the government hold sway over property at any level is bad. Property taxes artificially inflate home values and means the government essentially owns my property with me"
- "Based upon this question/answer - all other questions lack an appropriate multiple choice answer."
- "No state has a better system for assessing properties. The 1978 reforms and new Code have been enhanced since then. However, no system is better than the quality of those who administer it. There are pockets of poor administration; and there are administrators--such as in Bexar County--who appear not to understand that their role is equitable administration and not to produce winners and losers."
- "Commercial appraisal is a joke. Big business has rigged an obscure system in their favor and we (residential homeowner) subsidize their multi-billion tax break."
- "Wide variations from place to place. Commercial properties are often under-assessed because owners can afford to hire professional help to reduce assessments."
- "Business property, especially at the top end, are under appraised. That's what it means to be a business-friendly state."
- "Commercial is given a 100% pass."
- "They are too high."

- "Goldilocks - some too high, some too low, some just right."
- "Property appraisals should be moved to the Comptroller's office or Land Commissioner."
- "Very few people would be happy about selling their property for what it is valued at on the tax rolls!"
- "In some markets they are exact, others they are under valued and probably over valued in other

markets. There is no 'science' to real estate appraisal. Accurate value is only assigned with each sale."

- "In the common sense of the term, no. They're not valued for what they'd sell on the market. But the valuation has little to do with that, looking instead to other factors to determine the taxable amount."
- "Why not sales price disclosure on all transactions?"

Are commercial and industrial properties on the tax rolls at their fair market values?

- "Most are...but chief appraisers in Texas are lazy and are not doing their job. There are of course examples of properties that are not at market value. However, our appraisal process uses 'mass appraisal' techniques. Thus, by definition, the system has inherent problems."
- "These properties have a much more volatile valuation than homes due to the business cycle, and therefore the C&I tax roll values move around more frequently and are more likely to appear to be 'off.' But over time, and across whole categories of properties, they are off in both directions and the systems works. The exception is 'equity' appeals, which is clearly a scenario of a few wealthy taxpayers putting their thumbs on the scale."
- "It's amazing what a tax attorney can debate with the right funding."
- "This is a flawed question. We do not appraise all commercial property at FMV. The better questions are: 1) whether the methodologies we use to

appraise commercial property are appropriate, and whether those methodologies are applied across the state in a consistent manner."

- "It's a game of cat and mouse and the 'cats' are losing!"
- "Since appraisal districts know that commercial/industrial properties will just take them to court and win an equity appeal, leaving the district to pay attorney's fees, chief appraisers just low-ball the value to avoid expense."
- "I wish you had just said 'no'. The problem with commercial and industrial properties is the lack of consistency. One may be too high and next door may be too low. Office towers and warehouse complexes sitting on the same street may vary widely. It seems random and not updated."
- "They have the where-with-all to make sure they are."

- "Commercial properties are definitely under-appraised, shifting more of the tax burden onto homeowners."
- "Some are too high. Some are too low. See question 1, above. They are NOT correctly appraised."
- "Equity appeals process when successful sets property at median rather than market. This in itself prevents 'fair market' value."
- "Appraisal is a process and not a judgment etched in stone. Chief Appraisers have substantial tools to value these properties--and residences, as well; all taxpayers have constitutional guarantees that properties will be appraised at value and that values across the spectrum of taxpayers are equal and uniform. This is the best process we have developed to assure 'correct' values."
- "That's been true for many years. The appraisal system favors those with deep pockets that can work to reduce their property's taxable value."
- "Industrial and commercial are on the books at about 50-60% of their real value. The tax code is littered with

innocent but technically important language that games the system in favor of big business. It's one of the better legislative stunts they have quietly pulled off. The tea party should be outraged. You can thank Paul Foster and Koch brothers (amongst others) for that deal."

- "If they were even appraised at construction value we'd add billions to the tax base."
- "Appraisals do not many factors into consideration."
- "Way too high."
- "Research by Bexar County Chief Appraiser Michael Amezcuita found that, statewide, commercial property is assessed at only 60 percent of fair market value. Residential property, however, is assessed at 85 percent of fair market value."
- "Massively undervalued statewide."
- "Probably low. The unfortunate issue with commercial and industrial property is the taxes, in particular school taxes, are collected locally and not by the state for redistribution on a per student basis."

Are residential properties on the tax rolls at their fair market values?

- "See above"
- "Residential properties are low but they are consistent and proportional, i.e., both legal and fair. Cannot over emphasize that appraisal is NOT the issue. Appraisals are SOLELY a method for ALLOCATING taxes among payers. The AMOUNT of the

tax is determined by the government collecting the tax (and not the appraisal district). If the tax seems too high, change the rate."

- "There is a 'peaks-and-valleys' affect on residential properties. The more government needs to be fed, the more we see property values rise."

- "This varies widely from county to county."
- "Some are high and some are low."
- "Average middle-class homes are probably fairly accurately appraised, but high-end residences are undervalued because an appraisal district has no way to get the sales price when those houses turn over."
- "Compared to what--comparable houses in other states? Speaking from experience, Texas residential property taxes are extremely high, especially when compared to those in other states. But while other states have lower property taxes, they nearly all have state income taxes. I guess it balances out in the end, right?"
- "It really varies. No appraisal district does the same kind of job as another. Therefore, there is wide disparity in what are supposed to be equitable values."
- "Based on personal experience they seem to change in response to factors evidently known only to the chief appraiser. They seldom reflect a true current market."
- "The vast majority of homes are fairly appraised but the most expensive homes are undervalued because (1) as unique items they are difficult to value; (2) their owners can afford to contest valuation effectively; and (3) those owners have a great deal to gain by contesting valuation."
- "Some are too high. Some are too low. They are NOT correctly appraised."
- "There is an inexorable political pressure to appraise homes below value--because homeowners vote. When the new Code was adopted in 1978, it was conservatively assumed that homes were at least 40% under appraised, and the new process was phased in to accommodate concern about the sticker shock of equitable assessment. The 10% cap on residential appraisal caps results in a built in bias toward under appraisal of more expensive residences--and advocates will strongly urge next session to make that even worse by lowering the 10%."
- "Because they have access to sales records and deed records, the system capture residential at about 90-95% accuracy."
- "They're generally in the right range."
- "Residential properties, on average, are below fair market value, but are reasonably close with respect to practical application."
- "Our tax formula should be built around rewarding owning your own home; then competing with other neighboring states for fairness. Start with that and reform this sucker."
- "Each market is so different. But it's a slippery slope. High property taxes can drive homeowners from their homes particularly in markets that have had huge increases. It seems unfair that a tax district can price you out of your home."

Based on their appraisals, do residential and commercial/industrial property owners pay their fair share of property taxes?

- "Homeowners in the major urban areas of the state are being gouged. Valuations increase rapidly, while other areas of the state remain flat, and city dwellers carry more and more of the tax burden."
- "Generally yes, but the C&I 'equity' appeals are an abuse. Will more businesses rush to use this loophole? Widespread equity appeals will make the property tax voluntary like the old franchise tax was. In that case, because of the way school funding works, all of that lost tax revenue will hit the state's balance sheet much more than the local ISDs. By the time the problem gets large enough not to ignore, it will also be big enough to be very painful to fix."
- "The reliance on property taxes is too high in Texas."
- "Again, it is a mixed picture."
- "This does not offer proper options. I should be able to answer 'no'"
- "Since commercial/industrial are on for a fraction of their true market value, the burden shifts onto residential. But protecting homeowners with lower appraisal caps or over-65 freezes just throws the system even more out of balance. You can't run a system that relies so heavily on property taxes without sales-price disclosure, then expect it to be fair."
- "Some do and some don't. Again, the emphasis needs to be on equity. All \$10,000 properties need to be on at \$10,000; all \$1,000,000 properties need to be on at \$1,000,000. Then everyone will be paying their FAIR share."
- "Any other's all well."
- "Commercial properties are definitely under-appraised, shifting more of the tax burden onto homeowners."
- "'Fair share?' Seriously? How in the world can you do this? Why bother to send this out if you can't devise more intelligent questions?"
- "Business much more likely to challenge and ultimately sue to lower rates which encourages the appraisal districts to roll over."
- "This is a poorly designed survey. You're not giving us the appropriate multiple-choice answers. BOTH residential and commercial customers are not being treated equally. Some pay too much, some pay too little -- why, because the appraisals are not correctly / fairly in a balanced way."
- "...And a lot of properties with AG exemptions need to be eliminated. For those of them that are not in the agriculture business should be paying their fair share."
- "There is always a tension in the system in assuring equity. The 'dirty secret' in Texas is that the legislature has over-relied on property taxes for education and local government finance and that over-reliance has substantially increased the tension. The legislature can force increases in local rates by inaction on other financing sources and underfunding

mandates --and then blame local governments for the increases."

- "Homeowners are subsidizing the tax break business gets."
- "I'm a homeowner, not a business owner - of course I think homeowners pay too much."
- "All property taxes are too high. Until we go to a pure consumption tax we will just be paying taxes based on people's opinion"
- "Everyone pays too much."
- "The correct answer, I think, is missing. On average, neither group pays at fair market value, but residential property owners are significantly closer to the mark than is the case for the average commercial/industrial owners. I'm

not sure where small business owners fit into this spectrum relative to major commercial/industrial."

- "There should be a 'claw-back' upon property sales to capture the 'value' that wasn't taxed."
- "Probably not, too many incentives and loopholes that homeowners do not have as an option."
- "We have enough taxes, we need more taxpayers."
- "Everyone pays too much. But the problem isn't appraisals. Tax rates are too high. And don't get me started on appraisal caps, unless you want height limitations on NBA players."
- "They're both undervalued, but who can say for sure which side is paying too much?"

Our thanks to this week's participants: Gene Acuna, Cathie Adams, Brandon Aghamalian, Brandon Alderete, Clyde Alexander, George Allen, Jay Arnold, Charles Bailey, Tom Banning, Dave Beckwith, Andrew Biar, Allen Blakemore, Tom Blanton, Chris Britton, Kerry Cammack, Marc Campos, Thure Cannon, Snapper Carr, Elna Christopher, Harold Cook, Beth Cubriel, Randy Cubriel, Curtis Culwell, Denise Davis, Hector De Leon, Nora Del Bosque, Glenn Deshields, Holly DeShields, David Dunn, Jeff Eller, Jack Erskine, Jon Fisher, Norman Garza, Dominic Giarratani, Bruce Gibson, Stephanie Gibson, Eric Glenn, Kinnan Golemon, Daniel Gonzalez, John Greytok, Clint Hackney, Wayne Hamilton, Bill Hammond, Ken Hodges, Steve Holzheuser, Laura Huffman, Deborah Ingersoll, Richie Jackson, Cal Jillson, Jason Johnson, Mark Jones, Robert Jones, Richard Khouri, Tom Kleinworth, Ramey Ko, Nick Lampson, Pete Laney, Dick Lavine, James LeBas, Luke Legate, Ruben Longoria, Matt Mackowiak, Steve Minick, Mike Moses, Steve Murdock, Keir Murray, Keats Norfleet, Pat Nugent, Todd Olsen, Nef Partida, Gardner Pate, Jerod Patterson, Tom Phillips, Wayne Pierce, Allen Place, Royce Poinsett, Kraege Polan, Gary Polland, Jay Propes, Ted Melina Raab, Patrick Reinhart, David Reynolds, Carl Richie, Grant Ruckel, Jason Sabo, Andy Sansom, Jim Sartwelle, Barbara Schlieff, Stan Schlueter, Bruce Scott, Robert Scott, Christopher Shields, Nancy Sims, Jason Skaggs, Ed Small, Martha Smiley, Larry Soward, Leonard Spearman, Dennis Speight, Tom Spilman, Jason Stanford, Bob Strauser, Colin Strother, Michael Quinn Sullivan, Sherry Sylvester,

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