HOW YOUR PROPERTY IS APPRAISED

THE KLEBERG COUNTY APPRAISAL DISTRICT'S ROLE IN THE TAX SYSTEM

There are three main parts to the property tax system in Texas: 1) an appraisal district in each county sets the value of property each year; 2) an Appraisal Review Board settles disagreements between property owners and the appraisal district about property values and exemptions; they also make determinations on challenges initiated by taxing units; 3) local taxing units, which include the county, city, school district, and other special districts, decide how much money they will spend. This, in turn, determines the total amount of taxes that property owners must pay.

The Kleberg County Appraisal District does not levy taxes, set the tax rate or collect any taxes. The governing body (city council, school board, county commissioners, or other board) of each taxing entity sets the rates for their jurisdiction. The taxing units decide what services they will provide in the coming year and how much money they will need to provide those services. Each taxing units adopts a tax rate that will raise the needed tax dollars.

SALES RATIO REPORTS

Each year sales analysis are done on residential, commercial and vacant land sales which have occurred in the county for the last two years excluding the year of appraisal. All property is assessed as of January 1. The district runs sales ratio reports based on school district then by subdivision and summarizes each section to determine a median sale price per subdivision and then per school district. An analysis is done several times a year to determine any schedule changes or neighborhood changes based on the reports. The appraisal district compares a home to similar homes that have sold recently and determines the value accordingly. The District uses ratio studies to adjust schedule values when appropriate.

BUILDING PERMITS

Building permits are provided to the appraisal district staff by the City of Kingsville for all properties in the city limits. The permits are entered into the system generating an event for a recheck to be done by the appraiser to do a field visit on the property on an annual basis.

LOCATING NEW IMPROVEMENTS

For property outside of the city limits, the district relies on aerial imagery to locate property left off the tax roll. The appraiser also finds property doing the re-appraisals in the three year cycle. The district has divided the county into three cycles, A, B, and C. Each ISD has a portion of the parcels in their jurisdiction in each cycle. The district was unable to purchase oblique imagery and has resorted to using

any other sources available from Google Earth to the USDA map.

The appraiser prints work-cards for the area being re-appraised in the county. They then will either in person, in front of the improvement, or per aerial photography compare the dimensions of the improvement on the workcard with what they are looking at. If they discover any differences (upgrades/downgrades) between the workcard drawing and the improvement or new improvements to the existing property, the appraiser will measure the dimensions and add/remove on the workcard and will class, depreciate and apply adjustments accordingly.

SCHEDULES

The appraisal district reviews and updates, as necessary, residential, commercial, mobile home, land and agriculture schedules on an annual basis.

HOW IS PROPERTY APPRAISED?

In valuing all real estate, except agricultural land, the appraiser uses one or more of the three acceptable appraisal approaches to determine value, whichever is most appropriate for the property being assessed. The three approaches are 1) The Market (Sales Comparison) Approach, 2) The Cost Approach and 3) The Income Approach.

The value of a property is based on 100% of the fair market value. The district uses the following discounts on property: physical, economic, functional, area factor and % good.

RESIDENTIAL REAL PROPERTY

This property type will be reappraised on a three year cycle by the district's appraisal staff. Cost schedules will be evaluated and updated annually as needed. The following details the planned valuation methods.

HOW IS RESIDENTIAL PROPERTY APPRAISED?

Sales Comparison Approach

As indicated in *Property Appraisal and Assessment Administration* (IAAO, 1990), in the absence of a sale of the subject property, sales prices of comparable properties are usually considered the best evidence of market value. The sales comparison approach mimics the behavior of the market by comparing the properties being appraised with comparable properties that have recently sold. The sales prices will then be adjusted for differences from the subject and a market value for the subject is estimated from the adjusted sales prices of comparable properties.

If sufficient sales are not found, then sales from competing neighborhoods are found and appropriate adjustments are made in the form of market modifiers. These modifiers are applied

to cost schedules to indicate mass appraisal values for a given neighborhood. Therefore, the sales comparison approach is actually blended with the cost approach to create a hybrid of these two approaches to value.

Cost Approach

As stated above, the district uses a hybrid cost-market approach when valuing residential properties. The comparative unit, also known as the square-foot method, will be used to develop an indication of the basic cost of a structure. Adjustments will then be made for amenities of individual properties based upon characteristics that affect value in the market. The district's cost tables are, and will continue to be, based upon information obtained from the Marshall Valuation Service, also known as *Marshall and Swift.* These cost figures are adjusted to the local market to reflect current local labor and material costs. Neighborhood Market Adjustment factors will be developed from appraisal statistics provided by ratio studies to ensure that estimated values reflect both the supply and demand side of the market in each specific neighborhood. The following equation is the hybrid model used by the district:

$$MV = LV + [RCNLD]* MA$$

Market value (MV) is equal to the land value (LV) plus the replacement cost new less depreciation (RCNLD) of the improvement multiplied by the neighborhood market adjustment factor (MA)

In applying the calculations of the model above, the district staff values the land as though vacant and available for development to its highest and best use. The replacement costs new less depreciation (RCNLD) of the improvements are multiplied by the appropriate neighborhood market adjustment factor (MA) to arrive at a current improvement value. The current improvement value is added to the land value (LV) to arrive at an estimate of market value (MV). Market adjustments will be applied uniformly within neighborhoods to account for market preferences affecting value in each location throughout the district.

Residential land values will be estimated using the base lot method, square foot method, front foot method or acreage method of appraisal. The individual method utilized in each neighborhood is designed to mirror the market in that area. As such, the chosen method for each individual neighborhood will be selected based upon how properties are selling or which method best accounts for perceived differences among the universe of properties.

There are four accepted methods for land valuation; the comparable sales approach, allocation by abstraction, allocation by ratio and the capitalization of ground rent. The district will utilize elements of all of these land valuation methods depending upon market area and availability of market data. In areas where insufficient vacant land sales exist, the district employs the allocation methods to establish land values in a neighborhood. Land value adjustments may be made when uniformity standards are not realized or land to building ratios become disproportionate. The appraisers will develop a base lot or primary land rate and assign land tables to each neighborhood. Land characteristics adjustments will be applied to individual properties, where necessary, to adjust for such influences as view, shape, size, and topography

and any other characteristic that affects value in a neighborhood.

If neighborhood statistics indicate that values need to be updated, the appraiser will employ cost calibration to bring the initial values closer to what the market indicates values should be in that area. This process involves comparing the initial depreciated cost figures for properties that sold to the sale contributory improvement values of those properties (Sale Price - Land Value). An adjustment factor is calculated for each property in the data pool and statistics are calculated for the indicated adjustments. The factor that best represents the acceptable range of market value is selected for each neighborhood. The sales used to determine the market adjustment factor will reflect the market influences and conditions for the specified neighborhood, thus producing more representative and supportable values. The market adjustment factor calculated for each neighborhood will be applied uniformly to all properties within that neighborhood and a second set of ratio study statistics will be generated to compare the level and uniformity of values in the neighborhood as adjusted.

Income Approach

The income approach is based on the principle that the value of an investment property reflects the quality and quantity of the income it is expected to generate over its economic life. In other words, value is the estimated present value of future benefits. The appraiser must estimate income from a property and capitalize the income into an estimate of current value. The model used to estimate the present value of income expected in the future is represented by the following formulas known as IRV.

$$\text{Value} = \text{Income}/\text{Rate}$$

The income approach is most suitable for types of properties frequently purchased and held for the purpose of producing income, such as apartments, commercial buildings and office buildings. It is not conducive to the valuation of single-family residential properties as these properties are purchased by consumptive users and therefore, do not routinely generate an income stream.

SPECIAL INVENTORY RESIDENTIAL SCHEDULE

This property type will be reappraised on a three year cycle by the district's appraisal staff. Cost schedules will be evaluated and updated annually as needed. The following details the planned valuation methods.

HOW IS SPECIAL INVENTORY RESIDENTIAL APPRAISED?

Sales Comparison Approach To Value

The District, on a mass appraisal basis, does not currently use the sales comparison approach to value residential special inventory or developer properties. This is due to the lack of sales data of these types of properties. Although sales of developer lots or buildings do occasionally occur,

these sales are not consistent, and the sales comparison approach is not a reliable indicator in the mass appraisal report.

Cost Approach To Value

Cost of development for residential subdivisions and houses vary greatly due to types of streets, utilities, quality of construction, and material cost. Inventory of lots and houses may also be located in several different subdivisions with varying cost and qualities of construction. Therefore, the cost approach to value inventory of residential property is not used in the District's mass appraisal report.

Income Approach To Value

The income approach to value appears to be the most appropriate valuation method to use in the mass appraisal of residential inventory. The District currently uses a discounted cash flow technique. Sales of developer properties are analyzed to indicate an absorption rate or sell out time of the entire inventory. Typical market expenses are then deducted from the income flows of sales over the estimated holding period. The net income after expenses is deducted then discounted at market rates over the holding period to a percentage basis indicated by the DCF analysis.

MULTI-FAMILY REAL PROPERTY

This property type will be reappraised on a three year cycle by the district's appraisal staff. Cost schedules will be evaluated and updated annually as needed. The following details the planned valuation methods.

HOW IS MULTIFAMILY APPRAISED?

Sales Comparison Approach

Pertinent data from actual sales of properties will be obtained throughout the year and the appraisal staff will analyze the relevant information. This data will be utilized in all aspects of the appraisal process.

Sales of similarly improved properties will provide a basis for the test of depreciation schedules used in the cost approach, rates and multipliers used in the income approach and as a direct comparison in the sales comparison approach. Improved sales will also be used in ratio studies, which afford the appraiser a means of judging the present level and uniformity of the appraised values. The ratio studies used by the Commercial Department are in compliance with the current IAAO *Standard on Ratio Studies.*

Cost Approach

The cost approach to value will be applied using the comparative unit, or square foot method of

cost estimating. The following is the basic model that the district utilizes when employing the cost approach:

MV= LV+ RCNLD

Market value (MV) equals land value (LV) plus replacement cost new less depreciation of improvement (RCNLD)

This methodology involves the use of national sources of cost data as well as actual cost information gathered from the local market whenever possible. Cost models utilized by the district are based on data obtained by the Marshall Valuation Service also known as *Marshall and Swift.* These costs include comparative base rates, per unit adjustments and lump sum adjustments as appropriate and necessary to account for the specific factors affecting value. Time and location modifiers will be applied as necessary to adjust cost data to reflect conditions in a specific market as well as changes in costs over a period of time. A cost estimate will be generated by the appraisal staff based upon the cost schedules as they are applied to the specific characteristics of the subject property of the appraisal. Depreciation schedules have been implemented for economic lives and condition that are typical of each major class of commercial property-by-property use. The schedules utilized by the district are developed using recognized sources and mirror *Marshall and Swift.* These schedules will be tested annually to ensure they will be reflective of current market conditions in Kleberg County. The actual and effective ages of improvements are judged by the appraiser and noted in the improvement records contained within each property record. Effective age estimates will be based on the utility of the improvements relative to the improvement's total economic life, condition and its competitive position in the marketplace. These adjustments are generally determined during field operations.

Certain adjustment factors such as external and or functional obsolescence will be applied to properties as applicable based upon market data. These adjustments will typically be applied to a specific property type or location and will be developed through ratio studies or other market analyses. Accuracy in the development of the cost schedules, condition ratings and depreciation schedules usually minimize the necessity of this type of an adjustment factor. The sum total of depreciation, also expressed as the loss in value from all causes, is subtracted from the replacement cost new of the structure to arrive at a replacement cost new less depreciation (RCNLD).

The cost approach requires the district to value the land utilizing one of the four accepted methods of land valuation: the sales comparison approach, allocation by abstraction, allocation by ratio or the capitalization of ground rent. Once the land is valued by the method deemed most appropriate in terms of the data available, the resulting land value is added to the RCNLD of the improvements to yield an estimate of market value by the cost approach. Any estimate of value completed by the cost approach will be made in accordance with Section 23.011 of the Tax Code.

Income Approach

The income approach to value will be applied to those real properties that are typically viewed by market participants as income producing. Income producing properties are those that are bought and sold based on the property's ability to produce an income; therefore, the price paid for a property is directly related to the amount of income the property is capable of producing.

HOW YOUR PROPERTY IS APPRAISED

The commercial appraisal staff utilizes income and expense data furnished by property owners; data collected by staff and information from local market study publications. Income models by property use and neighborhood / market area are developed and deployed for use in valuation. The following model is the basis for commercial property valuation by the income approach:

PGR
-V&C
EGR
+SI
EGI
- Allowable EXPENSES
- Reserves for Replacement
NOI

Value = NOI / Cap Rate

This income model reflects the normalization of an income stream from Potential Gross Rent (PGR) at 100% occupancy to an indication of Net Operating Income (NOI). The process involves estimating the rental producing capacity of the subject property under prudent management. Market derived Vacancy and Collections (V&C) losses are subtracted from the Potential Gross Rent (PGR) to arrive at Effective Gross Rent (EGR). Any net income from secondary property uses (vending income or parking income, etc.) (SI) are added to the effective gross rent to yield an estimate of Effective Gross Income (EGI).

Allowable expenses are the expenses that are recurring annual expenses necessary to operate the property sufficiently to achieve the projected level of effective gross income. These vary by property type and are researched by the commercial appraisal staff. Once identified or projected, the allowable expenses are subtracted from the effective gross income. Reserves for replacement are estimated by considering the amortized costs of replacing certain building components whose economic lives are shorter than total economic life of the improvement (carpets, roof cover, air conditioning, etc.). Generally, these are calculated by either dividing the replacement cost new of the item by its economic life, a flat reserve amount per unit justified by the market or a percentage of EGI, whichever is deemed appropriate. Once all allowable expenses and reserves have been identified or calculated, these amounts are subtracted from the Effective Gross Income (EGI) to yield an estimate of Net Operating Income (NOI).

Rates and multipliers will be used to convert the income stream into an estimate of market value. These include gross income multipliers, overall capitalization rates and discount rates. Each of these is used in specific applications. Rates and multipliers also vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers will be based on a thorough analysis of the market.

Direct Capitalization will be used in the income approach models. This methodology involves dividing the net operating income by the appropriate capitalization rate to arrive at an indication of market value for a specific property. Capitalization rates utilized will be derived from the market as to estimate what a market participant would require from an investment as of the date of appraisal. Additionally, overall capitalization rates may be derived from the summation method, band-of-investment and debt coverage ratio or can be obtained from published sources

for similar properties. The capitalization rates utilized will relate directly to satisfying the market return requirements of both the debt and equity positions of a real estate investment.

In valuing property by the income approach, the district will consider the income characteristics of all properties, as they are available. Adjustments will be made as necessary and appropriate and the models, schedules and value indications developed will be made pursuant to section 23.012 of the Tax Code.

COMMERCIAL REAL PROPERTY

This property type will be reappraised on a three year cycle by the district's appraisal staff. Cost schedules will be evaluated and updated annually as needed. The following details the planned valuation methods.

HOW IS COMMERCIAL PROPERTY APPRAISED?

Sales Comparison Approach To Value

Grouping or clustering sales within the specified neighborhoods and classification of properties utilizes the sales comparison approach to value. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. If sufficient sales are not found, then sales from competing neighborhoods are found and appropriate adjustments are made in the form of schedule adjustments or changes.

Cost Approach To Value

The District uses a hybrid cost model developed from Marshal Valuation Service. The cost model categorizes and values property by class (quality of construction), age, condition, and extra items.

Depreciation is derived by age/condition and any additional depreciation that may be necessary. Land value is added to indicate a preliminary market value for like properties within the subject neighborhoods.

After cost schedules, depreciation and land values are applied; market modifiers may be necessary to adjust the values to actual market conditions. These modifiers apply to improvements only and do not adjust land values. Therefore, the cost approach to value is actually a hybrid of the sales comparison and cost approaches to value.

Income Approach To Value

The district is developing an income model to value commercial properties using a direct capitalization technique. Questionnaires are mailed to multi-family property owners and managers regarding income and expenses. Data is collected from Internet sources and phone inquiries. Capitalization rates will be estimated by market abstractions as well as national sources, surveys, and band of investment techniques.

VACANT REAL PROPERTY

This property type will be reappraised on a three year cycle by the district's appraisal staff. Cost schedules will be evaluated and updated annually as needed. The following details the planned valuation methods.

HOW IS VACANT LAND APPRAISED?

Sales Comparison Approach To Value

Grouping or clustering sales within the specified neighborhoods utilizes the sales comparison approach to value. Units of comparison are identified and appropriately selected. Land schedules reflecting the units of comparison are developed and applied to the PACS program. The appraisers select the appropriate land schedule and apply it on a mass basis. It should be noted that all land is valued as vacant and ready for development as to its highest and best use. This process considers physical possible uses, legally permissible uses, as well as financially feasible uses. A maximally productive use is then established and considered the highest and best use.

Cost Approach To Value

The cost approach to value is not the appropriate method to value vacant land as no improvements are considered, and land is not generally felt to suffer from depreciation.

Income Approach To Value

The income approach to value for unimproved land is not currently used by the District on a mass appraisal basis.

UTILITIES, RAILROADS, PIPELINES AND SPECIAL INDUSTRIAL PROPERTIES

This property type will be reappraised every year by the districts outside appraisal firm. The following details the planned valuation methods.

The Kleberg County Appraisal District contracts with an outside appraisal firm, Wardlaw Appraisal Group, LC, to obtain the specific expertise needed for the valuation of category F2 (Industrial, Real), J (Utility), and L2 (Industrial, Personal) properties. These categories include properties such as railroads, pipe lines, gas plants, compressors, and communication companies. These properties will be reappraised annually using recognized methods and techniques as required by the *Uniform Standards of Professional Appraisal Practice.*

Among the three approached to value (cost, income, and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those

appraisal models may also be used. The appraisal models primarily considered in the valuation of these properties will be:

MV=RCN-D
And
Allocated Unit Appraisal
Market value equals replacement cost new
minus depreciation minus allocated unit appraisal

The values produced by each of these models will be considered and the final property value result will be allocated to the taxing entities based upon the method that is deemed most appropriate for the particular property under consideration.

The appraisal firm will consider all factors affecting value, conduct physical inspection as necessary, research information from published sources, and receive copies of renditions from property owners in the development of their appraisal. Based upon the information gathered in these processes, data characteristics of the properties will be updated annually in accordance with tax code requirements.

MINERAL INTERESTS

This property type will be reappraised every year by the districts outside appraisal firm. The following details the planned valuation methods.

The Kleberg County Appraisal District contracts with an outside appraisal firm, Wardlaw Appraisal Group, LC, to obtain specific expertise needed for the valuation of category G, Minerals. This category includes producing gas and oil mineral interests. The appraisal firm reappraises these properties annually.

The appraisal firm utilizes the income approach to appraise these interests. More specifically, they use Discounted Cash Flow Analysis (DCF), which is a yield capitalization method form of the income approach. The factors affecting the value of mineral interests include product prices, production volume, production decline trend, operating expenses and discount rate. The DCF used these factors to develop a projection of future income, which is discounted to provide an indication of present worth.

The mineral reserves of oil and gas properties cannot be physically inspected because they exist below the surface. Therefore, data collection must rely on other sources of information such as the Railroad Commission of Texas, the Texas Comptroller of Public Accounts, owner renditions, published sources and data services. These information sources are used to identify the value-affecting characteristics that are considered in the DCF appraisal of the mineral interests.

HOW YOUR PROPERTY IS APPRAISED

SPECIAL VALUATION PROPERTIES

WHAT IS AG/TIMBER/WILDLIFE MANAGEMENT VALUATION?

It is a preferential assessment based on the productivity capacity of the land to raise livestock, crops, timber or the managing of indigenous wild animals that are native to Texas rather than on the real estate market value of the land. A property owner must apply for the Agriculture/Wildlife Management valuation and the property must meet the State mandated criteria for Agriculture/Wildlife Management valuation/designation.

WHAT LAND QUALIFIES FOR AGRICULTURE/TIMBER APPRAISAL?

Taxpayers may qualify under open-space valuation, also called 1-d-1 appraisal. Your land must meet the following criteria: Currently, the land must be devoted principally to agriculture use and/or timber production. Agriculture land and timberland must be devoted to production at a level of intensity that is common in the local area. Timberland must be used with the intent to produce income. The land must have been devoted to agricultural and or timber production for at least five (5) of the past seven (7) years. Very few land owners may fall under 1-d for agriculture use appraisal since owners have to show at least 50% of their income comes from farming or ranching.

WHAT LAND QUALIFIES FOR WILDLIFE MANAGEMENT APPRAISAL?

The land must previously qualify for Open Space (1-d-1) Appraisal before applying for Wildlife Management status. The land must be used primarily for the management of one or more indigenous wild animals not used for farming or ranching. Targeted species must be used for human consumption, medicine or recreation. The land must be managed to the degree of intensity typical for the area and must property sustain the targeted species. At the time the landowner applies for Wildlife Management status, at least three of the following seven management practices must be in use to sustain a breeding, migrating or wintering population of indigenous wild animals: 1) Habitat control, 2) erosion control, 3) predator control, 4) Provide supplemental water, 5) Provide supplemental food, 6) Provide supplemental shelter, 7) Make census counts. An Agriculture valuation application along with a written Wildlife Management Plan must be submitted to the chief appraiser. Described activities and practices must be consistent with Texas Parks and Wildlife Department recommendations for the region where the property is located.

WHAT USES QUALIFY AS AGRICULTURE USE?

Agricultural use included the following: Production of crops, livestock, poultry, fish or cover crops; leaving the land idle for a government program or for normal crop or livestock rotation; land used for raising certain exotic animals or birds to produce human food or other items of commercial value and wood for use in fences or structures on adjacent agricultural land also qualifies.

HOW YOUR PROPERTY IS APPRAISED

HOW IS THE AGRICULTURE VALUATION OF LAND APPRAISED?

This property type will be reappraised on a three year cycle by the district's appraisal staff. The cost schedules will be analyzed and updated every year by the district's appraisal staff. The following details the planned valuation methods.

The Kleberg Appraisal District values agricultural and wildlife management land in compliance with the Comptroller's *Manual for the Appraisal of Agricultural Land.* This publication prescribes that the cash lease and the share lease methods of appraisal are appropriate when developing productivity value estimates.

The cash lease method is a modified income approach using the lease amount (income per acre) minus expenses of the landowner to yield the "net-to-land" value per acre. "Net-to-land" values will be averaged for a five-year period to give an average "net-to-land" factor that will be divided by the appropriate capitalization rate for the year to give a value per class of agricultural production. These classes are determined from field inspections, applications and agricultural activity. The agriculture appraisal staff will collect lease data from owners and lessees on an ongoing basis in order to develop "net-to-land" figures by agricultural classification. This net to land is used in combination with an owner/operator budget of one large landowner in Kleberg County. A percentage of the owner/operator budget net to land and the lease surveys net to land are dependent on the percentage of the ownership in the county for pasture land under the one landowner. This combination occurs for pasture property, native, brush, improved, barren and lake. A cash lease method is the only net to land used in the calculation for tilled dry land.

BUSINESS AND INDUSTRIAL TANGIBLE PERSONAL PROPERTY

This property type will be reappraised each appraisal year by the district's appraisal staff and outside appraisal firm. The cost schedules will be analyzed and updated as needed every year. The following details the planned valuation methods.

The Personal Property Department engages in an annual canvas of field reviews to identify new businesses to be added to the roll, movement of existing businesses to different locations or business closings and data review of current property characteristics in property records. Newspapers and phonebooks are reviewed to located new businesses. The sales tax list is received from the comptroller’s office each year and new accounts are added, old accounts are updated or deleted based on the information in the list. A commercial registration book is ordered and values for vehicles used to produce income are updated. Once pertinent data is updated in the field, property rendition forms will be sent to owners in order that they may declare their taxable personal property according to current law. The information obtained from renditions will be utilized by the district to develop an estimate of market value. Generally, estimates of value developed for industrial and personal property will be produced by mid to late May of each appraisal year. The notices of appraised value for these property types are generally mailed in early to mid-June.

HOW YOUR PROPERTY IS APPRAISED

WHAT IS PERSONAL PROPERTY?

Items used by a business or individual for the production of income. Every kind of property that is not real property, generally, property that is movable without damage to itself or the associated real property.

WHAT IS A RENDITION FORM?

A rendition is a form that a Business Property Owner may use to provide information about the business. The Appraisal District uses the information the business provides to appraise the property for taxation. It must be filed after January 1 and no later than April 15 each year. A business owner may file an extension to extend the deadline to May 15 by filing a written request with the Chief Appraiser, and an additional 15 days can be requested by the property owner by showing good cause in writing and receiving the Chief Appraiser's approval confirmation. All information contained on a rendition form and attachments and any other information the Business Property Owner provides to the Appraisal District in connection with the appraisal of the property will be held confidential and not open to public inspection.

WHO MUST FILE A RENDITION FORM?

A person who owns tangible personal property used for the production of income; A person who manages or controls such property as an authorized agent; or a person who has been formally notified by the Chief Appraiser to submit a rendition form.

WHAT KINDS OF PROPERTY MUST BE RENDERED?

For taxation purposes, all property is classified as either Real Property (land, buildings, and other attachments to land) or Personal Property (items used for the production of income). Business personal property that a business and/or business owner uses to produce income must be rendered. This includes furniture, fixtures, equipment (office and shop), machinery, computes, copiers, motor vehicles, aircraft, inventory held for sale, rent, or on consignment, raw materials, goods in process, finished goods and/or those awaiting sale and/or distribution must be rendered.

HOW IS BUSINESS AND INDUSTRIAL TANGIBLE PERSONAL PROPERTY APPRAISED?

Sales Comparison Approach

Sales of business tangible personal property are rare. When available, they are considered in updating schedules and individual accounts. However, adjustments between these types of properties present a very complex appraisal problem. Therefore, the sales comparison approach is not reliable on a mass appraisal basis.

HOW YOUR PROPERTY IS APPRAISED

Cost Approach

The primary approach to the valuation of business and industrial personal property will be the cost approach. Cost schedules are developed by the district's staff from various sources including renditions, national publication, and the Comptroller of Public Accounts, and applied to specific business codes. These schedules will be reviewed and updated annually to conform to changing market conditions.

Valuation models will be created and refined using actual original cost data obtained from renditions to derive the replacement cost new (RCN) per applicable unit for a specific category of assets. The data obtained will be compiled for review and models will be built and or adjusted as necessary. The revised models will be tested in accordance to accepted methods and techniques. These schedules are applied on a mass appraisal basis and are adjusted by information obtained from individual renditions.

Income Approach To Value

The income approach to value for business tangible personal property is not currently used by the district on a mass appraisal basis.