



Pecos County Appraisal District

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Agenda

- The goals and objectives of this presentation is to provide Property Owner's an overview of PCAD's Appraisal Valuation Process for property in Pecos County
- Definition of Market Value
- Review Residential and Commercial Division Valuation Processes
 - Building Permit Process
 - Reappraisal Process
 - Building Classification Concept
 - Residential Neighborhood Concept
 - Commercial Land Market Area
 - Reappraisal Process
 - Approaches to Value (Cost, Sales, Income Approaches)
- Review Business Personal Property Division Valuation Processes
 - Examples of Business Personal Property
 - Discovery and Listing Processes
 - Valuation Process
 - Rendition Process



Property taxes the **LOCAL TAX**

- Property taxes are *local* taxes. Local officials value your property, set your tax rates, and collect your taxes. However, Texas law governs how the process works.

How The System Works

- An *appraisal district* in each county sets the value of taxable property each year. The **chief appraiser** is the appraisal district's chief administrator and is responsible to a board of directors for its operation.
- An **appraisal review board (ARB)** settles any disagreements between you and the appraisal district about the value of your property.
- Local **taxing units**, including the **county, cities, school districts, and special districts**, decide how much money they will spend each year. This in turn determines the tax rate they need to set and the *total amount of taxes* that you and your neighbors will pay.

The system has four stages: valuing the taxable property, protesting the values, adopting the tax rates, and collecting the taxes.

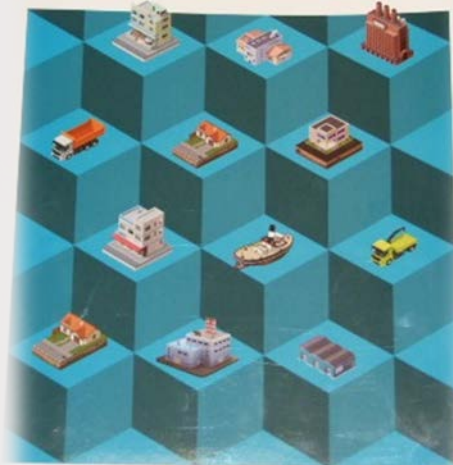
Constitutional Standards

- 1) Taxation must be **equal and uniform**.
- 2) With some exceptions, all tangible property must be taxed on its **January 1** market value.
- 3) All property is taxable unless federal or state law provides an exemption for it.
- 4) Each property in a given appraisal district must have one appraised value.
- 5) Property owners have a right to reasonable notice of increases in appraised property values.

Valuation



Texas Property Tax Code 2013





Pecos County, Texas

- The valuation process performed by the Pecos County Appraisal District typically falls into one of three categories.
 - Building Permits
 - Miscellaneous Inspections
 - Reappraisal

Appraisal Process

Market Value

PCAD is required to appraise all property at Market Value as of **January 1** of every tax year

- Texas Property Tax Code Section 1.04 defines Market Value
- Market Value: means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:
 - (A) Exposed for sale in open market place with a reasonable time for seller to find a purchaser
 - (B) Both the seller and purchaser know of all uses and purposes to which the property is adapted and for which it is capable of being used and the enforceable restrictions on its use; and
 - (C) Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Single Family



Single Family



Mobile Homes



Appraisal Process Schedule

These three tasks are performed during the Field Cycle (August 1 – April 15).

- *Permit* work is typically done from August 1 through January 15.
- *Miscellaneous Inspections* can be done throughout the field cycle time frame.
- *Reappraisals* are typically done from January 15 through April 15.

Building Permits

- A building permit is a document issued by a city which gives a property owner permission to build on or modify a piece of real property. After a property owner makes an application for a building permit, and has been approved, a copy is forwarded to the corresponding appraisal district. Appraisal districts use these copies as a tool to discover new construction and/or alterations to existing structures.



Building Permits

- The two main types of building permits are:
- New Construction Permits are newly constructed houses.

a) The exterior perimeter of all new houses are measured and the sketch is accurately recorded.

b) All physical characteristics such as building class, living area square footage, condition, bath room count, and other physical characteristics are updated.



Building Permits

Miscellaneous Permits are all building permits for items such as pools, room additions, garage enclosures, remodeling, repairs, and demolitions.

a) Exterior measurements are made when required.

b) Adjustments to the improvement's physical characteristics are updated to the account.





Pecos County, Texas

Since the assessment date is January 1, all permit inspections are made from August 1 through January 15. If during the initial inspection the appraiser finds the permit work to still be in process, then the appraiser will recheck again close to the January 1 assessment date. If the property is still under construction towards the end of the year, or the work hasn't begun, the appraiser is required to determine the level of completion and flag the account for re-inspection the following appraisal year.



Pecos County, Texas

According to the Texas Property Tax Code, the appraisal district is required to appraise property, in its current state, as of January 1 of any given tax year. Therefore a 50% complete home gets appraised at 50%, a 75% complete swimming pool gets appraised at 75%, etc.





Pecos County, Texas

An equally important factor in appraising property is to have accurate property descriptions. This is achieved through actual field inspections performed by the PCAD appraisers.



Reappraisal

- Mass appraisal is the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing.
- Mass appraisal provides the ability to accomplish such a large task.
- Annual reappraisal effort is where the mass appraisal process occurs.
- Texas Property Tax Code requires appraisal districts assign a January 1 value to all property.

Residential Neighborhood Concept

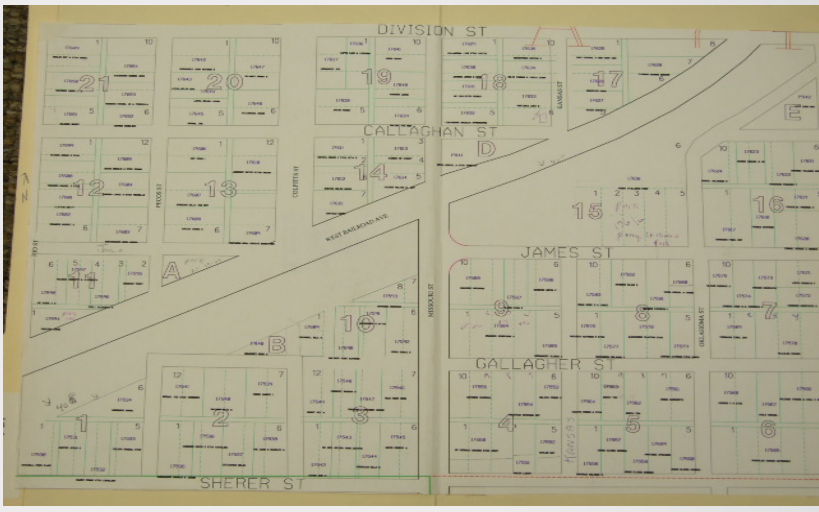
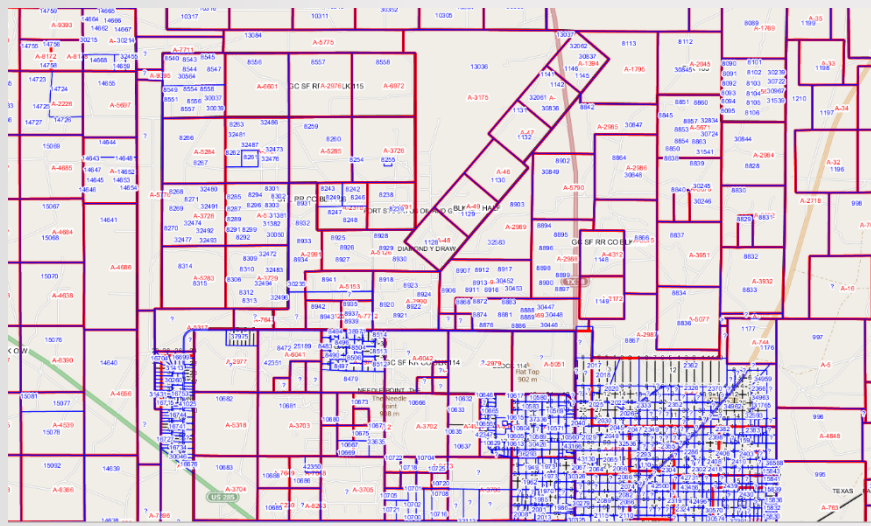
- A Residential Neighborhood is a defined market area.
- Neighborhoods vary in size but don't cross over into different Independent School Districts.
- Residential Models are developed at the Neighborhood Building Class level.
- Insures more accurate and equitable market values.



Residential Reappraisal

- Sold properties used in model development are inspected and reviewed prior to neighborhood reappraisal.
- Physical characteristics are reviewed for accuracy.
- Appraiser undertakes a neighborhood value review to review all new proposed market values.
- Neighborhood drive-out typically occurs.
- Digital photographs, aerial photography and Geographical Information System (GIS) maps are also reviewed.

Mapping



Residential Approaches to Value

- Mass Appraisal Records System (MARS)
- **Three** approaches to value
- Cost Approach
- Sales Approach
- Income Approach

Commercial Buildings

- Office Buildings
- Multi-family Property (Apartments)
- Retail Property (Shopping Centers)
- Industrial Property (Warehouses)
- All Commercial Buildings
- Properties on Commercial zoned Land
- Commercial zoned land tracts

Commercial Building Permits

- New Construction Permits
- Miscellaneous Permits
- Remodels
- Additions
- Repairs
- Demolitions
- Inspections completed prior January 15
- Partially complete properties valued as of January 1
- Partially complete properties re-inspected annually until completed

Business Building Permits



Commercial Reappraisal

- Undertaken January 15th-April 15th
- Land Market Areas (LMA)
- Improved Market Areas (IMA)
- LMA and IMA targeted for reappraisal
- Insure accurate and equitable values
- IMA
 - Office Buildings
 - Multi-family Property (Apartment Complexes)
 - Retail Property
 - Industrial Property (Warehouses)

Commercial Reappraisal Income Model Development

- Market Areas (IMA)
- Market data analyzed
- Income and Expense Statements
- Rent Rolls
- Data received during Appraisal Review Board (ARB) Process
- Local and National publications

Commercial Approach to Value

- Mass Appraisal Records System (MARS)
- Three approaches to value
 - Cost Approach
 - Sales Approach
 - Income Approach

Business Personal Property Valuation Processes

It is the responsibility of the Business Personal Property Division to discover, list, and value all Business Personal Property in Pecos County for property tax purposes.

Business Personal Property (BPP)

- Business Personal Property (BPP) consists of movable items used in the course of business not permanently affixed to, or part of, the real estate.
- Examples of Business Personal Property are:
 - Furniture
 - Machinery and equipment
 - Computers
 - Vehicles
 - Inventory
 - Supplies

Business Personal Property Discovery

- When the appraisers are in the field they are verifying that existing businesses are still operating at the same location as the previous year.
- If a business has moved or ceased operations the information is noted and the account corrected.
- If the appraiser identifies a new business a new account will be created for that specific location.
- Each account has a unique account number that stays with the business and its assets even if there is an ownership change, or if the business moves to another location within Pecos County.

Listing of Business Personal Property

The proper listing of property is critical to insure that the value and ownership of the property can be properly determined.

Business Personal Property Valuation

- Typically the cost approach is used to value business personal property, although all approaches are considered, the cost approach offers the most equitable and consistent method for mass appraisal of business personal property.
- The BPP appraiser will estimate the market value by comparing the subject business being appraised against similar types of businesses. The appraiser takes into account the size of the business, the quality and condition of the assets, and an estimate of the overall age of the assets. In addition to the business assets, the appraiser will also estimate the market value of inventory based on the quantity, and make any known condition adjustments.
- The sales and income approach is often less useful with many types of business assets that don't have an active used market.

Business Personal Property Rendition

- The next important step in completing a business personal property appraisal is based on reviewing the [Business Personal Property Rendition Form](#)
- Renditions contain information provided by the property owner and **per the Texas Property Tax Code, business owners are legally required to file a BPP rendition annually by April 15th**, and upon written request by the property owner the chief appraiser shall extend a deadline for filing a rendition statement to May 15.
- **Not filing a rendition by the annual April 15th deadline will result in a ten percent penalty being applied to the business personal property tax bill.**
- The rendition requests basic information about a business including cost and year acquired of assets, inventory values, consigned goods, leased equipment and the property owner's opinion of value.
- The Pecos County Appraisal District mails rendition forms to all existing BPP accounts

Business Personal Property Rendition

A properly filed rendition form allows the BPP appraiser to:

- 1) Verify the Legal Owner, DBA, and Physical Location of the property on January 1 of the appraisal year.
- 2) Use contact information on the rendition if the appraiser has questions about the business being appraised.
- 3) Compare cost or opinion of value information against the estimate of value made by the appraiser in the field.

Business Personal Property Valuation

With the appraiser's information gathered in the field and a properly filed Business Personal Property Rendition form from the owner, the BPP appraiser has enough information to make an accurate and equitable business personal property market value appraisal for property tax purposes.

Business Personal Property Reminders

- Business personal property owners are legally required to file a Business Personal Property Rendition annually per the Texas Property Tax Code.
- Not filing a Business Personal Property Rendition by the annual [April 15th](#) deadline will result in a 10% penalty being applied to the business personal property tax bill.

Summary of PCAD Valuation Processes

- Establish January 1 accurate and equitable Market Value
- Building Permits (August 1- January 15)
- Reappraisal (January 15 – April 15)
- Residential and Commercial Model Development
 - Residential Neighborhood
 - Commercial Land Market Area (LMA) and Improved Market Area (IMA)
- Business Personal Property
 - Site visits
 - Rendition Form
- Three Approaches to Value
 - Cost Approach
 - Sales Approach
 - Income Approach

Thank you

