

PROCEDURES FOR REAL PROPERTY INVENTORY VALUATION

STATE PROPERTY TAX CODE SECTION 23.12

1. BACKGROUND:

- a. State Property Tax Code Section 23.12 states that the market value of inventory is the price for which it would sell as a unit to a purchaser who would continue the business.
- b. Based on State Property Tax Code Section 23.12 the chief appraiser shall establish one procedure for the equitable and uniform appraisal of inventory for taxation and apply generally accepted appraisal techniques in computing the market value of residential real property inventory.

2. CRITERIA:

- a. The following properties do not qualify for inventory valuation:
Undeveloped lots, Vacant Acreage and Model Homes which are not listed for sale January 1st of the tax year.
- b. To qualify for the residential real property inventory valuation, a **completed form 50-143, Rendition of Real Property must be submitted** by the property owner or designated agent **no later than April 15**, except as provided by Tax Code Section 22.02. On written request by the property owner, the chief appraiser shall extend the deadline an additional 15 days upon good cause shown in writing by the property owner per the Tax Code Section 22.23. **This form must be completed each year to qualify.**
- c. The property within a residential subdivision must be for sale in the normal course of business. Undeveloped lots do not qualify, as they are not ready for sale in the normal course of business. This property will be valued as raw acreage land. Property must be planned for construction, or under construction as of January 1st 2024. If the Appraisal District is unable to find proof that the property was actively listed for sale or planned for construction, we may require proof be provided by the other. Failure to provide proof may result in loss of qualification.
- d. **Sec. 9.4013. Texas Property Tax Law
Real Property Inventory Appraisal**

(a) A real property inventory is one or more platted lots or tracts, and improvements, if any, meeting the following criteria:

- (1) they are under the same ownership;
- (2) they are contiguous to one another or are located in the same subdivision of development;
- (3) they are held for sale in the ordinary course of business;
- (4) they are subject to zoning restrictions limiting them to Residential use, or, if not subject to zoning, they are:
 - (A) subject to enforceable deed restrictions limiting them to residential use, or
 - (B) their highest and best use is as residential property: (can not be Ag properties)

- (5) they have never been occupied for residential purpose;
And

- (6) (a) they are not presently leased or producing income.
(ag value is income based, you can not have Inventory Market Value on property that qualifies for Ag Appraisal; one or the other, not both)

(b) A residential real property inventory shall be appraised as a unit at the price for which it would transfer to another person continuing the business, using generally accepted techniques for the appraisal of subdivisions and similar properties.

3. NECESSARY DOCUMENTATION TO QUALIFY FOR INVENTORY VALUATION:

- a. A separate rendition list of account numbers or legal descriptions if accounts numbers are not known, for each subdivision or group of contiguous accounts in a subdivision, grouped as vacant property or improved property with the percent complete of the improvements as of January 1, of the Tax Year. List only those properties that meet the inventory criteria.

- b. For Developers: The owner or representative shall disclose cost of acquisition on land as well as infrastructure cost (Cost to Develop the Subdivision). If lots are selling to builders the lot prices (Take Down) must be disclosed and if lots are selling to individuals these lot prices must be disclosed. All sales will be disclosed. Closing/settlement statements are preferred on original land acquisitions. Schedules are fine for lot sales and improved properties sales.
 - c. For Builders: The owner or representative must disclose asking prices, the acquisition cost for the residential lots and the cost of construction and percent complete as of January 1st of the year of appraisal for improved properties. If lots are selling to individuals the lot prices must be disclosed also. All sales will be disclosed.
 - d. Details such as: Total lots within the subdivision development and Yearly absorption rate are also necessary.
 - e. Dated/older sales on land acquisition for subdivision development shall be addressed for time adjustments.
 - f. Disclosure must be based on owner's books and records each year of appraisal. Additional information may be requested and notarization may be required.
 - g. An analysis will be made with the actual COST TO DEVELOP, and MARKET DATA. Generally accepted rules of appraisal will be used to generate an appropriate Inventory value.
4. The State Comptroller form (50-143) which basically requests the same data we are requesting will be used, with documentation attached.

Application Processing.

The following procedure is to be used by the Wood Central Appraisal District Staff following the reception of a completed form 50-143, Rendition of Real Property Inventory application:

Clerk:

- (1) Mark the application with the appropriate date stamp for the date received
- (2) Scan the rendition to the appropriate accounts under the following image type – DD FORM, record type – DD, sub type -all.
- (3) Deliver the application to the appropriate receptacle for an appraiser to process

Appraiser:

- (1) Verify the image has been appropriately scanned to the correct accounts, if the property is an Undivided Interest Owner (UDI), verify all ownership accounts received the scan
- (2) Verify qualification of property via aerial imagery, and or field inspection
- (3) Apply or Verify the O State Code is selected for all appropriate land and improvement segments

Annual Real Property Inventory Review.

Each year between Jan. 1 and the anticipated date for notices of appraised value to be mailed out, the appointed appraiser should follow the procedure listed below to verify all properties with the real property inventory valuation.

- (1) In PACS, perform a property search under the State Code for O property types
- (2) Verify the ownership has not changed from the original applicant and has a completed form 50-143, Rendition of Real Property Inventory on file under the current owner(s) name.

- (3) Verify the property is still qualified under the general requirements above
- (4) Verify the appropriate economic adjustments are accurate and in place for all land and improvements
- (5) If ownership has changed, or the property is no longer qualified, remove the economic adjustments as appropriate and correct the State Code to the designated property type, (i.e. A1 for single family home, C1 for vacant subdivision lot, etc.)
- (6) If an updated rendition is required, send the property letter in PACS entitled RPI -COVER LETTER, along with a blank form 50-143, with a listing of properties under the ownership that is requested.

Rendition of Residential Real Property Inventory

Form 50-143

CONFIDENTIAL

WOOD COUNTY APPRAISAL DISTRICT

Tax Year

Appraisal District's Name

Appraisal District Account Number (if known)

GENERAL INFORMATION: This form is for use in rendering residential real property inventory owned or managed and controlled as a fiduciary on Jan. 1. This form assists the appraisal district in classifying and appraising property as inventory pursuant to Tax Code Section 23.12.

FILING INSTRUCTIONS: This document and all supporting documentation must be filed with the appraisal district office in the county in which the property is taxable. **Do not file this document with the Texas Comptroller of Public Accounts.**

SECTION 1: Property Owner Information

Property Owner Name

Mailing Address, City, State, ZIP Code

Phone Number (area code and number)

Email Address

Property Owner is (check one):

☐ Individual ☐ Corporation ☐ Partnership ☐ Trust ☐ Association ☐ Nonprofit Corporation ☐ Other: _____

SECTION 2: Party Filing Report

☐ Property Owner ☐ Secured Party
☐ Employee of Property Owner ☐ Fiduciary
☐ Authorized Agent ☐ Other _____
☐ Employee of Property Owner on Behalf of Affiliated Entity of the Property Owner

NOTE: When a corporation is required to file this report, an officer of the corporation or an employee or agent who has been designated in writing by the board of directors or by an authorized officer to sign on behalf of the corporation must sign the report (Tax Code Section 22.26(b)).

Name of individual authorized to sign this report

Title or Position

Mailing Address, City, State, ZIP Code

Phone Number (area code and number)

Email Address

Complete if applicable.

☐ By checking this box, I affirm that the information contained in the most recent rendition statement filed in _____ continues to be complete and accurate for the current tax year. (Prior tax year)

Are you a secured party with a security interest in the property subject to this rendition and with a historical cost new of more than \$50,000 as defined by Tax Code Section 22.01(c-1) and (c-2)? ☐ Yes ☐ No

If yes, attach a document signed by the property owner indicating consent to file the rendition. Without the authorization, the rendition is not valid and cannot be processed.

SECTION 3: Property Information

Identify each of the taxing units in which the property is located:

Complete the following schedules in this form.

- Residential Real Property Inventory Schedule
- Information About Estimate of This Inventory's Value

If an estimate is provided, the appraisal district must send a notice of appraised value if it places a higher total value on the property than the estimate.

SECTION 4: Affirmation and Signature

If you make a false statement on this form, you could be found guilty of a Class A misdemeanor or a state jail felony under Section 37.10, Penal Code.

I, _____

Printed Name of Authorized Individual

swear or affirm that the information provided in this report is true and accurate to the best of my knowledge and belief.

NOTE: The signature on this report must be notarized unless the person filing the report is a secured party as defined by Tax Code Section 22.01, the property owner, an employee of the property owner, an employee of the property owner on behalf of an affiliated entity of the property owner or on behalf of a property owner who is rendering tangible personal property with a good faith estimate of not more than \$150,000 in total market value.

**sign
here** ➔

Signature of Property Owner or Authorized Representative

Date

Subscribed and sworn before me this _____ day of _____, 20_____.

_____, Notary Public, State of Texas

Important Information

GENERAL INFORMATION

This form is for use in rendering residential real property inventory owned or managed and controlled as a fiduciary on Jan. 1. This form assists the appraisal district in classifying and appraising property as inventory. Inventory includes residential real property which has never been occupied as a residence; held for sale; remains unoccupied; is not leased or rented; and produces no income (Tax Code Section 23.12). This report is confidential and not open to public inspection; disclosure is permitted pursuant to the terms of Tax Code Section 22.27.

Unless required by the Tax Code or the chief appraiser, rendering real property is optional. File a separate rendition form for each subdivision or group of contiguous properties. To render real property that does not qualify as residential real property inventory, use Form 50-141, *General Real Property Rendition of Taxable Property*.

FILING INSTRUCTIONS

This document and all supporting documentation must be filed with the appraisal district office in the county in which the property is taxable. **Do not file this document with the Texas Comptroller of Public Accounts.** Contact information for appraisal district offices may be found on the Comptroller's website.

DEADLINES

Rendition statements and property report deadlines depend on property type. The statements and reports must be delivered to the chief appraiser after Jan. 1 and no later than the deadlines indicated below.

PENALTIES

Failure to timely file a required rendition statement or property report will incur a penalty of 10 percent of the total amount of taxes imposed on the property for that year. An additional penalty will be incurred of 50 percent of the total amount of taxes imposed on the property for the tax year of the statement or report, if a court determines that:

1. a person filed a false statement or report with the intent to commit fraud or to evade the tax; or
2. for the purpose of affecting the course or outcome of an inspection, investigation, determination, or other proceeding before the appraisal district, a person:
 - altered, destroyed or concealed any record, document or thing;
 - presented to the chief appraiser any altered or fraudulent record, document or thing; or
 - otherwise engages in fraudulent conduct.

Rendition Statements and Reports	Deadlines	Allowed Extensions
Property generally	April 15	<ul style="list-style-type: none"> • May 15 upon written request • Additional 15 days for good cause shown
Property regulated by the Public Utility Commission of Texas, the Railroad Commission of Texas, the federal Surface Transportation Board or the Federal Energy Regulatory Commission. Tax Code Section 22.23(d).	April 30	<ul style="list-style-type: none"> • May 15 upon written request • Additional 15 days for good cause shown

Residential Real Property Inventory Schedule

Provide the description of each property including the appraisal district account number (if the district has assigned separate numbers for each property), the individual property legal description, improvement area, percent complete on Jan. 1 and the property's asking price. Providing the estimated land and improvement value is optional.

Complete this table (attach additional sheets as necessary) or a spreadsheet setting forth the required information. All such information must be separately identified in a manner that conforms to the column headers used in the tables or that is acceptable to the property owner and appraisal district.

Subdivision Name

Location (nearest major intersection)

Appraisal District Account Number

Continue on additional sheets as needed

[illegible]

Page _____ of _____ pages

Optional: Information About Your Estimate of This Inventory's Value

If a value was rendered in the Residential Real Property Inventory Schedule, please complete this schedule to show how the inventory value was derived.

Cost

If the inventory value estimate is based on cost, please complete this schedule or attach documentation for the estimate.

Land Cost:

Total Number of Lots/Acres in this Schedule:

_____ ☐ Lots ☐ Acres

Purchased for \$ _____ per Lot/Acre

Date Purchased
(attach schedule if properties were
purchased on more than one date)

Site Improvement Costs \$ _____ per Lot/Acre

Other Development Costs \$ _____ per Lot/Acre

Building Cost (total for all improvements listed):

Materials \$ _____

Labor \$ _____

Architectural Design \$ _____

Filing and Permit Expense \$ _____

Title Expense \$ _____

Advertising/Promotion \$ _____

Security \$ _____

Insurance \$ _____

Financing Cost \$ _____

Tax \$ _____

Other Building Costs (specify):

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

Total Inventory Cost \$ _____

Income

If the inventory value estimate is based on income from selling the properties over time, please complete this schedule and attach documentation.

Number of Properties in Inventory. . . _____

Projected Annual Gross

Income from Sales \$ _____

Projected Time to Sell Inventory (please attach a timetable if the same number of
units is not expected to be sold)

For Each Year, _____ Months

Projected Selling Price Change + or _____ % per Year

Projected Annual Expenses:

Interim Financing \$ _____

Tax \$ _____

Insurance \$ _____

Marketing \$ _____

Payment of Points \$ _____

Other Expenses (specify):

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

Projected Profit as a Percentage
of Annual Gross Income \$ _____

Discount Rate Used to
Project Value \$ _____

Total Inventory Value \$ _____