

Business Personal Property Valuations

Business Personal Property is one of the most confusing aspects of property taxes.

Penalties now are in force pursuant to new legislation.....

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What is Business Personal Property?

The Texas Property Tax Code provides for the taxation of personal property that produces income. The production of income is what changes the nature of personal property to business personal property.

What types of property are involved?

Any physical assets that produce income are included. This is commonly referred to as "tangible" property. Tangible property includes things such as Machinery & Equipment, Furniture & Fixtures, Vehicles, Supplies, Raw Materials and Finished Goods. Assets such as cash, accounts receivables and notes are exempt from property taxes.

Is everyone who owns income producing property required to submit a rendition?

Yes. However, if your good faith estimate of all of your tangible business assets is less than \$20,000, you may submit a simplified rendition.

What information is required when rendering my property?

For properties exceeding \$20,000 you must render the following information:

- ❖ Name and address
- ❖ Description of property by type/category
- ❖ Description and quantity of each type of inventory
- ❖ Physical location of the property
- ❖ Your good faith estimate of value or cost new with year of acquisition of your assets

For properties under \$20,000 you may submit a simplified rendition with the following information:

- ❖ Name and address
- ❖ Description of the property by type or category
- ❖ Physical location of the property

What is a good faith estimate of value?

This is an honest estimate that you would ask for your assets on January 1st if you were to sell. For purposes of valuing business personal property, you should focus on what your assets would sell for if you sold to another person in a similar business. For example:

You are a distributor of paper products. You purchase your product and then sell paper to retail customers. The value you should render is NOT your retail value. Instead, you should render the value of your inventory at what it would sell to another distributor who sells to retail customers. The same principal applies to Machinery, Furniture etc.

What should I know about rendering my cost instead?

If you are not comfortable with rendering a good faith estimate of value, you can render the historical cost new and year of acquisition. This boils down to rendering your cost and when you purchased the assets. The CAD will then take the cost and depreciate the value based on age. It is important to note that this depreciation is different from IRS depreciation.

Is this the same as the “Book Value” on my audit reports?

No. Book value tends to use accelerated depreciation tables for deduction purposes. Book value often differs significantly from the actual market value of your assets.

What happens if I don’t render my business personal property?

Recent changes in the law provide for **assessable penalties** for failure to render AND for fraudulent renditions.

If you fail to timely render your property you are subject to a penalty of 10% of the total taxes assessed in that year.

If you file a rendition that is determined in court that you made false statements with the intent to commit fraud or evade taxation, you are subject to a penalty of 50% of the total taxes assessed in that year.

When is the deadline for filing “timely”?

Renditions are due to be submitted to the CAD by April 15th. However, by law, the chief appraiser is required to extend this deadline to May 15th if you request an extension in writing. You should apply for this extension by April 15th.

Will my rendition be subject to open disclosure laws?

No. The law clearly categorizes your rendition as confidential information. Your rendition may only be disclosed to you or your designated agent, to the State Comptroller, to another assessor or chief appraiser or in other specific judicial or administrative proceedings as allowed by law.

There is a criminal penalty if CAD staff makes an unauthorized disclosure of your rendition.

How does this relate to the taxes on my building?

Many people confuse the business personal property tax with their other property. If you own the real estate where your business is located, you will receive a tax statement on BOTH the real estate AND your business personal property.

If however, you lease the property where you are located, you will only receive a tax statement for your business personal property.

May I add additional pages to the rendition form?

Yes. Available space is limited on the printed form. If you need additional space, or if you have your information already printed in another format, you may submit those pages in addition to the rendition form. You must submit the SIGNED rendition form however to be in compliance with the law.