

Appraisal Disapproval:

how a Texas legislator is fighting for property tax reform

BY BRANDI SMITH

Mitch Zarsky says he could hardly believe it when he heard his own words parroted back to him during a recent Harris County Appraisal District hearing.

"I can remember when the gentleman called me about this space," Zarsky says, referring to a mini-storage facility he owns. "He acted like he was an individual interested in leasing a space for personal storage."

Zarsky says the potential tenant appeared to be a third party used by HCAD to gain information about properties, which was now being used against him out of context.

"What he was trying to say was that the property's obviously worth more because it only has one vacancy in the entire property, which is not true," says Zarsky. "The bottom line is I had several vacancies, but only had one at that time that I was looking to rent."

"That's very underhanded and it's not a fair way to do business," Zarsky says.

Zarsky, president of Zarsky Industries, owns roughly 15 properties across the state, ranging from what he

describes as the "little mini-storage" that was the topic of his HCAD hearing up to one property valued at more than \$9 million.

"Government shouldn't be in that business tricking taxpayers," Bettencourt says.

Though Zarsky and HCAD eventually settled on a property value, which Zarsky calls "reasonable, but a little on the high side," Zarsky is unnerved a government agency would use a third party to execute such a deceptive tactic.

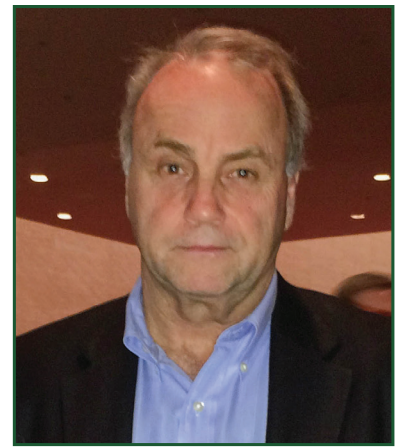
"That's very underhanded and it's not a fair way to do business," Zarsky says. "These third parties are not part of the county government; they can basically say whatever they want. They're providing the information they find out to the county, but they are not directly connected to the county, so there's no checks and balances there."

REDNews reached out to Sen. Paul Bettencourt (R-Dist. 7) to find out whether he's heard any stories similar to Zarsky's. Bettencourt, who's been a champion of property tax reform, was startled by Zarsky's experience.

"Government shouldn't be in that business tricking taxpayers," Bettencourt says. "We actually asked



Paul Bettencourt



Mitch Zarsky

the appraisal district and they claim that they don't have people doing that. They do have people who will call from the office, but they don't act like third parties. However, the fact that the information was repeated in a hearing means that somebody got it to the appraisal district."

Just as Zarsky does, Bettencourt believes there needs to be a set of checks and balances for Texas appraisal districts. If Senate Bill 2, the "Texas Property Tax Reform and Relief Act of 2017," passes this session, checks and balances will be put into place.

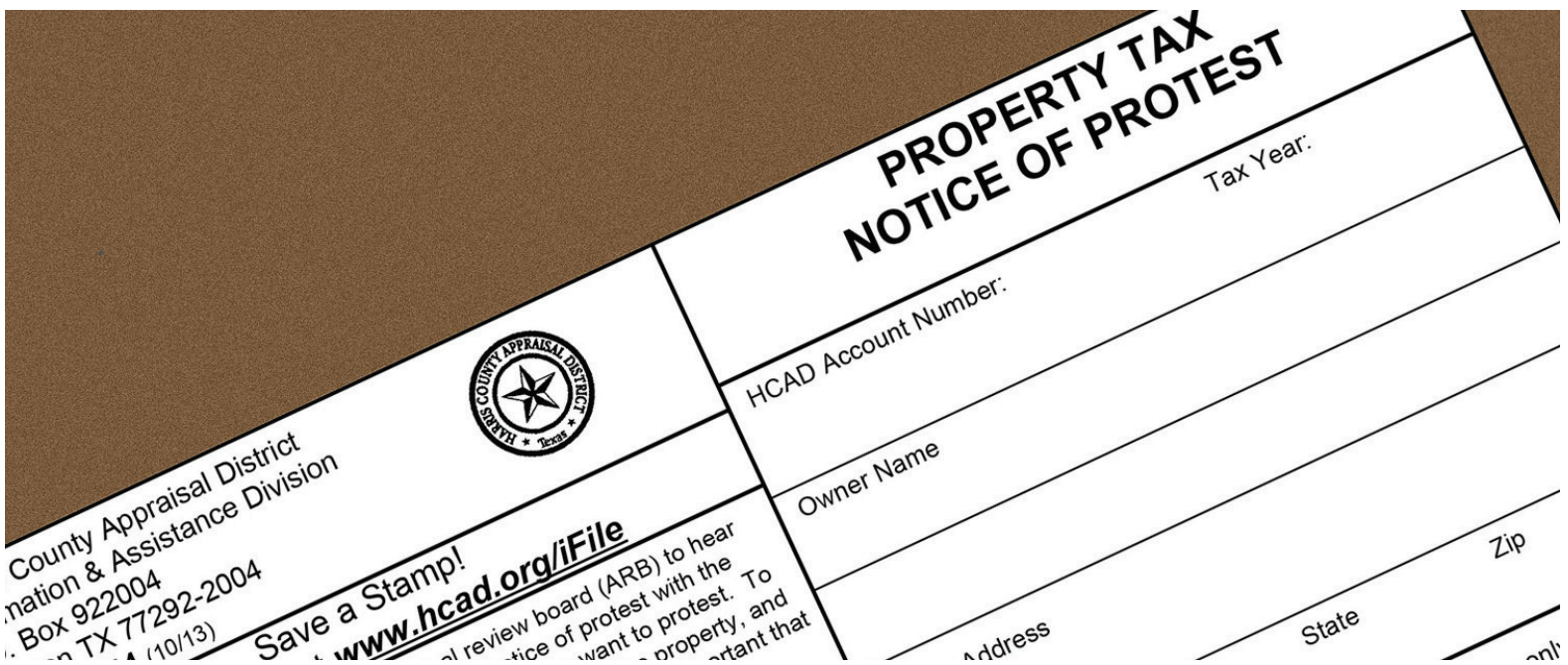
In Dallas-Fort Worth, Bettencourt says the average home's value shot up 22 to 24 percent in just two years.

"We want to create a property tax administration advisory board at the Comptroller's office that will oversee all the appraisal districts because different districts can have completely different attitudes. There's no place to complain about appraisal review board members or about operations in the districts," says Bettencourt. "You can complain to the licensing board about somebody's license, but you can't complain how you were treated or how you were treated differently from one county to the next."

Bettencourt, a former Harris County tax assessor, completed a statewide property tax hearing tour last year to learn about issues concerning property owners.

"The primary thing was that property taxes are rising two-and-a-half or three times faster than Texans' personal income," he says. "That means that every year, home and business owners get further behind, because taxes grow faster than their income."





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In Dallas-Fort Worth, Bettencourt says the average home's value shot up 22 to 24 percent in just two years. The number is 20 percent in San Antonio. Austin, he says, has seen three years of 12 percent increases. But the largest increase can be seen in Texas' largest city.

"The average home in Harris County has actually seen a taxable value increase of 36 percent and that's after exemptions. That's off the charts," he says. "When I was a tax assessor, I never thought I'd ever even be talking about numbers this high."

That is on the residential end. Bettencourt says the cost to commercial owners has also been extreme.

"Commercial businesses are looking at double-digit increases, on average, every year unless they protest," he says.

Protest is something with which Zarsky is all too familiar. He says he spends weeks each year fighting appraisal districts' valuation of his properties.

"I had a property that just kept going up 15 to 20 percent every single year, even though the property was in the same exact condition it was several years back. I brought that to the appraisal district's attention, and the chief appraiser said, 'Well, that's the way it works,'" Zarsky says.

He suspects most property owners suffer the increases for a few years, believing they will slow down eventually.

"It's just too much trouble to fight it," Zarsky says. "As a result, three or four years down the road, their taxes have increased 50 to 60 percent. It's too late for them to do anything about it because it's already increased beyond the point that they can bring them back down to where they actually should be."

Bettencourt says it is imperative the state act now to ensure its taxpayers are not faced with this kind of burden year after year.

"There's a device called a rollback rate, which is a technical term that basically allows some latitude by the jurisdictions to raise taxes. We want to cut that in half so that it slows this rate of growth by half," says Bettencourt. "After that point, there should be an automatic election. If taxing jurisdictions want to get more money, they need to go to the public and get a vote."


Bettencourt says SB 2 has the support of many of his fellow legislators, most importantly Lt. Gov. Dan Patrick.

"The lieutenant governor formed the Senate Select Committee on Property Tax Reform and Relief, then put us on the road to seven cities. We heard testimony from 321 witnesses and visited with many of the estimated 2,150 attendees," says Bettencourt. "I want to thank Senators Creighton, Hancock, Lucio, Perry, Van Taylor and Uresti, as well as the several other senators who joined the committee periodically, for their participation."

Bettencourt hopes backing will help SB 2 pass, despite what he calls "substantial opposition" from Texas Municipal League and the Texas Association of Counties.

Bettencourt adds: "Somebody's got to stick up for the taxpayers." ●

"...brokers and sellers are intentionally leaving pricing out of their ads and instead are stating 'call for pricing' for fear the ads will become evidence in an HCAD hearing. This causes their ads to lose traffic and impact over those that post pricing. Many brokers and end users searching for properties won't call on ads without listed sales prices as it takes considerable more time when they are scanning for potential investments.



In addition, when supposed interested parties call on ads, sellers are cautious to not quote pricing and have chosen to quote general sales that have taken place in the area until a LOI is received and the potential buyer can be verified.

It makes the whole process of selling a property like being the doorman at a speakeasy. No one becomes comfortable discussing price until the buyer can be trusted/verified."

- Mitch Zarsky