

Property Tax Reductions Through SB1 & Hurricane Harvey Loss Documentation



The Texas Senate endorsed Senate Bill 1, a bill allowing for property tax rate elections if county property tax revenues exceeded 4% of what was taken in the year before. The House & The Senate met in a special session on July 26th to vote on the rollback.

REDNews spoke with Senator Paul Bettencourt about the reason for the failure to pass Senate Bill 1, the tax relief bill, that would decrease the rollback rate from 8% to 4%, which was passed by the Texas Senate during the Texas Legislative Special Session.

"To make a long story short, Senate Bill 1 passed out of the Senate and we showed up, got to work, but the other side quit early. Because they wouldn't even name conference committee members in the Texas House and because the rollback trigger was set so high, it was only going to help four counties, which wouldn't have been enough measurable property tax relief for everyone."

According to Senator Bettencourt, if the bill had passed with a 6% rollback versus the 4% that was proposed, only four Texas counties on the I35 corridor would have benefitted. He indicated that the Speaker of the House, Joe Straus, was unwilling to appoint a conference committee so the bill was defeated. "If a conference committee had been appointed, we could have negotiated at possibly a 5% rollback rate which would have benefited more citizens. The public wanted property tax relief, but if only a few people are going to get it, as opposed to at least some or many, you just can't set up that type of dynamic with an electorate."



**Senator (R) Paul Bettencourt:
District 7**

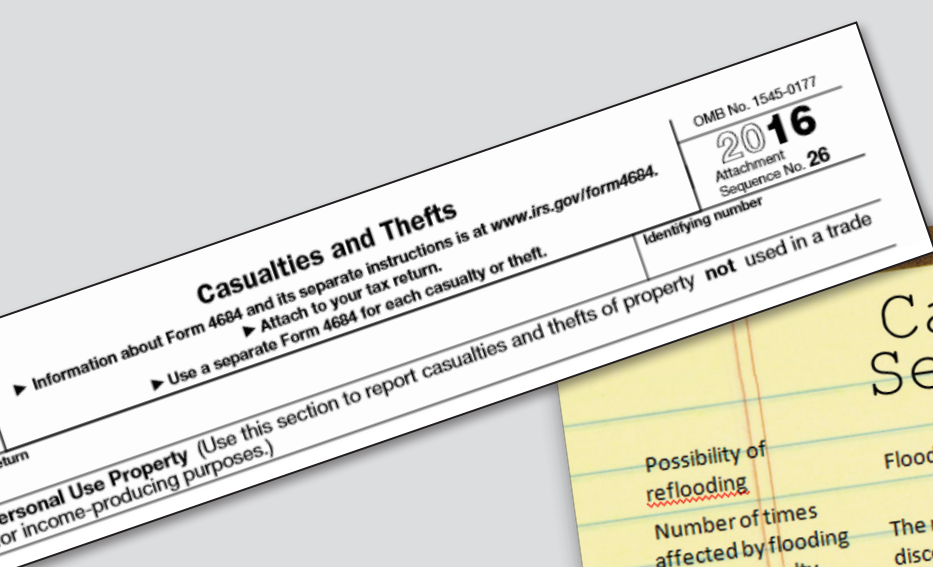


**Pat O'Connor,
President, O'Connor
& Associates**

Senator Bettencourt is hopeful that another legislative session will be called in the near future. However, "...With the natural disaster that occurred, it will most likely be delayed until the business of recovering from Hurricane Harvey is over. Assuming that I'm back, I will be there to present the bill again and I think it will pass out of the Senate as I don't think anybody will want to go back to their district and tell their constituents they are really against property tax relief".

We also asked Senator Bettencourt, who is also CEO of Bettencourt Tax Advisors, and Pat O'Connor, President of O'Connor & Associates, how they advise property owners regarding protesting their property tax values if they incurred damage from Hurricane Harvey. They both indicated the importance of documentation with pictures, insurance claims and FEMA claims as well as the importance of notifying your appraisal district of your loss now, with

a follow up the beginning of 2018. Their rough estimation of anticipated value reduction from the appraisal district ranged between 15% - 50%.



Casualty Loss Severity Factor

- Possibility of reflooding: Flooding of a property must be disclosed to the buyer.
- Number of times affected by flooding or other casualty: The more times a property has been damaged by a casualty, the more a buyer is likely to discount the price.
- Severity of flooding: The more severe the flooding or damage, the greater the danger of latent damages, or that damage will be missed during construction.
- Construction risk - 1: Risk the cost of construction will exceed budget.
- Construction risk - 2: Risk construction workers will not be available timely.
- Construction risk - 3: Risk of poor quality construction due to rebuilding during a major labor shortage.
- Interest rate risk: Risk interest rates will risk during the construction, leasing and sales period.
- Finance risk: Risk that financing will not be readily available for the property after the construction, leasing and sales period.
- Debt maturity risk: Risk the existing loan will mature prior to completing construction, leasing and sales value of the property.
- Excess debt risk: Risk the loan balance after construction, leasing and sales period will exceed the market value of the property.
- Market risk: Risk the market value of property will decline during the construction, leasing and sales period.
- Market risk: Risk operating expenses, including insurance, will increase during the construction, leasing and sales period.

To receive a copy of O'Connor & Associates Harvey Tax Reduction Program & Casualty Loss Severity Factor, call 713-290-9700

Harvey Tax Reduction Program

1) Property Owners Need to Report Damages to the Appraisal District

Self-reporting of property damages to the appraisal district. Document condition now to advise the appraisal district the property flooded. Also update them after year-end if appropriate. Send appropriate documentation to the appraisal district. Photos, bids, invoices for work done and information on prior flooding if any will be helpful.

- DO NOT expect the appraisal district to be aware of whether your house or business property flooded if it is not reported.
- If your property flooded, and you do not report the flooding, the initial 2018 value very likely will assume your property did not flood. Given the conservative nature of appraisal districts and appraisal review boards, it is likely the final value will exceed market value and be unequally appraised, requiring binding arbitration to achieve a reasonable result.

2) Review and possible report Year End Status

- Even if you report flooding, the appraisal district may ignore the information unless you provide the appraisal district with information regarding the condition of the property on January 1, 2018
- O'Connor & Associates, at no cost, will coordinate providing the appraisal district with information on flooded properties, both now and shortly after January 1, if appropriate. We will do this at no cost whether or not you are a client. Working with you, we will provide the appraisal district with the information available, in a format meaningful to the appraisal district. You can upload information into an electronic portal or send it by email.

3) Receive a free copy of an in-depth report being compiled by O'Connor & Associates documenting the discount for disclosing that a house has flooded. Even if your house is repaired by year end, you will have to disclose it flooded when you sell it. The disclosure diminishes the market value and should be considered relative to properties that sold that were not flooded.

4) 2018 Property Record Analysis – Avoid Phantom Property Tax!

Many appraisal districts assume that a home repaired after flooding has been remodeled and is in much better condition than before the flood. Since market value is based on condition and level of finish, such an assumption causes a large increase in the taxable value of a home, perhaps 20 to 50%. This means the appraisal districts accidentally overvalue many flooded houses by 20 to 50%. It is necessary to check the appraisal districts code for this issue. It is variously described as level of remodel, effective year build, and condition. Many homes are only restored to about the condition before the flood. O'Connor & Associates, at no cost, will review the 2018 property data for your home or business property and contrast it to the 2017 property data. This check affirms your taxes don't go up artificially. Or at the very least, if the appraisal district makes such an error, you will be aware and ready.

...to efficiently coordinate construction, leasing and sales pe
...during the construction period and will be expensive and diff
...to rebuild if the improvements are more than 50% destroyed

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O'Connor indicated that there are two issues to consider: One is "understand when you can take a deduction and, if your property flooded, you're probably eligible for a 15% to 30% reduction in the value of your property, not considering any physical damage."

O'Connor & Associates has a list of numerous types of risks that should be considered when a property is purchased and when going through the construction process for a property that flooded.

You just compare the value of the property before, versus the value of the property after. You have to think of it from the sense of what's the value of the property almost as though you are standing in the property dripping wet, trying to sell it. There are all sorts of risk that are unknown."

In the case where the property owner has completed repairs to his property after damages, O'Connor advises to check the appraisal district's personal property record when the 2018 valuations are available. "In many case, they put this ridiculous remodel factor on a property, which might add 50% to the value of the improvements."

The second issue, according to Pat, is the federal tax deduction which can be taken either for the current year, 2017, or can be used for 2016 which will decrease your tax liability. It is reported under Form 4684, Casualties and Thefts, with the IRS.

O'Connor has compiled a "Harvey Tax Reduction Program" (sample shown on previous page) which is available to anyone at no charge by contacting O'Connor & Associates at 713-290-9700.

His company is also compiling a report on the difference in property values that flooded and then sold. "I think we're going to have a report with about 250 - 500 properties, documenting a meaningful difference."

The reduction of property taxes in any form is helpful to the property owner so we're hoping that Senator Bettencourt is successful in his efforts to gain tax payer relief and, to all of you who experienced loss from Hurricane Harvey, we're hoping the above information will be beneficial in helping you obtain the maximum property tax relief from your Hurricane Harvey losses. ■

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