

## Rendition Filing Deadline Approaching for Business Personal Property Owners; New Penalties Imposed

By Terrell Rainbolt

**T**he law requires business personal property rendition statements to be filed with the Chief Appraiser for the appraisal district in which the property is taxable between January 1 and April 15. A property owner can extend the deadline to April 30<sup>th</sup> by written request to the Chief Appraiser. A second 15 day extension can be requested and granted by demonstrating good cause. Taxable assets include tangible personal property held or used for the production of income, such as inventories, furniture and fixtures, machinery and equipment, computers, vehicles of all kinds, supplies, and leasehold improvements to non-owned buildings which are capitalized on the lessee's books.

With the passing of Texas Senate Bill 340 last summer, the business personal property rendition process has been significantly impacted. Unlike previous years, the 2004 tax year will impose a 10% penalty for property owners who fail to file a timely rendition. In addition, a 50% penalty can be imposed for the filing of a false or fraudulent rendition. The penalties are applied to the base tax liabilities. A fraudulent rendition is also a criminal offense. The new legislation also stipulates that if a property owner fails to file a rendition statement, the property owner has the burden of establishing the value of the property by a preponderance of the evidence presented at the protest hearing. If the property owner fails to meet that standard, the protest shall be determined in favor of the appraisal district.

A small business owner who owns tangible personal property that, in the owner's opinion, has an aggregate value of less than \$20,000 is required to contain only the name and address of the owner, a general description of the property by type or category and the physical location or situs of the property. For owners with more than \$20,000, a rendition must additionally contain a general estimate of the quantity of each type of inventory and the property owner's good faith estimate of the market value of the property or, at the option of the property owner, the historical cost when new and the year of acquisition of the property. The governing tax code defines market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if exposed for sale in the open market with a

reasonable time for the seller to find a purchaser, if both seller and the purchaser know all the purposes to which it is capable of being used and the enforceable restrictions on its use, and if both seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Chief Appraiser may request the property owner to provide a statement containing supporting documentation indicating how the value rendered was determined. The statement must contain the physical and economic characteristics relevant to the opinion of value, the source of the information used, state the effective date of the opinion of value and explain the basis of the values rendered. A person's good faith estimate of the market value of the property is solely for the purpose of compliance with the requirement to render tangible personal property and is inadmissible in any subsequent protest hearing appeal or lawsuit as support for valuation. If the property owner is a business with less than 50 employees, the property owner may base the estimate of value on the depreciation schedules used for federal income tax purposes.

The new legislation provides extra incentives to property owners to comply while attempting to provide a fairer and more equitable distribution of the tax burden between all types of property owners. Rendition filing compliance has been considerably less than 50% in past years. It will be interesting to see how personal property owners respond to these new compliance issues and the extent to which appraisal districts will go to implement the new provisions in the law. The necessary time and resources will increase dramatically for property owners and appraisal districts to meet the impact of this new legislation.

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