

TAXPAYERS' ADVOCATE

P.E. Pennington & Co. Results for Taxing Problems

Dallas, Texas

Published by P.E. Pennington & Company, Inc.

Vol. 9, 2000

Est. 1988.

2000 Values Still Increase

The Dallas Morning News reported that,

"...The City of Dallas saw its tax base increase 3.6 percent to \$63 billion, while the Dallas school district's tax roll went up 6.3 percent to \$55.5 billion. The school district's jump was about a third of last year's increase, and the city's was less than a quarter of last year's. Larger increases occurred in many cities and school districts throughout the region. Tarrant County had a 14.1 percent increase overall."

Additionally, the article reported that other counties were experiencing tax roll growth.

"...In Denton County, the property tax roll increased 23 percent, to \$23.8 billion, according to the Denton Central Appraisal District."

"...In Harris County, values went up 13 percent, bettering last year's 9 percent increase."

"...Travis County tax officials last month were predicting an overall valuation boost of more than 24 percent. Bexar County figures weren't yet available."

*Is your firm receiving
the most advantageous property
tax valuation?*

*Is it time to consult a
property tax professional?*

P.E. Pennington & Co., Inc.
is a regional firm with expertise in all types of
**Commercial Real Estate, Residential Real Estate, Personal
Property, Intangible Value and out source
compliance needs.**

License # 00001516

Texas Department of Licensing and Regulation
P.O. Box 12157, Austin, TX 78711

P.E. PENNINGTON & COMPANY, INC.
PROPERTY TAX CONSULTING

6510 Abrams Road, Suite 320 • Dallas, Texas 75231
(214) 221-0333 • FAX (214) 221-2251 • E-mail: ppennington@pennin.com
Office Hours: 7:00 a.m. to 6:00 p.m. Monday – Friday

In This Issue...

2000 Values Still Increase

..... Page 1

P.E. Pennington & Co., Inc. Welcomes New Clients

..... Page 2

Texas Population Growth

..... Page 2

Cost Approach vs. Market Approach

..... Page 2

P.E. Pennington & Co., Inc. News Releases

..... Page 3

IMPORTANT UPCOMING TEXAS TAX DATES

NOTICE OF LITIGATION WITH APPRAISAL DISTRICTS:

Within 15 days of receipt of the ARB Order Determining Protest

FILING SUIT: Within 45 days of receipt of the
ARB Order Determining Protest

TAX RATES SET: Generally September-October

TAX BILLS MAILED: Generally October-November

JANUARY: Assessment Date January 1

JANUARY 31: Last day for payment of taxes:
• before they become delinquent
• for property subject to litigation
• for property subject to protest

JANUARY 31: Last day to file motion to correct
an incorrect appraisal

APRIL 15: Rendition Due Date

TAX ROLL CERTIFICATION: Generally July-August

P.E. Pennington & Company

Texas A&M Real Estate Research Center reports:
POPULATION PER SQUARE MILE

MSA-County	1990	1998	Percentage Change
<u>Austin</u>			
Travis	582.6	718.2	23.3
Bastrop	43.1	56.7	31.6
Hays	96.8	130.6	34.9
Caldwell	48.4	59.5	22.9
Williamson	124.1	199.1	60.4
<u>Dallas</u>			
Dallas	2105.7	2330.8	10.7
Collin	311.5	505.8	62.4
Denton	307.9	432.2	40.4
Ellis	90.6	110.3	21.7
Henderson	67.0	78.6	17.3
Hunt	76.5	84.3	10.2
Kaufman	66.4	83.6	25.9
Rockwall	198.8	288.6	45.2
<u>Fort Worth</u>			
Tarrant	1355.1	1569.5	15.8
Hood	68.7	88.2	28.4
Johnson	133.2	162.0	21.6
Parker	71.7	90.7	26.5
<u>Houston</u>			
Harris	1630.0	1854.3	13.8
Chambers	33.5	39.6	18.2
Fort Bend	257.6	386.1	49.9
Liberty	45.5	56.1	23.3
Montgomery	174.5	260.3	49.2
Waller	45.5	53.0	16.5
<u>San Antonio</u>			
Bexar	950.7	1085.1	14.1
Comal	92.3	130.7	41.6
Guadalupe	91.2	113.2	24.1

COST APPROACH vs. MARKET APPROACH

How to Get The Most With The Least Effort

By Larry Lough, ASA, ISA

Texas Tax Appraisers, when establishing values for business personal property, typically derive these values through the use of the cost approach to value. A generally accepted definition of this method is as follows:

Cost approach is that approach which measures value by determining the current cost of an asset (i.e. replacement cost) and deducting for the various elements of depreciation, physical deterioration and functional and economic obsolescence.

Tax appraisers generally derive an arbitrary percentage, in loose compliance with the above definition, which is applied somewhat across-the-board. Some minor adjustments are made based on equipment type, and a residual value percentage is applied on equipment, regardless of age, as long as it is owned by a company. This allows for a quick and efficient establishment of the tax base. However, this method appears to be diametrically opposed to the definition of market value as prescribed by the Texas Property Tax Code Section 1.04 as follows:

(7) "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- (A) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- (B) both the seller and the purchaser know all of the uses and purposes to which the property is adapted and for which it is capable of being used and of the forcible restrictions on its use: and
- (C) both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Notice there is no reference to the market, in any way, in the definition of cost approach. How can the above referenced definition of market value be satisfied without a thorough study of the market and its related forces? Without a market analysis, the demand for equipment or lack thereof, cannot be reasonably established. Additionally, factors such as advances in technology (i.e. computers and related hardware) or government regulations (i.e. Freon based cooling systems, restrictions on older medical equipment, etc.), which could drastically affect actual values, are not considered.

In conclusion, these questions can be asked. Is the cost approach efficient? Yes. Can it be applied across a broad spectrum quickly? Yes. Is it fair? Hardly. A market value appraisal, with complete research of the applicable equipment markets, can help correct the fairness question.

NEWS RELEASES

YOU CAN HELP - BECOME A VOLUNTEER

March 7, 2000

P. E. Pennington & Co., Inc. is proud to participate in the Junior Achievement of Dallas, Inc. 2000 Spring Semester Program. We encourage all of our clients and visitors to our web site and to contact the J A office at 972/690-8484 to volunteer.

JOINT VENTURE ANNOUNCED AT P. E. PENNINGTON & CO., INC.

February 15, 2000

Lanette Andrews & Associates (D/M/WBE) announces the formation of a Joint Venture to provide greater services to the clients of P. E. Pennington & Co., Inc. and Lanette Andrews & Associates. The additional services expertise include compliance work, clerical support, data entry, and seasonal property tax support. P. E. Pennington & Co., Inc. welcomes this association and hopes to provide a greater range of services to our clients.

POLLUTION CONTROL ARTICLE TO BE PUBLISHED

December 23, 1999

Pennington article has been approved for publication by The Journal of Property Tax Management.

This is the fifth article by P. E. Pennington published by this peer reviewed national publication. Mr. Pennington has authored articles for the Journal of Property Tax Management, Apartment Association of Greater Dallas, Dallas Business Journal, Texas Lawyer, and various professional newsletters. Additionally, he assisted on the work titled Taxmen, A Brief History of Property Tax Representation in Texas (released in 1999).

GROWTH OF DENTON COUNTY

Dallas Business Journal

October 29, 1999; November 4, 1999

"Adding 600 new jobs to the area, Peterbilt Motors is completing a \$12.1 million renovation that will increase its production capacity by 24%. Also expanding in the area are Tetra-Pak, United Cooper Industries and International Isotopes, Inc."

P. E. Pennington & Co., Inc. secured a pollution control property exemption for International Isotopes. To learn more, visit our Library and read "Pollution Control Property In Texas: The Real and Personal Property Exemptions Process". (see www.pennin.com)

HISTORY OF PROPERTY TAX CONSULTANTS IN TEXAS

May 20, 1999

Paul Pennington worked with Ellis Allen and Jess Wade, Sr. to help produce the first history on Texas Property Tax Consulting, published by The Texas Association of Property Tax Professionals.

WELCOME NEW CLIENTS:

AIMCO

Brookhollow National Bank

Central West Motor Stages, Inc.

Columbia Residential

Cornerstone Realty Income Trust

Corr-Wood Manufacturing, Inc.

William L. Cowley

Crest Enterprises, Inc.

Dallas Flying Associates, Inc.

DFG Limited Partnership

DSL Properties, LLC

Education America, Inc.

Mark L. Gibbons

J A L, Inc.

Raman Kalidas

Knight Graphics & Printing

Lampl, Ltd.

The Lark Company

Lone Star Container Corporation

Paragon Industries, Inc.

Sante Rehabilitation Group

Judith O. Smith Mortgage Group

Dr. J. W. Stucki

Chuck Taylor

T-Bar Fence Co., Inc.

W D Office Partners, L.P.

***Visit Our Web Site @
www.pennin.com***

MORE THAN 100 REASONS TO USE P.E. PENNINGTON & CO., INC. FOR YOUR PROPERTY TAX APPEALS

AA Applicators (WMB Properties)	Education America, Inc.	Roger Lawler	Sante Rehabilitation Group
Kenneth Abbott (Corporate Square)	First Gulf Development Corp.	Thomas J. Lenihan	Saturn Square Realty Corporation
AIMCO	Flextek	Lone Star Container Corporation	Sierra Management Co.
A & J Foods, Inc. (Wendy's)	Frontline Property Management	Magellan Property Management	Sinclair Investment Group
Arlington Senior Housing, LP	Garland Steel, Inc.	Mann Arr, Inc. (Jack in the Box)	A. C. Smith Properties
Asel Art Supply, Inc.	James S. Garvey	McElreath Family Ltd. Partnership	Judith O. Smith Mortgage Group
Aysha Foods, Inc. (Jack in the Box)	Gaylord Container Corporation	Medoff Family Trust	Southwest Housing Management
Selwin Belofsky	Ali Gaziani	MHMR Senior Housing, L.P.	Spring Creek Co. (Restaurants)
Bradford Putnam Realty	Mark L. Gibbons	MilesTek, Inc.	Stanford Chemical I, Ltd.
Fred Brodsky Company	Greenville Senior Housing, L.P.	Russell Minton	State National Bank of West Texas
Brookhollow National Bank	Grinnan Companies	Miranda Partners, L.P.	S T M Graphics
Donald & Carolyn Caver	William D. Gross	Monsouni, Inc.	Dr. J. W. Stucki
CCI Manufacturing, Inc.	Jo Hardin Originals (Clothing Mfg)	P. O' B. Montgomery & Co.	T-Bar Fence Co., Inc.
The CEI Group	Harper House, Inc.	Vincent Moran (CDP Corporation)	Lawrence E. Tabak, Inc.
Central West Motor Stages, Inc.	David Holle	Network Circuits, Inc.	Chuck Taylor
Cherry Hill Apartment Partners	Honeywell International, Inc.	Son T. & Lan Thu Nguyen	Terra-Mar, Inc.
Chuy's Comida Deluxe, Inc.	Hoss Equipment Co.	Donald Nix	Texas Birchwood Apartments, L.P.
Columbia Residential	HSR Plaza, Inc.	Oasis Car Wash, Inc.	Texas Brook Apartments, L. P.
Cornerstone Realty Income Trust	Ibrahim Investment Corporation	Paccar Leasing Corporation	Texas Estrada Apartments, L. P.
Corr-Wood Manufacturing, Inc.	International Isotopes, Inc.	Pace Realty Group	Texas Hampton LLC
William L. Cowley	J A L, Inc.	Pappasito's Restaurants	Texas Kirnwood, L. P.
Crest Enterprises, Inc.	JaGee Properties, Inc.	Paragon Industries, Inc.	Texas Melody Apartments, L. P.
Sam Croom	Abdul Jetpuri (Convenient Stores)	Natvarlal Patel	Than Than Investments, Ltd.
Crystal Car Wash	Mohammed I. Jetpuri (Restaurants)	Perfect Tinning Corporation	Time Warner Cable
Dallas Flying Associates, Inc.	Kaizen Foods, Inc. (Burger Kings)	Piper Weatherford Company	Tokai Financial Services, Inc.
George H. Davis III	Raman Kalidas	G. M. Pointer Trust	Tyson Management
Denton Village East Apts. L.P.	Knight Graphics & Printing	Progressive Marketing, Inc.	United Bank & Trust-Abilene
DFG Limited Partnership	Lampl, Ltd.	Richard J. Ranger	Van-Texas Properties, L. P.
DSL Properties, LLC	The Lark Company	Red Steel Company	W D Office Partners, L. P.
Michael E. Dyer Family, Ltd.		Clifton Reeder	Windsor Management Company
		James K. Reeves	Stephen E. Woods



P.E. PENNINGTON & COMPANY, INC. PROPERTY TAX CONSULTING

6510 Abrams Road
Suite 320
Dallas, Texas 75231
(214) 221-0333 FAX (214) 221-2251
Email: ppennington@pennin.com

Concerned About Your Property Taxes? ...Let's Talk.