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Time for commercial property owners to carry their end of the tax load

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Sometimes current events move faster than I can spout off on them. So today let's hit the back button and talk about something that has troubled me for weeks now.

The subject relates to the big hotel that the city of Dallas proposes to build beside the convention center. Officials have been saying for years that Dallas has to have such a hotel to remain competitive in the convention business.

Well, at long last, the city has an option to buy a piece of property for that hotel. But one sentence has stuck in my craw ever since it was published here in mid-February:

"Council member Angela Hunt questioned why the Dallas Central Appraisal District appraised the land at about \$7.5 million, while two private appraisers used by Dallas estimated the property's market value at more than \$40 million."

An excellent question. And whatever the answer, Dallas taxpayers are the losers.

Either the city is overpaying for the property at \$41.3 million – or has been collecting far too little taxes on it with a tax roll value of just \$7.5 million.

So which is it?

I put the question last week to Ken Nolan, chief appraiser for the Dallas Central Appraisal District. And he said: both.

Taxpayers may be getting fleeced some on that proposed sale price, he said. He's bothered that the value was set in part based on land sales in the hot Uptown and Arts District areas. Prices there are a far cry from those on downtown's sleepy southern edge.

But a far, far bigger problem, he said, is the low tax appraisal value on the property.

Yes, Mr. Nolan's office is in charge of setting such values. But he said state law ties his hands and works to keep commercial property undervalued.

Shocking, huh? Texas law tilted toward business interests. Imagine that.

The problem is that Texas is one of only a handful of states that do not require property sale prices to be disclosed.

For residential property owners, that doesn't matter. The Multiple Listing Service reports prices and allows appraisers to keep home appraisals close to market value.

But commercial sales are cloaked in secrecy. And that puts tax appraisers at great disadvantage in setting a fair market value on business property.

The Texas Association of Appraisal Districts released a study a few years ago estimating that property in Texas is undervalued by \$301 billion. It said commercial property is undervalued by 40 percent.

In Texas, where property taxes are the primary means of taxation, that means commercial property owners are shifting a huge chunk of the tax burden to homeowners.

State Rep. Michael Villarreal, D-San Antonio, and state Sen. Jeff Wentworth, R-San Antonio, have tried in the last two legislative sessions to make sales disclosures mandatory. Despite broad support from state and local elected officials, both efforts failed.

Mr. Villarreal has a good way of describing the current situation in Texas. "Have you ever tried carrying a heavy piece of furniture with someone else – with someone who wasn't carrying their end of the load? That's what is happening today," he said. "Regular folks are being left to carry too much of the load, and it's backbreaking."

We'll spend the next few months debating this convention center hotel. But come January and the next legislative session, it will be time to make sure commercial property owners start carrying their end of the tax load.