

# property Taxfacts

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## Texas Two Step

After passing a reduction in the school property tax and creating a Gross Margins Tax in 2006 the Texas legislature is at it again.

Now they are looking at the possibility of capping property tax appraisals on residential properties and requiring disclosures of all real estate sale prices.

A 2 year old study by the Texas House committee projects that cities will lose between 91.5 million the first year and 135.3 million the fourth year if appraisals are capped. A sales tax increase of .5% will attempt to make up this difference.

Texas is one of only five states that presently does not have a requirement that all real estate sales prices are disclosed. Proponents say that this disclosure will lead to more realistic assessments. Critics say it will cause assessors to “chase sales”, a scenario whereby the assessors raise the appraisals of properties that have posted recent sales while leaving others as is.

## *It's our pleasure to introduce...*

We'd like you to meet the new faces on the E&A block.

**Brian Helmers**—recently took over our small cap portfolio. Brian is a grad of University of Illinois with a degree in Political Science/History. He worked for the Cook County Board of Review before joining us. Brian enjoys all things political and is a Chicago Cubs fan!!

**Jessica Knox**—joined us recently as our receptionist/tax administrator. In other words she keeps the place running!! Jessica is a grad of Indiana Wesleyan University with a dual major in Psychology and Youth Ministry. Jessica just got married and is enjoying setting up her new home!!

We're excited about the strengths each of these individuals brings to our firm. Be sure to say Hi! next time you call.

## Looking Back

We've noticed a significant increase in the number of personal property audits in the past year. Some of that is because states have agreed to split the cost with local authorities; some is because taxing authorities are becoming more aggressive in their search for tax revenue. In either case, it helps to be prepared and never to accept the audit findings as fact.

“There are really two parts to a personal property audit,” says Jay Jerome our compliance manager. “The most common is the desktop audit which basically compares your back up paperwork to your filing. In addition, an auditor can ask to tour the facility where they are looking to visually confirm your filing.”

The number of years an audit can go back varies with the taxing jurisdiction. We have had them go back as little as one year to as many as six years. So, it is important to maintain the integrity of your paper trail. The auditor will be looking to make sure you have reported all of your personal property by comparing your fixed asset listing, balance sheet, inventory control and others to what you have actually filed.

Once the audit is completed the auditor will send you the results and a “discovery” finding. The discovery lists items that the auditor feels should have been reported that were not. It's important to check these findings closely. We recently had a case where the auditor “discovered” over \$15,000 in uniforms he felt should have been

taxed. E&A successfully appealed the discovery based on the fact that the uniforms were rented and not owned.

“Real vs Personal issues and leasehold improvement questions are two of the largest areas of discovery.” Jay tells us. “These areas are the most open to interpretation as to reporting. They also usually represent the largest dollar amounts.”

If you are subjected to an audit and have questions about what is coming, what they have discovered, or what your rights are feel free to call Jay Jerome at 847-577-0961.

## Upcoming Reassessments

Fulton County, GA, has scheduled a wholesale reassessment for 2008. The last time they did this was in the early 90s.

So, watch out. It is estimated that current assessed values are only 50 to 75% of true market value. This means commercial properties could see substantial increases.

There are over 30,000 commercial and industrial properties in Fulton County, the assessors will have their hands full. Mistakes are a real possibility so watch those reassessment notices carefully.

Denver, CO – is part of a statewide reassessment in 2007. The Denver commercial/industrial market has been exceptionally strong.

A study by the Fredrick Ross Company shows that more than half of Denver’s downtown office inventory changed hands during the past two years. Some of the office buildings sold on the open market for twice the value the assessor had them on for.

Unless appealed the new values will stay in place until 2009

**TN**—The State of Tennessee will be finished with its 2007 revaluation at the end of this month. Be sure to check your assessment notices as they arrive.

In either case, it helps to get E&A involved early so we can work proactively with the assessor and minimize the impact of the reassessment on your business.

## 2 Hours and 35 Minutes.....

That is the time an average wage earner spends each workday earning the money needed to pay federal, state and local taxes.

According to calculations made by the national Tax Foundation in Washington Americans work a little more than 21/2 hours a day to pay taxes while working only 1 hour and 22 minutes to pay for housing and household operations, 1 hour 8 minutes for medical care, 40 minutes for food and 39 minutes for transportation.

You work 1 hour and 43 minutes to pay your federal tab and only 52 minutes for state and local taxes. This year Tax Freedom Day, the day all your taxes are paid was April 30. In 1950 Tax Freedom Day fell on March 31....and they call this progress!!!



Have a Blast on the 4<sup>th</sup>!!