

# Business Personal Property Valuations

## What is Business Personal property?

The Texas Property Tax Code provides for the, ad valorem, taxation of personal property that produces income. The production of income is what changes the nature of personal property to business personal property.

## What types of property are involved?

Any physical assets that are used to produce income are included. These items are usually referred to as “Tangible Personal Property.

Tangible personal property includes things such as Machinery and equipment, furniture and fixtures, vehicles, supplies, inventories, raw materials and finished goods. Assets such as cash, accounts receivables and notes are exempt from property taxes.

## Is everyone who owns income producing property required to submit a rendition?

Yes law requires that all business owners file a rendition each year. **Renditions are mailed out on January 1st** of each tax year and must be filed out and **returned to the CAD no later than April 15th**. Penalties for failure to render or late renditions are now in force pursuant to new legislation.

***It is in the property owner's best interest to file renditions timely.***

## What information is required when rendering my property?

For properties exceeding \$20,000 you must render the following information.

1. Name and address.
2. Description of property by type and category.
3. Description and quantity of inventory.
4. Physical location of the property.
5. Your good faith estimate of value or cost new with year of acquisition of your assets.

For properties under \$20,000 you may submit a simplified rendition which should contain the following information:

1. Name and address.
2. Physical location of property
3. Description of property.
4. Good faith estimate of value.

## What is a good faith estimate of value?

This is an honest estimate that you would ask for your assets as they sit on January 1st if you were to sell them for the purposes of valuing business personal property, you should focus on what your assets would sell for if you sold to another person in a similar business.

### ***For Example:***

You are a distributor of paper products. You purchase your product and then sell paper to retail customers. The value you should render

is not YOUR retail value. Instead, you should render the value of your inventory at what it would sell to another distributor who sells to retail customers. The same principal applies to machinery, furniture etc.

## What do I need to know about rendering my cost new?

Rendering historical cost new is the best way to render your property. This includes acquisition cost and year the assets were acquired. With this information the CAD can enter the cost new along with the appropriate depreciation schedule. Once this information has been entered into our system it will continue to acquire depreciation until it reaches its floor value.

It is important to note this depreciation differs from IRS depreciation. The book value often differs significantly from the actual market value of your assets.

## **What happens if I do not render?**

**Recent changes in the law provide for assessable penalties** for failure to render and also fraudulent renditions.

If you fail to render timely you are subject to a penalty of 10% of the total taxes assessed in that year. If you file a rendition that is determined, in court, to be fraudulent with the intent to commit fraud or evade taxation, you are subject to a penalty of 50% of the total taxes assessed for that year.

## **What is the deadline for filing my rendition?**

Renditions must be submitted to the CAD on or before April 15th. However, by law the Chief Appraiser is required to extend this deadline to May 15th provided the request is received in writing by April 15th.

## **Will my rendition be subject to open disclosure laws?**

No. The law clearly categorizes your rendition as confidential information. Your rendition may only be disclosed to you or your designated agent, to the State Comptroller, to another Appraiser or Chief Appraiser or in other specific judicial or administrative proceedings as allowed by law.

## **How does this relate to the taxes on my building?**

Many people confuse business personal property tax with their other property. If you own the real estate where your business is located then you will receive a tax statement on both the real estate and your business personal property. If however, you lease the property where your business is located, you will only receive a tax statement for the business personal property.

## **May I add additional pages to my rendition form?**

Yes, available space is somewhat limited on the printed form. If you require additional space, or if you have your information printed in another format, you may submit those pages as an attachment to the rendition form. You must however sign the rendition form supplied in order to be in compliance with the law.

## **If you need help**

Our friendly and knowledgeable staff will be happy to assist you with any questions or concerns you may have.

There is a lot of valuable information available on our web site at: [www.polkcad.org](http://www.polkcad.org)

## **IMPORTANT**

*If you close your business you should file an abandonment of DBA with the County Clerk's office.*

*If you do not have a DBA you should contact the CAD to let them know the business has been closed.*

*There is also an area on your rendition form, in the upper right hand corner where you are able to indicate if your business is closed.*