

Property Tax Relief Can Help Some Commercial Operations In Time Of Distress

O'Connor highlighted how property tax relief can offer valuable assistance to commercial operations facing challenging circumstances.

HOUSTON , TEXAS , UNITED STATES ,
May 31, 2024 /EINPresswire.com/ --

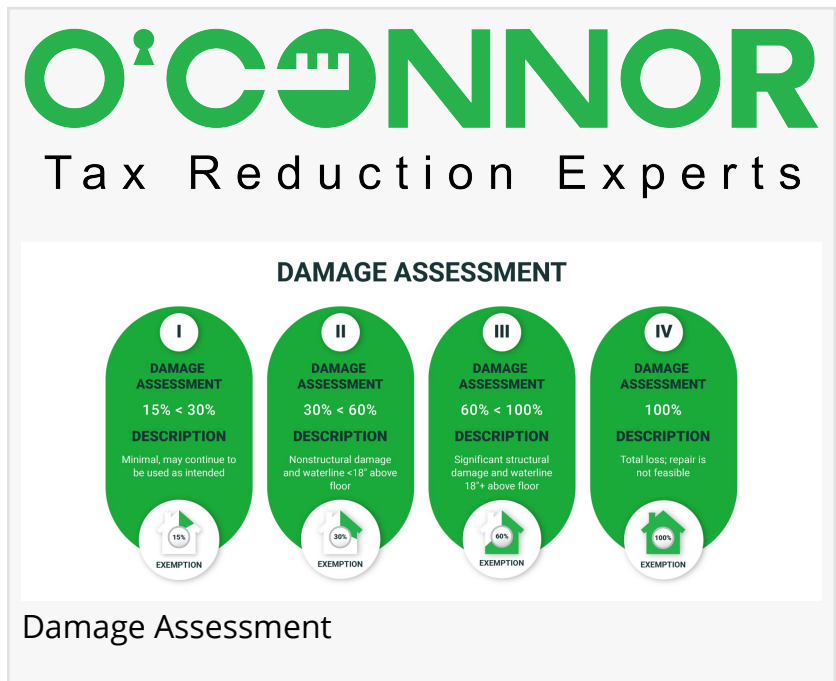
Like homeowners, businesses across the state have suffered brutal consequences from recent storms. The damage from various natural disasters in recent weeks has hit commercial property owners hard. This can be especially challenging for businesses

where profit margins are slim and closing their doors for a few days can put the business at risk of closing for good. As of May 28, 2024, Texas Governor, Greg Abbott has included 106 counties in the state's disaster declarations. This fact is important because once a county is named in a disaster declaration, owners of qualifying property become eligible for temporary property tax exemption, which can reduce costs for business owners.

What Property Qualifies for Temporary Disaster Exemption

According to Texas Tax Code, damages to tangible personal property used for income production (also known as business personal property) and damage to improvements (the structure) to real property are considered when evaluating the damage assessment to arrive at the property tax exemption percentage. Tangible personal property can be described as those property items you can see, touch, and feel. As a side note, tangible personal property is the only type that is taxable in Texas. Intangible assets, such as service agreements, software, and trade secrets are not taxable in Texas, and by extension, assets that are not subject to tax are also not to be included in tax exemption calculations.

Some examples of these types of property that may have sustained damage include furniture,



fixtures, inventory, equipment, and motor vehicles. When a business requires the temporary property tax exemption for physical damage to the property and damage to the business personal property, it will be necessary to complete separate applications for both commercial property types to gain the exemption for both.

Application Requirements

Some key factors to keep in mind are 1) that in order to qualify, costs to repair damages must be equal to or exceed 15% of the property's value, 2) for business personal property, the property must have been rendered in the current year when the disaster is declared, and 3) the property owner will be responsible for providing all estimates and receipts to support the damage amount. Business owners should expect county appraisal districts to require proof of damage amounts.

Application for the Temporary Disaster Exemption must be submitted to the county appraisal district where the property is located in a timely manner, no later than 105 days after the county is declared a disaster by the governor. Property owners may find a list of Texas counties included in the disaster declaration on O'Connor's [Temporary Disaster Exemption Information page](#).

Exemption Estimates

The amount of Temporary Disaster Exemption a property is eligible to receive will be based on the damage assessment. Using the estimates and receipts for repair to damaged property, use the table below to determine the percentage of exemption that may be applied.

Example

Value of the improvements or tangible assets is \$1,500,000

Damages are documented with estimates as \$475,000

$$\$475,000 \div \$1,500,000 = 31.67\%$$

Because the Damage Assessment is between 30% and 60%, the Exemption Percentage = 30%.

The exemption is temporary, meaning it is effective from the date of disaster declaration by the governor and expires on January 1 of the following year. The amount of the exemption is prorated for the amount of the year in which the property sustained the damage.

Proration can be determined by taking the date of the declaration and calculating the number of days left in the year, then dividing by 366 (2024 is a leap year).

For Harris county, the date of the disaster declaration is April 30, 2024. This means there are 245

days left in 2024.

$$\text{Proration} = 245 \div 366 = 0.67$$

To estimate the amount of your exemption, use the following calculation:

Improvement or Business Personal Property Value x Exemption Percentage x Proration

$$\$1,500,000 \times 0.30 \times 0.67 = \$301,500$$

In this scenario, the amount of the Temporary Disaster Exemption can be estimated at \$301,500.

Exemptions and Appeals are Necessary to Reach A Fair Property Value

If you are a commercial property owner, you likely are already familiar with the benefits of appealing property values annually. Appraisal districts do not have the resources to individually assess every account. Savy property owners exercise their right to contest inaccurate values so ensure their tax bill is fair. Employing the Temporary Disaster Exemption is one more way for property owners to achieve a fair value to their property and help prevent owners from paying more tax than is legally required. O'Connor's property tax consultants represent clients, navigating the details, equipped with the data, relationships, and experience to represent residential and commercial property owners to the highest reasonable level when protesting taxable property values.

About O'Connor:

O'Connor is among the largest property tax consulting firms in the United States, providing residential property tax reduction services in Texas, Illinois, and Georgia, as well as commercial property tax reduction services across the United States. O'Connor's team of professionals possess the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs more than 900 professionals worldwide. O'Connor's core focus is enriching the lives of property owners through cost effective tax reduction.

Property owners interested in assistance appealing their assessment can enroll in O'Connor's Property Tax Protection Program™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

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