



If you own an inventory of items that you hold for sale or rental, you will need to provide an estimate of the quantity of each type of item that you hold in inventory. Again, you can provide an itemized list if you prefer for any category.

### ***Good faith estimate of market value***

The appraisal district will estimate the market value of your inventory on the basis of your rendition and other information in its possession. Under the new rendition law, you must provide for either a good faith estimate of the market value of your items or the historical cost and acquisition date (discussed below) of the items. If you choose to give a market value estimate, you should be aware that there are several different definitions of market value that may apply. For items other than inventory, market value is defined as follows:

"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 of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable 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. (Sec. 1.04, Texas Tax Code)

For inventory, market value is defined by the tax code as "the price for which it would sell as a unit to a purchaser who would continue the business." Sec. 23.12, Texas Tax Code.

If your business has 50 or fewer employees, you may base your estimate of value on federal income tax depreciation schedules. You will need to be prepared to defend your estimate and explain how it was developed.

### ***Original cost***

Instead of providing a good faith estimate of market value, you may provide the original cost and date you acquired the property. Original cost (the code uses the term "historical cost when new") refers to the amount you paid to acquire the property. Your cost would include transportation and any other necessary expenses incurred in acquiring the property. If you purchased a used item, you should note on the form that you purchased it used and give the amount you paid.

### ***Date of acquisition***

Date of acquisition is simply the date you bought or acquired ownership of the property.

## **What will the appraisal district do with my rendition?**

Your rendition will be analyzed and used, along with other information we collect on similar businesses, to develop an estimate of value for your property.

## **Is my information confidential?**

Yes. Information contained in a rendition cannot be disclosed to third parties except in very limited circumstances. In addition, the code specifically provides that any estimate of value you provide is not admissible in proceedings other than a protest to the ARB or court proceedings related to penalties for failure to render. The final value we place on your property is public information, but your rendition is not.

## **What do I have to file if my personal property is valued at less than \$20,000?**

Unless your total business personal property assets are valued at less than \$500, you will have to file at least the general rendition form. However, you will only be required to fill out a short table generally describing your assets and giving their location.

## **What information is required for the rendition?**

Depending on the type of property you own and its value, you can expect to provide the following information:

### ***Location***

You will need to give the address where the property was located on January 1. If the property was in transit on January 1 or is regularly used in more than one location, you should provide additional information about the property's normal location and circumstances on January 1.

### ***General description***

A general description should give enough information to identify the property and distinguish it from other items that you own. At minimum, you should identify the major categories of personal property assets that you own, using the same terminology you would use in reporting to the internal revenue service. You have the option of providing an itemized listing of the various assets in any category. For vehicles, you will need to provide the plate and VIN number, as well as the year, make, and model.

### ***Quantity of items***

## **How should I estimate market value?**

Publications that provide value information on assets are helpful tools in estimating market value. For example, there are numerous publications on vehicles and computer equipment that provides a range of value information for these assets. If you chose to use published value information, you must use a value that would reflect the assets worth near January 1st. Developing an estimated useful life and replacement cost of an asset is another method of estimating market value. Divide the actual age of the asset by the estimated useful life in order to calculate the depreciation for the asset. Multiply the depreciation percentage by the replacement cost to estimate an amount of depreciation. Subtract the amount of depreciation from the replacement cost to arrive at an estimate of market value.

## **How should I determine original cost?**

To determine original cost, you need to refer to your accounting records such as, original journal entries and account ledgers. Use original purchase documents, such as invoices or purchase orders to determine the original cost of the asset. You need to add all cost that is attributed to getting the asset functioning, such as freight and set-up cost.

## **What are the penalties for failure to comply?**

There are two levels of penalties for failure to comply. If you fail to file your rendition before the deadline or you do not file it at all, the penalty is equal to 10% of the amount of taxes ultimately imposed on the property. If a court determines that you have committed fraud or done other acts with the intent of evading taxes on the property, a penalty equal to 50% of the taxes ultimately imposed on the property will be levied. The appraisal district imposes and collects this penalty. It will not appear on your tax bill.

## **If I can't file on time, what should I do?**

If you need more time to complete your rendition, you have the right to an automatic extension to May 16, and a further 15-day extension if you show good cause. The iFile system is available to request extensions for all types of personal property accounts, and the unique iFile number is printed on the extension request form in your rendition packet. If you prefer, you can complete and mail the extension form. The May 16 extension form must be mailed or delivered no later than April 15. If you need the additional extension for good cause, that form must be mailed or delivered no later than May 16.

## **How do I find out whether the appraisal district received my rendition on time?**

Call us at (903) 665-2519. If you provide us with your account number or the name of your business, we can enter it into our system and tell you when it was received.

## **What are my rights if a penalty is assessed against me?**

If a penalty is assessed against you, you can file a request for a waiver of the penalty. You must file the request in writing with the chief appraiser within 30 days after you receive the notice that the penalty has been imposed. Your request must include documentation showing that either you substantially complied with the rendition law or that you made a good faith effort to do so. The documentation should also address:

- (1) your compliance history with respect to paying taxes and filing statements or reports;
- (2) the type, nature, and taxability of the specific property involved;
- (3) the type, nature, size, and sophistication of the person's business or other entity for which property is rendered;
- (4) the completeness of your records;
- (5) your reliance on advice provided by the appraisal district that may have contributed to your failure to comply and the imposition of the penalty;
- (6) any change in appraisal district policy during the current or preceding tax year that may affect how property is rendered; and
- (7) any other factors that may have caused you to fail to timely file a statement or report.

The chief appraiser is required by law to consider these factors and notify you in writing. If the chief appraiser declines to waive a penalty and you have made a timely request for waiver, you may protest the imposition of the penalty to the appraisal review board. The board may waive the penalty if it finds that you substantially complied with the rendition law or made a good faith effort to do so.

## **When can the chief appraiser request an explanatory statement from me?**

If you provide a good faith estimate of market value instead of original cost and acquisition date for any items, the chief appraiser may request an explanatory statement from you. The chief appraiser must make the request in writing, and you must provide the statement within 21 days of the date you receive the chief appraiser's request.

## **What must I include in an explanatory statement?**

The explanatory statement must set out a detailed explanation of the basis for the estimate(s) of market value given in your rendition. The statement must include

