

Rockwall Central Appraisal District



Residential Inventory Policy

12/7/20

Adopted 12/10/20

RESIDENTIAL INVENTORY POLICY

The Texas Property Tax Code defines inventory in Sec. 23.12(a); “the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business. An inventory shall include residential real property which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income.”

Furthermore, Sec.23.12 (b) states that, “the chief appraiser shall establish procedures for the equitable and uniform appraisal of inventory for taxation. In conjunction with the establishment of the procedures, the chief appraiser shall:

- (1) establish, publish, and adhere to one procedure for the determination of the quantity of property held in inventory without regard to the kind, nature, or character of the property comprising the inventory; and
- (2) apply the same enforcement, verification, and audit procedure, techniques, and criteria to the discovery, physical examination, or quantification of all inventories without regard to the kind, nature, or character of the property comprising the inventory.

(c) In appraising an inventory, the chief appraiser shall use the information obtained pursuant to subsection (b) of this section and shall apply generally accepted appraisal techniques in computing the market value as defined in subsection (a) of this section.”

Texas Property Tax Code Sec. 22.22 states, “the chief appraiser may require a rendition statement or property report he is authorized to require by this chapter by delivering written notice that the statement or report is required to the person responsible for filing it. He shall attach to the notice a copy of the appropriate form.”

Furthermore, Sec. 22.23(a) states, “Rendition statements and property reports must be delivered to the chief appraiser after January 1 and not later than April 15, except as provided by Section 22.02. (b) On written request by the property owner, the chief appraiser shall extend a deadline for filing a rendition statement or property report to May 15. The chief appraiser may further extend the deadline an addition 15 days upon good cause shown in writing by the property owner.”

Rockwall Central Appraisal District requires a rendition to be filed for all property held in builder/developer inventory. Once a rendition has been filed, the residential inventory reduction will remain on the property until it is sold. Any ownership change will constitute removal of the reduction, including sales from developers to builders.

Using the income approach via discounted cash flow analysis, typical results indicate a 75% market to inventory adjustment.

In-office procedures for builders' inventory:

1. Verify rendition is on file.
2. Verify deed record reflects same ownership as rendition.
3. Code property with state code "O".
4. Apply inventory adjustment
5. Remove inventory adjustment with any deed change.