

Temporary Property Tax Exemption Opportunity

As a result of the winter storms that hit Texas in mid-February, Governor Abbott declared the entire state of Texas a disaster area on February 12, 2021. This declaration triggered a potential temporary property tax exemption in all county appraisal districts to help offset the financial impact experienced by Texas residents and business owners. **The deadline to apply for the exemption is May 28, 2021.**

Qualified property includes the following:

- Tangible business personal property (BPP), if the owner filed a rendition;
- Residential homes, commercial buildings, industrial buildings, multi-family buildings, and other real property; and
- Certain manufactured homes.

To qualify for the temporary exemption, the damages must be at least 15% of the value of the property. The taxpayer must file the completed claim form and supporting documentation (insurance claim estimates, repair estimates, receipts for replacement items, photos of damaged property, etc.). The county appraiser will then determine the degree of damage and assign a corresponding level of exemption:

Level	Damage Assessment	Damage Description	Exemption Percentage
I	15% < 30%	Minimal, may continue to be used as intended	15%
II	30% < 60%	Nonstructural damage and waterline <18" above floor	30%
III	60% < 100%	Significant structural damage and waterline 18"+ above floor	60%
IV	100%	Total loss, repair is not feasible	100%

Adapted from the webpage for Texas Comptroller of Public Accounts, www.comptroller.texas.gov/taxes/property-tax/disasters/index.php.

The temporary exemption is prorated from the date of the disaster declaration through the end of the year. Accordingly, even if the property is determined to be a total loss, there would still be some tax owed related to the value of the property for the portion of the year before the damage occurred.

Sample disaster exemption:

A \$100,000 house received \$20,000 in damage from burst pipes that resulted in nonstructural damage:

$$\boxed{\$20,000 \text{ damage} \div \$100,000 \text{ improvement value} = 20\% \text{ damage} \Rightarrow \text{Level I Damage Assessment}}$$

Accordingly, the exemption would be calculated as follows:

$$\boxed{\begin{aligned} & \$100,000 \text{ value} \times 15\% \text{ exemption} = \$15,000 \text{ exemption} \\ & \$15,000 \text{ exemption} \times .88 \text{ proration factor} = \mathbf{\$13,200 \text{ reduction in taxable value for 2021 tax year}} \end{aligned}}$$

For more information or to obtain the necessary application form, contact [Tarrant Appraisal District](#) or the applicable county where the property damage occurred. If you have questions, please contact our indirect tax specialist, Brandon Hayes, at 817.502.7732 for further assistance.



Brandon Hayes

Senior Manager – Indirect Tax Services

Brandon joined JTaylor in 2020 and specializes in state and local taxation with an emphasis on transaction taxes such as sales and use. Leveraging over 20 years of experience, he has represented companies both large and small in a variety of industries including manufacturing, energy, defense, hospitality, healthcare, and retail. During his career, Brandon has successfully recovered millions of dollars in erroneously assessed and/or overpaid sales and use taxes, directly contributing to his clients' bottom line. In addition to refund recovery and audit defense, he has extensive experience in a myriad of state and local issues belaboring businesses, including ASC 450 reviews, nexus analysis, M&A due diligence, and state and local tax credits and business incentives.