



# Young Central Appraisal District

724 Oak Street • PO Box 337 • Graham, TX 76450

Office-940-549-2392 • Fax-940-549-7271

[jesse.blackmon@youngcad.org](mailto:jesse.blackmon@youngcad.org)

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## **Residential Real Property Inventory (RPI) – Policy & Procedure**

### **Sec. 23.12. Inventory.**

(a) Except as provided by Sections 23.121, 23.1241, 23.124, and 23.127, 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.

(b) 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 procedures, 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.

### **Policy & Procedure.**

In accordance with the Texas Property Tax Code Sec. 23.12 (a), (b) & (c), the Young Central Appraisal District has established the following policy and procedure for the fair and uniform appraisal of residential real property inventory.

### **General Qualifications.**

In order to qualify for the residential real property inventory valuation, a **completed form 50-143, Rendition of Real Property Inventory must be submitted** by the property owner or designated agent **no later than April 15**, except as provided by Tax Code Section 22.02. 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 additional 15 days upon good cause shown in writing by the property owner.

Pursuant to Tax Code Section 22.02, if an exemption applicable to a property on Jan. 1 terminates during the tax year, the person who owns or acquires the property on the date of the applicability of the exemption terminates shall render the property for taxation within 30 days after the date of termination. If the chief appraiser denies an application for an exemption for property subject to rendition pursuant to Tax Code Section 22.01(a), the person who owns the property on the date the application is denied shall render the property for taxation in the required manner within 30 days after the date of denial.

In addition to the requirements as outlined under Sec. 23.12, for qualifications of a property or properties that are vacant, never occupied, being held for sale or development and not leased/rented or producing income, the district has established these additional conditions, with no minimum requirements to ownership or properties owned:

- (1) Property is not being used/maintained as a part of an occupied residence (i.e. a vacant lot adjoining the residence, not actively listed for sale, and considered an extension to the primary residence)
- (2) Property must be located in a platted subdivision or abstract land undergoing active development (i.e. 320 acres surveyed/platted for sale of smaller acreage tracts, with access, utilities, etc.)
- (3) Properties that have previously been granted the inventory valuation, and are still qualified under the original applicant, will not be required to file an annual application unless requested by the district.

**Application Processing.**

The following procedure is to be used by the Young Central Appraisal District Staff following the reception of a completed form 50-143, Rendition of Real Property Inventory application:

**Clerk**

- (1) Mark the application with the appropriate date stamp for the date received
- (2) Scan the rendition to the appropriate accounts under the following image type – RPI FORM, record type – RPI, sub type -all.
- (3) Deliver the application to the appropriate receptacle for an appraiser to process

**Appraiser**

- (1) Verify the image has been appropriately scanned to the correct accounts, if the property is an Undivided Interest Owner (UDI), verify all ownership accounts received the scan
- (2) Verify qualification of property via aerial imagery, and or field inspection
- (3) Apply or Verify the O1 State Code is selected for all appropriate land and improvement segments
- (4) Apply or Verify the appropriate land and improvement segments have received an economic adjustment factor of 40%, as determined by calculation methods below:

**Inventory Valuation % Adjustment Determination.**

In the determination of the appropriate inventory valuation adjustment percentage, in accordance with Section 23.12 (a), (b) & (c), the method for computing market value on all qualified property types shall be the Total Market Value, minus the inventory % adjustment as determined by the discounted case flow (DCF) analysis below:

**YCAD - REAL PROPERTY INVENTORY CALCULATION - VACANT LAND DCF**

Holding Period	7 - years						
Total # of Lots	53						
Appreciation Rate (yr. 2-7)	1%						
Average lot price	\$15,000	\$15,150	\$15,302	\$15,455	\$15,609	\$15,765	\$15,923
Expense Rate	33%						
Discount Rate (w/taxes)	10%						

YEAR	1	2	3	4	5	6	7
Gross potential sales	\$795,000	\$681,750	\$566,156	\$448,181	\$327,790	\$204,947	\$79,614
Lot value	\$15,000	\$15,150	\$15,302	\$15,455	\$15,609	\$15,765	\$15,923
Lot inventory	53	45	37	29	21	13	5
Lots sold	8	8	8	8	8	8	5
Ending Inventory	48	37	29	21	13	5	0
Ending gross sales potential	\$720,000	\$560,550	\$443,744	\$324,545	\$202,918	\$78,826	\$0
Sale proceeds	\$120,000	\$121,200	\$122,412	\$123,636	\$124,872	\$126,121	\$79,614
Sale expenses	\$39,600	\$39,996	\$40,396	\$40,800	\$41,208	\$41,620	\$26,273
Net Income	\$80,400	\$81,204	\$82,016	\$82,836	\$83,665	\$84,501	\$53,341

Total Net Present Value	\$493,167
Net Present Value Per Lot	\$9,305.04
Lot NVP/Avg Lot Price Ratio	60%
Inventory % Adjustment	40%

**Annual Real Property Inventory Review.**

Each year between Jan. 1 and the anticipated date for notices of appraised value to be mailed out, the appointed appraiser should follow the procedure listed below to verify all properties with the real property inventory valuation.

- (1) In PACS, perform a property search under the State Code for O1 property types
- (2) Verify the ownership has not changed from the original applicant and has a completed form 50-143, Rendition of Real Property Inventory on file under the current owner(s) name.
- (3) Verify the property is still qualified under the general requirements above
- (4) Verify the appropriate economic adjustments are accurate and in place for all land and improvements
- (5) If ownership has changed, or the property is no longer qualified, remove the economic adjustments as appropriate and correct the State Code to the designated property type, (i.e. A1 for single family home, C1 for vacant subdivision lot, etc.)
- (6) If an updated rendition is required, send the property letter in PACS entitled RPI -COVER LETTER, along with a blank form 50-143, with a listing of properties under the ownership that is requested.