

New Opportunity for Hotel Property Tax Reductions - By Raymond Gray, Esq.
2007-12-07

Disputes over hotel property taxes continue to mount all across the country and basically for one reason. Taxing authorities attempt to include both the real estate and the non-real estate values in developing their tax assessments when the law states that property taxes can be levied against only the real estate.

The appraisal profession established standards requiring that real estate must be separated from non-real estate interests for valuation purposes. Although the message is abundantly clear, the separation and measurement of the value of the tangible and intangible assets of operating properties, such as hotels, has been a challenge.

In 2001, the Appraisal Institute developed Course 800, to provide the theoretical and analytical framework for separating the tangible and intangible assets of operating properties. In 2005, Course 800 was slated for updating by the Institute and should have returned to the Institute education schedule in short order.

However, it appears that the course was lost in the rush to redevelop the entire Appraisal Institute curriculum due to the significant change in required hours for licensing and certification mandated by the Appraisal Foundation. Thus, the course was not offered by the Institute, leading a number of taxing jurisdictions and their experts to claim that Course 800 had been repudiated by the Institute and that the principles of the course were inapplicable to hotel valuation. The key underlying principles included economic and business value concepts such as:

1. Defining and describing the 'total assets of the business' as distinguished from the 'going concern' concept,
2. Providing a methodology to segregate and value individual income streams associated with a business enterprise, and
3. Defining and describing the concept of 'capitalized economic profit'.

The Appraisal Institute has recently contracted with several members of the original development team, plus a couple of new contributors, to update Course 800. The preliminary outline suggests much of the original content will be incorporated in the update, especially the economic principles and business value concepts. There will be more real property case studies - highlighting the fact that this is not a 'hotel valuation course', but a course on valuing each of the value components of an operating property. The new course, anticipated to hit the market in mid-to-late 2008, is likely to take the form of a two-day seminar.

Hotel owners and managers will benefit greatly from the 'new Course 800'. As the appraising and assessing community become better educated on the principles espoused in this updated course, property owners and managers will find even greater success in appealing tax valuations that include anything other than tangible property.

Raymond Gray is a partner with the Austin, Texas law firm of Popp, Gray & Hutcheson. The firm devotes its practice to the representation of taxpayers in property tax disputes and is the Texas member of the American Property Tax Counsel (APTC), the national affiliation of property tax attorneys. Mr. Gray can be reached at raymond@property-tax.com.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article30409.html>

© 1998 - 2007 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html