

VALERO REFINING-TEXAS, L.P. V. GALVESTON CENTRAL APPRAISAL DISTRICT: A STRATEGIC OPPORTUNITY?

Date: 2 March 2017

Tax Alert

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The Texas Supreme Court recently handed an owner of a Texas oil refinery a significant victory in *Valero Refining-Texas, L.P. v. Galveston Central Appraisal District*, No. 15-0492, 2017 WL 727276 (Tex. Feb. 24, 2017). In a suit relating to the 2011 tax year, Valero asserted that the Galveston Central Appraisal District (GCAD) had appraised its refinery unequally as compared to other refineries. GCAD had appraised various components of Valero's refinery in several separate tax accounts; Valero's challenge related to the appraisals of some, but not all, of those accounts. One of the issues was whether Valero was required to compare the entire value of its refinery to the entire value of other refineries in its unequal appraisal analysis. The Supreme Court concluded that, as a matter of law, Valero was entitled to limit its property tax suit to the selected tax accounts and the portions of its refinery to which they corresponded.

In its opinion, the Supreme Court focused on the practical effect of GCAD's having assigned the various parts of Valero's refinery to different tax accounts. The Court reasoned that because GCAD had discretion in determining how to appraise Valero's property, including by assigning it to various tax accounts, it could not argue that Valero's contest to the appraised value of some of those accounts was somehow deficient: "If component parts of a property cannot be valued in isolation, then as a matter of law, separate accounts are not appropriate. It follows that if tax accounts are appropriate, then as a matter of law, the property in each account can be valued in isolation. This is transposition logic, not a factual dispute."

The Supreme Court's decision is likely to give rise to strategic opportunities for both Texas property owners and appraisal districts. When considering whether to contest a property tax appraisal, property owners — including owners of refining and industrial facilities, power generation facilities, and other complex properties — should carefully analyze and consider how their properties are assigned to tax accounts, how the appraisal district assigns similar properties to tax accounts, and which tax accounts to challenge. Property owners should also be wary if an appraisal district re-assigns property among tax accounts and should carefully examine how such changes to their tax accounts may affect their ability to successfully contest future property tax appraisals. It is worth noting that, during the pendency of this case, GCAD changed its appraisal system to contain the entire value of Valero's refinery in a single account; it is possible that other appraisal districts could follow suit now that the Supreme Court has ruled in the property owner's favor in this case.

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