Bond Case Briefs

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TAX - TEXAS

Valero Refining–Texas, L.P. v. Galveston Central Appraisal District

Supreme Court of Texas - February 24, 2017 - S.W.3d - 2017 WL 727276

Taxpayer, which owned oil refinery, filed petition for review of order by county appraisal review board regarding appraisal of refinery for property tax purposes, asserting that appraisal district had appraised refinery unequally as compared to other oil refineries.

Following jury trial, the District Court rendered judgment on jury verdict in favor of taxpayer. Appraisal district appealed. The Court of Appeals reversed and remanded. Appraisal district and taxpayer filed petitions for review, which were granted.

The Supreme Court of Texas held that:

- Trial court had jurisdiction over taxpayer's appeal of valuations from only certain tax accounts, as components of refinery;
- Some evidence supported jury's finding that medium conversion refinery was comparable to taxpayer's heavy conversion refinery;
- Component accounts of taxpayer's refinery could be compared to component accounts of comparable refineries without consideration of refineries' total valuation;
- Value of pollution control equipment was not required to be considered in determining whether taxpayers' processing operations had been taxed unequally; and
- Refineries' values could be adjusted by calculating equivalent distillation capacity.

Trial court had jurisdiction over taxpayer's appeal from valuations by county appraisal review board of only three tax accounts arising from appraisal district's division of taxpayer's oil refinery and its improvements into separate accounts and individual appraisal of those accounts, though district asserted taxpayer was required to challenge valuation of whole tract. Taxpayer filed separate protests of some, but not all, of account appraisals, board decided protests by separate orders for each account, taxpayer timely appealed those orders, taxpayer's petition sufficiently identified property covered by tax accounts, and nothing in provisions governing appeals required taxpayer to challenge all appraisal accounts used to appraise its property.

Some evidence supported jury's finding that medium conversion oil refinery was comparable to taxpayer's heavy conversion refinery located in same county, such that medium conversion refinery could be considered as comparable property in determining whether taxpayer's refinery was appraised unequally based on its appraised value exceeding the median appraised value of medium conversion refinery and other heavy conversion refinery, though medium conversion refinery had much less capacity and complexity. Taxpayer presented evidence that all three refineries had same business functions of processing crude oil, similar storage facilities, equal access to utilities, and on-site support facilities, and appraisal district used similar accounts and appraisal methods for all three refineries.

Component accounts created by appraisal district for determining value of components of taxpayer's refinery could be compared to component accounts of other comparable oil refineries, in determining whether processing operations components of taxpayer's refinery had been taxed unequally as compared to other oil refineries, without consideration of refineries' total valuation, though district asserted value of property in one tax account was affected by value of property in other accounts. Property in each account could be viewed in isolation, as district used separate accounts in appraising refineries, and property owner was entitled to have notice of what was in each account to ensure property was not double-taxed.

Value of pollution control equipment, as component of taxpayer's oil refinery, was not required to be considered in determining whether processing operations components of taxpayer's refinery had been taxed unequally as compared to other oil refineries, though appraisal district asserted that equipment was required to be included in comparing values of taxpayer's processing units and tanks, as such equipment was integral part of refinery, without which refinery could not operate and that excluding valuation substantially impacted equalized values calculations in taxpayer's favor. Since equipment could be appraised separately, then other account appraisals could be compared without regard to the pollution control equipment appraisals, and benefit to taxpayer's position was irrelevant.

Oil refineries' values could be adjusted by calculating equivalent distillation capacity, in determining whether processing operations components of taxpayer's refinery had been taxed unequally as compared to other oil refineries, though appraisal district asserted equivalent distillation capacity metric only measured what refinery process units took in and yielded and did not apply to buildings or tanks, where even appraisal district's experts agreed that equivalent distillation capacity was a useful factor in adjusting values for comparison.