

The Great Property Tax Squeeze

Assessments are expanding, but prices are contracting. Ready to fight back? Here's how.

BY JOE LIGHT

PHOTOGRAPH BY AARON GOODMAN

SIGRID CRANE COULDN'T UNDERSTAND IT. The tax assessor for the town of Vienna, Va. pegged the value of her home in 2007 at \$570,000, up \$20,000 from the year before, despite the fact that the local market had already gone south. Crane fought back—and won.

She may soon have a lot of company. Property taxes have risen at more than twice the rate of inflation this decade. >>



When home prices were going up at least that much, it was hard to complain. Besides, since many locales re-assess properties to their “true market value” only every few years (in some cases even less frequently), an owner in a particularly hot neighborhood made out. The value of his property rose faster than one across town, but the tax burden didn’t shift.

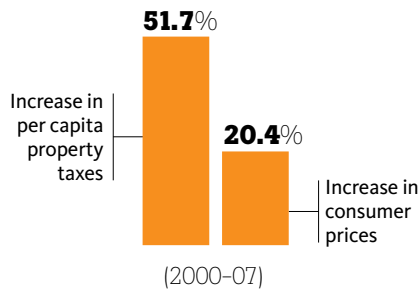
Oh, how times change. Now every major national index has recorded a drop in home prices, and plenty of once sizzling markets have gone stone cold. That doesn’t mean homeowners in suburbs around Boston, New York City, Miami and Washington, D.C. can expect a friendly note from the tax man lowering their assessment. As Harvey Levinson, chairman of the Nassau County, N.Y. board of assessors, notes, “If we reduced everyone’s assessed value, the tax rate would just have to go up.”

Nevertheless, the pullback in prices could give you an opportunity to ease your property tax squeeze. Fewer than one in 50 homeowners try to appeal assessments even though up to 60% of properties are overvalued by assessors, according to figures cited by the National Taxpayers Union. So if you file an appeal that’s based on more than your indignation, you’ve got a good chance of success as long as most of your town doesn’t do the same. “The bottom line is that if homeowners aren’t focused on what has happened in their marketplace, they are paying too much in property tax,” says John Brusniak, a Dallas property tax lawyer.

Depending on how far you’re forced to take an appeal, expect to spend from five to 20 hours on it. Most of the time you won’t need a lawyer. And with potential payoffs in the thousands over many years,

THE PROPERTY TAX PINCH

Since 2000, property taxes have been rising much faster than inflation. That was bad enough when home values were rising. Now it really hurts.



SOURCES: Tax Foundation; U.S. Census Bureau.

why let it slide? If your assessment has you banging your head against the desk, follow these steps to bring down your bill as painlessly as possible.

› **Learn your system.** Taxing authorities use different methods to calculate home values. Some look at recent sales of similar homes. In rural areas where sales are few, they might estimate the cost to rebuild. Others use some combination of methods. Call your assessor’s office and ask how it pegs values. In some locales your tax liability is based on a percentage of your property’s estimated value. You’ll want to know what that percentage is so you can figure out whether the actual value the assessor is assigning to your home is fair.

› **Get your assessor’s evidence.** The assessor didn’t pull his estimate out of a hat, even if it seems that way to you. Visit the tax man’s office and ask for the evidence used to value your home. Get your home’s property card, which lists basic

details like lot size, square footage and number of bathrooms.

Make sure the description is right. When municipalities or counties re-assess property values, they typically hire an outside contractor who looks at hundreds or thousands of homes in a tight time period. The appraiser has to come up with shortcuts. Three vent stacks on the roof? That must mean three full baths. Never mind that an upstairs laundry room could be the culprit. (For other common errors, see the graphic on page 55.)

The assessor’s file should contain a worksheet that the appraiser filled out during inspection with addresses of homes he compared with yours. That was a key to Crane’s success. The appraisal that was done on her 1960s house (still with vinyl siding and pink bathroom fixtures) valued it as though it were comparable to one of the area’s new brick-and-stone McMansions. In the end her assessment was lowered by \$20,000, saving her around \$200 a year.

› **Build your case.** You won’t have much time to file an appeal, generally 60 days or less from the time your annual tax assessment was mailed. (That typically occurs between late spring and late summer.) And you can’t just march into an appeals board with a newspaper article showing price declines and expect to win. If the issue isn’t a simple error on your property card, you’ll need to arm yourself with recent comparable sales or assessments that show your house has been valued too high. You can look up your neighbors’ home valuations at the assessor’s office. The easiest way to come up with comparable sales is to ask a real estate agent for help. If you’re in a new community, she might find homes with an identical floor plan that sold for thousands

AN APPEAL’S PAPER TRAIL As you prepare to make your case, make sure you’ve got these documents:

1 Your property card. It will list basic information like the number of bedrooms and the square footage.

2 The appraiser’s worksheet. This will show how the appraiser graded different components of your house.

3 Sales records. Printouts from the multiple-listing service showing sales of homes comparable to yours, dated near the time of your assessment.

4 Visuals. Photographs of your home and of your comparables. Make sure to highlight damage to your property. Plot the comparable homes on a map.

5 Your presentation. Write out or outline your case. Rehearse your pitch and make sure it takes less than eight minutes.

under your appraised value. Your ideal comparable homes will be of the same square footage and age as yours and sit on almost the same size lot. To make your case you'll need at least five sales—10 is better—from around the time of your assessment. Your agent might charge you a \$50 to \$100 fee, but the expertise is worth it.

Take a critical eye to the homes and make sure there aren't circumstances that an assessor could use to explain a huge difference. Is one of your comps next to the railroad tracks? Did you just replace the roof on your 25-year-old home?

Put together a spreadsheet listing the addresses of the comparables, the sales prices and dates, the price per square foot and a description of what makes the homes similar to or different from yours. Finally, to complete your homework, drive out to the properties and take photographs of the exteriors.

If you can't find comparable homes that sold for at least 10% less than your property's assessed value, throw in the towel. Some areas require the valuation to be off

IT COULD BE WORSE...

...You could live in **New Jersey**, the state with the biggest property tax bite.

Median tax bill there	\$5,773
Median home value	\$366,600
Median property tax as % of median income	7%

SOURCES: Tax Foundation; U.S. Census Bureau.

by even more than that to win an appeal.

➤ **Meet the assessor informally.** Go over the evidence you found in support of a lower value. This meeting might be hard to arrange in larger towns, but it's worth trying. If the assessor more or less agrees with you, the rest of the process will be a lot faster and smoother.

Attitude is important. You're showing the assessor how his appraiser messed up. Don't add to his defensiveness by tossing verbal grenades like "I pay your salary." If the assessor won't budge, make him explain why. Take notes: He's handing you

his battle plan for the formal appeal.

➤ **File the appeal.** Usually this is with a county board. Hand deliver it and get a receipt or use certified mail. Within a couple of weeks you should get a notice acknowledging receipt, but depending on your county's size, you could have a long wait for a hearing. David Jantzen, an IT consultant in Atlanta, filed an appeal last summer, but he still doesn't have a date. "The wait time is crazy," he says.

Most appeals are heard over the course of a couple of weeks. Before your day arrives, attend a hearing to get accustomed to the proceedings. Certain board members might raise the same objections all the time. So make sure you're ready to answer those questions.

Prepare visuals with photos of your home and the comparable homes, then write out and rehearse your presentation. Keep it to eight minutes or less. Brevity will score you points and leave time for the board to ask questions.

➤ **You lost?** First, you'll likely appeal to a state agency. If that fails, you'll probably

have to go to court. At this stage of the game you'll need help from a lawyer and probably an appraiser, says Cathy Steele, a property tax attorney in St. Louis. That needn't cost a fortune. You can retain a lawyer for a contingency fee that varies based on your potential tax relief. An independent appraisal will cost \$400 or so.

The state, which will be handling hundreds of such appeals, wants to end the dispute as quickly as you do. "Before trial, these offices knock out as many settlements as they can. They're going to voluntarily give at least some relief in 95% of cases," says Melinda Blackwell, chairwoman of the American Bar Association's property tax committee.

Jantzen, who hopes that his appeal won't have to go that far, suspects that he'll be able to knock thousands a year off the tax bill on his Atlanta property, recently assessed at \$1.5 million. "Homes on my street have been assessed at less than \$1 million, and others have been on the market for years," he says. "It would be irresponsible not to appeal." \$

THIS CARD CAN SAVE YOU MONEY

Get your property card from the tax assessor, make sure the square footage is accurate and then look for these common errors.

RESIDENTIAL BUILDING SECTION	
Actual Yr. Built	1995
Kitchen Qual: 1=Poor 2=Fair 3=Normal 4=Good 5=Excellent	5
No. Full Baths	3
No. Half Baths	
Bath Qual: 1=Poor 2=Fair 3=Normal 4=Good 5=Excellent	3
No. Bedrooms	4
No. Rooms	8
No. Fireplaces	1
Central Air: Blank=No 1=Yes	
Basement Overall Cond: 1=Poor 2=Fair 3=Normal 4=Good 5=Excellent	4

- An appraiser may transpose numbers on the year-built date.
- If your appliances are a decade old and your cabinets older, the score should be 3, not 5.
- An appraiser may guess incorrectly at the number of bathrooms by counting the vent stacks on the roof.
- If your walls have cracked and the basement floods after a storm, that's not "good."

SOURCE: MONEY research.

Your potential. Our passion. **Microsoft**

Ladies and gentlemen, Windows has left the building.

Windows Mobile

The Northwind Trader

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