

How YOU Can Lower YOUR Property Taxes

Why Fight City Hall?

What if you walked into a store and made a purchase and the clerk charged too much sales tax?

You would have pointed it out and asked the clerk to adjust the charge, saving you some money.

But what happens when you get your property tax statement(s)? How do you know when you're overtaxed? How do you find out? Where do you go, and whom do you talk with?

Property taxes *are* more complex than retail sales taxes, but they're not all that complicated. The effort to lower your taxes can result in direct savings, and that's money in your pocket.

It's not that difficult, and you're entirely within your rights to legally reduce any of your taxes – whether it involves a simple retail transaction or a federal tax return. And, in this case, your property taxes.

Important Questions

Do you know that lowering the taxable value of your property does not mean that you're reducing its market value?

Have you compared your assessment with those of comparable neighborhood properties?

Have you investigated prices of recent sales in your area? (Think about overvaluation in a declining market.)

Did you examine the tax records for clerical errors? Check the square footage of the house and lot, number of bedrooms and bathrooms, and the property description. And remember to check for simple math errors. It happens.

What has changed since the previous tax year? Did you add or remove bedrooms or bathrooms? Has the condition of your property changed? Has it suffered from deterioration, storm damage, foundation cracks, etc.?

Have you considered your surroundings? Things in proximity to your home may affect your property's taxable value. These include railroad tracks, busy thoroughfares, freeways, toll ways, industrial areas, unsightly utility structures, etc.

Finally, have you taken all of the exemptions you're allowed? In addition to the usual homestead exemption, you may qualify as a disabled veteran, or senior. Some states allow exemptions for energy-saving improvements, i.e. solar panels, and property with historical value. You might also consider farm and ranch exemptions, and some of the less-than-obvious exemptions, i.e., those provided for residents who raise exotic animals on their property. You never know.

What are your chances of reducing your property taxes?

- The National Taxpayers Union estimates that 60% of property taxes are overpaid and 50% of protests are successful.
- The American Homeowners Association estimates that 40% of assessments have errors.

Can you do it alone? Depends. You'll have to gather your data for presentation, and in today's e-world, you can possibly do this online. You may have to attend a hearing. You can do this yourself or hire a tax professional to help you. See the section on *Preparing For A Protest*.

Determination of Tax Assessment

It's not rocket science. Employees of the taxing entity determine the taxable value of your property. This leaves a lot of wiggle room.

When it comes to your property taxes, you're likely relying on clerical number crunchers who may have never seen your home, your street, or your neighborhood. They run calculations. It's their job. And it's your job to challenge them if you hope for a fair evaluation. And if you invest the time and effort into exploring your tax bill, only to discover that it is really fair, then you've gained some peace of mind.

Tax Assessment vs. Market Value

Both of these valuations are subjective, and they come from opposite ends of the playing field.

Tax Assessment

Your taxing entities (city, county, school, hospital district, etc.) rely on tax revenues to support their yearly budgets. They establish annual tax rates for property owners. These rates will fund their needs and theoretically have some relation to actual property value. This is generally expressed as a percentage of the taxable value, i.e., 10% of an assessed value of \$100,000. The taxable amount is reduced by qualifying exemptions and then a multiplier, or mil rate, is used to calculate the actual tax.

You cannot change tax rates. You cannot negotiate a 10% tax rate to 9.99% or lower. The rate is the rate. You cannot change the amount of an exemption. It is what it is. And you cannot change the mil rate.

You can, however, question the basis of the property valuation and explore exemptions available to you. By lowering your taxable value, you lower your taxes. If you lower them this year, you may reap the savings for years to come. And you may increase marketability of your home. Buyers aren't looking for homes with inflated property taxes and a high tax bill.

Market Value

Simply put, market value is determined by sellers and buyers. These prices are shaped by economic forces such as supply and demand, availability of financing, transactional time constraints, desirability of the property, and other factors. Qualified realtors represent the best interests of buyers and sellers, establishing a fair market value *not restricted by tax valuation*.

If you reduce your property's taxable value from \$100,000 to \$90,000, you and your potential buyer both come out winners – even if that buyer is willing to pay \$120,000 for the property. Your buyer inherits the reduced tax value – at least initially.

Property-tax laws vary widely across the country. State legislatures set laws that govern property taxes; but, generally, local governments collect the money and spend it on schools, police and fire, and other city and county operations. Local voters and elected officials set the rates within guidelines set by the legislature.

Did You Vote To Increase Your Taxes?

That depends on your voting history and your participation in the process of choosing elected officials and communicating the needs of your community to them.

State legislatures have been reluctant to raise other taxes to subsidize funds that they derive from current property taxes. And spending cuts for schools – where most property tax money goes – are extremely unpopular with legislators and voters, too.

Property taxes are taking center-stage in the debate over taxes. Many homeowners are grumbling, but grumbling is not enough.

If the voters decide that they don't want any new schools, new libraries, increased teacher salaries and the like; they must take action. Write letters to your elected officials, send op-ed pieces to your newspapers, attend town hall meetings, rally a protest and invite the media. Be proactive as a homeowner.

Why Do My Property Taxes Keep Going Up, Up, And Up?

Historically, property taxes have risen in a growing economy. As the cost of goods and services increase, so do the prices of real property. No one, including the president, chief economists, trend spotters and others, can tell for sure when our economy will backslide further or regain health. Current indicators look promising. If you had a tax reduction this year, you may have a tax increase next year. And although you feel some relief with lowered tax values today, you might be able to lower them further by filing a protest. It's worth looking into.

The big picture looks like this: property taxes are an ad valorem tax, which means added value. As home values rise and fall, so do property assessments. A higher assessment means you'll pay more in property taxes. Often, those increases are not valid.

Preparing For A Protest

Depending on the location of your property, your tax entities will have rules in place for protesting your tax assessment. Generally you can find these online. Basic steps include the following items.

Pay attention to deadlines. What is the timeframe for filing a protest? What is the tax due date? What penalties would you incur for late payment?

Educate yourself about the process. Answering the following questions will start your thought process towards determining if you can take the do-it-yourself approach; or, if you want to hire a professional property tax consultant to assist you.

Beginning Steps

1. Can you settle this matter in an informal meeting? Or will you have to appear before a review board? Who serves on the board, and what is their relationship to the taxing entity?
2. What kind of evidence will you need?
3. Can you get advance copies of evidence the taxing entity plans to present in its favor? How much will this cost?
4. How much time do you have?
5. What happens if you fail to appear?
6. What kind of evidence will you need to support your claims as shown below?
7. What can you do to protest the results of your protest?

Excessive Valuation/Unequal Appraisal

If you believe the assessment is too high, you can support your claim with evidence that you must collect and then present to the authorities. Ordinarily, no one will come to your home to examine its features, so you must make your case with photos and written documentation that reflect the need for revaluation. Remember, those who made your tax assessment probably do not know your neighborhood, and do not know if your house is typical of your neighborhood.

- Take pictures of your home and neighboring homes to show that all homes within a given community are not created equal. The taxing entity may not know that your home does not have the same amenities as neighboring homes. Think corner lots, swimming pools, solar panels, recent upgrades, and other items that may affect overall appraisals within communities.
- Provide written estimates and photos that show needed-but-unmade repairs to your property. You may qualify for a disaster reappraisal if you have suffered damage from weather, fire, or vandalism. You may also demonstrate that your home has a deteriorating infrastructure, such as a cracked foundation.
- Provide sales data from recent real-estate transactions to reflect values of neighborhood properties. Additionally, you can use construction costs of new homes in your community to show discrepancies between old and new.
- Measure square footage using a tape measure and make your measurements on the exterior of your home. Compare your results to those on record to determine if there are any errors.
- Document, both in photos and words, elements of your environment which you consider to negatively affect your property value. Are you close to noisemakers and eyesores such as freeways, toll roads, train tracks, industrial sites, dilapidated structures and the like?

Exemptions

If you qualify for exemptions that you have overlooked or if you have applied for exemptions and have been denied, you can take recourse to lower your taxes. Start by investigating available exemptions and develop solid proof of your qualifications. Some of these include the following.

- Homestead
- Disabled Veterans
- Seniors
- Historic or Archeological Site
- Energy-saving Improvements
- Agriculture/Livestock/Exotic Animals

Failure Of Notice

If you didn't receive proper notice regarding your property taxes, in some jurisdictions you can appeal under "Failure To Receive Notice."

In one case, a significant number of residents living on a small island off the coast of Texas have failed to receive notices because the city computer that generates the mailing list does not recognize street names ending with "1/2." Many streets here are named with alphabetical letters, so if you live on "O" street you'll probably receive your tax notice. But if you live on "O 1/2" street, you'll have to make arrangements to pick it up. (Unfortunately, however, Texas does not allow for the appeal of "Failure To Receive Notice.")

Need Professional Help?

If you want outside help to support your claim(s), consider the following. Paying fees for the services may well be worth it, especially if you don't have the time or expertise to keep yourself from getting ripped off by the tax man, and more especially if your home has significant value and your taxes are thus high.

Hire An Appraiser

Appraisers are licensed professionals and their services may save you time and frustration. For about \$400 a professional residential real estate appraisal can provide the report/ tools you need for your protest and reduce property taxes your own.

Hire A Property Tax Specialist

There are Property Tax Specialists who specialize in getting your property taxes reduced but generally want 50% of the savings.

Last But Not Least

Drop the attitude. When you approach your informal and/or formal meetings with the authorities, your professional courtesy counts for a lot. Money is a highly emotionally-charged issue, and so is the need to win.

Just remember why you're there, what's at stake, and leave the emotions out of it. Getting angry and upset will not further your case, and likely will work against you.