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SMALL BUSINESS

Contesting assessments can pare property taxes

Smart businesses invest their capital in areas where they get the greatest return. While real estate taxes provide no return, property taxes are a controllable expense. Lower property taxes positively affect short-term yields and long-term returns, making them important to keep a close eye on.

Spend some time educating yourself about the real estate market and how your taxes are determined. Right now businesses and property owners are dealing with unprecedented increases in fuel and utility costs. As a result of both fixed and variable expenses increasing, your real estate might not be worth what the tax man says it is.

In almost all states, real estate is assessed based on some percentage of its fair market value, and one of the main indicators of value is the income that could be produced from the property using current rents, vacancies and market expenses.

Taxpayers who contest real estate taxes now can take advantage of the situation. By establishing an estimated net income from these market statistics and ultimately proving a lower assessed market value, an owner might be able to reduce his or her property taxes.

Here's how: Given that during the past several years utility costs have more than doubled — costs that cannot be passed easily to customers — businesses simply cannot afford to spend a lot of capital on space. As certain types of space, the demand will drop, resulting in a decrease in market rents and property value.

Even if the market weakens, your property tax assessment likely will not decrease unless you contest it. Also, a newly established assessment can be used as the basis for future assessments. This positions your company for future years because reduced real estate taxes have a compounding effect. Even if your assessment climbs steadily in future years, having started at a lower base



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can save money indefinitely.

Conversely, by missing an opportunity to control taxes, a company will continue to spend money on an item that does not have a return.

However, property owners aren't the only ones keeping a close eye on assessments. Local school districts might file an appeal to increase assessments they see as low. But, before engaging in any correspondence with anyone seeking to increase your taxes, consult with a real estate tax professional.

Here's what to consider before contesting your assessment:

- Assessment boards have a certain time when they will accept appeals against tax assessments. Find out when. Furthermore, it is recommended that you have a copy of your appeal time-stamped by the board for your own records.

- Prior to contesting your assessment, determine the assessed market value of your property. In each state, and in some cases each taxing jurisdiction, you are assessed at a percentage of fair market value.

- There might be risks to contesting your assessment. Before filing, it is essential to ensure that your property is in fact over-assessed as of the tax lien date. If your property is actually under assessed, the assessment board might have the ability to increase your assessment rather than decrease it.

- You might need a lawyer to contest your assessment.

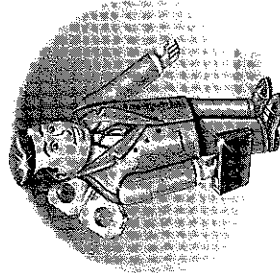
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