

Real Estate Investors Can Contest Property Taxes

Complaints must be filed with county board of revision by March 31.

By Kieran Jennings

Property taxes represent the single most challenging, controllable expense for real estate investors. Higher property taxes negatively affect both short-term yields and long-term returns. The short-term impact is the obvious decrease in the bottom-line. On a long-term basis, the increased property taxes translate to a lower selling price.

With the real estate market suffering from high vacancies, and the economy still struggling, owners are looking to attract tenants and keep costs down. Many properties pass certain expenses on to tenants, including real estate taxes. By keeping real estate taxes in check, owners can offer a more competitive overall rental package.

Owners who contest real estate taxes now can benefit from the slow economy. Real estate is assessed based on its fair-market value, and the main indicator of value for investment property is its net operating income. By using historic and market statistics, an owner may be able to reduce real estate taxes.

Owner-occupied properties that do not have net income attributable to the real estate can still benefit from current market data. Even if the owner occupant is not personally affected by the real estate market, by using current market rental rates,

vacancies and expenses, a lower assessment may be established.

In Ohio, the local county auditor updates property tax assessments or physically reappraises all properties once every three years.

While varying from county to county, the 2005 tax year (payable in 2006) begins a new three-year reappraisal cycle for many counties including Mahoning County. Unless contested, the assessment will continue for the three-year period. Furthermore, the newly established assessment may be used as the basis for future assessments.

Taxpayers are not the only ones that keep a close eye on your assessment. The boards of education are one of the main recipients of your tax dollars. As a result, if you are underserved, the board of education may file a complaint to increase your assessment.

Before engaging in any correspondence with any one seeking to increase your taxes you may want to consult a real estate tax professional.

Facts to consider when filing a complaint:

- Generally, the boards of revision will accept complaints after Jan. 1, but in any event, complaints must be filed (received not mailed) with the county board of revision by the March 31, 2006 deadline. It is recommended that you have a copy of your complaint time stamped for your own records.
- Before filing a complaint you first must deter-

mine the auditor's estimate of your property value. The assessment property tax notice provides a tentative market value. The final "assessed" value is indicated on your tax bill.

If that value is not expressed as a market value, simply divide the assessed value shown on your tax bill by 35% to arrive at the auditor's opinion of the fair-market value of your property.

You may need a lawyer to file the complaint. The Ohio Supreme Court, in *Sharon Village Ltd. v. Licking County Bd. of Revision*, ruled that the preparation and filing of a complaint constitutes the practice of law.

Accordingly, an attorney must prepare and file the complaint unless the property is legally titled in the name of the individual filing the complaint.

In response to this case, the Ohio Legislature passed a law allowing non-attorney's to file complaints in certain situations.

However, there have been a series of cases that have for all practical instances nullified the law permitting non-attorneys to file complaints. Therefore, in order to avoid the risk of having your case dismissed and losing your right to contest your taxes, it is advisable to consult an attorney.

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