

# Whether You Own Or Rent, All Businesses Benefit From Lower Taxes

## Five tips to consider when contesting your tax assessment

By Kieran Jennings

**S**mart businesses invest their capital in areas where they get the greatest return. Real estate taxes provide no return; they are simply forced expenditures that must be paid regardless of profit. Property taxes are however, a controllable expense. Lower property taxes positively affect both short-term yields and long-term returns. The short-term impact is the obvious increase in the bottom line due to lower taxes. On a long-term basis decreased property taxes translates to higher business and/or real estate values and stock prices. A small investment of time can ensure that an investment of capital fighting your taxes will reap double-digit returns.

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. Both fixed and variable expenses are increasing, as a result your real estate may not be worth what the taxman says.

In almost all states, real estate is assessed based upon some percentage of the fair market value of the real estate, 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.

Those taxpayers who contest real estate taxes now can take advantage of the current situation.

Because real estate values ultimately are a result of how much occupants are willing to pay for space, and given that in the past several years utility costs have more than doubled, and that those costs cannot be easily passed on to customers, businesses simply cannot afford to spend a lot of capital on space. As less people are able to afford a certain type of space, the demand for that space drops resulting in a decrease in market rents and the value of property drops.

Many real estate markets suffer from high vacancies, and higher utility and insurance expenses. By establishing an estimated net income from these market

statistics and ultimately proving a lower assessed market value an owner may be able to reduce its real estate taxes.

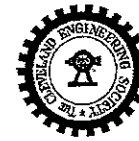
Even if the market has weakened, the assessment of your property value will not likely decrease unless contested. However, a newly established assessment may be used as the basis for future assessments, thus positioning your company for future years. Reduced real estate taxes have a compounding effect. Even if your assessment in future years steadily climbs it is true that having started at a lower base you may 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.

Taxpayers are not the only ones that keep a close eye on your assessment. The local school districts are one of the main recipients of your tax dollars. As a result if you are under-assessed the district may file an appeal to increase your assessment. Prior to engaging in any correspondence with anyone seeking to increase your taxes you may want to consult a real estate tax professional.

Important facts to consider when contesting your assessment

- Generally, assessment boards have a certain time when they will accept appeals against tax assessments. It is

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important to find out just when you must contest your taxes. 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 you first must 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. In some states that percentage can vary from only 4% or 5% of market value to 100% of market value. In a jurisdiction with a 4% ratio a \$100,000 assessment equates to a \$2.5 million assessed market value.
- There may 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 may have the ability to increase your assessment rather than decrease it.
- You may need a lawyer to contest your assessment. Some states have determined that appearing before a real estate tax appeal board is the practice of law to challenge your assessment. Ohio appears to have the toughest laws regarding the unauthorized practice of law. Ohio has established precedent in certain circumstances where the filing by a non-attorney has the effect of the case being dismissed and losing the right to contest the taxes for a three-year period.
- Determine under whose name you can challenge an assessment when you rent the property that is taxed. **P**

*Kieran Jennings is a partner in the law firm of Siegel Siegel Johnson & Jennings Co. L.P.A. He is a member of The American Property Tax Counsel and has dedicated nearly all of his efforts to reducing property taxes for taxpayers in the continental United States and Canada. Kieran can be reached at 216.763.1004 or by email at [kjennings@siegeltax.com](mailto:kjennings@siegeltax.com).*