

# Changing Markets, Changing Tax Codes, Changing Property Taxes?

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State and local governments nationwide rely on property tax more than any other tax to fund their spending. With the new federal tax code cutting other taxes for taxpayers, it is expected that the federal government will shift some of its funding burden back to state and local governments. Unless you have confidence governments will cut spending, taxpayers may want to keep an eye on their wallets as local government looks to fill that need.

Taxpayers can plan for the increased taxes by looking at their property tax assessment now. If they have not filed a tax complaint in the current triennial, Ohioans can file to contest their property assessments by March 31st (extended to April 2nd this year because the deadline falls on a weekend). A caveat: if you are under-assessed, you run the risk of having the assessment increased as well as decreased, so it is important to be prudent when deciding whether to file.

*You are not the only one invested in your property's value.*

The local school district is also interested in your assessment. Most of your property taxes go to the school district; it is one of their most important funding sources. Even if you decide not to file a complaint, the school district may want to increase your assessment. Ohio and Pennsylvania are the only two states where schools routinely file to increase the assessments on taxpayers, whether or not there has been a sale of the property. No triggering event is needed.

*How do school district attorneys know which properties are under-assessed?*

A recent purchase is the easiest way for school attorneys to assume that you are under-assessed. They have also been known to review mortgage filings. A new mortgage may signal that the assessment is not matching up with your mortgage amount and the corresponding market value of your property. Or the district



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may simply believe your assessment is too low based on its interpretation of the market. When the school district files a complaint to increase your taxes, taxpayers may file a counter-complaint to the school's initial complaint. Taxpayers should be wary of the gut reaction to file a counter-complaint. (You do not need to file a counter-complaint to defend against any increase sought). Taxpayers should be aware that a property tax lawsuit has the potential to cost them significant dollars and should consider the implications of filing a counter-complaint.

*What has been done to help protect taxpayers and ensure fair revenue to the government?*

The State of Ohio specifically defined in the Ohio Revised Code the market value that is used for the application of property taxes – that value is the fee simple unencumbered value. Simply, it is the most likely selling price of a property that reflects market rent, occupancy and other market indices. It is the manner in which most homes and owner-occupied properties sell. The Ohio Supreme Court

recently ruled in favor of a taxpayer under the new definition.

*Why is the definition and the Ohio Supreme Court decision important?*

Property tax is the only tax that is determined by an opinion of value instead of the submission of a quantified measure such as sales receipts or net income. For that opinion of value to be fair and uniform, it must be based on consistent parameters. Defining the interest to be tax-

able as unencumbered fee simple is an important step toward uniformity. In addition to having defined terms, states like Illinois and Texas have the additional protection of comparing assessments to ensure uniform taxation.

If a school district files a complaint seeking an increase in your property taxes, comparing your assessment with your neighbors or competitors is not an allowable defense. When defending against an increase in tax valuation, taxpayers have to consider how circumstances at their property affect the fair market value of the property under appeal. These factors include comparable sales, comparable rents and comparable occupancy of similar properties. Often, this information will be found in an appraisal report.

Real estate markets have been improving. If your property value has increased, expect your assessment to increase, too; unchecked, you may find that you are shouldering more than your fair share of the tax burden. **P**

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