



From the Desk of *Linda Hiller Novak*

Appealing Property Taxes

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With our Michigan economy and money supply tight, many people are looking for financial relief. Our 2009 tax assessments have arrived and while they have provided a reprieve for many, some tax payers are scratching their heads wondering, “They say my value dropped, so how can it be that my taxes have again gone up?”

This year, the assessors and Board of Review have been swarmed by upset tax payers looking to land one of the few available appeal appointments in the next few weeks. Cities have typically limited appeal hearings to 10 minutes or less. My purpose in writing this is twofold: first, to help those who have a case prepare it; second, to help those who don’t understand why they don’t so that they don’t waste their time trying.

There is one and only one question that typically matters with a Board of review...do the SEV (State Equalized Value) or Taxable Value exceed 50% of the true cash value (market value of the property)? Things that are irrelevant and not actionable by the Board of Review include: taxes going up while values are dropping; the fact that subject property taxes are higher than taxes of neighbors; the fact that a property owner thinks her taxes are “excessive”. Even if the taxpayer is right, it doesn't matter. What does matter for Board of Review purposes and for a decision that will affect this year’s taxes is that the taxpayer shows their new Taxable Value is greater than 50% of the market value of their home as of December 31st of the prior year.

There is a second scenario which would not affect this year’s taxes, but which could affect future taxes. That scenario would be if there were a gap between the

SEV and the Capped Value (CV)/Taxable Value (TV), and if were shown that the True Cash Value was less than twice the SEV, but more than twice the CV/TV. In a case like this where the market value falls in the gap, a successful appeal wouldn't affect your current taxes, but it would help to close the gap and put a homeowner in a position to realize tax reductions sooner in subsequent years.

Since 1994 Michigan property taxes have had 3 values:

SEV=assessor's estimate of 50% of the market value of your home.

Capped Value= the 1994 SEV (or the SEV from the year following the most recent transfer of ownership) plus annual adjustments for cost of living—Consumer Price Index (CPI), not to exceed 5% in any year

Taxable Value=the lesser of the SEV or Capped and the factor that is multiplied times the city's tax rate to determine property taxes.

In the late '90's we had a little tortoise and the hare action as property values and SEVs were shooting up and Capped/Taxables were plodding along behind. We're seeing situations today where the tortoise has gotten close or even passed the hare. We rarely saw Capped Values exceed SEVs. We are starting to see that now, with declining property values pulling down SEVs and cost of living increases lifting Capped Values. It is especially common where there was a recent sale and "uncapping" followed by a reduction in the SEV by the Assessor.

SEVs are adjusted by our Assessors, while our Caps are statutorily adjusted according to the Consumer Price Index (4.4% for 2009 and roughly 2-3% in recent past years). This means that if there is still a significant gap between a taxpayer's SEV and CV/TV, if tax rates remain unchanged this year, this taxpayer would see a 4.4 increase in her taxes. It is very possible and not uncommon that taxpayers (who have a gap) will see increased property taxes despite declining values. **It has some extra sting in that the 4.4% increase in our CPI this year is the largest adjustment for inflation, and it hits at a time when the economy is so tight.**

Back to appeals

While there may be a reason we may want to reduce our SEV (i.e. in anticipation of an upcoming sale), for most taxpayers, the number of most significance is the Taxable Value. The other numbers may or may not mean anything to us, but our Taxable Value is the factor that the Assessor multiplies times our tax rate to determine our property taxes. **To lower my 2009 taxes, I need to demonstrate to the Assessor and Board of Review that my Taxable Value exceeds 50% of the market value of my home as it sat on December 31, 2008. Be focused. For practical purposes, Nothing Else Matters!**

It doesn't matter that I think my taxes are too high. It doesn't matter that I pay more than my neighbor whose house is 75% larger. It doesn't matter that my taxes went up while my value (even according to the Assessor) dropped. Basically the only way I can get my Taxable Value and/or SEV reduced is to demonstrate to the Assessor and Board of Review that my Taxable Value or SEV exceeded 50% of the market value of my home as of December 31, 2008. Again the number of most significance for a reduction of this year's taxes is **Taxable Value**. Unless I can persuade the Board of Review that my Taxable Value exceeds 50% of the market value of my home, I won't save anything on my 2009 taxes.

Set a Board of Review Appointment—missing the window means waiting a year!

There is a very short window of time to appeal to the Board of Review. Residential property owners must appeal to the Board of Review. Failing to do so means they are barred from appealing their assessment until the following year. Local municipalities typically send out their assessment notices mid February. The Boards typically meet in early to mid-March. Most municipalities only schedule 2 days for their Board of Review to hear cases. A taxpayer who desires an appeal should set an appointment as soon as possible to assure an appointment.

Assembling and presenting your case.

As a taxpayer, it is my responsibility to collect the materials and present a case (in about 5 minutes) that will convince the Board of Review that my Taxable Value and/or SEV exceed 50% of the market value of my home. Some people choose to pull together recent sold information on their own. Some hire appraisers. Many who have existing relationships with good real estate professionals call on them for help.

Keep it clear and simple.

Walk in the door with a positive attitude. Be nice. Today you are a salesperson making a sales presentation. Your job is to make it easy for the Board of Review to see and agree with your point. You only have about 5 minutes to present and a few minutes to answer questions. Focus on Value. **If you are bringing comparables or other visuals, make copies so each member of the Board of Review has a copy.** Keep it simple and tight. Be logical, reasonable and friendly (you are asking the same of the Board members).

If you recently purchased your home and your SEV/Taxable are higher than they should be, it is important that you appeal your assessment in the year following your purchase. By doing so, you preserve what might be the most compelling piece

of fresh evidence you have in establishing its market value...the selling price of your home. By doing so in the year following you purchase, you will also establish a new starting benchmark which may affect and reduce taxes this year and all future years you live in the home.

The purchase price of a home is not conclusive in itself. We need to establish that the home was on the open market for a period of time; that the transaction was an arms-length transaction; that the sale price is the best indication of the market as of the date of sale; and that due to market conditions, the value of the property as of December 31st in the preceding year had not increased since the sale.

Results from Your Hearing

Appealing taxpayers typically don't receive an answer while at the Board of Review hearing. Different Boards may work in different ways, but most often taxpayers present their case and leave. Board members then review and discuss the evidence behind closed doors and make a decision that is then sent to the taxpayer via mail which arrives a few weeks later with directions for appealing the Board of Review decision.

Helpful Michigan On-line Resources:

www.michigan.gov/taxes (see Property Tax Link on left)

www.michigan.gov/treasure (see Property Tax Explanation under "what's new")

www.legislature.mi.gov/documents/publications/taxpayersguide.pdf (2008 MI Taxpayer's Guide for 2007 taxes)—65 page pdf)