Save on your property taxes by eliminating these 3 common mistakes

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Did you know you may be subsidizing your competitors – and paying too much in property tax – both at the same time?

It's true.

After saving clients from paying more than $210 million in extra property taxes over the last 15 years, and after 30 years of analyzing and teaching real estate valuation methods, I have seen the same mistakes made again and again.

Unless real estate valuation and property tax administration are among your organization's core competencies, you may be making one or more of the following mistakes – which could cost you many thousands of dollars in extra taxes every year.

Here's some quick background…

To determine a property's correct taxable value, you must dig deep into the records of the tax assessment authority, which are not provided unless you ask for them specifically.

Then, you must compare the assessor's numbers with your property records, to make sure the value and tax assessment are correct. In the vast majority of cases, a company that manages their own property won't have the expertise on staff to do this correctly.

This may mean that a clerk in Accounting receives a tax bill and simply pays it without knowing there is a possibility that the amount is inaccurate.

With that in mind, here are 3 of the innocent mistakes that may lead to you paying someone else's property tax – and how to avoid those errors…

Mistake # 1 — Failing to keep the tax assessor advised with correct information about your property.

Problems arise if the assessor's office has outdated or incorrect information on the size, use or conditions of your building(s). If this is the case, the assessor will arrive at the wrong valuation for your property – and you may overpay your taxes by a large amount.

Example

A communications company came to us after being incorrectly assessed for 220 acres of land that belonged to someone else. They had unknowingly been paying somebody else's property taxes for four years!

We filed multiple appeals with the assessor's office. In the end, we resolved the issue in our client's favour, and they received a refund cheque for $635,000. That's just one instance of how information can be mismanaged, if the tax assessment authority does not have the correct details about your property. The question becomes: How do you ensure that the assessment authority has correct data for your property?

Just like reading an X-ray, serious problems are not readily apparent to the untrained eye. You need an expert managing this information – someone who understands real estate valuation and know what actions to take with the assessor.

Mistake # 2 — Failing to develop a working relationship with the tax assessor.

If Mistake #1 involved what you say to the tax assessor, Mistake #2 is about how you say it.

At the end of the day, it's a person who determines the taxable value of your property. And valuing a property is not completely scientific it's equal parts fact and opinion and because people are involved, opinions – like tax bills – can vary widely.

That means you must work effectively with that tax assessor to make sure the value they come up with for your property is reasonable.

If you don't work well with the assessor, you may pay too much or you may not be able to successfully resolve the assessment.

Through the resolution process it's important to remember that tax assessors are good people trying to do a difficult job.

Example

A shipping company came to us about a 5-year dispute they had with the assessment authority on a building in British Columbia, Canada. Up until then the tax assessor didn't believe or trust anything the company's representative had said when negotiating for a lower property valuation.

The client asked me to deal with the assessor on their behalf. The two of us met – for four hours. At the end of those four hours, I came out with an agreement that my client had been unable to get in five years of negotiations.

How was this possible? With my many years of working with assessors, I have learnt that building a relationship with the assessor is key. In this case, I built rapport and a productive relationship with the tax assessor, by understanding their position and then demonstrating my expertise.

During our meeting, we spent 90 minutes determining what we agreed on and got all of that out of the way. Then, we defined what we didn't agree on and worked through those issues until we reached the best resolution.

As a result, the assessment for my client was reduced by about $10 million, for a tax saving of more the $150,000 per year.

NAV Canada offers another example of how working well with tax assessors can help your bottom line.

"We've worked with John Clark for more than 10 years. He reviews more than 1,000 property tax assessments and advises us on appealing about 10 – 12 of those annually," says Karen Freda, Manager of Real Estate Services for NAV Canada.

"I can think of one particular appeal John helped us with that resulted in a negotiated settlement for a reduction to the assessed value of one property of more than $1 million, in 2009. John's personal approach is conducive to a negotiated settlement because he's non-confrontational and knowledgeable, and I believe that's the way to get best results with an assessor," says Freda.

When it comes to assessment law, valuations and outcomes vary widely from city to city. That means you need someone on your side who understands the law. Not necessarily a lawyer, but someone who can say, “Yes, I know what that means,” and then discuss the facts with the tax assessor.

Mistake #3 — Failing to prepare for battle. Because your property tax questions may come down to a fight …

If you treat a tax assessor with respect and help them do their job, you can almost always reach an equitable settlement.

But not always.

If that happens, you may decide to appeal a property’s valuation, it’s essential that whoever represents you before the tribunal has extensive experience in both litigation and property valuation.

A federal government client recognizes the value in this approach.

“John Clark manages our annual PILT payments for all our properties,” says my client.

“When we challenge a property tax assessment, John manages all the meetings with local assessors, any judicial proceedings, and everything required to make sure we pay the proper amount while avoiding being charged. John and the Regional Group saved us 32 times their fee fairly quickly and he has worked with us for many years.”

Lack of preparation for an appeal can lead to frustration during the hearing – even emotional outbursts. Not surprisingly, this only makes things worse. Successful appeals are based on solid valuation theory and local property laws.

In my experience, it's important to have personal contacts among tax assessors in every province and major city. This way, you have access to updated and accurate information – which can make or break your case in any property tax hearing.

You can avoid the most common and costly mistakes if you:

- Ensure that tax assessors have accurate information about your property,
- Communicate professionally with tax assessors, and
- Expect the best, but prepare for the worst – appeal your tax assessment, if it comes to that.

Final Thoughts – And What to Do Next

Over time, just one mistake in your property taxes could be costing you $100,000 … $250,000 … even $1 million.

Lack of understanding of complex property tax issues is costly. Tax problems don't go away. They come back to find you … with interest.

If you own or manage multiple properties, or unusual or limited-market properties, there is a higher likelihood of problems with your assessment and they may not be readily apparent to the untrained eye. You need an expert on your side who understands real estate and property valuation, the assessment process and the people involved.

The Regional Group will review your assessments and work with you through the entire process.

Contact John Clark (jclark@regionalgroup.com) to get started and have your assessment reviewed by an expert.

About John Clark:

John Clark is Vice President with The Regional Group of Companies Inc. He has more than 35 years of experience in the property tax and real estate appraisal field, with expertise in minimizing and managing property taxes for owners and managers of multiple or unusual real estate assets, and for land development companies.

John has over 20 years of experience working for national clients, coast-to-coast, to manage their assessments, minimize property taxes and manage property tax payments.

John is a fully accredited and active member of the Appraisal Institute of Canada, and served as its National President for 2001-2002. He has appeared as an expert witness in court and assessment tribunal hearings in Newfoundland, New Brunswick, Ontario, Alberta and British Columbia, and before the Dispute Advisory Panel (PILT) – Canada.

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