

GUIDE TO DISPUTING

PROPERTY TAXES

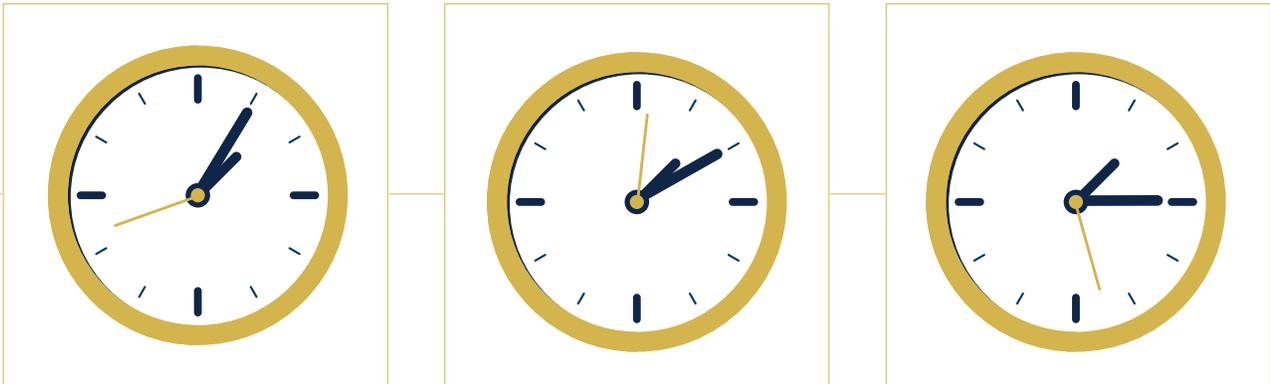


Are you in the 60% of people overpaying? Dispute your property taxes

If you're the average homeowner, you may pay \$2,149 in annual property taxes. When is it in your best interest to dispute? As a homeowner, you may benefit from appealing your property taxes if you believe your home has been assessed too high. The National Taxpayers Union Foundation estimates that 30 to 60 percent of properties are over-assessed.

BEFORE WE BEGIN, IT HELPS TO REMEMBER:

- Disputing your property taxes doesn't mean you're arguing with your local taxing body.
- Disputing property taxes is matter-of-course. "It's simply a request for review," Dan Green, founder of financial education website Growella, says.
- You won't be penalized more in tax by requesting a review.
- You can dispute your property tax on your own — without an attorney or realtor, though professional guidance can help.
- Even if you bought your home this year, your property taxes may not necessarily be valued at the recent purchase price.



Most importantly, you can dispute your property taxes in about the time it takes you to read this step-by-step guide: Green estimates 15 minutes. And it may be foolish not to. "Totally worth it, considering how much you could save," he says.

Why would a homeowner need to dispute their **property taxes**?

Darin Smith of Crestmark Mortgage, says the two most common reasons a homeowner may dispute their property taxes are because:

1. YOU REALIZE YOU HAVEN'T FILED THE CORRECT EXEMPTIONS.

Exemptions may vary by state and can include main residence exemption, veteran or disabled person status, assistance for senior citizens, and disaster relief. "You may be a veteran who's entitled to a discount on property taxes or may use the property for religious purposes, which can often receive a tax exemption," Allison Bethell, Fit Small Business staff writer, real estate investment expert, and licensed Florida realtor, explains.

2. YOU SUSPECT THE ASSESSED VALUE OF YOUR HOME EXCEEDS ITS TRUE MARKET VALUE.

Most properties in each state are valued annually, by January 1 of the year. Home values are based on fair market value, which is the amount a buyer is willing to pay and a seller is willing to sell for in an open market. However, the counties that calculate property taxes use very crude methods to determine the value of properties, says Mark Ferguson, real estate agent and investor, author, and creator of InvestFourMore.com.

In some cases, the valuations — normally based on comparable sales in the area, the cost it would take to rebuild the property, and how much income the property may generate in the future — can be extremely low or extremely high. "If the property valuation is too high," Ferguson says. "The property owner will have to pay taxes higher than they should. Not only will the owner be paying more taxes than they should, but it could make the house harder to sell."



“Appealing the Valuation Notice you received for your property is called an equalization appeal.”

When you need to appeal your property taxes varies by the state and county you live in. In Ferguson’s county in Colorado, for example, he says there’s a very small window to dispute property taxes in the spring.

You can set yourself a reminder to appeal your property taxes whenever your local taxing body sends its assessment of your home’s value. “In some areas, that’s once per year,” Green says. “In others, it’s every few years.”

Take two minutes now to check with your county or use the National Property Tax Group calendar to find the deadline to dispute in your state.

Bethel says having an incorrect assessment is more common than missing the correct exemptions. Remember:

- Property taxes are generally based on the assessed value of the home.
- Sometimes, there are errors.
- Changes to your property can change its value. A home that once had an inground pool but doesn’t any longer may have a new assessed value that must be reflected in a lower tax bill.

How to protest property taxes: your step-by-step guide

Now to the legwork. Take these steps suggested by financial professionals to prepare for and complete your property tax dispute:

1. KEEP METICULOUS RECORDS OF EVERYTHING.

If you want to come out ahead in the property tax dispute process, you'll need to do your prep work. The most effective way to appeal property taxes, according to Bethel, is by taking care of the details first.

DO THIS:

- Pay your property taxes on time. This can normally be done online. Appealing your property taxes does not release you from your annual payment. You may be entitled to a return when your appeal is resolved, in which case the tax auditor will process your refund.
- Be organized and keep copies of all paperwork related to your home assessment and tax payment receipts. Paperwork may also include proof of any changes to your property, like removing an attached garage or adding an extension.
- Find out who in your municipality deals with property tax issues. Most towns have three to five elected officials on the property tax board of listers.
- Set a reminder for your local deadlines you researched above.
- Ask your contact person at your local municipality about the process for disputing.
- Find out what you can dispute. In some states, you may be able to appeal your home's appraised or market value, wrongful inclusion of property, denial of an exemption, incorrect determination of the property owner, and more.

Above all, do your research. Bethel says, "The more you know, the more prepared you will be to answer any questions."

Bethel learned this through experience when she dealt with a property tax situation she had to dispute several years ago. After purchasing a new construction property, Bethel was told by the builder that she would have a 10-year tax abatement. However, the city didn't have a record of the abatement, so Bethel had to contact the builder, get proof of the abatement, and submit it to the city so they could apply it and adjust her property taxes. When all was said and done, Bethel considers the arduous process worth it. *"It worked out and saved me a lot of money."*

2. CONTACT YOUR LOCAL ASSESSOR'S OFFICE.

DO THIS:

- Check the assessor's math. If the County Assessor reviews the grounds for your dispute and finds an error, your property tax amount may be corrected without the need to appeal.
- Check the description of your property for accuracy.
- Compare this information with at least five equivalent properties in your neighborhood.
- Set up an informal meeting with the County Appraiser or their designee, if required by your county. Some counties use a preliminary informal meeting to allow you to explain your grounds for property tax dispute. After the meeting, the County Appraiser will mail you the written results. If you aren't satisfied with the results, you can progress to the property tax appeal hearing.

3. CONTACT YOUR REALTOR.

You can look up comparable properties on your own to complete the steps above, but it may be easier to reach out to your realtor, Darin Smith at Crestmark Mortgage, says.

DO THIS:

- Talk with your realtor about pulling five comparable sales to show the county what your property is actually worth.
- Ask your realtor if they think an appeal is worth it.

“Realtors are typically the experts when it comes to value, so they should be able to lead you in the right direction,” Smith says.

4. CONTACT YOUR LOCAL ASSESSOR'S OFFICE AGAIN TO SET UP AN APPOINTMENT TO APPEAL.

If the first three steps check out, meaning you believe you've missed some exemptions you're entitled to or that your property value assessment is too high, you're now ready to take step number four.

DO THIS:

- Call your local assessor's office to set up an appointment to appeal. If a letter is required to make the appeal, look online for a sample property tax appeal letter.
- Fill out the property tax assessment appeal application found on your county tax website and follow any necessary instructions.
- File your completed appeal application with the county tax clerk, either in person or through the U.S. mail.
- Wait for a confirmation postcard that the application arrives, normally sent within two weeks.
- If you don't have time to do this on your own, take Smith's suggestion and contact a company that specializes in this service.

How to protest property taxes: your step-by-step guide *continued*

5. MAKE YOUR APPEAL.

It's the big day. If you've completed steps one through four, you have the power of preparedness on your side. Most taxing bodies make it clear how to dispute your home's property taxes, Green says. "As a homeowner, the best thing you can do is be thorough and meet posted deadlines."

DO THIS:

- Find out whether your city allows you to appeal in writing or requires your attendance at the appeal. You can find this information in your Notice of Assessment or by contacting your municipality in step one.
- Gather all the relevant information for your appeal you've collected. This may include items like recent sales information for properties in similar condition and of similar age, a sales contract for your home if you've purchased within the last 2 to 3 years, photos and contractor estimates of the cost to repair any structural damage to your property, a recent appraisal report, and income and expense statements for the property for the past three years, if used as a rental.
- Arrive to the local assessor's office for your appointment early or on time.
- Consider bringing representation to the hearing. You can represent yourself or, in many states, you can bring a licensed property tax consultant, a CPA, a licensed attorney, or a tax service employee to argue your appeal with you. If bringing representation, you may need to sign and submit written authorization permitting that person to represent you prior to the hearing.
- Be prepared to argue your appeal for about five minutes before the local Board of Review. The hearing will typically be held with the appraisal district staff and will be informal, not under oath. Each side will be given time to present the evidence of their position.

- Wait for a decision. The outcome of your dispute may be announced at your hearing, or the board may review the matter in private. If a judgment isn't made at your hearing, the Board Clerk will mail a written decision to you or your representation.
- If you aren't happy with the decision and believe you have proof your property taxes have been over-assessed, you can appeal to your state's appraiser or the Superior Court. It's recommended to consider hiring an attorney if you appeal to the Superior Court. For an appeal to the state appraiser, you may still represent yourself. You'll have 30 days to appeal from the day you receive the decision from your local tax board.

When you've finished your appeal process, pat yourself on the back and remember: "A human will review your appeal," Green says. Being organized and presenting your appeal coherently puts the odds in your favor.

"Note that a company will normally charge you for about half of the amount they **save you in taxes** if their dispute is successful," Smith says.

Take on the taxman: property taxes are likely to increase

Property taxes by state can vary, according to U.S. Census Bureau data and WalletHub's 2017 statistics. States like New Jersey and Connecticut, where annual taxes on a home priced at the state median value pay out at \$7,410 and \$5,327 respectively, are the most expensive. Cheaper states include Arkansas, West Virginia, and Alabama, where \$693, \$607, and \$543 pay out in annual property taxes.

Of course, property taxes have a purpose — to fund city and county services. Your property taxes often go to nearby schools, social services, fire departments, road and bridge development, and more, strengthening your local community. The Tax Policy Center of the Urban Institute & Brookings Institution reports that New Hampshire, a state without broad-based income tax or general sales tax, has been the most reliant on property tax revenue. In New Hampshire, annual property taxes make up 44 percent of the state's combined state and local income. Maine, New Jersey, Connecticut, Rhode Island, and Vermont also depend on property taxes for more than 30 percent of their state and local revenue.

After owning your home for several years, you, like many homeowners, may notice your property taxes continue to rise. Even after you've paid off your mortgage, property taxes are likely to increase.

This is because property taxes are based on the assessed value of your home, or its grand list. As a result, your property taxes may rise or fall as the economy changes, related to current interest rates, inflation, tax laws, and the state of the housing market. We saw an example of this in 2017 when homeowners rushed to pay their property taxes before the end of the year — and before Trump's newly signed tax plan with combined state, local, and property tax deduction caps went into effect. As mentioned, renovating your home can be beneficial to increase its value, with the side effect of causing your annual property taxes to increase.

For many homeowners, property taxes based on assessed value go up every year. And in many areas, property taxes rise after new items vote in and local budgets increase. To combat rising tax bills, your annual property taxes are always worth investigating – and disputing.

For tax and mortgage questions large and small, we're here to help. Keep the lines of communication open and don't hesitate to reach out with a question. Your loan officer is only a call or an email away.



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