

BUSINESS & TAX BULLETIN

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APPEALING TAX ASSESSMENTS IN AN ERA OF DECLINING PROPERTY VALUES



by J.J. Burchman

Many commercial property owners are feeling the pinch during the economic crisis the world is going through right now. Rising vacancy rates, falling property values and decreasing rents all conspire to put a serious crimp in the budget of property owners. Property tax assessments frequently do not accurately reflect the correct valuation of a property, especially in the current economic climate. With falling values, it may be the time to appeal the assessment and realize a tax savings as well as a more favorable assessment that would be beneficial when the time comes to sell the property.

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need not appeal to the local board of review and/or local assessor but rather may appeal directly to the Michigan Tax Tribunal. The deadline for appeal is May 31, 2009.

How to Determine Whether to Appeal:

In determining whether an appeal is appropriate, the first step is to obtain the worksheet or appraisal card for the property in question and scrutinize it to verify all the information is correct. Frequently, erroneous assessments simply result from clerical errors. If there are no clerical errors, the evaluation turns to whether the assessment is overvalued enough to justify the costs of an appeal.

The Appraisal Process:

Assessors typically utilize mass appraisal valuation based upon historical data. This data generally is from the most recent one to three year period and includes sales transactions, vacancy levels, operating expenses and/or market rents. The problem with this valuation technique is that most of these values have fallen significantly from the recent period upon which the valuation is based.

The Appeal Process:

The appeal process is fairly simple, although the process for resolution is excessively slow. Commercial property appeals, unlike residential appeals,

Five Issues for Appeal:

There are up to five different issues an appeal may contest:

1. valuation
2. assessment
3. taxable value
4. uniformity
5. exemption

It is not required to pick only one of these issues—rather, if appropriate, you may contest all five issues in the same appeal. The appeal would indicate what you felt the true cash value, taxable value and state equalized value were and then indicate the amount in contention. While not technically required, the appeal should be accompanied by one or more as-

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assessments supporting the contentions of the appeal. The vast majority of property tax appeals are settled rather than litigated in front of the Michigan Tax Tribunal due to the backlog currently existing. Even with settlement, it is not unusual for the settlement to take months if not years to resolve and a trial would be several years in the future.

In conclusion, it may be advantageous to contest the property tax assessment of commercial properties due to the current climate. Current valuation techniques suggest that due to the economic conditions, properties may be overvalued. While the return would not be immediate due to the backlog, a successful appeal would result in a reduced tax bill

as well as a reduced assessment that would be beneficial to the future sale of the commercial property.

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