

Simple Steps To Slicing Your Property Tax Bill

Correcting basic errors in the assessor's records remains the simplest path to lower a tax assessment. By Gilbert D. Davila, Esq.

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Property tax expenses can have a huge impact on a project's bottom line.

Multifamily developers and owners must constantly monitor their property tax valuations to make a decision about whether to appeal the assessment. Once the valuation is appealed, the owner must decide how to combat the excessive valuation. An overview of the common mistakes made by assessors can help owners develop arguments for lower tax assessments.

In most jurisdictions, assessors have a statutory responsibility to value a property at its market value as of a particular valuation date. A multifamily owner should definitely appeal an assessment if the assessor's value exceeds the owner's estimate of the property's market value.

Three factors should be considered before making a decision to appeal. First, procedural and valuation laws vary from state to state. Owners should discuss the procedures for appeal and the possibility of success with a tax specialist in the state where the property is located.

Second, the costs associated with an appeal and the potential tax savings from such an appeal should be evaluated to ensure that the protest makes economic sense. Third, the practical aspects of the appeal must be considered, such as the time and resources required for the appeal and the documents needed to make an effective case.

After working through these issues, most multifamily owners find it worth-

while to proceed with an assessment appeal. Once the appeal decision has been made, the next step is organizing the valuation arguments and gathering the documents that support the property owner's opinion of value.

Most often, a successful assessment appeal is based on outlining and attacking errors made by the assessor in the valuation process. Answering the following five questions will help you mount your argument.

1. Is my property data correct?

Assessor's records commonly contain errors in a property's age, total square footage, net leasable area, number of units, unit mix, and facility amenities. An error in the property's basic data can significantly increase a property's overall assessment.

Providing a current rent roll to the assessor can help correct mistakes in a property's basic data. An owner may also wish to produce a site plan for the property along with the most recent marketing materials that show the project's different floor plans and amenities. Correcting basic errors in the assessor's records remains the simplest path to lower a tax assessment.

2. How did the assessor arrive at my valuation?

Assessors will commonly derive a market value using one or more of the three classic approaches to value: cost, income, or sales comparison. The cost approach is arguably the least reliable approach to value if the property is more than several years old, especially