

Assessing value

How appealing your property taxes can return money to your bottom line **Interviewed by Sue Ostrowski**

The property tax bill comes in the mail, and you pay it. But do you ever really look at it to determine whether you are paying the right amount?

“Property tax on the real estate and personal property that you own or that you lease is part of the overhead of the operation of your business,” says Carl Rashid, Jr., leader of the Property Tax Appeals practice group at Dykema Gossett PLLC. “You want to make sure you are paying your fair share of taxes, but you certainly don’t want to pay more than your fair share.”

Smart Business spoke with Rashid about how to make sure you’re not paying too much, and, if you are, how to return that money to your bottom line.

Why should business owners be concerned about their property tax bill?

Real estate values have declined in the last few years, making it a good time to review the amount of taxes that you are paying. If your property was formerly worth \$1 million, and you know for a fact that you could not get \$1 million for it now, you should not still be paying property taxes based on a \$1 million value. If you are looking at the bottom line, as you should be, you have to look at every item of expense in your overhead, and this can certainly be a major one.

When your next tax assessment comes, consult with an adviser to determine if the amount you are paying could be lower.

How can an adviser help lower the amount of property tax a business pays?

Once you’ve received the assessment — usually in February in Michigan — and want to determine if you may be paying too much, contact an attorney to begin the assessment process. The attorney will look at the assessment, look at what comparable properties are going for in the area where your business is located, and oftentimes consult with an appraiser to determine the value.

To assist the adviser in making an accurate assessment, the business owner should provide the notice of assessment; the previous year’s tax bills; any appraisal reports that they may have; the insurance value of the property, although that is not always indicative of the true value



Carl Rashid, Jr.

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of the property; and, if it’s an income-producing property such as an office building, a shopping center or an apartment building, the financial statements from the previous three years.

From there, the adviser will undertake the appeal seeking to lower the appraised value of the property and file it with the appropriate state authority.

How can business owners identify the right lawyer for their needs?

Look at the years of experience and the adviser’s success rate. That person’s relationships with the taxing units in the state are also critical. If those working at the taxing units respect the adviser, they are going to sit down at the table and try to resolve the issues. If they don’t respect the adviser, or don’t have a previous relationship with him or her, it can significantly lower the chances of success.

How long does the process take?

It could be a very long process, as long as three years, because of the backlog the state is facing. During that time, the taxpayer will continue to pay at the as-

essed value. And if the value is found to be less than the assessment amount, the portion that was overpaid will be refunded when the case is over.

While the appeal is pending, the lawyer will amend the petition to make sure that subsequent tax years are involved. The attorney will also keep you informed of the progress of the appeal as it goes through the tax tribunal or court system, and of subsequent filings.

Then, once there is a hearing and judgment, or a settlement — and most cases are settled — the revised assessment becomes the taxable value. The taxable value is frozen at that number and can only be increased by what the Consumer Price Index is in Michigan, but not to exceed 5 percent.

Once an appeal is settled, can a taxpayer appeal again the following year?

Yes. If you settled at a lower number, and after that the market drops again, as it has in the past few years, your property may be worth less than the value determined when you filed the appeal. If you feel that is the case, it may be worth it to repeat the process.

How does the taxpayer pay the adviser?

The case can be paid on an hourly basis or on a contingent fee basis. A lot of clients prefer not to receive regular bills and would rather pay a percentage of the amount recovered. Some clients also believe that hiring someone on a contingency basis provides an added incentive for the adviser to get results.

Would you advise that every business hire someone to appeal its property taxes?

No. A business should only appeal if there is enough tax dollars at stake to make it worth the time and effort of both the business and the lawyer involved.

It’s really determined on a case-by-case basis. If the amount in dispute is minimal then it becomes a business decision that each owner has to make based on what he or she is comfortable with and whether it is worth it to engage the services of a lawyer. <<

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