

The Reeves, at home in Cincinnati, got their taxes cut 18% on appeal

# HOW TO REDUCE YOUR PROPERTY TAXES

By Anne Tergesen

The housing market may have softened, but many homeowners are discovering one place where their property values remain at peak levels: on local property-tax rolls. "They were valuing our home for way more than it's worth," says Cara Reeves, who recently saw the assessment on her three-bedroom home in Cincinnati jump from \$251,000 to \$334,400, pushing her latest property-tax bill up 82%. | Because many local governments assign values to properties in their jurisdictions only once every three or more years, many homes still carry assessments from the market's peak, in 2005 and 2006. Some of these valuations are only now being reflected in taxpayers' bills. As a result, the National Taxpayers Union, a nonprofit advocacy group in Alexandria, Va., expects local property-tax



The Reeves won in part by pointing out that rainwater from the neighborhood collects in their backyard

bills to increase at least 5% this year, on top of 7% to 8% average annual gains since 2001.

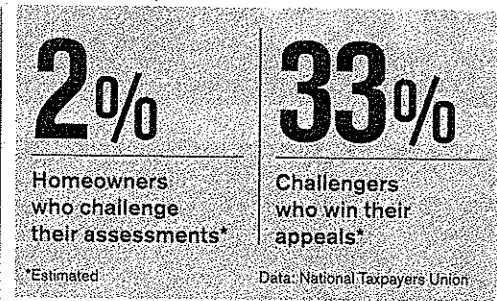
In response, homeowners in many parts of the country—the Reeves included—have filed a record number of property-tax appeals this year. You can lodge an appeal at any time, though if you want to affect your tax bill for the current fiscal year, you may have to file by a specific deadline.

If successful, your petition will result in a lower assessment. That doesn't always translate into tax savings, though: A municipality intent on raising revenue can always hike the tax rate for all taxpayers, which would reduce or offset any savings you're able to realize through an appeal. Still, most people who successfully appeal see savings. In July the Reeves won a \$60,000 reduction in their assessment, resulting in an 18% drop in their property-tax bill.

To mount a convincing case, you can start with the fact that your home's assessment no longer reflects its market value. After all, since months or years can elapse between assessments, discrepancies will show up, and no one but you is in a hurry to correct them. But your chances of a successful appeal increase if you can argue that your assessment is unfair—and have good documentation to make the case.

**DO IT YOURSELF**

Experts advise taking one of three approaches. The simplest is to find evidence that the local tax assessor made a mistake when evaluating



your property. Since many communities rely on drive-by inspections, this isn't a far-fetched argument. Perhaps the assessor assumed your home had more bedrooms, bathrooms, or improvements, such as a finished basement or attic, than it actually does. A second way to get your assessment trimmed is to marshal property-tax records to prove that homes similar to yours carry lower valuations. You may also have grounds for an appeal if you can show that the type of real estate you own—a condo or luxury home, for example—has failed to keep pace with the local market.

Help is available. A mini-industry of consultants, attorneys, and real estate agents has emerged to assist homeowners in preparing appeals. But there are good reasons to do it yourself. For one thing, a professional may pocket a big chunk of your tax savings—some charge up to 50% of the first year's reduction. More important, some appeals boards are more sympathetic to homeowners who represent themselves, says

James Lumley, author of *Challenge Your Taxes: Homeowner's Guide to Reducing Property Taxes* (\$21.50; John Wiley & Sons). Hiring a third party "can up the ante and raise the hackles of local officials," he says.

Your first stop should be your local assessor's office or Web site.

A mini-industry of pros is available to help you prepare appeals. But boards are more sympathetic to homeowners who represent themselves. Plus, all savings, if any, are yours

MICHAEL NEMETH



Official Corporate Partner of the NCAA®  
 NCAA is a registered trademark of the National Collegiate Athletic Association.  
 "The Hartford" is the Hartford Financial Services Group, Inc. and its subsidiaries.  
 © 2007 The Hartford Financial Services Group, Inc., Hartford Securities Distribution Company, Inc. a NAIC member firm.

There you'll find the forms you need to appeal. You'll also find assessments and descriptions of every property in town. Scrutinize your property's records for errors that may have artificially inflated the assessment. Cheryl Krueger, a Schaumburg (Ill.) financial planner, discovered that her quarter-acre lot was listed in the official records as 0.82 acres. "When I looked at what others in our neighborhood were paying in taxes, it was clear that ours was way out of line," she says. In June she won a reduction in her assessment that knocked 20% off her tax bill.

It's a good idea to compare your assessment with those of similar properties. If you can find at least five that carry lower valuations, it will enhance your odds of success. Obviously, the more these properties resemble yours in size, location, upgrades, and the number of bedrooms and bathrooms, the better. When John Gay, a financial planner from Frisco, Tex., opened his mail on May 3, he discovered that the assessment on his four-bedroom home had risen 6%. After searching through the tax rolls for data on similar properties, he appealed by arguing that his home was overassessed compared with the homes of neighbors in his development. In June a three-member panel of volunteers the county appointed to hear appeals shaved 3% from his assessment. Although he's disappointed not to have received a greater reduction, Gay says the process "seemed pretty fair."

Be forewarned that in some states, even assessments on identical homes can differ dramatically. California, for instance, limits assessment hikes to 2% a year and does not bring the assessment up to market value until the house is sold. That means if the couple next door bought their home 25 years ago and you purchased your lookalike house last year, you'll have a far higher assessment—and there's nothing you can do about it.

Your home may also be overassessed if it has

## PROPERTY-TAX APPEALS: A CHECKLIST

Visit your local assessor's office or Web site to find the description and assessment of your property

Locate five similar properties and compare them with yours

If your assessment seems unfair, make an informal appeal to the assessor

File an appeal if the previous step gets you nowhere

Attend an appeals-board hearing to get a feel for the process

Prepare a written summary of your case and rehearse your presentation

DATA: NATIONAL TAXPAYERS UNION, BUSINESSWEEK

appreciated since the last review by less—or depreciated by more—than the average property in your area. Owners of such homes "shoulder a larger portion of the overall tax burden than they should," says Lumley. Look for proof by contrasting the recent trend in sales prices of properties similar to yours with that of the overall market for homes in your town.

Cara and Jerry Reeves, who saw their assessment jump soon after a neighbor sold his house for \$336,500, argued that their home had appreciated less. In their appeal they submitted data on recent sales of homes they considered better comparisons. They also pointed out that when it rains, water from the neighborhood tends to collect in their backyard. And they hired an appraiser, who put the market value of their property at \$255,000.

Whatever you do, don't wait to file an appeal. Because many local governments limit refunds to the prior year's tax bill, you're unlikely to obtain a rebate for overpayments that build up over years. **IBW**

**BUSINESSWEEK.COM**  
For tips on challenging your property-tax bill, watch a video report at [www.businessweek.com/go/tv/taxes](http://www.businessweek.com/go/tv/taxes)

Changes in life can be beautiful.  
Take retirement for example.

Call your broker, or visit [hartfordinvestor.com](http://hartfordinvestor.com)

Mutual Funds • 401(k)

Annuities • Life Insurance

Prepare to Live™

