

Self-Help Techniques for Successful Property Tax Appeal

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Accounting // Advisory // Technology // Managed Services

Agenda

1. Understand the process and system of tax assessment
2. Its all about fair market value and taxing the right assets
3. Assessment calendar
4. Preparation is essential
5. Valid reasons for reduction
6. Informal negotiation
7. Formal appeal
8. Role of a tax consultant



Property Tax Assessment

- System is designed to support local services by taxing the **real property** of residents – these are your neighbors
- In Illinois, equipment and personal property is not subject to property tax
- Business value is taxed through income tax system
- **Keep this distinction in mind – it is foundational**
- Generally, the County Assessor is elected and the office employs **field appraisers** and often works through the Township Assessor
- This is an “ad valorem” system where taxes are collected based upon the value of the property assessed
- Fair market value (FMV) – value in exchange rather than value-in-use is basis for valuation

Tax Computation – Focus on FMV

- Tax formula:
 - Fair market value (FMV)
 - Times: Assessment ratio
 - Times: Equalization ratio
 - Times: Local combined tax rate
 - Property taxes collected one year in arrears
- Focus on fair market value – it is the only input to this formula where you have some control

Assessment Calendar

- There is a regular schedule of assessment and re-assessment – know the calendar, watch the local newspaper
- New improvements assessed based on permits – older improvements assessed based on sight or prior record
- Assessments are published and the clock begins ticking for an appeal – generally thirty days
- Be prepared well in advance of this date (see later slides)

Preparation stage – know your assets

- Gather P.I.N. Numbers for all properties
- Gather tax bills for prior three years and create a comparison chart of assessment – dollars and by unit capacity – for each parcel
- Map your facilities by tax parcel – clearly show improvements and descriptors including type, technology, age and capacity
- Highlight facilities that are obsolete and not in use
- Match the assessed fair market value to each parcel and calculate assessed value per unit of capacity

Preparation stage – know your assets

- If you do not have a property tax “book”, have your CPA create one and keep it current;
- Review your fixed asset listing and correctly identify real from equipment assets
- Define real assets on the books that include land and buildings that provide storage and office that are affixed – cannot be moved
- Clearly separate equipment that is used in business operations such as store, milling, drying etc.
- Separate storage facility equipment such as computers, gauges etc.
- Separate the scale
- Review your policy for submitting permit information – keep the real property separated from the equipment; contractor invoices
- Clearly identify revenue from lines of business

First visit to the Assessor's Office

- Speak with the FIELD APPRAISER
- Request a copy of the property card for each parcel
- Ask about the methods used to assess your property
- Ask if any comparable sales were used and if so, ask for the sale data
- If the Cost Approach is used, ask the name of the cost service
- If the property card does not detail the assets assessed (especially capacity information) by parcel, ask for the list that the appraiser is using to compile assessment
- Note assessments of neighboring facilities
- This is not the time to discuss a reduction in taxes
- Compare the “Assessor assets” with your list and note all differences

Basis for a reduction

Informal discussions

- Errors that must be corrected on the tax property record
 - Capacity, age and technology
 - Obsolete
- Internal uniformity among your properties
- Computational errors in Cost Approach
- Errors in comparable data – basic data and terminal sales
- Per unit assessments that are simply out of reason

Formal appeal

- Co-mingled equipment and business assets
- Unrecognized economic obsolescence due to technology change
- Uniformity issues with neighboring properties

Effective use of tax consultant

- Contingency v. hourly fee
- Assist CPA to create an accurate property tax fixed asset records
- Use to coach the preparation process
- Use for the first talks with field appraiser
- Use to check basis for appeal and to list your arguments for reduction in effective appraisal language
- Check Cost Approach computations; comparable data analysis
- Join in informal discussion for reduction
- Help with decision to engage an attorney
- Use in formal appeal process as expert witness

Questions?



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