



PROPERTY TAXES: Are you paying enough attention?

As the national real estate market continues to struggle, property taxpayers need to position themselves for potential significant increases to their bills. Specifically, as residential property values continue to decline in many areas, there may be dramatic tax burden shifts to businesses to pay for the cost of local government. Taxpayers throughout the country need to be aware of changes to values within their areas, how their properties are valued relative to other properties in their areas, and the specific dates and deadlines for appealing valuation when appropriate. Failure to appeal could mean increases in future tax liabilities. In addition to taking action through pursuing property tax appeals, taxpayers also need to budget for the future and plan accordingly.

What's happening?

The best way to understand the issue is to start with an explanation of the tax rate equation: the tax rate of a district is the cost of government (levy) divided by the

total value of a district's property (equalized assessed value). For most taxpayers, the tax bill is a property's assessed value times the tax rate. If the cost of a government, or district, stays marginally the same and property values decrease in that area, then the tax rate for that district will increase. Does that mean that taxes for all of the taxpayers will go up? Not necessarily. A taxpayer's tax bill changes relative to how the taxpayer's property value changes in relation to all other taxpayers. For example, in Cook County, Illinois, the latest round of reassessments is seeing the residential values in some areas decreasing by as much as 20%

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to 30%. Those decreases will most likely cause a dramatic increase in the local rates. Yet, even if taxpayer's property value or assessment remains flat or only decreases by 10%, all other variables remaining constant, odds are that the taxpayer will see an increase in the next tax bill.

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$$\text{Tax Rate for District} = \frac{\text{Cost of Government}}{\text{Total Value of a District's Property}}$$

$$\text{(Property Tax Bill)} = \text{(Property's Assessed Value)} \times \text{(Tax Rate)}$$

What can be done?

First and foremost, taxpayers, when warranted, need to appeal at every opportunity possible. In many areas, general assessments only occur every few years, and many taxpayers only appeal at that time. However, it is common for taxpayers to have the option to appeal every year regardless of whether that year is a reassessment year for a given area. In Cook County, where appeals can be made annually, a record number are being filed. During the Cook County 2009 tax year, more than 400 thousand of the 1.7 million parcels appealed their valuations. The large upswing in appeals has created an environment where those who do not advocate for themselves risk being left behind. Appeals should be filed whenever taxpayers believe that the value of their properties exceed like properties in their areas. In order to do that, comparative data such as property value per square foot should be gathered.

How True Partners Consulting can help?

True Partners offers in-depth property tax services that use proprietary, field-tested processes that address all areas of property tax beginning with data acquisition and analysis, tax reporting, assessment monitoring, assessment appeals, and tax payment. True Partners Consulting provides clients with

a focused review of whether a property is overvalued and assists in securing property tax reductions through negotiations and appeals. What is clear is that failure to act now may prove costly in the future. In property taxes, there is a limited window of opportunity. For most areas of the country, the window of opportunity is the present.

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