

Property taxes too high? Get help

By Margarette Burnette • Bankrate.com

Home prices are falling everywhere, but homeowners hoping for lower property taxes may find themselves disappointed when the bill arrives.

If you think your home's assessed value is too high, you can appeal the tax assessor's verdict -- either on your own or with the help of a third party who will handle the grievance process for you.

These third parties are generally attorneys or independent companies with appraisers on staff. They'll file the appeal on your behalf, usually on a contingency basis.

"Most homeowners simply don't have the time to appeal, or they become intimidated by all the paperwork involved," says tax consultant Terri Mozer of Tax Reduction Services, a tax grievance company in Greenport, N.Y.

Third parties who help in the appeal process typically charge a percentage of any resulting tax savings for the first year. If the appeal is successful, the homeowner can save hundreds of dollars in taxes.

Should you hire a third party to help appeal your property taxes? Or, will you save more with a do-it-yourself approach?

Third-party help

Third-party representation can benefit homeowners in several ways.

For starters, third-party firms can help owners determine whether they're truly being overtaxed. Third-party expertise is especially valuable in districts that use an "equalization rate" -- which is a percentage of a home's market price -- to determine the tax owed.

For example, imagine a home with a market value of \$250,000 in a tax district that uses an equalization rate of 50 percent. Under these rules, the home should be taxed at an assessment value of \$125,000.

But let's say the government overvalues the home at \$400,000. Given the equalization rate of 50 percent, the home will be taxed at an assessed value of \$200,000. The homeowner who doesn't understand the equalization rate may not realize he's being overtaxed because the \$200,000 value is still \$50,000 below the home's actual market value.

In this scenario, it's probably in the homeowner's interest to file a protest -- but the unwitting owner might not realize this. Third-party organizations exist to make sure such mistakes don't end up costing homeowners money, proponents say.

Third-party representatives also can expertly navigate the sometimes confusing maze of steps to an appeal.

To file an appeal, you must complete legal forms and gather evidence to present to the local tax assessor, all with the goal of proving that a home has a lower value than was recorded. A decision from the tax authority can take several weeks.

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Some homeowners who decide to appeal on their own may find this process daunting, says Daniel Lynch, an attorney with Amari & Locallo, a Chicago-based real estate tax assessment law firm.

"If you miss your opportunity to file an appeal, you can't go back in time and try to get it corrected," he says. "Our greatest benefit to clients and property tax owners is to stay on top of filing deadlines."

Third-party representation also can save homeowners time. Homeowners can mail in an initial appeal. But if the appeal is denied, the next step is usually to request an in-person hearing.

Clarence Cooper is director of client services at O'Connor & Associates, a real estate consulting firm in Houston that helps homeowners protest their assessments.

He says it's routine for companies like his to attend these hearings on behalf of clients. This is especially helpful for owners who are protesting taxes on a property located in a county away from where they live.

"We save property owners the time and frustration of having to handle the protest themselves," he says.

The drawbacks

While companies that help with property tax appeals can trim homeowner taxes, they also take a huge chunk of any savings gained.

Fees for firms paid on a contingency vary widely, with most charging between 15 percent and 50 percent of the tax savings from the first year, according to Sid Davis, author of "The First-Time Homeowner's Survival Guide."

"It depends on the company you use and the area in question," Davis says. "Personally, I'd try not to go higher than 30 percent, with no money due upfront."

Companies typically bill property owners once the final judgment is made, although the tax itself may not be due for several more months. So, a homeowner who wins a protest could receive an invoice that's payable within days even though the property's taxes are not due until the end of the year.

In addition to charging a percentage of any tax savings, some attorneys and companies also charge a retainer fee before accepting a client. For example, Lynch's firm charges \$100.

This money may be nonrefundable, with no guarantee the homeowner will receive any tax savings.

DIY approach

In light of the costs associated with third-party help, some homeowners -- particularly in tax districts that have a straightforward appeals process -- may find it easier and cheaper to fix property taxes on their own.

Aimee Bennett, a homeowner in Castle Rock, Colo., says she successfully appealed her property taxes without outside help.

*"Every other time I filed an appeal,
I did it myself. It's not that difficult."*

"When I received my tax notice in the mail, it looked too high," she says. "But the notice spelled out exactly what I needed to do to appeal. My local government Web site also listed what I needed."

Bennett says she found comparable sales figures for homes similar to her own. She researched these homes' market values during the district's reappraisal period and looked up tax records to find their assessed values.

Bennett noticed the assessments on the other homes were lower than on hers, so she believed she had a strong case for appeal.

"I wrote up my information in a Word document, printed it, and sent it with the correct appeals form, all by the deadline," she says.

Within three months, Bennett received a response.

"My assessment was lowered by about \$30,000, and I didn't have to pay another company," she says. "All the information I needed was out there and available to the public."

Davis advises homeowners to first try to appeal their property taxes themselves and to turn to an outside company only if they need help.

"There was one year when I hired a third-party company for a couple of rental properties I owned because I truly didn't have time to appeal," Davis says. "The company saved me \$600 in property taxes, but they charged 30 percent of the savings. Every other time I filed an appeal, I did it myself. It's not that difficult."

Who to hire?

Still, some homeowners may not be comfortable taking matters into their own hands. Those who opt for third-party help can hire either an independent company or an attorney to handle their tax grievance.

If you plan on using an attorney to help you with the appeals process, Lynch recommends going to acquaintances for recommendations.

"Ask your lawyer if they know someone who has a good reputation," he says.

An online search is a good place to start looking for a local tax-assessment-challenge company. When you contact prospective companies, have a list of questions ready, Davis says.

"Ask how long they've been in business, and who they've helped in the past," Davis says. "It would be ideal to get names and phone numbers of past clients as references."

Make sure the company or attorney who you choose is familiar with your county's residential assessment appeals processes and make sure they are licensed if that's required, says Mozer of Tax Reduction Services.

Before choosing a company, be sure to read all terms carefully and pay special attention to additional costs.

"You have to ask companies about their fee structure," Mozer says. "Some companies charge up to \$250 for an appraisal fee. Others increase their fees to 75 percent of the savings if they're not paid within 30 days of being notified of a reduction."

Also, find out your obligations if there's a change of the property's ownership during the appeals process.

Some companies offer a middle ground between third-party and do-it-yourself property tax appeals. These companies provide assistance in preparing legal appeals forms, but homeowners are responsible for printing and mailing the documents.

Adam Berkson, co-founder of EasyTaxFix.com, says his Web site is one such business. It lets homeowners in New Jersey and California gather comparable house prices and appeals paperwork for a fixed fee of \$49.

"Hiring a firm is an expensive proposition," he says. "Sometimes, homeowners just need a little bit of help instead."

Another compromise for homeowners is to initially protest the property assessment themselves. If they're denied, they then could bring in a third party to handle subsequent appeals.

If homeowners don't reach a resolution on their first try, they usually have the chance to request a more formal hearing, says Cooper.

"There are other options, including arbitration or litigation," Cooper says.