



GUIDE TO DISPUTING

PROPERTY TAXES

Are you in the 60% of people overpaying? Dispute your property taxes

If you're the average homeowner, you may pay \$2,197 in annual property taxes. You might also hear your property tax called your homeowner's tax.

THESE ARE THE ANNUAL TAXES:

- Paid by the homeowner.
- Normally calculated by county.
- Based off property value, including any land owned.
- Used to pay for local governments, utilities, and school districts.

BEFORE WE BEGIN, IT HELPS TO REMEMBER:

- Disputing your property taxes doesn't mean you're arguing with your local taxing body.
- Disputing property taxes is matter-of-course. "It's simply a request for review," Dan Green, founder of financial education website Growella, says.
- You won't be penalized more in tax by requesting a review.
- You can dispute your property tax on your own — without an attorney or realtor, though professional guidance can help.
- Even if you bought your home this year, your property taxes may not necessarily be valued at the recent purchase price.

WHY DO I HAVE TO PAY?

Paying extra taxes is never any fun. But for homeowners, there's a good reason.

YOU PAY PROPERTY TAX TO:

- **Grow your community.** These taxes help support the area around you, sustaining schools, social services, police and fire departments, road and bridge development, and more.
- **Maintain your local government.** Some counties may need more money, so depending on where you live, you might be taxed more to meet the budget.
- **Pay for the extras.** Property taxes also go to local amenities, outside the day-to-day business of local government. This may include parks and rec, hiking and walking paths, and sidewalks and street lights.

Every local government is different — and has a different budget. The local taxing authority in your area also calculates your property tax rate each year. Your property tax rate is tallied off real property assessments, so it's possible that your tax may change annually when fair market property values fluctuate.

HOW MUCH WILL I PAY?

It depends. You might pay anywhere from a little more than \$500 to less than \$8,000 a year, depending on your state and based on the latest WalletHub property tax analysis.

Property taxes are calculated off of property value, and calculations are made using something called the "millage rate." The property tax mill rate is the amount you'll be taxed for every \$1,000 of your property value. A 1 mill rate will charge you \$1 for every \$1,000 of your assessed property value. The mill rate is set by your local taxing authority and calculated to the tenth of a percentage.

HERE'S WHAT THIS COULD LOOK LIKE:

- \$100,000 = Your assessed property value.
- 10 mills = Your local mill rate.
0.01 - 10 mills converted to a decimal tax rate.
- Your assessed property value (\$100,000) x your mill rate (0.01) = Your property taxes (\$1,000).

You can also come up with your property tax rate by working backward. Just divide the amount you pay in annual property taxes by your home's fair market value. Paying \$1,000 in property taxes divided by a \$100,000 assessed property value equals a 0.01 percent effective tax rate.

Most importantly, you can dispute your property taxes in about the time it takes you to read this step-by-step guide: Green estimates 15 minutes. And it may be foolish not to. "Totally worth it, considering how much you could save," he says.

Why do I need to dispute?

EVERY YEAR, \$14 BILLION IN PROPERTY TAXES AREN'T PAID -- MEANING, PLENTY OF HOMEOWNERS NEED HELP MAKING THIS ANNUAL BILL CHEAPER. DISPUTING YOUR PROPERTY TAXES IS ONE WAY TO DO THIS.

The two most common reasons a homeowner may dispute their property taxes are because:

1. YOU REALIZE YOU HAVEN'T FILED THE CORRECT EXEMPTIONS.

Exemptions may vary by state and can include main residence exemption, veteran or disabled person status, assistance for senior citizens, and disaster relief. "You may be a veteran who's entitled to a discount on property taxes or may use the property for religious purposes, which can often receive a tax exemption," Allison Bethell, Fit Small Business staff writer, real estate investment expert, and licensed Florida realtor, explains. If you're eligible, property tax exemptions are a big bonus and could provide a helpful financial cushion.

CHECK WITH YOUR LOCAL OR STATE TAX AUTHORITIES FOR INFORMATION AND ELIGIBILITY ON THESE PROPERTY TAX BREAKS FOR:

- Agricultural/farming properties
- Homeowners with a disability
- Low income
- Seniors over 65
- Veterans

Again, eligibility can vary. But here's a good example of State Treasurer requirements for a senior Property Tax Exemption.

A HOMEOWNER MUST:

- Be 65 or older as of January 1 on the year you file your claim or the surviving spouse of a senior who has previously qualified.
- Occupy and own your home as your primary residence for 10 or more years.
- Agree to exempt up to 50 percent of the first 200,000 of your home's value from taxation.

This is just an example, and property tax requirements will, of course, depend on your state. Each state has its own list of exemptions that may benefit your personal financial situation, and almost all states have mandated restrictions on their property taxes – with the exceptions of Maine, New Hampshire, Vermont, and Hawaii.

Property taxes make up over 50 percent of all community tax revenue, and guidelines are frequently changing. Some states like Massachusetts, Oregon, and California allow voters to pass property tax laws and amend state constitutions, giving homeowners like you more say-so in how much you pay in.

2. YOU SUSPECT THE ASSESSED VALUE OF YOUR HOME EXCEEDS ITS TRUE MARKET VALUE.

Most properties in each state are valued annually, by January 1 of the year. Home values are based on fair market value, which is the amount a buyer is willing to pay and a seller is willing to sell for in an open market. However, the counties that calculate property taxes use very crude methods to determine the value of properties, says Mark Ferguson, real estate agent and investor, author, and creator of InvestFourMore.com.

In some cases, the valuations — normally based on comparable sales in the area, the cost it would take to rebuild the property, and how much income the property may generate in the future — can be extremely low or extremely high. "If the property valuation is too high," Ferguson says. "The property owner will have to pay taxes higher than they should. Not only will the owner be paying more taxes than they should, but it could make the house harder to sell."

A real estate agent might look at curb appeal, home features and upgrades, comps (or comparable homes sold in your area), location, and housing inventory, but a property assessor will probably have a different take.

An assessor works for local counties and helps set property values to levy taxes. An assessor will also look at similar homes sold, recent upgrades and improvements, potential income made on your property (like a rental), and total cost of your home's replacement to come up with your assessed property value.

Once this number is available, an assessor will multiply your home's assessed value by your local taxing authority's assessment rate, normally ranging from 80 to 90 percent. So, if your home's market value is \$175,000 multiplied by a local assessment rate of 90 percent, you'll be left with a \$157,500 assessed property value.

"Appealing the Valuation Notice you received for your property is called an **Equalization Appeal**."

When you need to appeal your property taxes varies by the state and county you live in. In Ferguson's county in Colorado, for example, he says there's a very small window to dispute property taxes in the spring.

You can set yourself a reminder to appeal your property taxes whenever your local taxing body sends its assessment of

your home's value. "In some areas, that's once per year," Green says. "In others, it's every few years."

Take two minutes now to check with your county or use the National Property Tax Group calendar to find the deadline to dispute in your state: <http://nptg.com/tax-calendar/>.

BETHEL SAYS HAVING AN INCORRECT ASSESSMENT IS MORE COMMON THAN MISSING THE CORRECT EXEMPTIONS. REMEMBER:

- Property taxes are generally based on the assessed value of the home.
- Sometimes, there are errors.
- Changes to your property can change its value. A home that once had an in-ground pool but doesn't any longer may have a new assessed value that must be reflected in a lower tax bill.

How to protest property taxes: your step-by-step guide

Now to the legwork. Take these steps suggested by financial professionals to prepare for and complete your property tax dispute:

1. **KEEP METICULOUS RECORDS OF EVERYTHING.**

If you want to come out ahead in the property tax dispute process, you'll need to do your prep work. The most effective way to appeal property taxes, according to Bethel, is by taking care of the details first.

WHAT WILL MY PROPERTY TAX BILL LOOK LIKE?

The contents of your bill may vary by state, but here are some of the most common terms you're likely to find on your tax bill:

Assessed value - Your taxable property value that holds your total "tax burden."

Fair cash value - The fair market value of your house, or the amount it could sell for.

Equalized assessed value (EAV) - Your home's Equalized Assessed Value is what you get when your state's Equalized Factor or Multiplier – the property assessment tool – is applied to your property's assessed value. Your EAV minus any homestead deductions and multiplied by your tax rate is the amount you own in taxes.

Exemption - A portion of your EAV might be tax-exempt – for example, when you claim a homestead exemption.

Tax rate - Your amount of tax due, reflected as a percentage.

Taxing district - Your local government with property taxing authority.

Tax code - The number your county clerk uses to reference taxing bodies.

WHEN WILL I GET IT?

Normally in the fall. Property tax bills are mailed out once a year. Some counties give you the helpful option of logging in to pay your bill online. Your local taxing authorities may let you pay your tax bill in two separate installments – in the fall and the spring – to make payment more affordable. Failing to pay on time could rack up monthly penalties.

DO THIS:

- Pay your property taxes on time. This can normally be done online. Appealing your property taxes does not release you from your annual payment. You may be entitled to a return when your appeal is resolved, in which case the tax auditor will process your refund.
- Be organized and keep copies of all paperwork related to your home assessment and tax payment receipts. Paperwork may also include proof of any changes to your property, like removing an attached garage or adding an extension.
- Find out who in your municipality deals with property tax issues. Most towns have three to five elected officials on the property tax board of listers.
- Set a reminder for your local deadlines you researched above.
- Ask your contact person at your local municipality about the process for disputing.
- Find out what you can dispute. In some states, you may be able to appeal your home's appraised or market value, wrongful inclusion of property, denial of an exemption, incorrect determination of the property owner, and more.

Above all, do your research. Bethel says, “The more you know, the more prepared you will be to answer any questions.”

Bethel learned this through experience when she dealt with a property tax situation she had to dispute several years ago. After purchasing a new construction property, Bethel was told by the builder that she would have a 10-year tax abatement. However, the city didn't have a record of the abatement, so Bethel had to contact the builder, get proof of the abatement, and submit it to the city so they could apply it and adjust her property taxes. When all was said and done, Bethel considers the arduous process worth it. “It worked out and saved me a lot of money.”

2. CONTACT YOUR LOCAL ASSESSOR'S OFFICE.

DO THIS:

- Check the assessor's math. If the County Assessor reviews the grounds for your dispute and finds an error, your property tax amount may be corrected without the need to appeal.
- Check the description of your property for accuracy.
- Compare this information with at least five equivalent properties in your neighborhood.
- Set up an informal meeting with the County Appraiser or their designee, if required by your county. Some counties use a preliminary informal meeting to allow you to explain your grounds for property tax dispute. After the meeting, the County Appraiser will mail you the written results. If you aren't satisfied with the results, you can progress to the property tax appeal hearing.

3. CONTACT YOUR REALTOR.

You can look up comparable properties on your own to complete the steps above, but it may be easier to reach out to your realtor.

DO THIS:

- Talk with your realtor about pulling five comparable sales to show the county what your property is actually worth.
- Ask your realtor if they think an appeal is worth it.

REALTORS ARE TYPICALLY THE EXPERTS WHEN IT COMES TO VALUE, SO THEY SHOULD BE ABLE TO LEAD YOU IN THE RIGHT DIRECTION.

4. CONTACT YOUR LOCAL ASSESSOR'S OFFICE AGAIN TO SET UP AN APPOINTMENT TO APPEAL.

If the first three steps check out, meaning you believe you've missed some exemptions you're entitled to or that your property value assessment is too high, you're now ready to take step number four.

DO THIS:

- Call your local assessor's office to set up an appointment to appeal. If a letter is required to make the appeal, look online for a sample property tax appeal letter.
- Fill out the property tax assessment appeal application found on your county tax website and follow any necessary instructions.
- File your completed appeal application with the county tax clerk, either in person or through the U.S. mail.
- Wait for a confirmation postcard that the application arrives, normally sent within two weeks.
- If you don't have time to do this on your own, consider contacting a company that specializes in this service.

5. MAKE YOUR APPEAL.

It's the big day. If you've completed steps one through four, you have the power of preparedness on your side. Most taxing bodies make it clear how to dispute your home's property taxes, Green says. "As a homeowner, the best thing you can do is be thorough and meet posted deadlines."

DO THIS:

- Find out whether your city allows you to appeal in writing or requires your attendance at the appeal. You can find this information in your Notice of Assessment or by contacting your municipality in step one.
- Gather all the relevant information for your appeal you've collected. This may include items like recent sales information for properties in similar condition and of similar age, a sales contract for your home if you've purchased within the last 2 to 3 years, photos and contractor estimates of the cost to repair any structural damage to your property, a recent appraisal report, and income and expense statements for the property for the past three years, if used as a rental.
- Arrive at the local assessor's office for your appointment early or on time.
- Consider bringing representation to the hearing. You can represent yourself or, in many states, you can bring a licensed property tax consultant, a CPA, a licensed attorney, or a tax service employee to argue your appeal with you. If bringing representation, you may need to sign and submit written authorization permitting that person to represent you prior to the hearing.
- Be prepared to argue your appeal for about five minutes before the local Board of Review. The hearing will typically be held with the appraisal district staff and will be informal, not under oath. Each side will be given time to present the evidence of their position.
- Wait for a decision. The outcome of your dispute may be announced at your hearing, or the board may review the matter in private. If a judgment isn't made at your hearing, the Board Clerk will mail a written decision to you or your representation.
- If you aren't happy with the decision and believe you have proof your property taxes have been over-assessed, you can appeal to your state's appraiser or the Superior Court. It's recommended to consider hiring an attorney if you appeal to the Superior Court. For an appeal to the state appraiser, you may still represent yourself. You'll have 30 days to appeal from the day you receive the decision from your local tax board.

**WHEN YOU'VE FINISHED YOUR APPEAL PROCESS,
PAT YOURSELF ON THE BACK AND REMEMBER: "A
HUMAN WILL REVIEW YOUR APPEAL," GREEN SAYS.
BEING ORGANIZED AND PRESENTING YOUR APPEAL
COHERENTLY PUTS THE ODDS IN YOUR FAVOR.**

Another fun fact that only underscores why a property tax appeal is worth your time:

Your odds of success are 50/50.

Conservative estimates show that at least 40 percent of property tax disputes are successful, depending on the state, though this number is more likely to reach over 55 percent for residential appeals. Interestingly, you may not get better results using an attorney – with a 53.9 compared to a 55.3 percent success rate.

Add to that the fact that only about 20 percent of homeowners appeal, and it's clear that putting in the effort can put the odds back in your favor.

Note that a company will normally charge you for **about half of the amount they save you** in taxes if their dispute is successful.

Take on the taxman: property taxes are likely to increase

Property taxes by state can vary, according to U.S. Census Bureau data and WalletHub's 2018 statistics. You'll probably pay a much different property tax amount compared to a homeowner in a nearby state. In the lowest state with the lowest property tax rate, Hawaii, of 0.27 percent, you may pay up to \$1,459 yearly. In New Jersey, the state with the highest property tax at 2.40 percent, you may pay \$7,601 a year. Living in a state with a lower median home value makes property tax cheaper. In Alabama, you may only pay \$550 a year.

Of course, property taxes have a purpose — to fund city and county services. The Tax Policy Center of the Urban Institute & Brookings Institution reports that New Hampshire, a state without broad-based income tax or general sales tax, has been the most reliant on property tax revenue. In New Hampshire, annual property taxes make up 44 percent of the state's combined state and local income. Maine, New Jersey, Connecticut, Rhode Island, and Vermont also depend on property taxes for more than 30 percent of their state and local revenue.

After owning your home for several years, you, like many homeowners, may notice your property taxes continue to rise. Even after you've paid off your mortgage, property taxes are likely to increase.

This is because property taxes are based on the assessed value of your home, or its grand list. As a result, your property taxes may rise or fall as the economy changes, related to current interest rates, inflation, tax laws, and the state of the housing market. We saw an example of this in 2017 when homeowners rushed to pay their property taxes before the end of the year — and before Trump's newly signed tax plan with combined state, local, and property tax deduction caps went into effect. As mentioned, renovating your home can be beneficial to increase its value, with the side effect of causing your annual property taxes to increase.

For many homeowners, property taxes based on assessed value go up every year. And in many areas, property taxes rise after new items vote in and local budgets increase. To combat rising tax bills, your annual property taxes are always worth investigating – and disputing.

For tax and mortgage questions large and small, we're here to help. Keep the lines of communication open and don't hesitate to reach out with a question. Your loan officer is only a call or an email away.

The average homeowner pays \$2,197 in property taxes a year.

6 more ways to save on your property taxes after an appeal

1. Request more info on your state's tax breaks for homeowners, veterans, seniors, and more.
2. File a homestead exemption with your county property appraiser and tax-shield thousands of dollars of your home's assessed value if you're approved.
3. Look into a Circuit Breaker Credit, available in 21 states, to cap your tax bill at a set percentage of your income.
4. Minimize curb appeal before your next assessment; attractive houses are normally given a higher assessed value.
5. Guide the assessor through your home so they see the good with the bad – including the flaws, broken appliances, and out-of-date features.
6. Try, try again. Very few people actually follow these steps, gather up the necessary paperwork, and then show up to dispute. So, staying consistent, watching your taxes, and disputing as needed may automatically grant you the lower valuation you're looking for – just because you took the time to do it in person.



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Sources deemed reliable but not guaranteed. Sources: 1. "Are you in the 60% of people overpaying? Dispute your property taxes." HouseLoanBlog.net, March 2018. 2. "How much is your homeowner's tax? Find out fast." HouseLoanBlog.net, Nov. 2018. 3. "Property Taxes: A Look at Exemptions, Tax Limits and Assessment Cycles." The National Association of Counties (NACo). 4. "Why it's foolish not to appeal your property tax assessment." Chicago Tribune, June 2017.