

## WHEN THE TAX MAN COMETH

*The mechanism taxing authorities use to assure property owners pay their fair and equitable share of taxes is the reassessment process. Some jurisdictions reassess on an annual basis. Others will revalue as they feel the need arises or as required by statute. In some states, genuine reassessments haven't taken place for 20 or 30 years. A well done reassessment ensures equity among assessments.*

One way a reassessment can assure that all property assessments are equitable is to value all properties at Fair Market Value. An assessor may use a number of avenues to arrive at this number. However, one of the most universal is to personally tour a particular facility to compare it to the existing market. In this way, an assessor can see what changes have taken place over time, the upkeep of the building, any obvious obsolescence and how the area in general is faring.

For the taxpayer, these tours by an assessing official are an excellent opportunity to discover and document all the factors that detrimentally affect the property's value...no matter how seemingly insignificant. There are some definite do's and don'ts when facing a visit from an assessor that will allow you to present your property in the best "property tax" light as possible. Here they are:

**DO** require an appointment. Never allow access to the property or property records to someone who did not made an appointment first.

**DON'T** allow an assessing official or their representative to tour the facility

alone. Have someone with them at all times to answer any questions that come up.

**DO** have a plan. Discuss all of the problems with the facility and identify the factors you want to bring to the assessor's attention. Be prepared to communicate all those factors that have a negative impact on the property's value.

**DON'T** leave your tax professional out of the loop. At the very least tell them about the visit up front and give them the opportunity to comment on your plan. If economical, have them be present during the walk through.

So, the assessor has made an appointment and is knocking at your door. In the absence of a property tax professional to accompany the assessing official on the tour you need to be ready to point out anything that might have a negative impact on the property's value.

Don't worry about the positives...they won't miss those. Remember to include changes in the surrounding area and the local economy as well as the physical plant.

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### Around the Country....

**AZ**—Governor Janet Napolitano signed an omnibus tax relief act that provides, among other things, some property tax relief. For the 2006 through 2008 tax years, the state equalization assistance rate (formerly referred to as the "county equalization assistance for education tax rate") is set at zero. In 2009 the rate will be the adjusted 2005 tax year rate of \$0.4358.

**IN**—Recent Indiana Supreme Court case law clarified current assessment challenge procedures. At issue was a challenge by an Indiana business personal property taxpayer on the basis that the underlying tax was illegal. The petition for correction of the error was not filed within three years of when the taxes were first due. The lower courts determined that the statute providing for the correction of an error does not specify a statute of limitations for filing the petition and the corresponding regulations are ambiguous. However, recent Supreme Court case law clarified the procedures by stating that the three-year limitations period, beginning on the date the taxes were first due, applies to correction of error proceedings as well as the claim for refund.

**VA**—A referendum, on approval of a proposed amendment to Sec.6, Art.X of the Virginia Constitution relating to property tax exemptions will be on the November 2006 ballot in Virginia. If the amendment is adopted, the General Assembly will be authorized to enact legislation that will permit localities to provide a partial exemption from real property taxes for real estate and associated new structures and improvements in conservation, redevelopment or rehabilitation areas.

# A Different Kind of Wind Blowing in Florida

*Property Tax Reform was on the minds of the Florida Legislature this spring. The Governor created the Property Tax Reform Committee to study different facets of the state's property tax system and the legislature increased both credits available for voluntary clean up of some environmentally impaired sites. Here's a look at both issues:*

## **Brownfield Clean Up**

Effective July 1, 2006, both the percentage of costs and the maximum amount for a credit against corporate income and annual intangible personal property taxes for the costs of voluntary cleanup of dry-cleaning-solvent-contaminated sites and brownfield sites was increased. New credits were also allowed for specific activities in relation to cleanup of brownfield sites, which are now eligible for economic development ad valorem tax exemptions.

Previously, the income and intangibles credit was 35% or \$250,000 for a single site for both taxes. That has now been increased to 50% of the cost up to a maximum of \$500,000 for a single site for both taxes. A company can qualify for the credit even if the site rehabilitation is conducted prior to the execution of an applicable voluntary clean up agreement or a brownfield site rehabilitation agreement.

Finishing the clean up now becomes more of a benefit as well. Instead of the 10% or \$50,000 credit taxpayers could formerly claim during the final year of clean up, they may now claim a

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As you prepare for the assessing officer's visit here are some things to consider:

- ✓ Are you located in a thriving, growing area with a good deal of economic expansion or is it an area that is on the decline?
- ✓ Is your facility the type that is in demand or is it the type of facility whose value has been adversely impacted by changes in the economy? A specific example might be a local manufacturer of auto parts. Sales of cars are down so the need for parts is much less than normal. The site where the plant is located is also home to several other closed manufacturing plants. This type of facility is probably worth less than the current assessment. A reassessment should be adjusted downward.
- ✓ What physical changes have taken place? Roofs that need replacing or obsolete electrical systems will effect the assessment.
- ✓ Is the facility being fully utilized or grossly under utilized?
- ✓ Has technology caused a particular facility to become outdated?
- ✓ Is it costly to run the plant because of inefficiencies?

The best way to obtain a reasonable value when reassessment occurs is to have all the facts and figures available to form a basis for valuation. Ennes and Associates can help you do that. Give us a call.

credit of 25% of the total clean up costs up to maximum of \$500,000.

Included in the changes are additional credits for construction of qualifying housing on totally rehabilitated brownfield sites and the costs to remove, transport and dispose of solid waste.

Qualifying business that choose to locate or expand in brownfield areas can now get the same voter approved ad valorem tax exemption as those same business in enterprise zones. That exemption can be granted for up to 100% of the assessed value of all improvements to the property made by or for the use of a new business and all tangible personal property of said business OR all added improvements to real property made to facilitate the expansion of an existing business and of the net increases in all tangible personal property acquired to facilitate the expansion.

## **Property Tax Reform Committee**

This committee was formed by Governor Jeb Bush to study the different facets of the state's property tax system. Final findings and recommendations must be submitted by December 1, 2007.

Several factors lead to the forming of the committee including an escalating property tax burden related to increased housing prices and damage caused by hurricanes and property tax collections that have far exceeded growth in total personal income.

Governor Bush feels they should discuss: The consequences of the current property tax exemptions and assessment differentials, the appropriateness, affordability, and economic consequences of property taxation levels in the state, alternative means of taxation, replacement alternatives to property taxation and limitations upon local government revenue and expenditure.

In addition, this Committee will act as a "bridge" to similar studies of the Department of Revenue, The Office of Economic and Demographic Research and the Taxation and Budget Reform Commission.

The Governor feels that the Florida Tax System should at least treat similarly situated taxpayers similarly; be simple, easy to understand, fair, consistent, and predictable in enforcement and collection; be responsive to interstate and international economic competition; minimize distortions in economic decision making affecting investment, consumption, geographic location and similar decisions and maintain an appropriate balance between public funding needs and the taxpayer's ability to pay.

