

AZ's COME HITHER TO BUSINESSES

The Arizona Legislature recently passed HB 1001 providing a mix of incentives and reforms with the hope they will entice businesses to make AZ home. Along with the other portions of the bill, the property tax changes are designed to make Arizona more economically competitive with other states. The Governor is expected to sign the bill.

The bill would accelerate the depreciation schedule for business personal property starting in 2012. The schedule will now range from 25% for first year of assessment to 89% for the 5th year. After that the local assessor will use the scheduled depreciation prescribed by the Department of Revenue.

In addition, beginning in 2012 the employment cost index will replace the gross domestic product cost deflator for the purposes of calculating the inflation adjusted exemption for Business Personal Property.

For real property the assessed valuation assessment ratios for both Class 1 (commercial) and Class 2 (agricultural) properties will be adjusted.

Permanent Caps in GA?

A constitutional amendment making property tax caps permanent? Georgia legislators are considering just that. A three year plan limiting property values has expired and now the lawmakers want to make them permanent.

The new proposed HB31 caps assessments at 3% or the rate of inflation whichever is less for properties that retain the same ownership. Once a property is sold it is assessed at fair market value. Cities and school systems are permitted to remove or increase mill levy limitations. Once the house bill is passed it then goes on the November 2012 ballot to be ratified as a state constitutional amendment. If that happens the law becomes effective January 1, 2013. A California Prop 13 of sorts.

Many groups oppose the measure because they think tax caps are generally a bad idea. The Georgia Association of Property Tax Professionals feel caps result in unfair shifts in the tax burden. Caps that reassess at point of sale put buyers in the position of paying "catch up" property taxes. They also destroy uniformity since recently purchased properties have a much higher tax burden and effective tax rate than those similar properties that have not recently transferred ownership.

Local Taxing authorities worry that they will never recoup from current losses in tax revenue if future rises in properties values are capped.

THE 8 YEAR ITCH?

Two years ago Mecklenburg County, NC commissioners put off the scheduled reappraisal of properties in the county concerned about the effect the expected 20% value increases would have in view of the fragile economy. They can wait no longer as state law requires a reassessment at least once every 8 years. The scheduled reassessment took place late last year and new values will be issued any time now.

Tax Assessor Garrett Alexander says property values have increased on average around 12% since the last reassessment.

Commercial taxpayers can expect their notices late February, early March. It is especially important to review those notices to assure the values reflect the volatility of the market over the past 8 years.

After you receive your value notice you usually have a 30 day window to start the appeal process. The first level of appeal is the County Appraiser. If you aren't satisfied with the appeal results at that level you can continue on to the Board of Equalization and Review and then to the State Property Tax Commission.

The County is expecting between 25 and 40 thousand appeals to be filed. They are trying to increase the size of the County Board of Appeals to handle that inflow. If you don't appeal this year you will be stuck with the new value for the next 8 years with limited exceptions.

Overlooked Obsolescence?

Obsolescence—the process of becoming no longer useful or in style. This is how most of us think about obsolescence...as something that is out of date...no longer useful. But many times, the processes or equipment or plant that we are using, while itself is not obsolete, parts or uses of it may be. Will that affect its value? You bet!

In real estate this effect can be very small or very large depending on the circumstance and the type of property. There are basically three types of obsolescence: Physical, functional and economic. The basic precept is that both physical and functional are caused by elements within the subject property and the owner has some control over the correction of the obsolescence (curable), depending, of course on the cost to cure. On the other hand, economic obsolescence is generally caused from sources outside the property which the owner has little to no control over. Assessors generally only consider physical obsolescence in their assessments. However, when shown the effect to value that both functional and economic may have had on a specific property they are likely to consider them also.

Recently we identified “location” obsolescence in a Tennessee plant we represent. The plant was built below grade to the surrounding improvements. The land was rolling and not at all level. The only truck access to the plant was via unpaved roads. This caused heavy dust and dirt to be generated on a daily basis. The plant manager found his expenses for maintenance were escalating due to the constant cleaning of outside truck aprons and climate control machinery situated against the building. To compound the problem, the low rolling landscape was allowing rainwater to flow towards the plant. On rainy days, this caused considerable mud build up on the truck aprons. Rainwater even flowed into the building. The situation needed to be corrected.

To remedy, re-grading of the land and paving of the roadway was necessary. Since the problem existed as of the assessment date and the problem was not considered in the assessor’s determination of market value, upon appeal, costs of the regrading and paving were deducted from the assessment until the situation was rectified.

A case of “technology” obsolescence went like this. A plastics plant was originally designed with 7 floors to facilitate the extrusion process. Due to changes in technology and modern machinery, today the process is completed three times faster in much less space. This rendered the top three floors of the plant obsolete. We appealed and were successful in having the value of all the floors above the 4th deducted from the assessment. In addition, we were able to substantially reduce the value of the machinery and equipment used in the older obsolete method due to economic obsolescence.

So, think outside the box when looking for obsolescence. Some items we look for are: restrictions on use, air pollution controls, space utilization, excess capacity, poor layouts, height restrictions, adverse limitations, water problems, environmental problems, ground water problems, new methods available to streamline operations not yet implemented and even changes to processing requirements.

Spring Weather Forecast

It has already begun in many parts of the country. Strong storms, flooding, tornadoes have already caused record property damage. However, if your property has suffered any type of damage from Mother Nature be aware that tax relief is a possibility.

Real Estate is valued as of the assessment date and taxes are paid on that value as of the lien date in spite of any catastrophe that happens after that date. While in some instances it is possible to reduce the assessment for the current year, most statutes dictate these disasters be considered in the following year.

Even if a property has been restored by the subsequent assessment date, it is very often possible to have the value prorated for the period covering the time from the damage through reconstruction. In the past, E&A has successfully reduced assessments for properties damaged due to natural disasters.

While we attempt to monitor natural disasters and the impact they have on our clients’ facilities, it is impossible for our office to investigate damage to a particular site. In addition, in some instances there are time constraints which determine when an assessment can be adjusted. So, it is very important for our clients to keep us apprised of any damage. Don’t let it be a complete loss!

E&A has been successful in obtaining assessment reductions in a number of these situations. Give us a call if you suspect you might have a case of overlooked obsolescence.

HAPPY ST. PATRICK’S DAY!!



Savings Ticker.....Savings Ticker....Savings Ticker...Savings Ticker.....Savings Ticker.....Savings Ticker.....Savings Ticker.....Sav

Here is a small sample of the savings we’ve been able to secure, in the last quarter, for our clients

\$175,871 one year savings for a retail strip mall

\$107,172 one year savings for a manufacturing plant

\$96,336 one year savings for an automobile dealership