

Reality of Real Estate

Abatements, Part 16

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The real estate market has gone through the worst cycle in recent history. Most real estate brokers have had several rough seasons. The residential market experienced declines upward of 25% from market peak. The commercial market is at a stand-still as vacancies continue and asking prices do not make economic sense for emerging companies or expansion. The sub-prime lenders are struggling to make a profit and avoid bankruptcy. Low end, first time homebuyers, however, are currently taking advantage of low interest rates and a plentiful supply of inventory.

Real estate goes through cycles, as market values go up and down, municipal assessing offices had been mandated by statute to have a total revaluation once every three years. Today many communities reassess every year. With the assistance of computer models, it is not difficult for a city or town to "adjust" total valuations by a few percentage points whether the market warrants it or not. Municipalities are required to use sales comparables from January of the current fiscal year. Often there is a lag between actual values and the computer models that a municipality uses. The Department of Revenue must certify the assessment for each city and town every time they reassess.

Property owners are increasingly faced with rising tax bills that are in some cases not representative of current market value. The property owner has the right to file for an abatement, (reduction) in the assessed value of their property. You cannot change the tax rate of your community after it is set. However you have the right to dispute the assessed value of your property as long as you follow the guidelines established by the state in which you reside. This process can be difficult and tedious and most people utilize the services of a real estate or tax specialist.

In Massachusetts, for example, the procedure is easy but a very short time frame to file is allowed. First, your bill must be paid in full before you file. Secondly, you must file within thirty days of the ACTUAL bill being issued not the preliminary or estimated bill. Many cities and towns send out estimated bills all year, but only when a tax rate is confirmed by the State Department of Revenue, does the clock really start. If your claim is denied, you then have the right to appeal the local decision to the State Appellate Tax Board.

There are three responses that are typically received by a property owner; one, approved; two, modified response, allowing only partial relief; or three, denial. It has been my experience that the cities and towns deny the majority of claims automatically. If your claim is denied, you are entitled to file an appeal, provided that it is filed within ninety days of the denial. You then have the opportunity to state your case in an appeal process. Typically, a municipality will then invite you to a discussion prior to your appeal, to state your case. This entire process requires documenting and research skills. You should be familiar with the real estate market and current trends. Many property owners do not feel that they have the time or skill necessary to do this work.

A real estate professional can provide valuable information to a property owner by helping to research and document the necessary information required for a successful appeal. Here is some of the research necessary:

1. Know your property inside and out. Be familiar with the neighborhood and similar property. An certified appraisal done by a professional is your best investment. If you have budget restrictions, a Competitive Market Analysis "CMA", prepared by, an experienced real estate professional will help, rather than go in empty handed.
2. Go to the assessor's office or Registry of Deeds and examine the transfer records for the previous year. All assessments are as of January 1st of the tax year, so all comparables used must be for the prior year. Be sure to take accurate notes of the property to make your case.
3. Take the information you have found and organize it on a grid for easy comparison. Analyze each property and show "how sales have established a pattern of prices below, assessed value. Compare state records to see if the city or town has consistently over assessed; it may help your case.
4. Be polite and avoid accusations. The assessors can be as abrupt with you and make things

difficult. They have more time and money than you do to make a case. Their computers have more information and easy access to it.

5. Be persistent in the appeal process; document carefully and completely.

A professional real estate counselor has developed several advanced techniques that make their cases successful. Fees earned by these professionals vary from community to city or state, so consult a local professional. Some professionals work on a contingent basis earning a percentage of the amount saved, or a non-fee, no pay basis. Finally, it may not make economic sense to file for an abatement on one piece of property, given the work necessary to be successful. An alternative would be to talk with your neighbors and file as a group, and present all the abatements at once. If you are in a subdivision or belong to a Condominium Association, all the little pennies add up to \$\$\$ saved.

I have never met a person who has complained about an assessment that is too low. Every taxpayer deserves a fair and equitable assessment on their property in accordance with municipal bylaws and statute. When an error occurs everyone pays a portion of the error. Unfortunately there are spot discrepancies and assessments that are not representative of the market as a whole. IT is the responsibility of the Assessor to review every property and be fair and equitable as possible.

Adapted from a 1994 article and updated to include current real estate trends.

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