



SKYROCKETING PROPERTY VALUES RETURN TO EARTH — PROPERTY TAXES MAY NOT: WHAT YOU CAN DO TO MAKE SURE YOU ARE NOT OVERTAXED

For most of this decade, property values increased at a breathtaking pace. That rapid appreciation helped encourage aggressive borrowing and lending, which accelerated residential and commercial development and fueled even greater appreciation. As we are all painfully aware, the upward spiral could not be sustained. Mortgage defaults and residential foreclosures exploded in number, sales declined, and the swift rise in home values came to an abrupt halt. Values for residential properties have fallen in many localities. Commercial property values are suffering the same fate. Now is the right time to examine the valuation of your property used to determine how much real estate taxes you will have to pay.

Local government assessors have finite resources dedicated to estimating fairly the value of each real estate tax parcel. The recent dramatic increase in values followed so emphatically by a sharp decline makes the job of timely adjusting the value of each parcel nearly overwhelming for an assessor with responsibility for hundreds or even thousands of properties. Assessments may not have kept up with changes in the market. Consequently, your property could be grossly overvalued for tax purposes, and you might be paying too much tax.

The assessor's estimated market value and classification of the property as to type, together with the applicable tax rate, determine the amount of tax for each tax parcel. Policy decisions by multiple taxing districts and the legislature, the distribution of the various types of property in the community, and events within and beyond the local community come

together to establish the tax rate and ultimately the taxes due. The one factor that you as an owner can most easily and directly challenge is the assessor's estimate of the market value of your property.

Minnesota law requires that the assessor's estimate of the market value of each parcel be not less than 90% of the true fair market value, but not more than the fair market value. That estimate is always subject to examination, discussion with the assessor, and possible modification, in both rising and falling markets. The likelihood that the assessor's estimate exceeds the fair market value has certainly increased in recent months.

The overall decrease in property values will lower the taxes payable to local government and other taxing units, such as school districts. Tax rates might increase as local governments struggle to meet their budget needs. If the assessor's estimate of market value of your property is too high when compared to the market or to similar properties, you are already paying more than your fair share. If tax rates go up, you will pay an even bigger excess over what you should pay. A successful appeal will save you money now and protect you into the future. When property values recover, the assessor will make upward adjustments from a lower starting point. An appeal can influence your taxes for years to come.

Every March property owners receive a notice stating the estimated market value of their property as of January 2 of the current year. The formulas relating to tax classification and tax rate use that estimated market value to calculate the amount of tax due and payable

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PROPERTY VALUES CONTINUES ON PAGE 5

PROPERTY VALUES CONTINUED FROM PAGE 2

in the following calendar year. The notices will also report the value established the prior January 2 to be used to calculate the taxes due this year. You have until April 30 of each year to appeal to the Minnesota Tax Court and challenge the estimated market value used to establish the tax due that year. The deadline for appealing the estimated market value established in 2008 and used to determine the tax due in 2009 is April 30 of this year. The deadline for appealing the estimated market value established as of January 2009 for taxes you will have to pay in 2010 is April 30, 2010.

To contest the amount of taxes payable you need to challenge the assessor's estimate of the market value of your property. There are several items to consider when deciding whether to make that challenge.

1. The estimated market value of each tax parcel is available online for nearly every Minnesota county. When compared to similar properties in your area, is the estimated market value of your property out of line? Is there something about the physical character of your property or its recent history that makes it different than other properties with the same estimated market value?
2. A review of recent sales information for similar nearby properties may show that the assessor's estimated market value is too high for the area or for properties like yours. This approach is particularly useful for residential property where the data is often plentiful and readily available through several real estate brokerage websites.

3. Research the classification the assessor used - residential, commercial/industrial, or other - to make certain the assessor has it right. An error or mischaracterization can result in your paying vastly excessive real estate taxes.
4. Talk with the assessor. The assessor can provide information as to how the property was valued and the classification determined. You may find out that the assessor based the valuation on incomplete or inaccurate information. You can even request a new assessment of the property.
5. Prior to filing an appeal with the Tax Court, you can appear before the local board of appeal and equalization and present information showing that the assessed value is too high. Nearly every city has such a board. If you are not satisfied with the result, you can appeal to the county board of appeal and equalization. You do not have to appeal to the board of appeal and equalization to preserve your right to appeal directly to the Tax Court.

April 30, 2009 is rapidly approaching. Time is of the essence to appeal 2008 estimated market values. At Moss & Barnett, we can help you evaluate whether an appeal is appropriate, prepare the necessary filings, coordinate with valuation experts, negotiate with the assessor, and, if necessary, pursue the matter in court.

For further information regarding property tax appeals, visit the website of the city or county assessor where the subject property is located, the website of the Tax Court, or contact Moss & Barnett.