

The Jaffe Update

Legal News Delivered

A publication of Jaffe Raitt Heuer & Weiss

July 8, 2020

Property Tax Appeal Checklist COVID-19 Extends Filing Deadline to August 31

The COVID-19 pandemic has hurt not just the physical wellbeing of society, but it has also undermined nearly every corner of the real estate market. Millions of jobs have been lost and numerous businesses are still closed or operating at less than full capacity. The inability of tenants and owners to provide their services or products to the market has undercut their income generation leaving them with an Occam's razor choice of either defaulting on their lease or mortgage obligations or closing their operations for good. While these choices have real impacts on the lives of so many, this unfortunate economic contraction has and will also continue to devalue the real estate market.

In those few states that use a summer valuation date, actions for property tax savings can be handled somewhat directly. However for the majority of states that use a December 31 or January 1 valuation date, property owners and tenants are facing a strange timing question. While the loss in property values caused by the pandemic are real right now and will likely manifest itself more in the months to come, the local assessors are using valuations that were established before the pandemic began. As a result property taxes are being calculated on values that may not reflect a property's value today.

This is the case in Michigan, where cities and townships use December 31 as the valuation date for property tax calculations. Michigan assessors have already mailed the 2020 Notices of Assessments letting property owners and taxpayers know how their properties are being valued this year. Because the market dropped after the assessments were prepared, many assessments will not have kept pace with the recent value declines.

As the economy starts to rebound, property owners, managers and tenants need to find ways to reduce expenses and increase cash flow. An important component of savings is reducing property taxes. Anyone that is responsible to pay property taxes should be aware of the benefits of a property tax appeal on properties they own or rent. The likelihood is that properties may be assessed above the actual market value, and thus a property tax appeal may be able to reduce the assessment and provide tax savings this year and every year going forward. Michigan has extended the date to file property tax appeals for commercial and industrial properties to August 31, 2020.

Although the 2020 assessment is and will remain based on the value determination as of December 31, 2019, there are opportunities to see a possible reduction in this assessment cycle or to start planning for the 2021 assessment to be determined as of December 31, 2020. With the extension of the filing deadline, it is possible an assessor may receive a reduction request with some sympathy and be willing to work with the tenant/owner to reduce the 2020 assessment. More likely, the filing will set the stage for an appeal of the 2021 tax year. It may be possible to use a current appraisal or income valuation to negotiate a reduction for the 2021 year that may take effect more quickly than an appeal that starts next year.

Jaffe's Property Tax Appeal Group has saved our clients millions of dollars and these developments and deadlines provide a timely opportunity for us to review the assessment and make an initial recommendation about whether an appeal is in your best interest.

The documents below reference the property (land, buildings, improvements and personal property, as applicable that will be the subject of the property tax appeal and are intended to apply to each calendar year addresses in the appeal. Depending on whether your property is owner occupied, income producing or is held for investment purposes, some of the documents may not be relevant for your property. Use the checklist below to identify those documents that may pertain to you.

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- Current property tax assessment notice.
- Most recent summer and winter property tax bills.
- Size of the land and any building(s) on the property.
- Appraisals, value estimates or value conclusions of the subject property prepared within the last two years.
- New appraisal or value estimate based on the current COVID-19 situation.
- Profit and loss statements or other income and expense information for last year and the two preceding years.
- Projected 2020 profit and loss statement or other income and expense information based on the impact from COVID-19.
- Occupancy report or rent roll as of December 31 of last year and the two preceding years.
- Operating budget for last year and the two preceding years.
- Capital improvement schedules for the calendar year, last year and the two preceding years, including cost to cure estimates.
- Deferred maintenance schedule for the calendar year, last year and the two preceding years, including cost to cure estimates.
- Listing agreements and sale advertisements prepared or used during the calendar year, last year and the two preceding years.
- Lease agreement under which you occupy the property as tenant.
- Offers to purchase, letters of intent to purchase or other documents relative to a potential or realized sale within the last five years.

Jaffe can answer all of your property tax appeal-related COVID-19 questions. Call or email us to discuss your property tax appeal concerns:

Trey Brice at tbrace@jaffelaw.com or 248.727.1707

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