Property Tax Assessments: Should you appeal?

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While a recovery is underway for the commercial real estate market, everyone is still looking for ways to cut expenses. Real estate taxes represent one of the most significant expenses of commercial real estate and while many owners and developers consider them a fixed expense, there is often opportunity to lower that expense through tax appeals. In Pennsylvania, property owners can appeal their taxes every year, often at little to no net cost, and perhaps significantly reduce their tax burden.

In Pennsylvania, a property's tax assessment forms the basis for all of the real estate taxes. The assessment is established by the County once every few years and remains fixed as property values move up and down. If the assessment is too high, the taxes are too high as well. The assessment will remain the same until the property is changed (improvements are added or removed), the County undergoes a County wide reassessment, or an appeal is filed so if the taxes are too high, it can add up quick. County wide reassessments do not occur often. If you lower your assessment, you will lower your real estate taxes until the next County wide reassessment occurs which could be many years. Reducing your assessment can make your project more competitive in the marketplace if your competition is assessed above market value.

The amount of costs involved in the appeal are often far less than the total savings you will receive if the appeal is successful. In most cases, the only costs are an appraisal of the property and legal fees.

So how do you challenge your tax assessment? The process is started by filing an appeal to the County Board of Assessment Appeals. The Board will review the assessment and determine if it is too high. For a successful appeal, you will typically need a recent appraisal of the property. If the Board's decision is not satisfactory, an appeal can be filed with the Court of Common Pleas.

Keep in mind that any reduction in the assessment will most likely result in tax savings not just in the year in question but in future years as well. While in general you cannot receive a refund for past taxes paid if your assessment is too high, your assessment will be reduced for future years which will save you money. To determine how much savings you could receive, determine your local millage rates and multiply those by the difference between the current assessment and what you believe the assessment should be and you can determine the savings for one year. For example, if the combined millage rates in your municipality (School, County and Municipal millage rates) are 25 mills (or 2.5%), you would save $250 for every $10,000 that you reduce your assessment.

Barley Snyder has attorneys that handle tax assessment appeals throughout Pennsylvania. If you believe your assessment is too high, give us a call to see if we can help lower your assessment and lower your taxes.

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