STOP Your CFO from Paying Your Neighbour's Property Taxes:

How to eliminate 3 innocent mistakes that may lead to you subsidizing your competitor's business.

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Did you know you may be subsidizing your competitors – and paying too much in property tax – both at the same time?

It's true.

After saving clients from paying more than $210 million in extra property taxes over the last 15 years, and after 30 years of analyzing and teaching real estate valuation methods, I have seen the same mistakes made again and again.

Unless real estate valuation and property tax administration are among your organization's core competencies, you may be making one or more of the following mistakes – which could cost you many thousands of dollars in extra taxes every year.

Here's some quick background…

To determine a property's correct taxable value, you must dig deep into the records of the tax assessment authority, which are not provided unless you ask for them specifically.

Then, you must compare the assessor's numbers with your property records, to make sure the value and tax assessment are correct. In the vast majority of cases, a company that manages their own property won't have the staff or resources to do this correctly.

So, for example, a clerk in Accounting gets a tax bill, and without knowing what they're looking at, simply pays that bill.

Overpayment on taxes can occur because the information on the tax bill does *not* provide sufficient detail to understand how or why it was assessed.

With that in mind, here are 3 of the innocent mistakes that can lead to you paying someone else's property tax – and how to avoid those errors…

Mistake # 1 — Failing to keep the tax assessor advised with correct information about your property.

Problems arise if the assessor's office has outdated or incorrect information on the size, use or conditions of your building(s). If that happens, the assessor will arrive at the wrong valuation for your property – and you may overpay your taxes by a large amount.

Example

A communications company came to us after being incorrectly assessed for 220 acres of land that belonged to someone else. Despite being highly competent in every other area of their business, they had unknowingly been paying somebody else's property taxes for four years.

That's right – the CFO of this company had been subsidizing their competitors by paying their neighbour's tax bill – literally!

What happened next?

We filed multiple appeals with the assessor's office. In the end, we resolved the issue in our client's favour, and they received a refund cheque for $635,000
That's just one instance of how information can be mismanaged, if the tax assessment authority does not have the correct details about your property.
The question becomes: How do you ensure that the assessment authority has correct data for you property?

Just like reading an X-ray, serious problems are not readily apparent to the untrained eye. You need an expert managing this information on your behalf – someone who understands real estate valuation and know what actions to take with the assessor.

Mistake # 2 — Failing to develop a working relationship with the tax assessor.

If Mistake #1 involved what you say to the tax assessor, Mistake #2 is about how you say it.

At the end of the day, it's a person who determines the taxable value of your property. And valuing a property is not completely scientific it's equal parts fact and opinion and because people are involved, opinions – like tax bills – can vary widely.

That means you must work effectively with that tax assessor to make sure the value they come up with for your property is reasonable.

If you don't work well with the assessor, you will pay too much. It's that simple.

Example

A shipping company came to us about a 5-year dispute they had with the assessment authority on a building in British Columbia, Canada. Up until then the tax assessor didn't believe or trust anything the company's representative had said when arguing for a lower property valuation.

We were brought in, and the client asked me to deal on their behalf with the assessor. The two of us met – for four hours. At the end of those four hours, I came out with an agreement that my client had failed to get in five years of negotiations.

How was this possible? I built rapport and a productive relationship with the tax assessor, first by understanding his position, then demonstrating my expertise.

In our meeting, we spent 90 minutes determining what we agreed on and got all of that out of the way. Then, we defined what we didn't agree on and worked through those issues until we reached the best resolution.

As a result, the assessment for my client was reduced by about $10 million, for a tax savings of more the $150,000 per year.

NAV Canada offers another example of how working well with tax assessors can help your bottom line.

"We've worked with John Clark for more than 10 years. He reviews more than 1,000 property tax assessments and advises us on appealing about 10 – 12 of those annually," says Karen Freda, Manager of Real Estate Services for NAV Canada.

"I can think of one particular appeal John helped us with that resulted in a negotiated settlement for a reduction to the assessed value of one property of more than $1 million, in 2009. John's personal approach is conducive to a negotiated settlement because he's non-confrontational and knowledgeable, and I believe that's the way to get best results with an assessor," says Freda.

When it comes to assessment law, valuations and outcomes vary widely from city to city. That means you need someone on your side who understands the law. Not necessarily a lawyer, but someone who can say, "Yes, I know what that means," and then discuss the facts with the tax assessor.

In my experience, fully 99% of tax assessors are good people trying to do a difficult job. However, you may run into an assessor who is unprofessional. Dealing with those difficult people requires extreme care … and some savvy.
Another example: In one case a few years back, I found myself in the office of a tax assessor who simply refused to discuss the issue at hand. We were getting nowhere for my client.

At about 3:30, I noticed the assessor starting to look at his watch. I realized, "He wants to go home." So, I leaned back in the chair and started telling what was obviously going to be a very, very long story.

By 3:50, I had an offer to settle for my client, on favourable terms.

Moral: There's a human side to property taxes. Ignore this at your peril.

Mistake #3 — Failing to prepare for battle. Because your property tax questions may come down to a fight …

If you treat a tax assessor with respect and help them do their job, you can almost always reach an equitable settlement.

But not always. In some cases, you must agree to disagree with each other.

If that happens and you decide to appeal a property's valuation, it's essential that whoever represents you before the tribunal has extensive experience in both litigation and property valuation.

One federal government client (who wishes to remain anonymous) recognizes the value in this approach.

"John Clark manages our annual PILT payments for all our properties," says my client.

"When we challenge a property tax assessment, John manages all the meetings with local assessors, any judicial proceedings, and everything required to make sure we pay the proper amount while avoiding being charged. John and the Regional Group saved us 32 times their fee fairly quickly and he has worked with us for many years."

Failure to prepare an appeal based on solid valuation theory and local property laws can lead to frustration during the hearing – even emotional outbursts. Not surprisingly, this only makes things worse.

As one tax assessor friend of mine put it, “You have to understand that fighting with an assessor is like mud wrestling with a pig. After about 15 minutes, you realize that the pig is having fun.”

In my experience, it’s important to have personal contacts among tax assessors in every province and major city. This way, you have access to updated, accurate information – which can make or break your case in any property tax hearing.

In the final analysis, the vast majority of problems with property taxes are actually problems with people. You can avoid the most common and costly mistakes if you:

- Ensure that tax assessors have accurate information about your property,
- Communicate professionally with tax assessors, and
- Expect the best, but prepare for the worst – appeal your tax assessment, if it comes to that.

Final Thoughts – And What to Do Next

The examples in this white paper are clear – over time, just one mistake in your property taxes could be costing you $100,000 … $250,000 … even $1 million.

Ignorance of complex property tax issues is not bliss – it is costly. Tax problems don’t go away. They come back to find you … with interest.

The Regional Group has developed a “20-Minute Tax Advisory Analysis” which we conduct over the telephone with you and your top staff members.

Here is what we analyze together in this fast-paced, zero-nonsense session:

Tax Issues: Concerned that your organization is overpaying on property taxes? We’ve helped hundreds of clients determine a fair market value for their properties that minimizes taxes and maximizes their cash flow. I’ll help you define and solve those problems using the strategies that have produced tax refund cheques of $635,000 – or more. (one cheque was for $1,717,000)

Difficult Questions: Wondering whether or how you should appeal a property valuation? One or two expensive tax assessment can shred your profits. But an unfair valuation can be easily corrected – as long as you know what critical missteps not to take. I’ll walk you through our proven process and show you exactly how to carry it out. This will immediately enhance your effectiveness as an executive.

The 20-Minute Tax Advisory Analysis is conducted by the Vice President of our Valuation and Consulting division, John Clark, personally. You will not be shuffled off to a junior staffer. That's why we must keep this to 20 minutes.
At the same time, please be assured that this consultation will not be a thinly disguised sales presentation; it will consist of the best intelligence Mr. Clark can supply in a 20-minute time span. There is no charge for this call, but please be advised that the call must be strictly limited to 20 minutes.

The consultation typically takes place within 1 -2 weeks of your call.

To secure a time, please call 613-230-2100 x 5201, ask for Fiona Rothwell, or send email to frothwell@regionalgroup.com and she will advise you regarding available time slots. She will also provide you with a pre-consultation questionnaire that will prepare both you and us to get maximum value in the shortest amount of time.

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