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Property Tax Value Protest

Successfully Negotiating With Assessors

By Charles E. Gilliland

Faced with an increased assessed value on their property—and thus the potential for higher taxes—many owners resolve to fight. Disputes with the Central Appraisal District (CAD), however, often confuse and anger the protestor further. Even when taxpayers present evidence to justify a lower value, they frequently are disappointed with the outcome because they did not understand the property tax protest process.

To taxpayers, the issues are clear. They are right, and the CAD is wrong. Taxpayers present their view, sometimes bolstered with facts, in hopes of gaining an adjustment in the assessed value. Some even understand that appraisals are based on sales or incomes of comparable properties and present evidence to substantiate their position.

When they fail to convince the appraisal district staff, taxpayers take their protest to the Appraisal Review Board (ARB). When the ARB affirms the value assessed by the appraisal district staff, taxpayers conclude board members are in cahoots with the chief appraiser.

This scenario is common, and it develops a cynical distrust for a system taxpayers feel is designed to thwart their protest. They fail to recognize that the uncertain nature of appraisal transforms the entire protest process from a battle to an exercise in negotiation.

There are steps taxpayers can take to improve their chances of a successful appeal of a property's assessed value. To negotiate successfully, taxpayers must be:

- realistic
- informed and
- open to compromise.

Property owners must exhibit reasonableness to their position. This can be done informally with the CAD staff or at a formal hearing called protest. At either level, however, valid evidence should be presented. The result ultimately depends on facts described by the evidence. Much hinges, however, on the taxpayer's approach to the CAD staff and ARB.

Official publications describing the tax protest process create an impression that a clinical evaluation of market information produces an objective taxable value. The process appears to be scientific, impartial and precise. Although real estate valuation employs scientific techniques, however, the process is fraught with uncertainty and a scarcity of evidence, especially in Texas.

Uncertainty abounds because an appraisal is an informed opinion of value based on an appraiser's assumptions about the property. These assumptions include economic, demographic and technical factors that underlie the final valuation. These factors include cost estimates, depreciation estimates, estimated income-producing potential and other required qualities and quantities. Appraisers rely on their knowledge of real estate economics and the market to formulate assumptions.

Be persuasive. Agreement with the appraiser's assumptions leads to acceptance of the assessed value. Therefore, altering an appraiser's opinion of value begins by calling into question the assumptions in the original valuation. Perhaps the appraiser misjudged the amount of physical deterioration or attributes too much income to the property. Adjusting these amounts reduces the value. The property owner must convince the appraiser to change his or her view of the property within its market context.

Be objective. Owners should conduct an objective evaluation of the market. Only by reviewing current market

conditions can a property owner judge the propriety of an assessment.

Offer a realistic alternative. When the owner develops a realistic alternative to the CAD value, they are closer to an adjusted assessment. Discussions with a CAD appraiser can lead to an adjustment, agreement in principle without a value adjustment, compromise or disagreement. CAD appraisers normally refer the agreement-in-principle cases to the ARB, noting that the previous appraisal may be too high for a specified reason. This approach is used when the appraiser does not feel the evidence points to a specific lower value. The ARB then sets the value.

Present information effectively. To prevail in negotiation, taxpayers must acquire and present information effectively. They must avoid personal confrontation. CADs respond unfavorably to emotional outbursts or attempted intimidation.

Learn the market. Just because someone paid \$150,000 for a property does not mean its current value is not \$225,000. Learning about local market conditions may lead property owners to abandon their protest. Furthermore, taxpayers must learn about provisions of the *Property Tax Code* that apply to their case.

Understand the appraiser. Success depends on establishing legitimacy of the taxpayer's case. Taxpayers must use this knowledge to express themselves effectively. Using analogies based on experiences common to the appraiser are effective in emphasizing important points.

Learn about the appraiser's background, hobbies, education and other personal attributes. Analogies built around these can establish rapport and convey the message. Used improperly, however, this approach makes the taxpayer appear patronizing.

Collaborate and communicate. Taxpayers should seek to create a spirit of collaboration based on sincere communication.

To do so, property owners must understand needs of the appraiser. Understanding the appraiser's objectives helps predict how he or she will react to a property owner's suggestions and arguments.

Respect appraisers' work. Appraisers need to feel that the property owner appreciates their education, experience and expertise. Treating the tax appraiser's work with respect creates trust. Frequently, property owners mount a frontal assault, questioning the appraiser's competence and ridiculing their value conclusion. This approach ensures non-compliance and motivates the appraiser to justify the original appraisal at all costs.

Persuasion recognizes that the appraiser is a person doing a job, not someone bent on destruction. Taxpayers should convince the appraiser that the disagreement is not personal but rather an honest difference between two reasonable individuals who should be able to reach a rational conclusion.

Develop a convincing case. Property owners should realize that appraisers also must satisfy their supervisor.

Convincing an appraiser to adopt a value, without submitting an overwhelming body of evidence, likely will fail to meet acceptance at a higher level. If the owner prevails using insufficient evidence, the value likely will be reviewed in the ensuing tax year, making any gains short-lived.

Rethink negotiation before formal protest. Taking their case to the ARB means the taxpayer failed to persuade the CAD staff. In other words, the property owner probably does not have an "air-tight case." Conversely, the CAD staff has failed to prove their case to the taxpayer. Most likely, neither side possesses overwhelming evidence.

Raise doubts. The ARB hearing is the property owner's opportunity to persuade the panel of the reasonable nature of their position while raising doubts about the CAD valuation.

Uncertainty abounds because an appraisal is an informed opinion of value based on an appraiser's assumptions about the property.



Keys to a successful property tax value protest include being persuasive, objective and realistic. Also, try to understand the appraiser's perspective and respect their education, experience and expertise. This will prove invaluable to property owners developing their own convincing case and beginning negotiations.

Establish credibility. Securing an ARB adjustment depends on establishing the property owner's credibility with the board. Board members may know taxpayers professionally or by reputation. This knowledge creates a predisposition to view testimony in a particular fashion. The initial moments of a hearing are critical in establishing credibility for the property owner. ARB members need reasons to believe the testimony presented.

Appearance, demeanor, communication. If ARB members encounter a taxpayer who appears belligerent and brooding, they will anticipate an unpleasant session. Convincing the board to react favorably to a request is easier when the taxpayer appears to be a pleasant, well-dressed property owner who respects the board. Unpleasantness distracts and raises doubts. Good manners and a pleasant appearance establish credibility.

Here are some other hints for taxpayers appearing before the ARB.

- Do your homework. Speak with others who have dealt with both the appraisal staff and board. Learn about board members' backgrounds, likes and dislikes.
- Attend a board meeting before the one scheduled for the subject property. Note the concerns of various board members. On the day of the scheduled appeal, arrive early.
- When taking the oath that the evidence is true and correct, do so without hesitation.
- Present a brief, personal introduction, and identify the subject property.
- Present facts in a logical, coherent fashion.
- Interpret the evidence and its impact on the market value of the subject property.

- Argue in terms readily understood by board members. Use analogies and examples they understand.
- Be dispassionate.
- Do not complain about the percentage increase of the proposed value without evidence that the increase is unwarranted.
- Avoid general complaints about the government.
- Only present evidence that relates to market value of the subject property.
- Do not threaten or imply further legal action, such as a lawsuit. The ARB cannot be sued over disputed values.
- Be prepared to present evidence from a new angle. Casting facts in a different context may help board members understand the taxpayer's position.
- Suggest a solution that fulfills the board's need for:
 - equality on tax rolls,
 - an equitable decision and
 - personal and professional acceptance.
- Give the board an estimated value of the subject property.
- Finish the presentation with a strong statement; invite compromise.

The Real Estate Center has several publications that shed light on issues discussed here. Information on ordering *The Texas Property Tax System* (\$5), "When, Where, How? Challenging Property Taxes" (\$2.50) and "Property Taxes: Making an Appeal" (\$2.50).

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