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There is an avalanche of property tax revaluations in 2011 in Connecticut

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The 2011 tax year will be a very busy and dynamic year for many Connecticut towns for property tax assessments. There are currently over 40 towns scheduled to complete a revaluation of their property base, with Hartford and New Haven counties representing the largest number of towns with planned revaluations. And while it is normal that some towns may postpone their revaluation until 2012, the volume of properties to be revaluated in 2011 will make it one of this most important years on record for establishing new property values across the state.

While a revaluation process always comes with a fair amount of angst for both commercial and residential taxpayers, it should be viewed as an opportunity to ensure your property value is accurate and reflects current market conditions. Cities and towns in Connecticut are required to revalue property once every five years in an effort to keep the tax burden uniform and fair. Most of the properties under revaluation this year have not been reviewed since 10/1/2006, when the real estate market was a very different place. Since taxpayers will be burdened with this value for the next five years (independent of a significant property change) it is imperative that taxpayers critically review their assessment.

Overall, commercial property values have fallen over 40% since the peak in late 2007 according to the Moody's/REAL Commercial Property Price Index, a widely watched barometer of commercial property health. According to a recent survey of commercial real estate professionals by the Connecticut Economic Resource Center (CERC), 76% foresee continued office building price declines and 71% expect continued industrial building price declines in the coming months. With vacancies in many areas of Connecticut ranging between 20-30%, owners are mired in the daily struggle to maintain tenants while minimizing concessions. With limited employment growth, tenant hopping is commonplace, causing the continued erosion of the asking rental rates.

While these market factors demonstrate a general trend across both the region and the state as a whole, they do not necessarily tell all the details at the local level, and that is where any property assessment review and appeal must ultimately focus. Property assessment and property taxes are a local issue. In order to challenge a property tax assessment successfully one must be prepared to roll up their sleeves and present facts about either (1) why your market value is inaccurate or (2) that other properties in town are assessed at less than their fair-market values, thereby causing you as a taxpayer to bear more than your proportionate share of the tax burden. As a real property owner, if you are not seeing a decline in your property assessment of levels similar to those mentioned, you should be questioning whether your property is performing above the market average and reviewing its validity.

Within Connecticut, many commercial and industrial taxpayers are familiar with the general process for proceeding with an appeal of their property assessment. Like in many jurisdictions across the country, however, the Connecticut legislature and the courts have increased taxpayer burdens in these appeals by requiring the completion of specific forms, within specified time limits, as a prerequisite to appearing before the Board of Assessment Appeals, and further, by limiting the kinds of issues they will hear. Therefore, it is highly recommended that competent third party representation be engaged to ensure that all procedures are followed accurately to yield the greatest result for any appeal.

When identifying a third party to assist in the process, one should pay particular attention to ensure that the consultant possesses sufficient valuation skills, based on training and experience, along with a successful long term track record in securing assessment reductions both within a particular jurisdiction and across a variety of property types.

As financial institutions provide loans or refinance existing loans on commercial real estate they are focused on future expenses and strong credit tenants locked into long term leases. Reducing a property's tax liability, through an appeal, both improves net operating income and lowers operating expense pass-throughs, while increasing the overall market value of the property. A reduction also ensures that your property is not burdened with an expense that places your property at a competitive disadvantage in the marketplace vis-Ã -vis, competing properties.

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