



nerej

Five real estate tax concepts new owners should understand

March 19, 2015 - Connecticut

There are a few key real estate tax concepts new owners of commercial real estate in Connecticut should be aware of. Having a working knowledge of these concepts will help keep property taxes in check.

1. Five-year revaluation cycle

In each of Connecticut's 169 cities and towns, the municipal assessor has a statutory obligation to conduct a general revaluation at least once every five years. In a revaluation, the assessed value of every parcel of real property is established. Absent special circumstances, the value established in a revaluation will remain constant throughout the five-year revaluation cycle. Specifically, a property's assessed value will not increase or decrease between revaluations due to changes in market conditions or following the sale of a property. There are, however, a few circumstances that will justify a change in a property's assessment during the five-year cycle, including the imposition of a pro-rated assessment increase on new construction or the reduction of an assessment if a structure is so damaged that removal is required and it is, in fact, demolished by the owner. While a municipality may obtain permission to postpone a revaluation, or may conduct a revaluation sooner than scheduled, Connecticut municipalities usually adhere to the five-year revaluation schedule.

2. October 1 - date of value

For tax assessment purposes, the operative date of value is October 1 of the revaluation year. Therefore, in a "2015 revaluation," October 1, 2015 is the key date of value. Likewise, in the case of a pro-rated assessment, the pro-ration will be determined in relation to October 1. If a certificate of occupancy is issued on July 1, 2015, the property owner can expect to receive an assessment change notice covering the period from July 1, 2015 through September 30, 2015, and that notice will be followed shortly thereafter by a supplemental real estate tax bill from the municipal tax collector.

3. Assessed value is 70%

of fair market value

By statute, the assessed value of real property is set at 70% of its market value as of the October 1 date. However, revaluations occur on a staggered schedule. Today for real estate tax purposes, property in the City of New Haven is valued as of October 1, 2011, property in the City of Stamford is valued as of October 1, 2012, property in the Town of Greenwich was last valued as of October 1, 2010 and a revaluation is now underway on the October 1, 2015 Grand List.

4. June 1 - income and expense data filing deadline

Owners of commercial, retail, industrial and certain residential rental property must, by statute, provide the municipal assessor with income and expense information by June 1, on a form provided by the assessor. The form asks for basic property information, including on income and expenses for the prior year. The assessor must promulgate those forms by mid-April. Property owners who fail

to return their forms to the assessor by June 1, or who provide forms with inaccurate information, are subject to the imposition of a 10% penalty which will be added onto the assessment for the next grand list which, in turn, results in a 10% increase in real estate taxes in the following year. While some property owners are reluctant to provide these forms to the assessor out of concern that the information may end up the hands of other property owners with whom they compete for tenants, that concern is not a well-founded. The forms and the information provided thereon are protected from disclosure and are not subject to the provisions of the Connecticut Freedom of Information Act.

5. February 20 - board of assessment appeals filing deadline and the appeal process

Under ordinary circumstances, if a property owner wishes to challenge its assessment, the deadline to file an appeal with the municipal Board of Assessment Appeals is February 20. Due to the five-year revaluation cycle, the potential tax savings which could result from an appeal is maximized when an appeal is pursued immediately following a revaluation; however, an appeal may be filed in a subsequent year as well. No matter when during the cycle an appeal is filed, the ultimate issue is the property's value as of the October 1 of the revaluation year.

By way of example, the City of Stamford conducted its last general revaluation on the October 1, 2012 Grand List. If a property owner wishes to appeal a property assessment on the next grand list, he or she would file an appeal to the Stamford Board of Assessment Appeals by February 20, 2016. Although that appeal which would challenge the property's assessment on the October 1, 2015 Grand List, the key issue in that appeal would still be the property's value as of October 1, 2012. If Stamford adheres to the five-year revaluation schedule, that appeal could result in two years of tax savings - on the October 1, 2015 and October 1, 2016 Grand Lists. If a property owner is dissatisfied with the board's decision, an appeal must be filed in Superior Court within two months of the board's decision, or the right to appeal will be lost.

Ronald Kowalski II, Esq. is a partner with Cacace, Tusch & Santagata, Stamford, Conn.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540