



# Property Tax Reappraisals and Appeals

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- Every state's laws are different but there are similarities. Focus on NC and SC
- Remember:

$$\text{Tax Value} * \text{Tax Rate} = \text{Tax Bill}$$

Changes periodically

Set Q3

Payable early January

$$\begin{aligned} \text{SC: Millage} * \text{Classification} \\ .1985 * .06 = \\ 1.191\% \end{aligned}$$

Because of classification SC's effective tax rates are higher for commercial taxpayers

# Real Estate Tax Values – when do they change



- AKA Reappraisals
  - Performed by Counties for all real estate using mass appraisal methods. (sort of a 10,000 ft view). Objective is to appraise at 100% of market value.
  - NC reappraisals are typically every 4 years but no more than 8 years
  - SC reappraisals are typically every 5 years (and are capped at 15% and tracked as taxable values versus market values)

But also!

on Sale and there is no 15% cap. Big Gotcha!
  - Changes to property can trigger reappraisal

# *Remember: Other Kinds of Property*

- Business Personal Property (Tangible)
  - Also subject to tax
  - Annual filing required by business
  - For SC, BPP classified at 10.5% rate resulting in higher effective tax rate than real estate
- Intangible Personal Property
  - Examples include:
    - Patents, trademarks, copyrights
    - Good will
    - Brand value
  - Not Taxable
- Bad News – Y'all have 'em all. Double taxation risk.

# Key Issues with Golf and Hotel Properties

- Because real and personal property are closely involved, ensure value reflects only real estate component.
  - Comparable Sales may be unreliable
- Golf Properties
  - In SC, there is “golf course law” §12-43-365
    - Remove value (income and expenses) from Cart rentals
    - Remove value (income and expenses) from Food & Beverage
    - Remove value (income and expenses) from retail (pro shop) sales
    - Horry approach (Strength in numbers)
  - In NC, same concept applies under general appraisal theory but no state mandate
  - Other Issues impacting value
    - Use restrictions: (e.g. Deed restrictions limiting use to golf only)
    - Flood zones

# *Key Issues with Golf and Hotel Properties*

- Hotel Properties
  - Remove value of FF&E
    - More than depreciated value
  - Downward value adjustment for PIP
  - Remove business value
- BPP (tangible and intangible) difficult to value and county appraisers typically not familiar.
  - Don't expect perfection, close enough will generally do.

# *When your real estate value changes, Remember:*



- Not relevant: % change
- Relevant: Is it equitable?
- Relevant: Does value reflect market value
  - Fee Simple is the relevant definition of market value.
    - It requires the use of market data, not necessarily your data
  - Not going concern value
  - **Does it exclude value of personal property**
- Rate is likely to decrease (in appreciating markets)

# *My Real Estate Value has changed: How do I minimize Property Tax?*

- Lowering value is primary way to minimize Ptax
  - Appealing value changes (if warranted) is most common
  - Exemptions – can protect you from a change in value
    - In SC, ATI Exemption for 6% property is IMPORTANT to know
    - Historic properties
- With Value being key, appraisal theory and data are key
  - 3 Approaches to Value
    - Cost Approach
    - Sales Comparison Approach
    - **Income Approach**
  - Know date of value for County Appraisals (data b4 date needed)
    - In SC, 12/31 before year of implementation OR ATI (purchase) date
    - In NC, Jan 1 of reappraisal year

# *My Real Estate Value has changed: How do I minimize Property Tax?*

- Sources of Appraisal/Valuation knowledge:
  - You?
  - Appraiser?
    - Generally, can't advocate for own appraisal
    - Work out arrangement where work stops if appraisal unlikely to support lower value
  - Tax consultant?
    - not appraisal, but uses appraisal theory and market data
- Challenge County Appraisal with additional valuation information.
  - Income Approach typically most reliable
    - Operating income
      - No interest, amort, depreciation, CapEx
      - Include management fees, reserves for replacement
  - Adjustments to Value

- Filing Deadlines
  - In NC, typically Q1
  - In SC, unless reappraisal year, by due date of tax bill
  - Value can go up, down, or be unchanged.
  
- Reappraisals in 2023
  - SC: Beaufort, Orangeburg, Spartanburg
    - Action Dates: 90 days from Notice or Jan 15<sup>th</sup> (Q3 best)
  - NC: Alamance, Alexander, Ashe, Brunswick, Burke, Camden, Catawba, Craven, Duplin , Gaston, Graham, Henderson, Iredell, Lee, Lincoln, Macon, McDowell, Mecklenburg, Moore, Northhampton, Randolph, Rowan, Rutherford, and Yadkin.
    - Action Dates: 30 days from notice or BER Adjournment Date
  - Email me for NC or SC schedules.

- NC Process
  - County Level - Informal and Formal appeals
    - Differences = timing and audience
    - Be sure to file by formal deadline
    - Online appeal forms common
    - Titleholder completes POA designating representative (notarized)
    - Supporting documentation needed
      - 2-3 years of Income Statements
      - 2-3 years of year end ADR and Occupancy
      - Appraisals, if available
    - Formal/BER appeals
      - Members = volunteers that may have real estate knowledge
      - Taxpayer presents data
      - County presents its data
      - Some rebuttal
      - BER sends decision by mail with 30 days to continue to State level Board of Equalization
  - State level – NC Property Tax Commission
    - Becomes litigation with Attorney and Appraisals needed
    - Material savings needed to cost-justify

- SC Process
  - File written objection (wet ink may be needed)
    - Supporting documentation recommended
  - If don't like response, request conference (phone is typical)
    - Opportunity to get County appraisal data (Valuation method, data/calcs)
  - After conference response letter, 30 days to appeal to BAA
    - Citizen volunteers that may have real estate knowledge
    - County will notify of BAA hearing date
    - Exchange of information
      - 30 days prior – copy of all information
      - 10 days prior – response to other side's information
    - Informal process
      - Taxpayer sits on right and presents data 1<sup>st</sup>
      - County then presents its data
      - Taxpayer rebuts and county rebuttals
      - Notified after hearing in writing. 30 days to continue to SC ALC
  - SC Administrative Law Court
    - Appeal becomes a legal matter with Attorney and Appraisal needed

- Preserve appeal rights with timely filing
  - Keep proof of filing (email and certified mail receipt)
- Speak with County Appraiser
  - Obtain copy of property record card (if exists)
  - Confirm valuation approach used and get copy of calculations
  - They typically don't provide much
- Data Necessary
  - Financials, appraisals, explanation, comps, etc. (etc. Components of appraisal)
- Check in routinely
- Burden of Proof on Taxpayer
  - 50% test – more likely than not county value has error

# Questions?



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