



A Dash of SALT

The Annual Deadline for Filing Real Property Tax Appeals with the County Assessor is Coming Soon

This month's state and local tax (SALT) column explains Arizona's annual administrative appeals process for challenging the values and classifications assigned to real property by county assessors.

How Property Taxes are Calculated

Savvy CPAs know that property tax bills are calculated by multiplying:

- (1) The value of the property
- ×
- (2) The assessment ratio applicable to that particular type of property
- ×
- (3) The local tax rate.

Most real property is valued by county assessors using mass appraisal techniques, which often result in values that differ from the value that a qualified appraiser would assign to a particular property if the appraiser focused on that particular property. Thus, property owners should review the value assigned to their property each year.

Assessment ratios are dictated by statute according to the classification assigned to the property. Classifications for most real property are assigned by county assessors based on how the property is used. For example, for tax year 2014, most commercial and industrial properties will be subject to tax on 19% of their value while most agricultural properties will be subject to tax on 16% of their value and most residential properties will be subject to tax on 10% of their value. So, it is important for property owners to make sure that their property is properly classified based on its actual use, and to consider whether it may benefit from a blended assessment ratio if it is a mixed-use property.

Tax rates vary from county to county, from school district to school district, and based on the rates set by other local and special districts that the property may be located in, like fire districts, library districts, flood control districts, etc. So, other than deciding where they want to purchase property, voting for local government officials who have similar fiscal priorities, and encouraging local officials to adopt budgets that they agree with, individual property owners do not have much control over tax rates.

Most Appeals for Tax Year 2015 Must be Filed in 2014

Of the three factors that determine one's property tax bill, the only two factors that property owners can appeal for any particular property are the value and classification assigned to the property. However, property owners who wait until they receive their tax bill to consider filing an appeal generally miss out because most property tax appeals for tax year 2015 must be filed this year, in 2014.

Arizona's Property Tax Calendar and Appeal Deadlines

Here's how Arizona's property tax calendar works: every year, on or before March 1, county assessors are required to notify property owners of the value that they assigned to their property for the following tax year. Thus, most prop-



erty owners already received valuation notices for tax year 2015. Then, the first half payment for 2015 taxes is not due until October 1, 2015, which gives property owners time to appeal the value assigned to their property before they have to pay taxes based on that value. (But, if the appeal is not complete before the taxes are due, the owner still needs to pay the taxes as assessed before they become delinquent or their appeal *must* be dismissed.)

Property owners who believe that the value assigned to their property is excessive, or that their property is not classified properly, may file an appeal with the assessor's office within sixty (60) days from the time that the assessor mailed the notice of valuation. Then, property owners who are not satisfied with the result of their appeal to the assessor's office may appeal to the State Board of Equalization (for properties located in Maricopa or Pima County) or to their local County Board of Equalization (for properties located in all other counties in Arizona) within twenty-five (25) days from the time that the assessor's decision was mailed.

Property owners who either did not file an appeal with the assessor's office, or who were not satisfied with the results of their appeal to the assessor's office and/or to the State or

County Board of Equalization, may appeal to the Arizona Tax Court. Those who did appeal to the assessor's office must appeal to the Arizona Tax Court within sixty (60) days from the time that the assessor's office or the State Board of Equalization mailed their decision. Property owners who did not appeal to the assessor's office, and those who are not satisfied with the value determined by the County Board of Equalization, have until December 15, 2014 to appeal the value of their property for tax year 2015 directly to the Arizona Tax Court. (In addition, sometimes new property owners also have additional rights and extended deadlines to appeal the value and/or classification assigned to their property.)

Practice tip! – Be your client's hero by reminding them to consider appealing the value and/or classification of their property before it is too late. **AZ CPA**

James G. Busby, Jr. is a state and local tax attorney and CPA at The Cavanagh Law Firm. Busby previously worked in the SALT departments at Arthur Andersen and Deloitte & Touche. Before entering private practice, Busby was in charge of all transaction privilege (sales) tax audits at the Arizona Department of Revenue. A Dash of SALT™ is provided for educational and informational purposes only and does not constitute legal counseling or other professional services. If you have any questions, please contact the author. He can be reached at (602) 322-4146 or jbusby@cavanaghlaw.com.