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An opportunity to lower your property taxes

Many homeowners have felt a larger bite from property taxes since the Tax Cuts and Jobs Act (TCJA) became effective on Jan 1, 2018. Before the TCJA, a taxpayer could deduct state and local taxes (SALT), including property tax, on their itemized return. After the act became effective, SALT deductions were limited to \$10,000 a year. The good news is that repealing the SALT cap is on the house's legislative agenda and one of the few areas where many Republicans and Democrats align. It is still unclear when and if any legislation will pass. The SALT cap is also scheduled to expire in 2026 with the TCJA.

Property values appreciated significantly over the past five years, and the average property tax increased by 18% nationally. The increase is likely higher in affluent neighborhoods. On Sunday, the WSJ published an article highlighting strategies to potentially reduce property tax, and we enhanced their analysis with more findings and added a step-by-step process.

The first step is for the property owner to review their tax assessment for errors. Owners should spend time reconciling the square footage, lot size, room count, number of bathrooms, and whether or not the basement is accurately classified as finished. Review the assessed amenities, such as a pool. Reconciling the assessment data is straight forward, the next step is researching the values of comparable homes close by. Zillow, Street Easy, other websites that publish estimated market values and taxes are helpful in this process.

If nearby homes appear to be significantly lower in value, it may make sense to seek an appraisal from a third-party professional. Licensed realtors will likely provide a valuation for free. Licensed appraisers are another accepted valuation source and charge anywhere from \$300-500 an hour. The valuation may be lower than the assessment and it may make sense to appeal it. An appraiser's valuation will carry more weight than a realtor's during an appeal.

Each taxing authority has its own appeals process and timeline. The best way to understand the process is to look for the procedures on the tax assessment letter or the authority's website. There's a short window of time for submitting an appeal and it ranges from a few weeks to 90 days. The owner should request a meeting with the local tax assessor and ask for the property to be reassessed.

So, what's the probability of lowering the assessed value? It differs by tax authority, but it is relatively low: in New York City the probability is 17%. The process is time-consuming. It may make sense to avoid appealing unless the assessment is significantly higher than the appraiser's valuation and there's a potential for large tax savings.

Homeowners may also explore tax relief programs and exemptions. Likely candidates for these programs are in the military, veterans, or disabled. Some counties offer relief for seniors but may have income limits. AARP also offers a service called Property Tax-Aide, where volunteers help individuals apply for property-tax relief.

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