

## Frequently Asked Questions (FAQs) – Property Tax Appraisal

### **How are property taxes calculated?**

The county determines the value of the real property component of a hotel, which is known as the tax value. That is multiplied by a state mandated “Assessment Ratio” and then by a “Local Tax Rate.”

For example: A hotel is determined to have a real property component value of \$1,000,000. That is multiplied by the assessment ratio (20% in Alabama for example) to get your assessed value of \$200,000. This is multiplied by the local tax rate of 7% to get your annual property taxes.

$$\$1,000,000 \times 20\% = \$200,000 \times 7\% = \$14,000$$

Some states set caps on the annual increase in the assessed value, but a majority reset either annually or every couple of years to current market value.

### **Why should I appeal my property taxes?**

Due to COVID’s impact on the hotel industry in 2020, you may have seen a considerable drop in revenues that in many cases negatively impacted market value. If you are able to successfully appeal your assessment to a lower value, your property tax expense will decline. In some states, such as Georgia, the appeal process will freeze your assessed value for multiple years, locking in reduced tax expenses in the future.

All taxes values are as of a set date (October 1 in Alabama for the 2021 taxes). So even if things have improved, the date of value for tax purposes may have reflected a time of significant uncertainty.

### **How are taxes appealed?**

The county issues a notice of a new tax value by mail at each specified increase (commonly each year) that includes instructions on how to appeal. There is a specified time in which your property taxes must be appealed or at least notice is given that you plan to appeal to secure that right, which is usually fairly quick. For most counties you can also search the assessor’s website to find the current valuation of your property.

From here every county is different, but typically you are given multiple opportunities to make your case of the value. This either leads to a settlement or you maintain the right to hire a lawyer and take it to circuit court.

**How does an appraisal from a hotel specialist help me?**

When you are going through the appeal process, both sides are attempting to make their case for what the current value is. Ordering an appraisal provides an opinion of value from an unbiased source that you can reference in your appeal.

The county uses a mass appraisal methodology that works off of limited information and is necessary, given they are trying to value every single property in the county each year that spans a wide range of asset types. They do not have the resources or access to your financial statements that are necessary to get it right each time, which is why they offer the appeal process.

Conversely, a hotel specialized appraiser with MAI designation will have far more industry knowledge of hotels and be able to utilize your financial statements to better reflect the true market value. It is also developed by independent party, unlike the owner and tax assessor that have their driving motivations.

**Will the appraised value always help me? Is there a discount if it does not produce the value I need?**

The appraisal is ordered from an independent party that has no motivations to hit a certain value or guarantee conclusions. Having this independent analysis is what provides credibility to the appraisal process and the final conclusions. The appraiser is governed by the state appraisal board, which requires statements specifically to address this: “No bias existed to produce any specific conclusion and that compensation is not tied to producing any specific value.”

***Full disclosure: Some appraisals will report a value that does not help your case and you will still be required to pay for it.***

**What is the difference between a limited-scope and a full appraisal?**

The scope of work in an appraisal just states the level of work that is going to be completed in order to provide an opinion of value. This is negotiated between the appraiser and the client, which in most cases is for a bank as part of issuing a loan.

Appraisals for loans require extensive amounts of reporting to comply with federal, bank and other governing bodies. They typically require multiple approaches to value and an in person inspection of the property. This level of work and required reporting is the reason for their higher cost.

We have developed a limited-scope appraisal product that meets all the minimum requirements for an appraisal, which is governed by the state appraisal board. But we limit the approaches to value to only the income, do not complete an in person inspection and provide a report that is much more limited in scope. This will be a fully USPAP compliant appraisal report.

With this limited scope appraisal format and the streamlined process for ordering and production we have developed, it can be offered at a substantial discount to what you are used to paying when ordering a full appraisal through the bank.

**When I am ready to order, what are the steps?**

When you tell us you are ready to order one, we will send you a formal proposal to sign, which includes the final price and specified turnaround time. We will provide you a list of information that we need and a link to make a payment online. Once we have received all the information and your payment, the timer for turnaround will start.

Note that the offered price will not change, but if there is a delay in submitting the information and/or making payment, the turnaround period is subject to change. Typically this type of work comes in all at once, so it is best to get everything in early.

Payment is due in advance with no exceptions.

**What if I get into the appeal process and need help, do you offer that?**

Because we are acting as an independent appraiser, we would be unable to help you with the appeal process beyond providing the appraisal. If you do need a tax consultant to step in, we will be happy to make a referral.