



Atlanta property taxes: Values fall faster than tax bills

AJC special investigation: Property tax meltdown

By [David Wickert](#) and [John Perry](#)
The Atlanta Journal-Constitution

7:00 a.m. Sunday, December 19, 2010

8-DAY SERIES

In 2009, an exclusive, in-depth investigation by the AJC found that amid the historic real estate collapse, many of us paid more in property taxes than we should have. Today marks the beginning of an eight-part series revealing continued flaws in the property tax systems in Clayton, Cobb, DeKalb, Fulton, and Gwinnett counties. We found you still may be paying too much in taxes.

Tax appraisers in five metro Atlanta counties cut home valuations by \$17.8 billion this year as they tried to catch up with the tumbling real estate market and respond to pressure from taxpayers and lawmakers.

In many cases, it wasn't enough.

For the second consecutive year, The Atlanta Journal-Constitution has compared hundreds of thousands of tax records to tens of thousands of home sales to determine whether county appraisals are in line with what property is actually worth. The newspaper found that the greatest disparity occurred in DeKalb County, where the typical appraisal exceeded market value by more than 25 percent. The reason: DeKalb failed to fully account for the kind of distressed sales that have become a huge part of the slumping real estate market. The analysis also found that:

- Clayton County cut residential tax valuations by 22 percent in 2010. But the county's typical residential appraisal remained more than 7 percent above market value.
- Gwinnett cut residential appraisals by nearly 10 percent this year. But its typical appraisal was 2.5 percent too high.
- Typical appraisals in Cobb and Fulton were under market value. But even in these counties many homes were appraised too high.

The AJC's findings on DeKalb didn't surprise Patricia Benedict. The foreclosed house she bought in Tucker in May for \$85,000 was valued by the county this year at \$193,500. If the county appraised Benedict's house at anywhere near what she paid for it, she would save hundreds of dollars on her \$3,456 tax bill.

"I think the county is consciously not doing what they're supposed to do, because if they did they'd be in a worse budget crisis," Benedict said. "The county is turning their heads."

The continuing slide of property values has implications beyond your tax bill: Faced with another year of declining property values, several metro counties are talking about cutting services again in 2011. In DeKalb, the County Commission last week began deliberating a budget that calls for a property tax increase. Gwinnett's budget envisions service cuts and still has an \$18 million deficit that officials will have to try to cover during the year to come.

\$233,100 vs. \$178,000

Most county tax appraisers have heard complaints such as Benedict's — that they are artificially inflating tax valuations to keep money flowing to the county. DeKalb Chief Appraiser Calvin Hicks denies that.

"I can assure you I go to no meetings where we appraisers sit around and say, 'How can we protect our county?'" Hicks said.

DeKalb did a better job of appraising properties that weren't bank sales or other distressed transactions. On those nondistressed sales, county appraisals were about 3 percent over fair-market value. For distressed sales — roughly a third of sales — the county's appraisals were 102 percent over market value.

Hicks admitted that DeKalb's overall appraisals look too high.

"Clearly, looking at the [AJC] numbers, we have more work to do for 2011," Hicks said.

The AJC's analysis in 2009 showed widespread disparities across metro Atlanta's core counties. But most of them clearly made progress this year toward matching up tax valuations with market value.

Except for DeKalb, the counties appear to have met a state standard that requires their typical appraisals to be within 10 percent above or below fair market value.

But that's little consolation for thousands of homeowners who are paying too much in property taxes because their tax bills are based on county appraisals that are too high.

Since 2006, Gwinnett County has valued Michael Hill's three-bedroom home near Lawrenceville at \$233,100. A private appraiser recently told Hill his home is worth just \$178,000 — almost a quarter less than the county appraised it for.

Gwinnett Chief Appraiser Steve Pruitt acknowledged Hill's property is overvalued and pledged to lower it in 2011. Hill could save \$750 on his tax bill if the county appraises his property at what the private appraiser says it's worth.

"That's a big difference," Hill said. He plans to challenge his county value next year.

Residents across the metro area have had similar experiences. And they're taking action.

Residential appeals in the region's five largest counties are up 80 percent from two years ago, and many homeowners are winning those appeals.

For example, Gwinnett has finalized 6,742 appeals this year. It reduced the valuations of all of those properties. The average reduction: \$33,689.

Appraisers expect even more appeals next year as changes in state law make it easier for homeowners to challenge county appraisals.

Mass appraisal

In its analysis, the AJC compared appraisals and home sales within ZIP codes to get a better sense of what's going on within counties.

And while county appraisers are trying to catch up with a declining market, they've been more successful in some areas than in others.

For example, though the typical Fulton County residential appraisal is 2.6 percent below market value, typical appraisals in some ZIP codes are still as much as 14.5 percent over market value, as determined by sale prices. In other ZIP codes, they're as much as 28 percent under market value.

So how can some county appraisals be so far off?

County appraisers and other experts say Georgia's system of "mass appraisals" can't take the strain caused by the bursting of the real estate bubble.

Each year county appraisers must determine the value of all residential, commercial and other taxable property. The information helps elected officials set tax rates and helps determine your property tax bill. Generally, the more your property is worth, the more you pay.

But government appraisals don't work like appraisals done by private firms.

A private "fee appraiser" may spend several hours inspecting your house to determine its condition; he or she will also examine what buyers recently paid for comparable properties nearby.

County appraisers don't have the luxury of carefully evaluating individual properties. The sheer number of parcels they must value — Fulton County, for example, must set values on about 330,000 pieces of property annually — demands a different approach: "mass appraisal."

Under the mass appraisal system, counties generally reappraise whole neighborhoods using a complex statistical method. The method takes into account sales of nearby properties with similar characteristics.

But they call it mass appraisal for a reason. One measure of the difference between private and government appraisals: A private fee appraisal costs \$350 and up; counties may spend just a few dollars for every parcel they appraise.

Critics say the mass appraisal system breaks down during big swings in the market.

By law, county appraisals take sales from the previous year into account. But when the market is rising or falling quickly, a year-old sale can be way out of date. And in the current market, there are fewer sales to give appraisers a sense of what's happening in individual neighborhoods.

In addition, county appraisals are supposed to be current as of Jan. 1 of each year. So your 2010 appraisal is what the county says your home was worth as of Jan. 1, 2010.

But you probably didn't receive a county notice of your value until April, if you got one at all. And you probably didn't get your tax bill until last summer. So, in July 2010 you may have seen for the first time

the county's opinion of what your home was worth on Jan. 1, 2010, which, in turn, was based on sales between January and December 2009.

In a fast-moving market, that lag can mean sticker shock for residents who see what homes in their neighborhood are selling for when they finally have their tax bill in hand.

The Atlanta-area real estate market has been moving fast for a decade as values first skyrocketed and then plummeted when the bubble burst. That means county appraisals may have been off for years.

But there's a key difference: Pre-bubble appraisals were probably too low. Now many are too high.

"The nature of mass appraisal is, we are behind the curve," said Fulton County Chief Appraiser Burt Manning. "Nobody is too upset with us when we're behind the curve when values are going up."

'Distressed sales'

Complicating the task of county appraisers is the proliferation of foreclosures, short sales and other "distressed" sales.

Traditionally, appraisers ignored these sales. They believed they didn't provide a true measure of the market, and they were a tiny fraction of the sales anyway.

That's no longer the case. Distressed sales now account for most of what's selling in many metro Atlanta neighborhoods.

Foreclosures, once more common in poor urban areas, have spread to the suburbs as high unemployment lingers and families walk away from mortgages they can no longer afford. In some cases banks are selling the houses for 50 cents on the dollar to recover some money.

The result: Home prices have plummeted. By one measure — the S&P Case-Shiller Index — Atlanta home prices in September fell to levels not seen in a decade.

Facing dramatic market changes, the Georgia General Assembly in 2009 prohibited county appraisers from raising the value on any property unless there was an addition or improvement. The prohibition remains in effect in 2011.

Lawmakers also required appraisers to take foreclosures and other distressed sales into account when appraising properties for tax purposes. To date, counties have used different methods to take distressed sales into account. But appraisers acknowledge it no longer makes sense to ignore them.

"When the bank sales become your usual market transfer, you've got to look at them," said Pruitt, the Gwinnett chief appraiser.

Thousands of appeals

Scott McDaniel of Marietta sent in one of the 37,000 appeals that residential property owners filed in the five largest metro counties this year.

McDaniel challenged Cobb County's appraisal of his 2,600-square-foot home, which the county said was worth \$166,010. It hadn't changed that value since 2005.

Like many people, McDaniel was trying to trim expenses. He'd already found ways to cut his car insurance and cable television bills. Challenging his county property appraisal made sense.

So he hired a company to appeal his appraisal. The result: A board of equalization cut his appraisal to \$136,000. He'll save about \$350 on his tax bill. Hiring the company cost \$100.

"It pays for itself, plus quite a bit in the first year," McDaniel said. "It would be dumb not to do it."

New law taking effect

Appealing your appraisal is about to get a lot easier.

In the wake of last year's AJC investigation, the General Assembly approved Senate Bill 346. Among its provisions:

- Beginning in 2011, counties must send every taxpayer a notice of their property's value each year. Previously, counties sent you a notice only if they changed your value. It's an important change, because you can appeal your value only if you receive a notice. If everyone gets a notice, everyone can appeal.
- Counties must treat short sales, bank sales and other distressed sales (except foreclosures) just like any other sale for the purposes of determining the value of your property.
- The year after you buy your house, the county's appraised value can't exceed the sale price. So if you bought your house for \$200,000 in 2010, the county's 2011 assessed value can't exceed \$200,000. The county can raise the value in future years.
- Taxpayers will have 45 days to appeal their appraisal, up from 30 days.

State Senate Majority Leader Chip Rogers, who sponsored the bill, said he wanted to simplify the appraisal and appeals processes.

"I would expect nine out of 10 people in Georgia don't understand how the system works," Rogers said.

County officials say there will be consequences. Among them: higher costs at a time when county budgets already are stretched thin.

For example, Fulton County expects to spend \$120,000 more on postage next year to mail notices to every taxpayer. County appraisers say there will be other administrative costs as well.

Rogers is unsympathetic, saying the law should be judged "not by how it will impact the people collecting the taxes but how it affects people paying taxes."

Perhaps the biggest effect of the new law: Appraisers expect another jump in appeals next year. More appeals, combined with the continuing real estate slump and changes to appraisal law, may mean another big cut in residential appraisals in 2011.

That could mean property tax relief for homeowners. Or it could lead local governments to raise taxes to balance budgets. Or it could mean fewer public services or larger class sizes as property tax revenue wanes.

Whatever the outcome, declining values may be a mixed blessing for homeowners who have watched gains from their biggest asset evaporate.

“On the one hand, you’re really sorry to see your property values decline like that,” said McDaniel, the Marietta man who won his appeal. “On the other hand, you’re glad that for tax purposes it reflects true market value.

“It’s brutal,” he said of his decision to appeal, “but it has to be done.”

About the overall photo

The photo of Hawthorn Farms subdivision in Grayson was shot with a special tilt-shift lens that allows the photographer to selectively focus on a small area of the image, creating the effect of a miniature scene.

Find this article at:

<http://www.ajc.com/business/atlanta-property-taxes-values-781069.html>

 [Print this page](#)  [Close](#)