

"Federation Corner" column
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Beware the Property Tax Assessor looking for a shortcut through your wallet

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When the Washington Post reported last week on the bizarre changes to Fairfax County tax assessments, I rejoiced that my suspicions about Montgomery County tax assessments were finally being validated.

"It was no surprise to Cathlin Bowman that the 2008 real estate assessment she received from Fairfax County this week showed a modest dip in the value of her three-bedroom McLean home, to \$564,930 from \$567,590 in 2007. What stunned her was the gaping disparity between the value of the 1951 brick-and-shingle house on Barbee Street and the land under it. The 11,500-square-foot lot, assessed at \$301,000 last year, is now worth \$501,000 -- an increase of 66 percent. Her house, assessed at \$266,590 in 2007, is now valued at \$63,930 -- a decrease of 76 percent."

"County officials said there is no mistake, nor any bid to gain extra money. What homeowners are seeing, they said, is an attempt to raise land values that have remained disproportionately flat in recent years relative to the homes. Officials said the elevated assessments are based on an analysis of sales of nearby vacant land. Because the supply of undeveloped property in the county is diminishing, it took more than a year of sales to document the change, they said. Included were neighborhoods with lots that once held older homes that were torn down and replaced by much larger residences. The numbers, said tax department director Kevin Greenlief, reflect 'a pent-up correction,' but nothing more. Bottom-line assessments are unaffected; only the allocations of value between land and building have shifted, he said. 'In no way, shape or form is DTA cooking the books or propping up revenues because of the budget situation,' he said."

When I got my property tax assessment in January 2007, I could not believe how much the land value had increased and I did not believe it was accurate. I appealed my assessment to the first level, which meant talking to an employee of Maryland's State Department of Assessments and Taxation (SDAT). He gave me a list of comparable properties that were used to decide the value of my house. However, none of these houses were like my little 2 bedroom, 1 bath 672-square foot house; they were either much larger or had been significantly upgraded.

I also discovered that SDAT's information was riddled with errors: With one property, a 750-square foot garage hooked up to all utilities was not on the SDAT worksheet used to determine the value. A second story was added to another house, with new construction inside and out, yet the value of the improvements was increased by only \$13,000. The value of houses with no upgrades went up, while the value of houses with many upgrades went down. What always ended up in the same place, through this contradictory manipulation, was the value of the land, for there was a formula: The first 5,000 square feet were valued at \$51.03 per foot, or \$255,150. The next 5,000 feet were valued at \$5.67 per square foot. With a minimum lot size in my neighborhood of 6,000 square feet, it meant the land would be valued at no less than \$260,820.

When I asked the SDAT employee how the land value had been determined, he went to talk to his supervisor and then told me that the supervisor said that when the value of the house and other improvements was subtracted from the sale price, what was left was the land value. This answer was, of course, nonsense, since there was a value placed on every lot based on a rigid formula included in every property worksheet. I wanted to know if the sales price of vacant lots had been determined and he said that he didn't know of any such sales in the area.

I went looking for other 2 bedroom, 1 bath houses to see what they had sold for. I found one in Rock Creek Palisades - 680 square feet - that had sold for \$275,000, about \$100,000 less than what SDAT said my equally small house was worth. This was when I was shocked by the very same discovery that shocked thousands of Fairfax County residents last week. Although the house sold for \$275,000 about a year ago, SDAT assessed it for \$346,430. And if that weren't bad enough, SDAT raised the value of the land from \$120,480 to \$307,840 for the 5,242 square foot lot. Then SDAT lowered the value of the house from \$94,320 to \$38,590 in a single year, a drop of 59%. I saw that the house was being upgraded. The Fairfax County homeowner Cathlin Bowman stated: "Heck, \$63,000 won't even buy you a decent kitchen these days." \$38,590 will buy you even less. But this assessment was not the exception on this street. The value of a 1512 square foot house had plummeted from \$208,720 to \$84,650, also down 59% in one year, while the land value had shot up from \$123,340 to \$317,580 for this 6,674 square foot lot. Another house lost almost \$100,000 in value while the land went up \$200,000. These unjustifiable changes happened with every property on this street.

The news article states: "Bowman is one of scores of bewildered -- and suspicious -- Fairfax taxpayers whose homes are shriveling in assessed value while the underlying dirt appreciates robustly. Some have suggested a massive software foul-up that flipped land and building values. Others wonder whether the county is trying to hang on to tax revenue in an economy sliding toward recession." While Fairfax County officials had their excuses and SDAT officials had their explanations, I believe the truth is far simpler. The SDAT employee complained about a lack of employees in the office to do the work. While he claimed he went out to houses being built or renovated to look for the granite countertops and other expensive amenities, I doubt that SDAT employees ever leave the office to go out into the field. In fact, an SDAT report states: "We value over 701,000 properties each year, which requires the use of mass appraisal techniques. While a fee appraiser is concerned with valuing one property at a time, an assessor is valuing whole neighborhoods. To accomplish this, special mass appraisal procedures are used..." I read the real estate listings for a number of houses for sale describing the many improvements to the houses, yet the value of these houses hardly changed when they sold even as the land values skyrocketed.

I am convinced that SDAT employees have set an unreasonably high value on all land so that it doesn't matter if they have no idea what improvements are on the lot or how luxurious those improvements might be. This allows maximum property tax revenue to be collected with minimum effort while hiding behind the excuse of "mass appraisal techniques." The land formulas cannot and will not be justified, but few homeowners even try to challenge them. What this means is that those of us who live in modest houses on land that is overvalued are really subsidizing those who live in large houses with all of the finest amenities because SDAT employees can't be bothered to determine the real value of the improvements. One huge way that SDAT formulas are meaningless is that only the size of the house is measured, not the number of bedrooms, which is one of the most important considerations for homebuyers.

Despite the claims of the Fairfax County tax department director: "Fairfax County's chief tax official, under pressure from the Board of Supervisors and agitated homeowners, announced yesterday evening that his office would recalculate 2008 property assessments that show enormous increases in land values accompanied by deep cuts in the worth of homes. Kevin Greenlief, director of the Fairfax Department of Tax Administration, had been adamant this week that the valuations mailed Monday were based on sound analysis of recent land sales. But after an early evening meeting with County Executive Anthony H. Griffin and Board of Supervisors Chairman Gerald E. Connolly (D), Greenlief backed off and said the valuations would be redone. Of the 351,598 taxable parcels in the county, the value of 331,308 had changed. 'From what the board has said and what the public has said, it warrants us taking a second look,' Greenlief said. He said a property owner's overall assessment would not change. The county will adjust only the allocations of value between land and home."

"It was a remarkably rapid admission of error by the county, which prizes its national reputation for steady, efficient management. But Connolly and Griffin, who had been deluged with complaints from homeowners, made it clear to Greenlief yesterday that he had an emerging debacle on his hands. 'I don't think it passes the giggle test that a house in Fairfax County is worth \$63,000,' Connolly said. 'If that was true, we would be able to resolve our affordable housing crisis'."

Our problem here in Montgomery County is that none of us are complaining to our elected officials when we get our assessment notices with the outrageously high land values. Only about 1200 of us appealed our assessments last year. Many of us are now paying for the property taxes on the luxuries in the mansions being built throughout the downcounty through excessive land valuations. In my neighborhood, a new house, classified as an addition even though the size of the house quadrupled, sold for \$950,000 last November. However, it is currently assessed by SDAT for \$402,430, based on a house size of 864 square feet. I have no doubt that if and when this is corrected, the land value will be excessive, the value of the house will be minimized, and the rest of us will see our overvalued land prices go even higher.