

PROPERTY TAX CASE STUDY PARSING THE PURCHASE PRICE

Our Client's Challenge

The Nova Scotia Assessment Act mandates that real estate assessments are to be based on the property's market value on January 1st, two years prior to the assessment year. The "base date" for the 2009 assessment year is therefore January 1st 2007. Our client had purchased this property in October 2007 for 49% more than its 2008 assessed value. He therefore felt an appeal was futile. However when his 2009 assessment increased by 13% he turned to Turner Drake for advice even though the purchase price was still 32% over the assessed value. Giselle Kakamousias of our Property Tax Division relishes a challenge; she filed an appeal.

Turner Drake's Approach

Giselle requisitioned the provincial assessment authority's calculations for 2009 and 2010. The latter proposed a further increase in the assessment of **at least 11%**. Following a review of the property's income and expense statements we advised the client that an assessment which was **30% less than the sale price** was achievable. Undaunted by the purchase price, Giselle decided to tackle both the 2009 and the proposed 2010 assessments. She rolled up her sleeves, fired up our proprietary Compuval™ information technology platform, and went to work. Relying on established case law she argued that the purchase price should not be relied on in isolation; other factors had to be considered. There was a strong case for a reduced assessment. Due to post acquisition economic conditions, a major tenant had gone bankrupt and vacated their space in mid 2009...a factor unanticipated by the parties when they had agreed on the purchase price in mid 2007. The space was still vacant at the 2010 "state date" of December 1st 2009. The provincial assessment authority was unimpressed. They proved tiresomely obdurate: the 2007 purchase price set the benchmark value; they refused to budge. Giselle filed an appeal to the Regional Assessment Appeal Court (RAAC).

Winning Results

Giselle was able to negotiate a reduction in the assessment which was 32% lower than the purchase price, without the necessity to proceed to Court. This reduction resulted in tax savings of \$11,500 per annum.

