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## County settles property tax case with Target

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Riley County recently negotiated the property value of Target at \$1 million lower than the initial appraisal after the commercial retailer challenged the county through the state Board of Tax Appeals.

Target, with the help of a tax representative, was looking to reduce its 2016 property value from \$9.8 million to a little more than \$6 million.

After postponing the hearing three times, the county compromised with Target's tax representative at a value of \$8.8 million, about the same value the county appraised the property at in 2015, said Greg McHenry, Riley County appraiser. At \$8.8 million, Target will pay \$227,194 in property taxes, or \$25,817 less than it would have with a property value of \$9.8 million. Had Target won its case and reduced the value to \$6 million, Target would have paid \$154,905 in property taxes for 2016.

The county hired a private appraiser, Tim Keller from Keller and Associates, for about \$4,000 to provide a second opinion for the case. The appraiser valued the property higher than the county's value, McHenry said.

If the county would have lost the appeal, it could have cost \$98,000 in property taxes split up between county, city and school district.

“At some point we kind of have to make a decision whether it’s worth the risk of potentially losing even though we feel very strongly that our value is accurate, in an environment that the legislature now has made pretty one-sided.”

In 2016, the state legislature passed a property tax law, House Sub. for SB 280, changing the property valuation procedure. The law states, in part: “County appraisers are prohibited from requesting certain information from taxpayers, including appraisals conducted for the purpose of obtaining mortgage financing, fee appraisals conducted within the previous 12 months, and documents detailing certain lease agreements.”

It also says county appraisers are required to provide a summary of reasons for their valuation and all records that led to the county appraiser’s higher valuation.

“When we go to the Board of Tax Appeals now the burden of proof is on the county,” McHenry said. “Which is OK except that any time the other side presents evidence, they’re not held to the same standard that we are.”

It’s not unusual for tax representatives to postpone a hearing for more than a year, McHenry said. When the county sets property values, mill levies have not been calculated yet, so postponing a hearing can become a problem as local governments create their budgets.

“If they continue to stall and postpone these hearings like they typically do then we’re getting into another calendar year,” McHenry said. “And if the county were to lose or even stipulate then we’re in a position of having to refund monies instead of being able to hold the appeal before that all occurs.”

Target and its tax representative initially indicated they would use the dark store theory during the hearing. The dark store theory is an argument that a commercial property, typically a big chain store, should be valued as if it were vacant. Tax representatives go to court with a list of sales of properties that are dark stores, typically older now vacant properties, and they think the court should use those sales to determine lower property values.

McHenry said that in most cases where large companies take the county to the Board of Tax Appeals, they're looking for a value at 50 percent to 60 percent of what the county's value is. Tax representatives, usually attorneys from bigger cities who have never visited the property they're representing, offer large companies property tax savings and charge a percentage of those tax savings for their services, he said.

"Which is a little frustrating because we feel it's not realistically an argument about the market value of the property," McHenry said. "They're really just trying to get paid through a tax savings through their client."

The county still has 13 cases waiting for a hearing at the Board of Tax Appeals, including Hy-Vee for its 2016 value, Fairfield Inn for its 2017 value, Regency Inn and Royal Inn for both their 2015 and 2016 values.

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