

# PROPERTY TAX CASE STUDY FRANCHISE FREE

## The Client's Challenge

Our client seized the opportunity to reduce its unit costs and provide its customers with modern facilities: its property assessment soared by 18%! The convulsions racking the automotive industry in North America are resulting in premises upgrades and dealer consolidation. When our client purchased their competitor's splendid new premises in Saint John, N.B. they echoed the industry trend in this intensely competitive marketplace. They had not expected their assessment to jump too and turned to Turner Drake for advice.

## Turner Drake's Approach

Assessments in the province are based on the property's market value on January 1st of the taxation year. A sale price in excess of the assessed value will often trigger an increase in the property assessment because the provincial assessors "chase sales". Such was the case here ... and New Brunswick lacks the "uniformity" provision included in many provincial Assessment Acts, so there is no requirement that similar properties have to shoulder the same tax burden. Properties sold recently can carry a disproportionate share of the total tax load and there is little the unfortunate property owner can do about it. The sale price then was the first major hurdle to be cleared by our Property Tax Division. They did so by deftly differentiating between the value of the real estate, which was taxable as an automobile dealership, and the sale price of that same real estate as a Ford dealership. Under the Assessment Act only the "real" property is assessable, any value which attributes to it because the premises are designed for, or are occupied by, a specific dealer franchise is "personal" property, and is non-assessable. Once we had convinced the provincial assessor of the validity of our position the sale price was no longer a stumbling block and we were able to deploy accepted appraisal methodology to calculate the correct assessment.

## Winning Results

Our Property Tax Division was able to negotiate a reduction in the assessment from \$3.7 million to \$3.4 million. This yielded tax savings of \$15,600/annum, without the necessity for expensive litigation.

