Upcoming property tax deadlines are an owner's only chance to combat COVID's impact - by Brad Cronin and Sean Cronin

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COVID's across-the-board impact on commercial real estate has made 2021 the most important year in recent history to file for a reduction in real estate taxes. Typically, location is the most important factor when analyzing real estate. Having now seen virtually no property go unscathed in the past 12 months, the one caveat that should be included with the adage "location, location, location" is "unless there is a global pandemic." The result of COVID's far-reaching force is that each property, no matter the location, may have a meritorious claim for reduced property taxes this year.

The critical factor for the upcoming grievance periods is that properties are being valued as of July 1st, 2020 in Suffolk County and January 2nd, 2021 in Nassau County, both time periods profoundly impacted by COVID. Regardless of whether a property is still decimated by COVID or if they have finally seen signs of some improvement, the next set of tax bills are based on a time period when COVID was a dominant factor in every aspect of life.

To their credit, Nassau County has recognized the impact COVID and extended their grievance deadline to April 30th, while Suffolk follows weeks later, on May 18th. These dates are the property owner's one and only chance to preserve their right to capture property tax recovery for the year their property was first impacted by COVID. If they do not file a grievance by April 30th in Nassau or May 18th in Suffolk, the right to protest for that year is gone forever.

There is no doubt certain properties were impacted more than others. The hospitality sector, entertainment venues, and retail properties lead the pack amongst those most devastated. Many of these locations are now on their second round of rent deferrals and abatements, while still dealing with prolonged vacancies.

Other property types, including the office sector, found themselves navigating decreased collections, but also forced to expend immediate dollars on safety equipment and other devices while they implemented new protocols to provide access to their properties.

Reduced hours, safety protocols and additional costs only tell part of the story for landlords. There were also incredible amounts of time spent by owners sifting through the details of what operations were allowable at different stages. Even properties that remained operable throughout COVID found themselves constantly struggling to conform to ever shifting government restrictions. After educating themselves, landlords were then tasked with balancing the changing parameters with both their tenant's and the public's comfort level at their particular property. The risk factors of simply operating a commercial property during COVID were tremendous.

Increased risk on top of decreased revenue and climbing expenses will equate to a strong data for property tax reductions in 2021. As a result, there will no doubt be an avalanche of grievance filings by these upcoming deadlines. The mathematical result of a property reducing its tax burden is that the tax rate must then go up for other properties to shoulder the difference. The scale of COVID's effect is so massive, that the tax rate will increase significantly in many jurisdictions. This means that properties could see taxes per square feet increase by many dollars just by virtue of the rates going up. For those that found a way to endure COVID, this next set of tax bills, more than a year after COVID's arrival, may be the ones that push their operations into the red.

Just as COVID's second wave disrupted operations as some businesses were finding a new normal, the second wave of real estate taxes is coming. Unfortunately, with operations down and municipal budgets increasing, the second wave of real estate tax bills is going to be more devastating than the first. Increased tax bills at a time when some owners are still reeling, and others are just finding their footing is a recipe for disaster. As much as municipalities would like to waive payments and assist property owners, they require this money to operate. Many local governments have already been pushed to the brink themselves after utilizing reserves and making extensive accommodations for the tax bills due in 2020. This leaves the only sure avenue of recourse at a taxpayer’s disposal to be the grievance system.

Owners must file a grievance by the upcoming deadlines or they will be taxed at a level that is not commensurate with the COVID economy. The grievance system exists in order to allow taxpayers to present a case for a reduction, and if that case has merit, their tax bill will be adjusted. However, if a taxpayer does not avail themselves of this system, they must wait another year before doing so. In a period where COVID has, and continues to, cause so much instability and uncertainty, 2021 may prove the most critical ever for owners to protect their rights.

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