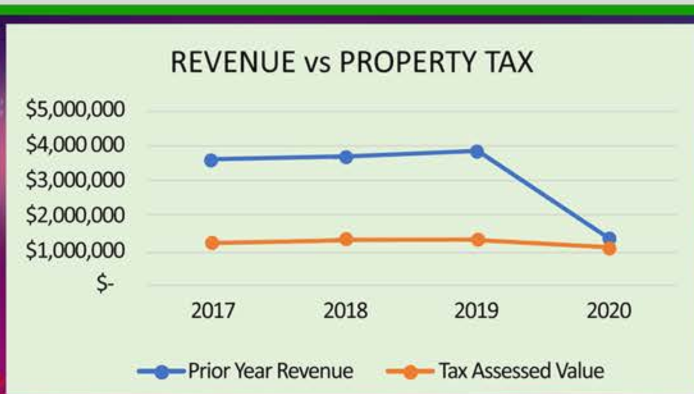
O'CONNOR Tax Reduction Experts

Nation's leading Hotel Property Tax Experts



Revenue dropped 65%! Why are hotels still paying high Property Taxes?

- Most 2020 assessed value was based on 01/01/2020, prior to COVID, using 2019 revenue
- 2021 government operates at huge deficit is trying to make it up from property taxes
- Tax assessors are clueless on how to value hotels operating at little to no profit
- Tax consultants are equally clueless when traditional income capitalization method does not work

Be Prepared - Here's what tax assessors may do to keep tax value high!

Convert income model to use a 5-year average revenue so 2020's big drop weighs only 20%

Disclosure states assessors may rely on Market Approach by choosing high sales to justify higher values

Convert to Cost Approach which will likely keep the same value or possibly even raise the value

The Ultimate challenge - How to Achieve the Lowest Tax this year!

- After suffering a devastating year, 2021 is the year ALL hotels must file Appeal
- 2021 - Best chance to reduce property tax to the lowest level in years
- Locking in the low taxable value for multiple years in some states
- Since there is no uniformity when traditional method does not work, engage a tax
- consultant who specializes in hotels can make a huge difference
- Do not miss the window of opportunity. Save far more tax by switching to an expert

The O'Connor Difference - Pay Nothing unless Tax Reduced

- Nation's leading property tax consulting firm since 1974; 700+ employees
- Represents thousands of hotels in 45 states with exceptional results
- Aggressively pursue multiple rounds of appeals, including judicial appeals
- Proprietary method to calculate non-taxable intangible value of hotel's flag
- Tracks recent hotel sales - able to select low sales to counter assessor's values
- Massive data resources to generate Uniform & Equal analysis on comparables
- Apply a sophisticated Discounted Cash flow method based on projected future income
- Pursue Disaster/Calamity reappraisal in applicable states (March 2021 deadline)
- No Upfront Fees! You keep at least 2/3 of Tax savings. We cover legal & all expenses

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FAQ - COVID-19 Impact on 2021 Hotel Property Taxes

Q: Hotels revenue dropped 69% in 2020, how come my 2020 property taxes did not go down?

A: Most states value properties as of January 1st. Since 1/1/20 was prior to Covid-19 and valuation was based on 2019 revenue, no COVID impact was factored in 2020.

Q: In that case, if 2020 revenue dropped 69% and Net Operating Income (NOI) dropped 90%, will 2021 property taxes also be dropped by 69% to 90%?

A: Unfortunately, No. Here are some of the reasons:

(a) Local and state governments are operating at huge deficits due to lack of revenue from other taxes; they are under pressure to keep property taxes high to fund budgeted expenses.

(b) Typical hotel valuation is based on single year direct income capitalization method. When NOI is near zero or negative, the indicated taxable value would be near zero which is not possible.

(c) Even if the hotels are operating with little or no profit, hotels in desirable locations will still govern a relatively good market price. Deep pocket investors will be looking for investment opportunities based on future profit beyond COVID pandemic.

Q: In that case, what can we expect 2021 tax assessment value be?

A: COVID-19 is in an uncharted territory. Most tax assessors have no clue how hotels should be valued when direct income capitalization method does not work. Here are the likely possibilities:

(a) Converting single year direct capitalization method to a 5-year revenue weighed average. If so, the significant drop in 2020 revenue will only be weighed 20%. The result may provide you only about 15% tax reduction.

(b) Converting income approach to cost approach. If so, the 2021 value would be little or no change.

(c) Rely on Market approach by comparing hotel sales prices before and after pandemic. In this case, the samplings are relatively small if foreclosures are excluded. According to some early studies, average hotel values dropped about 27%, depends on location.

(d) Included all CARES ACT government subsidies as revenue.

Q: So, how will tax consultants do to help reduce hotels' 2021 property taxes?

A: Unfortunately, since there will be no uniformity in methods used by tax assessors, most tax consultants are equally clueless when traditional income capitalization method does not work.

Q: What can O'Connor do differently?

A: O'Connor is nation's leading property tax consultant representing thousands of hotels. There are many ways O'Connor will do differently to help hotel owners reduce taxes significantly this year:

(a) To counter assessors' market approach based on high sales: O'Connor tracks most hotel transactions, including foreclosures, so we are prepared to select low sales to counter assessors' high values. While foreclosures are normally not acceptable as market indicator, an abundance of recent hotel foreclosures do impact market values.

(b) Some states have Disaster/Calamity sections in their tax codes to allow owners to petition for re-appraisal after a disaster. If the deadline to file such claim is one year from the declaration of disaster in March 2020, there is still time to do so.

(c) To counter assessors' using 5 year revenue average, O'Connor will push for a 3-year average after deducting non-taxable intangible value associated with the hotel flag. According to most leading industry publications, it will take 3 to 4 years for hotels to return RevPAR back to pre-pandemic level. By applying a 3-year average, hotel owners will benefit from lower revenue for 3 years. Otherwise, assessors will raise the values back up in 2022 and 2023 when revenue increases.

(d) Regardless of COVID impact, intangible business value associated with a hotel flag is NOT TAXABLE. O'Connor has a proprietary method registered with the U.S. Copyright Office to calculate and deduct intangible values from ad valorem taxation. In fact, despite pandemic, some investors would pay a premium to purchase a branded hotel in a desirable location due to franchise territory limitation.

(e) When direct income capitalization method does not work, most sophisticated appraisers and investors will apply Discounted Cash Flow model to derive at current market value. Assuming RevPAR will return to pre-pandemic level in 2024, a prudent investor will apply projected revenue in 2022, 2023 and 2024 discounted back to 2021 present value to determine 2021 market value. This method, acceptable by the Appraisal Institute, is probably the most accurate valuation method to use given the current situation. Most tax consultants do not have the knowledge how to prepare a discounted cash flow valuation.

(f) Since there is little uniformity among tax assessors, the Uniform and Equal approach can be a powerful tool to dispute assessors values. O'Connor has massive resources to compare similar property values to assure hotels owners are being taxed fairly.

(g) If tax assessors included CARE ACT government subsidies as hotels' revenue, O'Connor will point out most PPP are considered a loan until forgiven which is not hotel operating income.

(h) When revenue is very low, variable expenses may also be lower but fixed overhead is likely to stay about the same. Therefore, the expense ratio used by tax assessors may be too low.

SUMMARY

This is the Year ALL hotel owners must file an appeal after encountered such a devastating year. In years past when hotel revenues went up, the assessed values went up accordingly. Now when revenue dropped significantly, tax assessors are trying to find ways to minimize your tax reduction. It will take a highly experienced tax consultant like O'Connor & Associates to help you maximize tax saving in 2021.