

Preparing for Property Tax Assessments
Forward Community Investments (www.forwardci.org)
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Overview

- Real property assessments
 - How they are determined
 - How to effectively challenge an assessment
- Must know the process
 - Assessment Rules and Regulations
 - Assessment Process (Madison example)
 - Office structure and timetable
 - Mass appraisal versus fee appraisal
 - Assessor mind-set
 - Valuation Methods

Assessment Rules and Regulations

- Must follow State Statutes
 - Wisconsin Statute 70.11 (Property exempted from taxation)
 - Wisconsin Statute 70.32 (Real estate, how valued)
- Wisconsin Property Assessment Manual (WPAM)
- Court Cases
- Real property taxation is not under local municipal policy!

Wisconsin Statute 70.11

- Changes in exemptions (rent-use restriction)

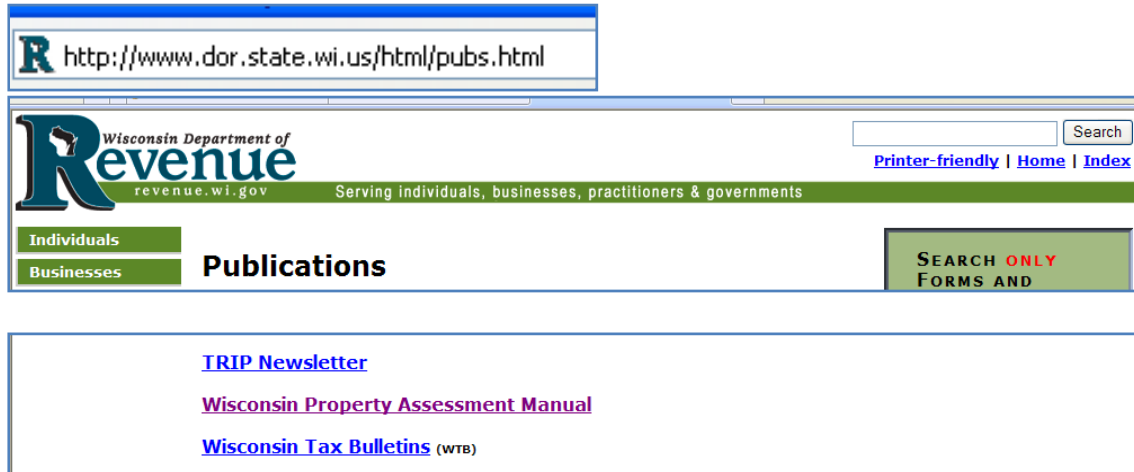
Wisconsin Statute 70.32

70.32 Real estate, how valued. (1) Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual provided under s. 73.03 (2a) from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefor at private sale. In determining the value, the assessor shall consider recent arm's-length sales of the property to be assessed if according to professionally acceptable appraisal practices those sales conform to recent arm's-length sales of reasonably comparable property; recent arm's-length sales of reasonably comparable property; and all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed.

(1g) In addition to the factors set out in sub. (1), the assessor shall consider the effect on the value of the property of any zoning ordinance under s. 59.692, 61.351 or 62.231, any conservation easement under s. 700.40, any conservation restriction under an agreement with the federal government and any restrictions under ch. 91. Beginning with the property tax assessments as of January 1, 2000, the assessor may not consider the effect on the value of the property of any federal income tax credit that is extended to the property owner under section 42 of the Internal Revenue Code

Wisconsin Property Assessment Manual

- “Instructional” manual for assessors
- Covers variety of topics
 - Three valuation chapters (Chapter 7, 8 & 9)
- DOR - Bureau of Assessment Practices
 - revises *Manual* annually
- WI Association of Assessing Officers (WAAO) - Real Estate Standards Committee
 - helps to revise various sections of *Manual*



Court Cases

- When assessments challenged can appeal to court system (or DOR)
 - Circuit Court, Court of Appeals, Supreme Court
- Published decisions of higher courts should be followed by assessment jurisdictions

Assessment Process

General

- Madison has over 72,000 parcels (4,400 are commercial)
 - Commercial includes residential properties with 8 units and above
- There are 3 commercial assessors and at least 7 residential assessors (plus support staff)
 - responsibility divided spatially
 - 1,000 to 1,800 commercial parcels per assessor
 - 8,000 to 10,000 + residential parcels per assessor
- Property is revalued each year (100% MV)
 - Review sales
 - Review building permits

Calendar Year Duties

- Estimate value of property based on what exists as of January 1
- January to March - deriving assessments
- Beginning of April - assessment notices sent (*if assessment changes*)
- Open Book - 3 weeks
 - file an objection (specific form)
- May until Fall (September - November)
 - working on objections

- Fall and Winter
 - revaluation, building permits, sales fielding
 - tax bills sent in December

Payment of Real Property Taxes

- Receive tax bill usually mid-December
- Deadline for 1st payment is the following January 1st.
 - Paid to local municipality
- Second installment is due July 31st.
 - Paid to Dane County
- If miss deadline – delinquent and the following occurs:

If a property owner is late with the first installment, he or she loses the ability to pay in two installments. The full amount comes due immediately. In addition, in Dane County an interest charge of 1% and a penalty of 1/2 % of the principal is added to the total outstanding. This charge (1.5% total) is accrued on the first of each month until the bill is paid. If a property owner is late with the second installment, interest and penalty are charged from February 1st. This means that a late payment received anytime in August will be charged interest and penalty for 7 months (7 x 1.5% = 10.5%). Each month afterward the outstanding principal balance is charged another 1.5%. In determining whether a payment is timely, the treasurer's office goes by the postmark affixed by the US postal service. (From Property Tax 101 - http://www.co.dane.wi.us/treasure/property_tax.aspx)

Fee Appraisal versus Mass Appraisal

- Fee Appraisal
 - individual property value estimate
 - written report
 - houses - few hours
 - commercial - days to weeks
- Mass Appraisal
 - use regression or market standards/benchmarks to value large numbers of properties
 - Madison - annual assessments are completed in about 2 months - commercial appraiser has 10-20 minutes per “typical” parcel

Assessor's Mind-set

- Mine was to – “spread the pain evenly”
 - property value is the allocating mechanism
- Assessors estimate property value - *not how much you pay in taxes*
- Deal with every type of property owner
 - retirees on fixed income
 - small business/property owners
 - large property owners

Valuation Methods

- Sale of subject is good indication of property value (WI statute)
- Sales of comparable properties
- Income Approach
 - Leased fee or fee simple?
 - Recent Walgreens case
- Cost Approach
- *Highest and Best Use should be considered (if sold, what would be use of property?)*

Annual Assessments versus Objection Reviews

- Annual assessments
 - Review previous year's sales, trends
 - Assessment increases tend to be on a percentage basis
 - based on sales price versus assessment in assessment areas
 - Commercial properties have fewer sales to support value trends
 - Apartment sales more frequent, more homogeneous product, shorter term leases
 - Other types of commercial property
 - Might have to look at them more individually
- Objection reviews
 - More detailed analysis

Objection Process

- File an objection within required time period
- Submit all required data
 - IRS statements, operating statements, rent roll for several years, mortgage amount, insurable value, etc.
- Property inspection
- Written report
- Revised assessment presented to Board of Assessors (BOA)
 - can go up, down or sustained
- Presented to Board of Review (BOR)
 - The assessor is assumed correct
- Circuit Court or DOR (if under \$1,000,000)

Effective Assessment Appeals

- Avoid the whole process!!
 - Talk to the assessor before the assessment is set
 - Contact assessor before March
 - Provide information to support your opinion of value
 - income/expenses
 - costs
- Bad reasons to file
 - Property taxes are too high
 - Annual increase in assessment is too much
 - The land value is too high
- Good reasons to file
 - could not sell property for the assessment
 - sale/purchase of subject (if valid sale)
 - income does not justify assessment
 - recent sales do not support the assessment

Questions