HOW DOES PROPERTY ASSESSMENT WORK IN MADISON?

Applying a Trend to Assessment Areas

Annually, a market analysis based upon sales is conducted for each separate assessment area within the city to determine if an adjustment is needed for the next annual assessment to reflect current market value. If it is found that an adjustment is needed, that adjustment is typically applied to the assessment area as a percentage change in the assessments for that area. These percentage changes applied as annual adjustments to an assessment area are known as "trending".

Applying a Trend to Assessment Areas

Specifically, trending entails comparing recent sale prices to current property assessments to determine if a change in market value warrants an adjustment to the next annual assessment. Considerations include:

- Current assessment may not reflect unknown property improvements that contributed to the recent sale price, i.e.) basement finish that was done prior to the sale.
- Current assessment may not reflect negative characteristics that contributed to the recent sale price, i.e.) deferred maintenance that came with the sale.
- When unknown property characteristics are discovered in the sales verification process, the current assessment is adjusted positively or negatively to reflect the new information before comparing the assessment to the recent sale price.

Applying a Trend to Assessment Areas – Example

In the previous example, a property may have a recent sale price of $300,000, while the current assessment is only $250,000. This would indicate a potential market value increase of 20%. While verifying the property characteristics that contributed to the sale price, it is discovered that there is basement remodel that would have caused the current assessment to have actually been $283,000. The new information indicates a potential market value increase of only 6%. This is why it is very important for the Assessor's Office to be able to verify all property characteristics that may have contributed to recent sale prices. The most effective way to do this is through an actual view of the property along with a brief interview of the property owner.

Applying a Trend to Assessment Areas – Factors

An assessment area may not necessarily get the same trend throughout the entire assessment area. In the market analysis process, additional factors are considered to determine if different percentage trends are needed. The following are examples of additional factors that may contribute to different trends within an assessment area:

- Different school district boundaries within an assessment area
- Divisions of an assessment area such as streets, bike paths, etc.
- Neighborhoods within an assessment area with different property ages, different quality of construction, or other characteristics that may contribute to market value
- Properties of higher value within an assessment area may show different trends than properties of lower value
- Certain locations within an assessment area may show different trends. Examples include close proximity to commercial properties, multi-unit rental properties, or streets with heavier traffic.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON?

Applying a Trend to Assessment Areas – Conclusion

Annual assessments within an assessment area are only trended after the annual market analysis process shows sufficient data to demonstrate a pattern of market value change. Over the past decade, the City of Madison has seen annual assessment adjustments both upward and downward. The ultimate goal of trending is to have all properties within the City of Madison assessed at their fair market value as of January 1st of the assessment year.