

PROPERTY ASSESSMENT IN MADISON

UNDERSTANDING THE TAXATION PUZZLE AND FINDING YOUR VOICE

MICHELLE DREA, ESQ. CITY ASSESSOR



TOPICS

- Who is the Assessor?
- What does the Assessor's Office do?
- How does property assessment work in Madison?
- Law Changes and Challenges
- Taxation Process
- Impacts to Taxes: Shifts of the Tax Burden
- Finding Your Voice in the Process
- Resources

WHO IS THE ASSESSOR?

The City Assessor's Office, through the efforts of dedicated employees, delivers meaningful and impactful services to City taxpayers by establishing fair and equitable assessments of all taxable real and personal property and maintaining complete and accurate assessment rolls and property records.

- Michelle Drea, Esq. – City Assessor
- Scott West, Assessment Operations Manager
- Nay Veng – Property Appraiser

WHAT DOES THE ASSESSOR'S OFFICE DO?

Municipalities are the primary units of property tax administration in Wisconsin. The law requires that the assessor assess all property not exempt by law, which has any marketable value. Specifically, the assessor provides two major services:

- Administer the official duties of the office such as preparing assessment rolls, grant exemptions, file reports required by the state, and monitoring assessment performance as defined by criteria established by statute and within the *Wisconsin Property Assessment Manual*
- To discover, list, classify, and value property – the law requires that the assessor assess all property not exempt by law, which has any marketable value

WHAT DOES THE ASSESSOR'S OFFICE DO?

Discover Requirement

The organization and accuracy of assessment records determine the effectiveness of the assessment function. If assessment records are incomplete, inaccurate, or nonexistent, even the best appraisal techniques and procedures will not produce equitable assessments.

WHAT DOES THE ASSESSOR'S OFFICE DO? (CONTINUED)

Step 1: Data Collection

Reasons for review by our office as subject to statutory mandates to discover, list, and value:

- Permits
 - Flow to our office from Building Inspection – examples of actions that will potentially impact value are: basement finishes, kitchen or bathroom remodels, addition, decks, or siding. We need to confirm the accuracy of the information on the permit and verify if the work is done or not.

WHAT DOES THE ASSESSOR'S OFFICE DO? (CONTINUED)

Step 1: Data Collection - Continued

Reasons for review by our office as subject to statutory mandates to discover, list, and value:

- Sales

- Real estate transfer returns are shared by State Department of Revenue. Statutory mandates require that we confirm each valid sale (arm's length) within our jurisdiction as it impacts not only our tax basis but that of the entire state through the equalization process. This requires our office confirmation through "actual view" per Wis. Stat. Section 70.32.

WHAT DOES THE ASSESSOR'S OFFICE DO? (CONTINUED)

Step 2: List

After real property is discovered, the next step is to list the property. This involves collecting data (aha! a theme) on each parcel using property records and recording assessment information in the assessment roll.

- Other agencies that rely on our accurate data: Engineering, Water, Parks, Transportation, Police, and Fire.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON?

Step 3: Value

According to state statutes and the *Wisconsin Property Assessment Manual*, the best indicator of value is a recent arm's length sale of the subject property. This mandate is applied to assessments in Madison in the following ways: applying a trend (mass appraisal) and sales comparison analysis (specific to the individual property).

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

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”.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

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.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

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.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

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? (CONTINUED)

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.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

Valuation

To find the value of any piece of property the Assessor must first know what properties similar to it are selling for, what it would cost today to replace it, how much it takes to operate and keep it in repair, what rent it may earn, and many other dollar factors affecting its value, such as the current rate of interest charged for borrowing the money to buy or build properties like yours.

Using these facts the Assessor can then go about estimating the property's value in three different ways: sales comparison, income approach, or cost approach. For residential purposes, we will focus on the sales comparison approach.

HOW DOES PROPERTY ASSESSMENT WORK IN MADISON? (CONTINUED)

Sales Comparison Valuation

The first way is to find properties like yours which have been sold recently. Their selling prices, however, must be analyzed very carefully to get at the true picture. One property may have sold for more than it was really worth because the buyer was in a hurry to occupy the property and would pay any price to get in.

Another may have sold for less money than it was actually worth because the owner needed cash right away and was willing to sell to the first buyer who made an offer.

Using this approach (comparing the selling prices of properties similar to yours) the Assessor must always consider such over- or underpricing to arrive at a fair evaluation of your property's value. Various statistical procedures are employed in this process.

LAW CHANGES AND CHALLENGES

Milewski v. Town of Dover

Wisconsin Supreme Court Decision (July 7, 2017)

- Property owners alleged excessive assessment and challenged procedure to appeal assessor's value
- Lead opinion held:
 1. Owners had due process right to contest assessor's valuation
 2. Assessor who enters a home for an interior view occupies private property to obtain information is conducting a 4th amendment search
 3. Statutory scheme governing practices for appealing assessor's valuation was unconstitutional as applied to property owners

LAW CHANGES AND CHALLENGES

- ***Milewski v. Town of Dover* - Continued**
- Court held that assessors were government agents conducting searches subject to US Constitution's Fourth Amendment protections when collecting data by inspecting the interior of residences
- Relevance of Fourth Amendment to this discussion

LAW CHANGES AND CHALLENGES

■ *Milewski v. Town of Dover* - Continued

Methodology of Valuation

Impact to Assessors and Municipalities

- Follow 70.32, develop assessments at full value based upon actual view of the property or the best information available
- Interior and exterior view provides the most accurate information for developing assessments
- If written request for interior and/or exterior view is refused:
 - Assessor generally should not enter the property
 - Base the assessment on the best information available

LAW CHANGES AND CHALLENGES

■ *Milewski v. Town of Dover* - Continued

Methodology of Valuation

Impact to Assessors and Municipalities, cont.

- Following lists sources of information to consider with the best sources listed first:
 1. Request an interior view of the property
 2. Request an onsite view of the property's exterior
 3. View the property from a public area such as a road
 4. Request from property owner, e.g. construction contracts, leases, operating expenses, receipts, blueprints, video and/or photographs of the improvements, etc.
 5. Obtain other information, e.g. sales listing information and building permit

LAW CHANGES AND CHALLENGES

■ *Milewski v. Town of Dover* - Continued

Methodology of Valuation

Impact to Assessors and Municipalities, cont.

- If these sources do not allow development of a value, determine if compelling facts require an interior view
- Example: property has no known improvement inspection, there is no view of the property from a public area and the property owner has provided no information
- Assessor with Municipality may request special inspection warrant (66.0119)

LAW CHANGES AND CHALLENGES

2017 Act 68

Property owner notice for request to view interior

- State law 70.05(4m) and (4n)
- Assessor may not enter a person's real property for conducting an assessment more than once in each year except if the property owner consents
- A property owner may deny assessor entry to interior of the owner's residence if the owner has given prior notice to the assessor that the assessor may not enter the interior of the residence without the property owner's permission
- If a taxation district assessor is requesting to view the interior of a residence, the assessor shall provide written notice to the property owner of the property owner's rights regarding the inspection of the interior of the owner's residence

LAW CHANGES AND CHALLENGES

2017 Act 68

The notice shall be in substantially the following form:

PROPERTY OWNER RIGHTS

You have the right to refuse entry into your residence pursuant to section 70.05 (4m) of the Wisconsin statutes. Entry to view your property is prohibited unless voluntarily authorized by you. Pursuant to section 70.05 (4m) of the Wisconsin statutes, you have the right to refuse a visual inspection of the interior of your residence and your refusal to allow an interior inspection of your residence will not be used as the sole reason for increasing your property tax assessment. Refusing entry to your residence also does not prohibit you from objecting to your assessment pursuant to section 70.47 (7) of the Wisconsin statutes. Please indicate your consent or refusal to allow an interior visual inspection of your residence.

LAW CHANGES AND CHALLENGES

Challenges

- Need for accurate data
- Issues with court mandated tool of special inspection warrant

TAXATION PROCESS

It is the local assessor's responsibility to discover, list, and value each taxable real estate parcel and each taxable personal property account. That value is what the local clerk uses to determine the share of the property tax that is borne by the property. We count on the assessor's estimate to reflect our property's market value (we want accuracy). We also count on everyone else's assessment being equally accurate (we want uniformity). What we really hope for is that the property tax system is administered fairly. We are willing to pay our fair share. That would mean that our share of the local taxes to be collected is the same as our percentage of the total taxable property. That is the purpose of the locally assessed values.

TAXATION PROCESS

In each assessment roll, there is one list of separate parcels for real property, and another list of separate personal property accounts. The January 1 (statutory date on which all property must be valued) value recorded in the assessment roll for each property is the basis used to determine how much of the total general tax levy is to be charged to that real or personal property.

TAXATION PROCESS (CONTINUED)

Levy

- Before the amount of property tax for each individual property can be determined, the amount of money to be spent by each of the various taxing jurisdictions must be known. In Wisconsin, the state, counties, towns, villages, cities, and school districts are all taxing jurisdictions. Each jurisdiction may levy a general property tax on properties located within its legal boundaries for use by the jurisdiction to finance its operations.
- The sum of the tax is the difference between the estimated expenditures to be made by the jurisdiction in the next year, such as state aids, shared taxes, and license fees. Once the amount of taxes to be levied by each taxing jurisdiction has been determined, the tax levy must be divided among all of the taxation districts that contain territory in the jurisdiction.

TAXATION PROCESS (CONTINUED)

Levy – Continued

- All of the values in different municipalities but in the same taxing jurisdiction, must be pulled together to calculate how much of the total levy to apportion to each municipality.
- The values determined by local assessors cannot be used to apportion levies among different municipalities. To do so would violate the rule of uniformity, because different assessors may value property at different percentages of fair market value; therefore, the state, using various information, converts the assessed values, by municipality, and by taxing jurisdiction to a uniform level. This process is called “equalization.”

TAXATION PROCESS (CONTINUED)

Equalization

If each municipality has a separate assessor, and they do revaluations in different years, how can we compare the values between municipalities? Why do we care? Remember, the school districts, the county, the vocational schools and special districts like lake rehabilitation districts also collect part of their budgets from the local property tax. These overlying taxing jurisdictions need to collect the levy they need from each of the municipalities they lie within. The municipality's share of those budgets will be passed on to each property owner. Fairness demands that the Department of Revenue (DOR) compare "apples to apples," by making sure that we use one consistent standard in estimating the taxable value of each municipality. Then those overlying tax levies can be fairly apportioned to each municipality.

TAXATION PROCESS (CONTINUED)

Equalization

The Equalized Value is an estimate of the market value of all residential, commercial, manufacturing, productive forest, other (farm sites and farm buildings), and personal property. The Equalized Value also estimates the use-value of agricultural land; 50% of the market value of undeveloped land; and 50% of the market value of agricultural forest land. It is computed independently from the estimate of the local assessor. While both the local assessor and DOR make estimates, the local assessor estimates the value of each parcel; DOR estimates the value of the entire town, village, or city.

TAXATION PROCESS (CONTINUED)

Equalization

If locally determined assessed values were used to allocate county taxes, municipal assessors would have an incentive to deliberately under-value property in order to decrease the burden on their taxpayers. Thus, in order to allocate both taxes and state aids fairly, Equalized Values are needed to measure taxable values in all municipalities using the same yardstick to properly apportion taxes.

TAXATION PROCESS (CONTINUED)

Equalization

A single county or school district can contain a dozen or more municipalities (townships, villages, and cities). Property tax levies of such jurisdictions are apportioned to each municipality on the basis of Equalized Value. For example, if a municipality contains 50% of the Equalized Value within a county, its residents should pay 50% of the county property taxes levied.

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

After levies are apportioned by the taxing jurisdictions, the local clerk totals all of these billings and adds them to the amount, if any, the local unit has levied on property for local needs. The amount of this total tax levy that will be borne by each property is based on the assessed value of each property as established by the local assessor, in relation to the total assessed value of the taxing district. The relationship of each individual assessment to the total assessed value of the taxation district will equal the tax liability for each property in relation to the total tax liability of the tax district.

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

To apportion the tax levies among the individual properties in the taxation district, the tax rate is calculated. The tax rate is the rate that is necessary to raise sufficient money from the property tax to meet the levy. It is determined by dividing the total assessment of a district into the levy and is often expressed in dollars per hundred or dollars per thousand of assessed value.

$$\text{Tax Rate} = \frac{\text{Levy}}{\text{Total Assessed Value}}$$

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

Each municipality must raise the funds needed to operate its own functions in addition to its share of the funds needed for the county and school district operations along with the state forestation tax. The total amount of the levy must be divided by the total assessed value of the municipality to establish the tax rate.

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

Example: Tax Rate= Levy/(Assessed Value)= \$1,000,000/\$25,000,000= .04

City of Badgerville 200,000

County Levy 230,000

School District(s) 560,000

State (forestation) 10,000

Total Levy \$ 1,000,000

This example shows that the City of Badgerville must raise a total levy of \$1,000,000. The total assessed value of the City of Badgerville is \$25,000,000. Using these figures, the tax rate on property located within the City of Badgerville would be .04 per dollar of assessed value. Badgerville's tax rate is \$40 per \$1,000 of assessed value.

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

Using the previous example, suppose you own a \$50,000 home in the City of Badgerville that is assessed at \$45,000. All property in the City of Badgerville is being assessed at 90 percent of market value.

Your Tax = Your Assessed Value x Tax Rate

Your Tax = \$45,000 x .04 = \$1,800.00

State legislature provides for annual property tax relief. Your tax bill receipt from the City of Badgerville shows:

General Property Tax 1,800.00

State Credit 300.00 *

Balance Due \$ 1,500.00

* The amount of State Credit is determined by a statutory formula and varies from year to year and from one tax district to another.

TAXATION PROCESS (CONTINUED)

Tax or Mill Rate

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TAXATION PROCESS (CONTINUED)

Deciphering Your Tax Bill

IMPACTS TO TAXES: SHIFTS OF THE TAX BURDEN

- **Dark Store:**

- <https://www.youtube.com/watch?v=h7Kurxbd5qE&feature=youtu.be>
- <http://www.lwm-info.org/DocumentCenter/View/2437/LeagueCountiesTowns-on-DarkStoreLoopholes-Adv-Referendum>

- **Search Terms or Google Alert Terms: corporate tax loopholes, Dark Store**

IMPACTS TO TAXES: SHIFTS OF THE TAX BURDEN (CONTINUED)

- **Machinery, Tools, and Patterns Personal Property Tax Exemption**
 - <https://www.schencksc.com/education-center/articles/2017-wisconsin-budget-includes-changes-to-state-tax-provisions>
- **Agricultural Use-Value**
- **Search Terms or Google Alert Terms: property tax exemptions, use value, agricultural use**

FINDING YOUR VOICE

What can you do?

If you are frustrated with the level of your property taxes, what is an efficient and effective way to advocate on your own behalf?

- Educate yourself about the process (further resources noted on the final slides)
- Pay attention to news events that impact taxes (set a google alert for certain terms, etc.)...be specific with your concerns
- Meet with your legislators (both on a municipal and state level) to discuss those specific property tax issues

FINDING YOUR VOICE (CONTINUED)

How to find your governmental representatives?

If you input your address into the following site (helpfully configured by our local clerk's office), all of your governmental representatives will be listed:

<https://www.cityofmadison.com/clerk/my-elected-officials/elected-official.cfm?parcelN=070923404176>

FINDING YOUR VOICE (CONTINUED)

Ideas regarding interacting with governmental representatives?

Once your representatives are identified, what are possible next steps to take in order to discuss issues that matter to you?

- Elected officials care about what their constituents have to say. To make a difference, you need to be informed and engaged. You don't need to be an expert, but your insight on the local impact of policy helps elected officials understand what matters to you.
- Whether you advocate as an individual or as part of a group, your efforts will benefit from a little planning.

FINDING YOUR VOICE (CONTINUED)

Communicating with Policymakers

Remember that in advocacy, respectful relationships build the foundation for change. Before you communicate with a legislator, do your homework. Get to know your legislator by researching him/ her on the Wisconsin Legislature website at <http://legis.wisconsin.gov>. Once you are on the website, click on the “Assembly” or “Senate” link. In the Assembly you would click on “Representatives Home Pages,” and in the Senate you would click on “Senators’ Home Pages,” then scroll down to your legislator’s name and click.

FINDING YOUR VOICE (CONTINUED)

Communicating with Policymakers: Helpful Hints

- Learn his or her full name, length of time in office, and full-time profession.
- Learn about the demographics of the district and his or her voting records, committee assignments, and areas of interest.
- Look at the bills he or she has introduced in the past few years. If you find something that interests you, prepare some questions to find out more.
- Develop some questions you can ask to gauge his or her knowledge of and interest in your particular issue.

FINDING YOUR VOICE (CONTINUED)

Communicating with Policymakers: Helpful Hints for a Meeting

- Make an appointment
- Develop an agenda. Think of the visit as a business meeting; go into the meeting with a plan and try to stick to it.
- Develop and bring a fact sheet. A one-page statement detailing your position, with supporting data, will help the legislator understand your request. Include your name and contact information on this document.
- Research your legislator's position on your issue

FINDING YOUR VOICE (CONTINUED)

Communicating with Policymakers: Helpful Hints – During the Meeting

- Introduce yourself to your legislator and his/ her staff. Thank the legislator for taking the time to meet with you. Write down the name of the staff person you met with so you can follow up with that person after the meeting. State the purpose of your visit. Briefly describe the issue(s).
- Make the issue local and relevant. Discuss the issue from your local perspective – how it affects his or her district and voters.
- Personalize the issue. Describe why the issue is important to you. Tell the legislator your story.
- Be a good listener.
- Stay on topic.
- Thank your legislator again for his or her time. Being courteous keeps the door open for future dialogue.

RESOURCES

- Wisconsin Property Assessment Manual: <https://www.revenue.wi.gov/documents/WPAM18.pdf>
- Wisconsin Department of Revenue – Guide for Property Owners: <https://www.revenue.wi.gov/DOR%20Publications/pb060.pdf>
- Wisconsin Department of Revenue – Property Assessment Appeal Guide: <https://www.revenue.wi.gov/DOR%20Publications/pb055.pdf>
- Wisconsin Department of Revenue - Government Publications: <https://www.revenue.wi.gov/Pages/HTML/govpub.aspx>
- City of Madison Assessor Office: <https://www.cityofmadison.com/assessor/>
- Wisconsin Association of Assessing Officers: <https://www.waao.org/>
- League of Wisconsin Municipalities: <http://www.lwm-info.org/>
- Wisconsin State Statutes: <https://docs.legis.wisconsin.gov/statutes/statutes>
- Madison Common Council: <http://www.cityofmadison.com/council/>