

Assessment Practices in Wisconsin

Every municipal assessor has three major duties; to discover, describe, and estimate the value of all taxable property within a municipality, such as the Village of Twin Lakes.

To insure that all property is treated fairly and uniformly, the procedures used by the assessor's office must conform to Wisconsin laws dealing with property valuation as well as to commonly accepted appraisal practices.

DISCOVERY

The assessor's office maintains accurate records identifying and describing each parcel of land in the village as well as all of the buildings located on each parcel of land. So there are no omissions, great care is taken to insure that these records are kept up to date. The assessor's office coordinates with other village offices to keep informed of any new building activity that has an impact on a property's value.

LISTING

To ensure that one property is not confused with another, the assessor's office establishes a property record that details each property's land and building characteristics that is associated with a unique parcel identification number. This property record describes each property in detail and is used for valuation purposes.

When values are estimated and listed on the annual assessment roll, they must be classified as residential, commercial, manufacturing or agricultural. This information is listed on the assessment roll and is open to public inspection.

VALUING PROPERTY

Estimating the market value of each property is a matter of determining the price most people would pay for it in its present condition.

However, the assessor's office has the task of valuing all of the houses, farms, retail buildings, office buildings, and apartment complexes in Twin lakes. This includes estimating the value of all of the commercial furniture, equipment, and machinery.

Every two years the assessor's office should consider doing the whole thing over again because the market value of almost everything changes from one year to the next. As we all know, a number of properties are sold each year. It is the relationship between the sales price and the current assessment that gives the assessor's office, the Wisconsin Department of Revenue, and the public an indication of the growth or decline of property value over time. For instance, if a particular property has an assessed value of \$200,000 as of January 1, 2010, but is sold for \$180,000 during December, 2011, the

assessed value needs to be adjusted down by \$20,000 or -10% in this instance, for the new 2012 assessment to reflect market value.

Property revaluations, or market value updates, can be performed every two years so that the costs of education, fire and police protection, county services, as well as municipal services can be distributed over all taxable property in the village. Your share of the cost of these services is based upon the value of your property relative to the total value of all property in the village. The value of your property, as determined by the assessor's office, is called the "assessed value." In the year of a revaluation, the assessed value is referred to as fair market value.

HOW THE ASSESSOR GOES ABOUT VALUING PROPERTY

To find the value of any piece of property the assessor's office must first know which properties in the village have sold and for how much, what it would cost today to replace buildings, how much money it takes to operate and keep buildings in repair, what income a building may produce if leased, as well as many other dollar factors affecting its value, such as the current rate of interest charged for borrowing the money needed to buy or build properties.

Using this type of information the assessor's office can then go about estimating property values in three different ways.

THE MARKET APPROACH

This approach requires the assessor's office to review and analyze properties that have sold and then use this analysis to value those properties that have not. The assessor's office receives information regarding the sales price of every property that sells in a community during a given year. Properties that have been sold are grouped by property type and similar residential or commercial environments and then analyzed to achieve a better understanding of how much each property type within each neighborhood has changed in value since the last village-wide revaluation. Assessors in Wisconsin value thousands of properties at any one time and use various statistical procedures to facilitate the valuation process. This is referred to as "mass appraisal" in the Wisconsin Property Assessment Manual and other assessment handbooks.

Wisconsin law requires the assessor's office to rely on the market approach when determining assessed values if there is sufficient market evidence available to value each property type.

THE COST APPROACH

Lacking sufficient sales evidence, the assessor's office can employ what is called the "cost approach" to value. Commonly used to value unique commercial, industrial, and institutional properties, the cost approach estimates a value based on how much money it would take, at current material and labor costs, to replace a property with one just like it. If the property is not newly constructed, the assessor's office applies depreciation to account for its age and physical condition.

THE INCOME APPROACH

A third method is used, in addition to the other two, if a property has the ability to produce income such as an apartment complex, shopping center, or office building. Using the "income approach" to value a property, the assessor's office considers only the income the property produces and not the income of a business operating within the property. In other words, the rent paid to occupy space in a building is income the building produces and is used in this method of valuation. Also taken into consideration are such dollar factors as expenses to repair and maintain the property, administrative expenses of the property owner that are related to the property, property taxes, insurance, the degree of financial risk taken in earning income from the property, degree of vacancy and/or collection loss when tenants leave or skip rental payments, and finally, the return most people would expect to realize from owning property that produces income.

The income method is not typically used to value single family homes.

WHY ASSESSED VALUES CHANGE FROM YEAR TO YEAR

Wisconsin is referred to as a "market value" state meaning that property assessments throughout Wisconsin use, as their basis, sales of property transacted in the real estate market. Buyers of real estate determine market value as they purchase a specific property for a specific price. The components of any property that create value are many including location, size, quality, physical condition, and amenities offered. Overall though, market value can be considered a measure of a property's desirability. The more desirable a property becomes, the greater the consideration or price that will be offered. For instance, if a home is made larger by the addition of a new family room and additional bathroom, its desirability is enhanced by offering more to prospective buyers who are willing to pay more for a home with a new family room and an additional bathroom. Since buyers are now willing to pay more for the added family room and bath, the market value has increased and so does the assessed value because, in Wisconsin, the assessed value is meant to reflect market value.

Similarly, should the desirability of a property be reduced because of a fire or removal of a garage, the assessed value would also decrease to reflect the effect the fire damage or garage removal has on the market value of the property.

For any number of reasons, a neighborhood or a particular house style may become more desirable thus causing market values to rise at rates higher than other neighborhoods or house styles. The assessor's office must constantly stay alert to spot these trends so they are included in the sales analysis phase of the valuation process.

Inflation and the economy of the entire community also affect your assessed value. As building material, labor and the cost of money increases the cost of new construction, the prices paid for existing housing stock also increases.

The assessor's office does not create value -- people determine value by comparison shopping and deciding what to pay for real estate in the market place. It is the assessor's office responsibility to adjust existing assessments to keep pace with the changing real estate market.

ASSESSED VALUE AND THE TAX RATE

The assessor's office primary responsibility is to determine an estimate of the fair market value of property so that all taxpayers only contribute their fair share of property taxes to support the community services you receive.

For these services to continue, the village as well as the other agencies, levy taxes to fund their operations with the point of property tax collection being the local municipality. The other taxing agencies include the Lakewood School District, Randall Grade School District, Wilmot High School District, Kenosha County, and Gateway Technical College. Taxes levied by these other agencies are included on your tax bill along with the taxes levied by the Village of Twin Lakes. Here again, state laws define the powers of these taxing agencies and the kinds of properties that are exempt from taxes, such as schools and churches.

Towards the end of each year the separate governing bodies of the various taxing agencies propose budgets for the following year. To finance the expenditures in their budget, they total all expected sources of revenue such as state aids, shared revenues, license fees, and tuition. This is subtracted from their estimated expenditures. The remainder is the total amount to be collected through property taxes and is called the "tax levy". The amount of the tax levy for each of the taxing authorities depends on the size of the budget for each which is determined by the supervisory Board of each authority. The total combined tax levy is determined by adding together each of the separate tax levies for each of the taxing authorities.

In order for the local municipality to collect the correct amount of property tax, the total tax levy is divided by the total assessed value in the municipality. The result is called the "tax rate" which is the rate applied to the assessed value of each property to determine the amount of property tax associated with the property. In Wisconsin, this rate for each taxing body is the same for all property owners in that district. When this tax rate is applied to the value of all the taxable property in the village it will exactly equal the total tax levy and ensure the village's responsibility to forward the correct amount of property tax to the school district, county, and technical college.

The tax rate is calculated by simply dividing the amount of taxes needed by the total assessed value of all taxable property in the village.

Tax Rate = Total Levy ÷ Total Assessed Value

Once the tax rate is set, the assessed value of your property is used to determine your portion of the total tax levy. The tax rate when multiplied by the assessed value of your property equals what you owe in property taxes -- your tax bill. The tax rate is often expressed in terms of dollars per thousand and is sometimes referred to as a "mill rate".

The entire taxation process requires the cooperation of several parts of village government. The assessor's office determines the assessed value of your property. The Village President and Village Board approve the cost of village services thereby establishing the tax rate necessary to generate funds for local services. The village treasurer collects the property tax and forwards the correct amount of property tax to each of the other taxing authorities so they are able to operate during the following year.

DIFFERING WITH THE ASSESSOR'S ASSESSED VALUE

If your opinion of the value of your property differs from the assessed value, by all means contact the assessor's office to discuss the matter with us.

The personnel in the assessor's office will discuss any questions you may have about the assessed value of your property. If you have information that leads you to believe that the assessed value is more than the actual fair market value of your property we will welcome the opportunity to review the information with you.

After talking with us, if you still find a significant difference between your assessed value and what you believe is your property's market value, you may file a formal appeal to your assessment. This appeal must be in writing on specific forms and filed with the local Board of Review. Appeal forms are available from the Board of Review and will be provided upon request.

BOARD OF REVIEW

The Board of Review consists of five citizen members appointed and confirmed by the Village Board. Similar to a court, the Board of Review is charged with the responsibility of correcting errors of over-assessments and under-assessments.

The Board can act only upon evidence given in the form of sworn oral testimony. You will be required to furnish sufficient evidence supporting your estimate of market value. A representative of the assessor's office will also present evidence relating to the assessed value of your property. The Board will then decide to raise, lower, or leave unchanged the assessed value of your property.

Keep in mind that the Board of Review can act only on evidence related to the market value of your property. Stating that taxes are too high is not relevant testimony at this hearing because the Board of Review has no authority to address property tax issues.

The best evidence of value would be a recent sale price of your property plus an account of any change that the property has undergone between the date of sale and the assessment date. The sales price would also need to be adjusted to reflect the change in property value between the date of the sale and the date of assessment which, in Wisconsin, is January 1st of each year. The next best evidence of market value is sale prices of other properties that are comparable to your property. Lacking either of the above, oral testimony by a qualified witness who has made a market value appraisal of the property is also acceptable evidence. The Board of Review will determine the market value of your property as indicated by the evidence submitted by you and by the assessor's office.

You will be provided a written notice of the Board's determination after the hearing. You have further rights to appeal the Board of Review decision, either to the Circuit Court of Kenosha County or you may also appeal the Board's determination to the Wisconsin Department of Revenue. Both of these avenues of appeal are provided to you on the notice of Board of Review determination.

BUT SEE US FIRST

We hope this has given you a better idea of the work we do in the assessor's office and how it relates to the overall property tax structure in Wisconsin. If you would like further clarification on any of these points or if you have any other questions regarding assessment practices in Wisconsin please come in and talk with our staff.