

WISCONSIN'S EQUALIZED VALUES:
THE UNIFORM VALUATION OF TAXABLE PROPERTY

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WISCONSIN'S EQUALIZED VALUES

Property tax is a topic, which we can all relate to, but few of us can explain it in any detail. What we do know is that it generates frustration at many levels. Every year each parcel of real estate receives a tax bill. We always wonder what will happen to our tax bill when our municipality announces that it plans on a revaluation of all properties for the coming year. As the municipality works out its budget, the newspapers report on the changes to the tax rate. We know that the December tax bill can have a large impact on our own budgets, but even with the newspaper articles, we often don't understand how we can effectively correct, change, or impact those tax bills.

We know that it's the local assessor's job to place a value on each taxable real parcel and on each taxable personal property account. That value is what the local clerk uses to determine our share of the property tax levy. 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.

We typically assume the market value of our property changes with each year's inflation (or deflation). Even though there is a new assessment roll every year, most assessors don't review and revalue the assessments yearly. That means that every year that goes by without a revaluation, our assessed value drops farther below our property's market value.

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) compares "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. That is a primary reason for the equalized value.

The need for these estimates began even before Wisconsin became a State in 1848. In a historical summary of the property tax, it states: "Many of the residents of the territory lived on farms, and others lived in buildings where they also produced goods or services for sale. That is, much of the property created income, and the value of the property reflected that income, which could be used to pay taxes. Because of the close relation between the value of property and the income created by it, the Territory of Wisconsin followed the centuries-old practice and imposed a property tax. ...It was also clear then that property tax assessments were likely to be inaccurate. ...One cause of that problem was that assessors were elected at that time and, thus, perhaps tempted to please certain constituents. ...Because of these assessment inaccuracies, the county boards were directed to compare the assessments of the property in the county's towns and then adjust them to approximate equality, a process called 'equalization' ".¹

Over the years the responsibility evolved from the County Board level to a board comprised of high level government officials (in 1854 it included the governor, lieutenant governor, the state's secretary of state, treasurer, attorney general, superintendent of public instruction and the bank comptroller). Although more objective, they were no better trained for the job, nor were they as familiar with all the property they were determining value for. In 1901 the task of administering the property tax administration, including estimating equalized value was given to the Tax Commission (now the Department of Revenue).

¹ Stark, Jack, "Property Tax and Tax Relief in Wisconsin", *State of Wisconsin Blue Book 1991-1992*, Wisconsin Legislative Reference Bureau,(Madison:1991), 103

This pamphlet describes one of the main functions of DOR in its property tax administration, the development of the equalized value. There are a number of other DOR pamphlets about the local municipality involvement in the property tax; one addressing agricultural assessments, a property owners guide to appeal procedures, a mobile home owners guide, and one for the local Board of Review members. In this pamphlet, the definition, the methods of development and the uses of the equalized value will be addressed.

DEFINITION OF EQUALIZED VALUE

The equalized value is the estimated value of all taxable real and personal property in each taxation district, by class, as of January 1 and certified by DOR on August 15 of each year. The value represents market value (most probable selling price), except for agricultural property, which is based on its use value (ability to generate agricultural income).

What does all that mean?

Briefly, the equalized value is an estimate of the market value of all non-agricultural property plus the use value of agricultural lands of a municipality. It is computed independent from the estimate of the local assessor. True, both the local assessor and DOR make estimates. But, the local assessor estimates value of *each parcel*; DOR estimates the value of the *entire* town, village or city.

We refer to the 'taxable' property because originally *all* property was subject to the property tax. Over time changes occurred where specific items, like churches, merchants inventories, or manufacturer's processing machinery and equipment, have been exempted from property tax altogether. In other instances, it is exempted from the property tax because it pays other taxes, like automobiles (license fees) or railroads (gross receipts taxes).

The value is needed for each taxation district, which includes every town, village and city plus those portions that are located in an adjacent county. As of January 1, 2002, there were 1,850 municipalities and 1,901 taxation districts.

The detail in the local assessment roll, showing the assessed value of land, improvements and total for 7 classes of real property and 4 classes of personal property is also the breakdown required of the equalized values. Each local assessor values all classes except property classified as 'manufacturing'. Since 1974, DOR has assessed manufacturing property at its market value, by revaluing annually. The market value assessments developed by DOR as the primary assessor for manufacturing property become part of the equalized value.

All value estimates need to be made as of a specific time. In Wisconsin, that is as of the close of January 1 of each year. In effect, this would mean that if a building burned to the ground on January 1, it would not be included in the value or tax. If the fire started after midnight, and burned on January 2nd, it technically existed on January 1 and would be included in the assessed value, the equalized value, and would receive a tax bill later that year in December.

Just as the statutes provide for the time the assessor should finish the assessment roll (it should be done by the first Monday in April), DOR must also finish its estimate of the equalized value timely. It is made available to each county, each municipality and the public on August 15 of each year.

Our constitution required that the property tax should be uniform, and that has been interpreted by the Supreme Court to mean the 'taxable class' should bear its tax burden based on its value as a percentage of the total value. Wisconsin voters voted to change the 'uniformity' clause in the constitution in 1974 to allow for non-uniform taxation of the agricultural class. Our laws changed in the 1995-97 Budget Act 27 to implement that constitutional change. By the January 1, 2000 assessments, the valuation of agricultural land was fully implemented based on its potential to generate agricultural income, rather than its most likely sale price.

What is discussed in this paper is the process of estimating a municipality's total value in a standardized fashion; calculating the equalized value. Its purpose is to *guarantee the fairness in distribution of the tax burden*. If a city has 30% of the total value in the county, the city taxpayers should pay 30% of the taxes to be collected for the county costs. **No more; no less.**

DEVELOPMENT OF EQUALIZED VALUES

The annual equalized value of each municipality represents DOR's estimate of the total value of all taxable property. Changes in the equalized value from year to year are caused by many things; increases or decreases in market prices, annexation gains or losses, new construction, demolition of buildings, relocation of businesses, and changes in the taxable status of property.

In addition to establishing the total equalized value for each town, village, and city, DOR must list the value by various classes of property. The classifications of property established by law for real property include: residential; commercial; manufacturing; agricultural; swamp and waste; forest lands; and other. For personal property: the classes include: watercraft; furniture, fixtures and equipment; machinery, tools and patterns; and all other personal property not exempt.

While a total value for each class of property is established, the values of individual real estate parcels or personal property accounts within the classes are determined by local assessors, not by DOR. Obviously, to equalize parcel by parcel would be a major undertaking by DOR and would effectively result in state -- rather than local -- assessment.

The exception to this is the assessment of manufacturing property, where the state does act as the primary assessor. DOR's Manufacturing and TELCO Bureau physically visits each property on a 5 year cycle, estimates a market value assessment each year, and passes these values to the Equalization Bureau at market value. In this instance, instead of 'equalizing', the manufacturing values must have the opposite calculation done; equating the market value assessments to the local level of assessment guarantees the taxes will be uniform with the other classes of property in the municipality.

The annual establishment of the equalized value of every municipality in the state requires the development of over 64,000 statutorily required figures in 1,901 taxation districts. DOR uses five basic strategies to determine equalized values: (1) sales analysis, (2) use value analysis, (3) property appraisal, (4) local reports, and (5) s 70.57 WI Stats corrections.

(1) Sales Analysis: Sales are analyzed through two principal methods: (a) the assessment-to-sales ratio studies and (b) the unit value projections. The sales that form the basis of the analysis represent the calendar sales for the year prior to the January 1 being estimated (the calendar year sales in 2001 were the basis of analysis for the January 1, 2002 values). The Real Estate Transfer Returns (RETR's), filed with the county register of deeds, are scanned to form the database of all sales in the state. A significant percent represent non-market sales (family sales, sheriff sales, trust activity or transfers of convenience). The obvious non-market transactions are eliminated initially; other problem sales are brought to DOR's attention by the local assessor throughout the year, as they provide the local assessed values for each of the market sales.

(a) Assessment/sales studies compare actual selling prices of residential and commercial market sales with the local assessment of the property sold. If the sales evidence represents a reasonable cross section of the type of properties existing in the community as a whole, and there is a sufficient number of sales, the relationship between the sales and assessments is assumed to reflect the overall accuracy of the total assessed value of that class. This relationship is considered to be its assessment level. The total local assessment of that class is then ratioed to full value, resulting in the statistically derived equalized value of that class. Annually these assessment/sales studies amount to the review of approximately 220,000 real estate sales.

All market sales are sorted according to taxation district (town, village or city). Market sales are those sales made between a willing buyer and a willing seller, both of whom are familiar with the property and under no compulsion to act. The market sales within a taxation district are broken down by classification of property as

defined by statute i.e., residential, commercial, agricultural, etc. A ratio is then established between the total price paid for all property sold and the total assessed value of the property (obtained from the local assessment roll).

By applying this ratio to the assessed value of the entire class, a value (referred to as the statistical sales value) of the class is derived. For example, assuming there are five market sales of residential property in a town, the sales analysis would be made as follows:

Town of Badger Sales Analysis

<u>Sale</u>	<u>Assessed Value</u>	<u>Selling Price</u>	<u>Ratio of Assessment to Sales Price</u>
No. 1	\$ 91,800	\$ 93,000	98.71%
No. 2	\$ 61,200	\$ 64,000	95.63%
No. 3	\$ 29,800	\$ 35,800	83.24%
No. 4	\$ 117,400	\$ 121,000	97.02%
No. 5	<u>\$ 84,800</u>	<u>\$ 99,600</u>	<u>85.14%</u>
TOTAL	\$ 385,000	\$ 413,400	93.13%

NOTE: For ease of illustration, only 5 sales are shown. A larger number of sales would normally be needed to establish the statistical sales value.

In this example, the average ratio of the total assessed value to total actual sales price is 93.13% -- even though the ratio of individual properties are above or below this average. The statistical sales value established by this analysis is compared to the equalized value of the class established by DOR for the previous year. This comparison indicates the trend in value for the class in a particular tax district and this trend serves as a guide in establishing the current year's equalized value. This component of the equalized value, done annually and reflecting primarily the inflationary change in the municipality's values is reported by DOR as the 'economic change'. Since the local assessor usually doesn't recalculate market value each year, this economic change is the primary reason the assessment level changes in years between revaluations.

(b) Unit value sales analysis is used by DOR to value property classified by municipal assessors as swamp and waste, forest land or other (farm sets and the land supporting them). Sales (38 acres or larger) are verified and broken down into their component parts to identify average selling prices per acre and the contributory value of any improvements (houses, barns, and other improvements to the land). The average selling prices per acre of land are then used to estimate the market value of all lands so classified by municipal assessors. Annually, approximately 6,000 transactions are analyzed in this manner statewide.

(2) Use Value Analysis: DOR, in conjunction with the University of Wisconsin's Department of Agriculture and the UW Extension, staffs the activities of the Farmland Advisory Council which approves the final use value guidelines. The procedures utilize two steps to estimate values on a per acre basis for each municipality containing agricultural land. In the first step, values are estimated from the income that could be generated by the land divided by the capitalization rate. In the second step the values produced by the income approach are adjusted based on land rental information compiled by the University of Wisconsin-Extension agents. The design of the data and calculations (using 5 year averages and accounting for detail from each municipality, like the local tax rates), remove the short term fluctuations, create individual municipal values and respond to

the data limitations encountered with limited corn production in the northern part of the state. These values are calculated for 3 grades of tillable soils and for pasture.

(3) Property Appraisals: Sample appraisals are used by DOR on a cyclical basis as a further test of the quality of sales-based value projections. Where there is a lack of sales activity, appraisals are substituted in an analysis similar to the assessment/sales method. This involves the selection of a randomly chosen sample of properties (in the same class) to be appraised in detail. What few sales do occur are field verified and incorporated in the analysis. The value indicated by the appraisals is compared to the locally assessed values to develop a ratio of assessments to appraised values. The information gained from this analysis is used as a guide in valuing the entire class.

(4) Local Reports: There are two significant annual reports which DOR uses in setting the current equalized value, (a) the Assessors Final Report, due by the second Monday in May, and (b) the Clerks Statement of Assessments, which is due by the second Monday in June.

(a) Local assessors are required to report all changes in locally-assessed property values due to such developments as annexations or detachments, new construction, revaluations or changes in assessment level, and property formerly exempt but now assessed. The majority of these changes in value on the local roll would only be available from the local assessor and are an integral component of the changes DOR makes to the equalized value. While DOR uses the assessor's report on new construction, we would not adjust for the reported increase in revaluation. That is because DOR values are adjusted to market changes annually while the large revaluation increase reflects the assessor's catching up for those years when most assessments were copied from year to year.

The equalized value of personal property is based upon assessment information reported by local assessors. Upon review of the assessor's final report by DOR, assessment figures are adjusted to reflect true cash value. Local assessors rely primarily on the Statement of Personal Property filed annually by business owners to assess personal property.

(b) After the Board of Review has met and finalized the local assessment for a particular year, the local clerk submits a Clerk's Statement of Assessments to DOR. This report summarizes the final values on the local assessment roll for real and personal property, and breaks down the values by each school district and by special districts (such as lake rehabilitation districts). This report is compared to the assessor's report for any additional changes made by the Board of Review. Again, appropriate changes indicated (up or down) are made to the equalized value by DOR. Since this report shows no detail of the changes to the real property, it is more effective for corrections to the personal property values. This report is also used in the calculation of the school district values since it has the values in each school district and special district summarized. Until the municipality provides a final Statement of Assessments, DOR cannot calculate the aggregate local level of assessments, nor can they equate the manufacturing assessment roll to that local level of assessments.

(5) Sec. 70.57 WI Stats Corrections: A significant effort is expended in reviewing prior year equalized value determinations, primarily because of the timing of the assessors' final reports. DOR is required by statute to certify the equalized values on August 15 of each year. Every taxing jurisdiction awaits the values because of the impact portions of the value have on their aids or their levy limits. Even when that is not the case, the political impact of the tax bill and whether the tax rate can be reported as stable rather than increasing is an annual local issue. Reporting the equalized values late is not an option.

On the other hand, many municipalities budget assessor contracts late in the cycle, and the assessors can not reasonably complete the job timely. DOR's experience is that 40 to 50% of the assessor reports are either estimates or late. After reviewing all late reports, recent experience is that 1/3 of the municipalities need a correction in the current year for over or under estimates in the prior 2 years. It is critical that these late reports be reviewed to guarantee to all other municipalities that they were not harmed due to underreporting by one late municipality.

Finalizing Equalized Values: Using one or more of the techniques described for the development of value, DOR determines the market value of each class of real estate and personal property in each municipality in the state. The municipal totals become the state equalized value. This value and the value of each county is certified to the Department of Administration on August 15 of each year. In addition, values for each Tax Incremental Financing (TIF) District are calculated based on the Assessors Final Report and the economic adjustment applied to the overall municipality. The TIF incremental value is calculated and incorporated into the apportionment values provided to the county at that same time.

Appealing Municipal or County Equalized Values: On or about August 15th, DOR notifies each municipality and county of its equalized value. The municipality and county may ask for a meeting with the Supervisor of Equalization to review those values. These meetings provide an opportunity for each municipality or county to obtain further information concerning how the equalized value was developed. Formal appeal of the equalized values established by DOR is provided by Section 70.64 of the Wisconsin Statutes. Under these procedures, any municipality or county can appeal the values by October 15th to the Wisconsin Tax Appeals Commission, a state agency separate from DOR.

Establishing School District Equalized Values: The typical Wisconsin school district is composed of some whole municipalities and some parts of municipalities. The school district's equalized value is derived by adding the equalized values of the municipalities (or parts of municipalities) within the district's boundaries. DOR determines how much of the equalized value in each municipality is located in each school district based on the district's percent of the assessed value reported in the Clerk's Statement of Assessments. The various municipal values that are in the same school district are grouped together. This total school district value is then the basis to apportion a school district's levy to each municipality, based upon each municipality's percentage of the total equalized value in the school district.

Use of Equalized Values

The Wisconsin Statutes contain over one hundred references to equalized values. Listed below are some of the major statutory uses of equalized values.

Apportionment of Certain Property Tax Levies: A single county or school district can contain a dozen or more municipalities (towns, 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 percent of the taxable value within a county its residents should pay 50 percent of the county property taxes levied.

The following example shows why state-determined equalized values are an essential element of a fair property tax system.

Imagine what could happen in a hypothetical county with only two towns that have identical tax bases, but different assessment levels. Assume that the county has a total tax levy of \$100,000 and that the fair market value of all property in the county is \$100 million -- \$50 million in each town.

	Local Assessed Value	% to County Total of Assessed Value	Full Value or Equalized Value	% to County Total of Equalized Value
Town A	\$20,000,000	28.6%	\$50,000,000	50.0%
Town B	<u>\$50,000,000</u>	<u>71.4%</u>	<u>\$50,000,000</u>	<u>50.0%</u>
Total for county	\$70,000,000	100.0%	\$100,000,000	100.0%

A serious equity problem would result if the county levy were apportioned using the locally assessed values:

Town A	28.6% of \$100,000 =	\$ 28,600
Town B	71.4% of \$100,000 =	<u>71,400</u>
	TOTAL COUNTY LEVY =	\$100,000

But the picture changes substantially if the county levy were apportioned using the equalized values. A fair tax system would apportion one-half of the county levy to each as follows:

Town A	50% of \$100,000 =	\$ 50,000
Town B	50% of \$100,000 =	<u>50,000</u>
	TOTAL COUNTY LEVY =	\$100,000

In other words, if locally determined 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, equalization is needed to measure taxable values in all municipalities using the same yardstick.

I have heard of ‘equalizing school taxes’, is that the same as equalized values?

Absolutely not. It is unfortunate that the terminology is so similar.

The concept of ‘equalizing school taxes’ or ‘tax based equalization’ is a facet of the Wisconsin property tax system. In 1924, the Department of Public Instruction published a report, quoted in the 1991-1992 Blue Book which presented: “indisputable evidence that the present method of distributing our state school fund does not furnish adequate financial support for all the common school districts of the state without excessive taxation in the poorer districts.”² There were some municipalities where the property owners could not afford to contribute enough to the schools to guarantee that their students received an equal education compared to well-to-do municipalities. They needed help from the state.

What evolved is a school aid formula, which attempts to ‘equalize’ educational opportunities. It guarantees adequate funds for fairness in the quality of education for every child, while addressing the problem of excessive property tax burdens. It does this by redistributing more of the income taxes collected by the state as aid to the districts with weak property tax bases. This form of ‘equalization’ is not the focus of this paper.

The concept of ‘equalizing school taxes’ is also a cornerstone to the state’s shared revenue formulas. Counties and municipalities will receive \$960.7 million in 2002 to offset the costs of the property tax. The program allocates more aid to governments who have a lower per capita wealth (property value divided by population) and who have higher revenues to collect. Here, the goal, as with equalizing school taxes, is to give a greater share of the state revenues to the needier municipalities.

Allocation of State Aids to Local Governments: The distribution of funds to local governments under several state programs is determined in part by formulas that measure differences in per capita or per student equalized values. Examples include general school aids and shared revenue payments to municipalities and counties. Generally, school districts or local governments that have relatively low equalized values per capita qualify for larger state aid payments.

Calculation of Allowable Debt: The Wisconsin Constitution limits municipal and county debt to no more than 5% of equalized value. Certain school districts have debt limits of 10% of equalized value.

Determination of Manufacturing Property Values: DOR determines the primary fair market value of all manufacturing property in the state. Municipalities assess property for tax purposes at different percentages of market value. The manufacturing property values must be adjusted (“equated”) to the general level of assessments in the municipality to preserve uniformity of taxation. For example, if a municipality is assessing property at 93.13% of market value, the value of any manufacturing property in the municipality would be adjusted to that same level (e.g., full market value of a manufacturing property is \$150,000 X .9313 = equated assessment of \$139,700).

² Wisconsin Department of Public Instruction, *Education in Wisconsin, 1922-1924 Biennial Budget*, (Madison:1924), 28

Calculation of Average Statewide Property Tax Rates: Utility Tax computations and other state programs require the use of an average statewide full value property tax rate. Equalized values allow this rate to be determined in spite of differences in local assessment ratios.

Assessment Standards: State law requires that the assessed value of each of the major classes of property within a taxation district must be within 10% of the full value at least once during any given five year period. Annually DOR calculates the level of assessment by class and provides that information to each municipality. After four consecutive years of a major classes (over 5% of the municipal value) with a level over 110% or under 90%, a warning letter is sent to the municipality. After the fifth year, the assessment staff is required to attend training during the sixth year of non-compliance. If non-compliance continues for the seventh year, DOR will order a revaluation for the eighth year (contracted and monitored by DOR), and costs are be billed to the municipality.

Estimated Fair Market Values on Tax Bills: As shown on the attached property tax bill, the assessment ratio is used to compute an estimated fair market value for each property. This is intended to give property owners a way to determine if the assessment placed on their property is reasonable.

Terms on your Tax Bill: Of special interest is the line showing "total assessed value", "average assessment ratio", and "estimated fair market value". What do these terms really mean?

Total Assessed Value is a dollar value placed on a parcel of property (in this example, a home) by the local assessor for purposes of determining the amount of property taxes due. This amount might be above or below the current market value of the property.

Average Assessment Ratio is determined by DOR showing the relationship between the assessed value of all taxable property in a municipality and the equalized value of that property. For example, if the assessed value of all of the taxable property in the Town of Badger amounts to \$22,220,000 and equalized value is \$25,000,000, the average assessment ratio would be $(\$22,220,000/\$25,000,000) = 0.8888$. In other words, on average the town assessor is valuing property at an estimated 88.88% of value standard (in this case the value standard is market value for a residential home).

Estimated Fair Market Value is a property's total assessed value divided by the average assessment ratio. In theory, this should approximate the current market value of the property. In the previous example, the total assessed value of \$197,300 is divided by an average assessment ratio of 0.8888 to arrive at an estimated fair market value of \$222,000 $(\$197,300/.8888 = \$222,000)$. Since agricultural property value is based on use, not market, the estimated fair market value is not calculated for parcels that include the agricultural class.

The fact that both assessed and fair market values are shown on property tax bills underscores the fact that Wisconsin has a dual system of property valuation. Individual parcels of property are valued (assessed) by local assessors (except for manufacturing property, which is assessed by the state) while the estimated value of all taxable property in each municipality (equalized value) is determined by DOR. This estimate is called the "**equalized**" value and is used for many purposes. The local assessor is concerned with equity between property owners in the municipality, while DOR is concerned with equity between municipalities and counties.

Conclusion

Wisconsin's dual property tax assessment system offers the advantage of local assessment of individual parcels -- with resulting local accountability -- and state determination of total values at the municipal, county, and school district levels. This latter procedure assures that school taxes, county taxes, and major state aids are apportioned fairly to the state's 1,850 municipalities.

GLOSSARY OF TERMS

Apportionment-A proportional distribution of the levy of a taxing jurisdiction among municipalities based upon the value of the municipalities or parts of municipalities.

Assessed Value-A dollar amount assigned to the taxable property, both real (by parcel) and personal (by owner), by the assessor for the purpose of taxation. This amount may be above or below the current market value of most of the locally assessed property, or above or below the use value for agricultural land. It is the market value for the state-assessed manufacturing property.

Assessment District-Any subdivision of territory whether whole or in part of a municipality in which a separate assessment of taxable property is made. Such districts may be referred to as taxation jurisdictions, administrative districts, special purpose districts. etc. (see s. 70.08 WI Stats.)

Assessment Level-The relationship between the total assessed value and the equalized value of all locally assessed property in the district (after adjusting for prior year's errors). This represents the average percent of value the assessments are at. For example, if the assessments add to \$8,400,000 in Town 'A', and the equalized value is \$9,000,000, then the 'assessment level' is said to be 93% (8,400,000 divided by 9,000,000). NOTE: the agricultural land, assessed using the use value standard, should also be assessed at the same level as all other property. It is included in the assessment level calculation.

Assessment Ratio-The relationship between the assessed value and the market (or use for agricultural land) value on a particular parcel. For example, if the assessment of a parcel which sold for \$150,000 (market value) was \$140,000, the assessment ratio is said to be 93% (140,000 divided by 150,000). The difference in the assessment level and the assessment ratio is that the level typically refers to the taxation district; the ratio refers to the individual parcel.

Equalized Value-The estimated value of all taxable real and personal property in each taxation district, by class, as of January 1 and certified by DOR on August 15 of each year. The value represents market value (most probable selling price), except for agricultural property, which is based on its use (ability to generate agricultural income).

Equalization-The process of establishing the January 1 market value (or use value for agricultural land) by class of real property and item of personal property for each taxation district.

Equated Value-The dollar amount placed on individual parcels of manufacturing property in a taxation district for tax collection purposes. It is calculated by multiplying the market value assessment of the property as determined by DOR times the assessment level of all other property within the taxation district.

Equity-In reference to property taxes, a condition in which the tax load is distributed fairly (or equitably), based on the uniformity provisions of the state constitution (i.e. each person's share of the tax is based on each person's value compared to the total value of taxable property). Typically this would require periodic reviews of the assessments (local revaluations) to account for the constantly changing economic factors impacting properties. In practical terms, you have equity in taxes where the assessed value of each property bears the same relationship to market or use value.

Estimated Fair Market Value-The assessed value of each locally assessed parcel (except those including agricultural land) divided by the entire taxation district's level of assessment (titled average assessment ratio on the tax bill). This estimate gives the property owner a basis for comparison of their perception of the market vs. what is being used to base their share of taxes on. Since the level of assessment is an average for the taxation district, and there is naturally going to be some variance in the local assessor's accuracy on every parcel. Minor differences between the estimated fair market value and the property owner's opinion of value shouldn't raise concern. Large differences require further investigation.

Full Value- (1) The value reflected as market value when used in reference to the valuation of real property under s 70.32(1) WI Stats (this does not include agricultural property defined in s 70.32 (2)1. WI Stats). (2) The same as equalized value, however is often used when referring to the value of school and special districts.

Level of Assessment-see Assessment Level.

Levy-The amount of tax imposed by a taxation jurisdiction.

Real Estate Transfer Return-The form required to be filed with the register of deeds by the grantor when recording real estate which has been conveyed to a different entity. The form's primary use is for the assessor to use in implementing the uniformity provision Article VIII of the State Constitution. Among other things, the form documents the property transferred, the grantor, grantee and the value placed on the property.

Tax Incremental Financing District-A contiguous geographic area, within a city or village defined and created by resolution of the local legislative body. It is targeted toward eliminating blighted areas, rehabilitating areas declining in value, and/or promoting industrial development. The taxes generated due to value increase are used to pay for TIF eligible projects such as public improvements.

Taxation District-A town, village, or city. If a city or village lies in more than one county, that portion of the city or village which lies in each county. (see s. 74.01(6), WI Stats).

Taxation Jurisdiction-An entity which is authorized by law to levy taxes on general property which is located within its boundaries. (see s. 74.01(7), WI Stats). In addition to towns, villages and cities, this includes school districts, sewerage districts and lake rehabilitation districts, for example.

True Cash Value-The statutory reference to the market value of personal property (s. 70.34, WI Stats).

Uniformity-The constitutional requirement that the taxable property must bear its burden equally on an ad valorem basis. As applied to assessing, a condition wherein all properties are assessed at the same ratio to market value, or other standard of value depending upon the particular assessing practices followed. Since a 1974 amendment to the constitution, agricultural land may be non-uniform with other property, but must be uniform within its class. The standard for value for agricultural property is its value in use.

Use Value-The value a specific property has for a specific use. Beginning in 2000, agricultural property is assessed according to its use as farmland instead of its market value as indicated by sales. The guideline values are based on 5-year average income and expense data modified by the tax rate in each taxation district in the state.

Use Value Assessment-An assessment based on the value of the property as it is currently used, not its market value. This only applies to agricultural land. The guidelines for the use values are based on administrative rules, and developed by DOR staff serving as support for the Farmland Advisory Council who adopts the values.

Value Standard-The basis for the methods used in estimating values for the equalized or assessed values. There are two basic values used in the process, the market value ('full value' for real property and 'true cash value' for personal property), which is the basis for value of all property except agricultural land. The market value is based on the most probable selling price of the property. Agricultural land, as defined by administrative rule, is based on a valuation standard which analyzes the ability to generate income as it is currently being used, hence 'use value'.

STATE OF WISCONSIN

Real Estate **PROPERTY TAX BILL FOR 2002**

VILLAGE OF BADGER
AMERICA CO.

IMPORTANT: Correspondence should refer to tax number
See reverse side for Important Information

Be sure this description covers your property. This description is for property tax bill only and may not be a full legal description.

LEGAL DESCRIPTION
PART OF THE FIRST ADDITION
TO THE SECOND ADDITION
CONSISTING OF 1 LOT

BILL AND SUE HOMEOWNER
RR 9
BADGER, WI 58425

PARCEL # 12-116-0029-0000

Assessed Value Land 19,381	Ass'd. Value Improvements 77,819	Total Assessed Value 97,200	Ave. Assmt. Ratio 90.275%	Net Assessed Value Rate (Does NOT reflect Lottery Credit)	.0234659
Est. Fair Mkt. Land 21,469	Est. Fair Mkt. Improvements 86,202	Total Est. Fair Mkt. 107,671	<input type="checkbox"/> A Star in This Box Means Unpaid Prior Year Taxes	School taxes reduced by School levy tax credit	\$176.48
2001 Est. State Aids Allocated Tax Dist.	2002 Est. State Aids Allocated Tax Dist.	2001 Net Tax	2002 Net Tax	% Tax Change	
STATE OF WI		20.37	21.53	5.7%	
AMERICA CO	63,330	63,004	475.13	496.94	4.6%
VILLAGE OF BADGER	747,259	779,152	580.18	606.42	4.5%
SCH. DIST. #1234	3,316,912	3,489,303	911.33	949.01	4.1%
TECH. COLLEGE #56	157,352	159,321	167.83	178.27	6.2%
SANITARY DIST.#7			28.04	28.71	2.4%
Total	4,284,853	4,490,780	2,182.88	2,280.88	4.5%
	Lottery Credit		76.90	75.13	-2.3%
	Net Property Tax		2,105.98	2,205.75	4.7%


Make Check Payable To: JANE DOE TREAS. VILLAGE OF BADGER RR 9, P.O. BOX 6890 BADGER, WI 58425	Full Payment Due on or Before January 31, 2003 \$ 2,564.77	Net Property Tax	\$2,205.75
	Or First Installment Payment Due On or Before January 31 \$ 1,424.33	GARBAGE	359.02
And Second Installment Payment Payable To: JOHN SMITH, CO TREAS. AMERICA CO COURTHOUSE BADGER, WI 58425	And Second Installment Payment Due on or Before July 31 \$ 1,140.44		

Check For Billing Address Change.

BILL AND SUE HOMEOWNER
RR 9
BADGER, WI 58425

TOTAL DUE FOR FULL PAYMENT

PAY BY JANUARY 31, 2003

 **\$ 2,564.77**

Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and if applicable, penalty.
(See reverse)