



2020

**Wisconsin Property
Assessment Manual**

Wisconsin Property Assessment Manual

Introduction

The *Wisconsin Property Assessment Manual* (WPAM) serves as the guide for uniform property assessment throughout the State. Sec. 70.32, Wis. Stats., requires that assessors utilize WPAM when valuing real property. The WPAM aids assessors in the interpretation of statutes related to classifying and valuing property, describes the property assessment cycle and deadlines, and defines the responsibilities of public servants charged with carrying out property valuation. WPAM is developed and maintained by the Department of Revenue (DOR), Office of Technical and Assessment Services under sec. 73.03(2a), Wis. Stats., and is updated annually.

WPAM refers to, and affirms, recognized practices in the professional appraisal of property; however, it is not a comprehensive textbook in the theory and practice of professional appraising. The assessor is expected to be grounded in these theories which can be found in a multitude of textbooks such as *The Principles of Appraisal Practices*, published by The Appraisal Institute. In addition, the assessor is expected to have a thorough knowledge of mass appraisal principles which are discussed in textbooks such as *Property Assessment Valuation* and *Mass Appraisal of Real Property*, both published by the International Association of Assessing Officer.

The WPAM is meant to be interpreted in its entirety. Extracting material from one section without understanding how it fits into the whole can result in misunderstandings. For these reasons, DOR has developed guides that answer common questions for property owners. These [guides](#) can be found on the DOR website.

It is recommended that property owners direct questions regarding a specific property to the municipal assessor where the property is located.

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Revisions

Volume 1

Chapter	What Changed?
Chapter 1	<ul style="list-style-type: none"> • Pages 2, 8: Update Annual Assessment Report filing
Chapter 2	<ul style="list-style-type: none"> • No changes
Chapter 3	<ul style="list-style-type: none"> • No changes
Chapter 4	<ul style="list-style-type: none"> • Pages 9, 15: 2019 Wisconsin Act 2, Notice of Assessment law change
Chapter 5	<ul style="list-style-type: none"> • Page 15: 2019 Wisconsin Act 2, Notice of Assessment law change
Chapter 6	<ul style="list-style-type: none"> • No changes
Chapter 7	<ul style="list-style-type: none"> • Page 18: Update agricultural information • Page 30: 2019 Wisconsin Act 2, Notice of Assessment law change • Page 34: Clarified omitted property section title • Page 42: Update Annual Assessment Report filing
Chapter 8	<ul style="list-style-type: none"> • Page 7: Update energy exemption • Page 9: Update Tax Incremental District value reporting • Pages 22, 24: Update Annual Assessment Report filing • Page 24: 2019 Wisconsin Act 2, Notice of Assessment law change
Chapter 9	<ul style="list-style-type: none"> • Page 11: Highest and best use information • Page 24: Consistent statement to not use non-arm's length sales
Chapter 10	<ul style="list-style-type: none"> • Page 11: Added portfolio sales
Chapter 11	<ul style="list-style-type: none"> • No changes
Chapter 12	<ul style="list-style-type: none"> • Page 3: Consistent statement to not use non-arm's length sales • Page 6: Update use of sales and adjustments • Pages 52-53: Update energy exemption
Chapter 13	<ul style="list-style-type: none"> • Page 60: Update energy exemption
Chapter 14	<ul style="list-style-type: none"> • Page 7: Ogden v. Town of Delafield case
Chapter 14–A	<ul style="list-style-type: none"> • No changes
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Chapter 14–C	<ul style="list-style-type: none"> • No changes
Chapter 14–D	<ul style="list-style-type: none"> • No changes
Tax 18	<ul style="list-style-type: none"> • Pages 4, 6, 7, 8, 11, 12: Update Conservation Program information
Chapter 15	<ul style="list-style-type: none"> • No changes
Chapter 16	<ul style="list-style-type: none"> • No changes
Chapter 17	<ul style="list-style-type: none"> • No changes
Chapter 18	<ul style="list-style-type: none"> • No changes
Chapter 19	<ul style="list-style-type: none"> • Page 6: Personal property form distribution • Page 8: Personal property of a closed business
Chapter 20	<ul style="list-style-type: none"> • Pages 28-30: Update energy exemption • Page 35: Update renewable energy sources of information
Chapter 21	<ul style="list-style-type: none"> • Page 17: 2019 Wisconsin Act 2, Notice of Assessment law change
Chapter 22	<ul style="list-style-type: none"> • Page 22: Ogden v. Town of Delafield case • Page 24: Consistent statement to not use non-arm's length sales
Appendix	<ul style="list-style-type: none"> • No changes
Glossary	<ul style="list-style-type: none"> • Page 1: Update Annual Assessment Report filing • Page 5: 2019 Wisconsin Act 2, Notice of Assessment law change

Chapter 1

Overview of the Property Tax

Municipalities are the primary units of property tax administration in Wisconsin. Sec. [70.045](#), Wis. Stats., defines a property taxation district as “a municipality, the town, village or city, in which general property taxes are levied and collected.”

A separate property tax roll is prepared annually for each municipality (taxation district) in the state. The tax roll is the official record of the amount of taxes levied against property located within the municipality, and the portion of tax which will be paid by state tax credits.

The municipal clerk delivers a new tax roll and tax roll certificate to the treasurer of the municipality each December. The names and property descriptions in the tax roll come from the assessment roll, which is the official record of the taxable value of property within the municipality. These values determine how much of the total general property tax will be charged to each property taxpayer.

The law requires that the assessor assess all property not exempt by law, which has any marketable value. To make an assessment, the assessor must first identify the property and be able to distinguish it from other property. The assessor must understand the difference between real and personal property and be thoroughly familiar with the different classes of property.

An assessor provides two major services. The first is to administer the official duties of the office such as preparing assessment rolls, granting exemptions, filing reports, and monitoring assessment performance. The second is to discover, classify, and value property. Successful property assessment requires the assessor to apply professional standards and practices when engaging in administrative and appraisal activity.

Professionally Accepted Appraisal Practices

In 1991, Wisconsin Act 39 changed sec. [70.32](#) Wis. Stats., to require property be assessed according to professionally accepted appraisal practices. This language applies directly to Wisconsin’s assessment professionals.

Wisconsin assessors may look to national and international standards of practice for guidance on professionally accepted appraisal practices. The International Association of Assessing Officers (IAAO) also prescribes standards and practices specifically for assessors. The IAAO was one of the founding members of the Appraisal Foundation and continues to be represented by that organization. The efforts of the Appraisal Foundation and the IAAO continue to be in concert, including the importance of providing USPAP standards that govern professional appraisal and assessment practices.

The Department of Revenue (DOR) originally required assessor compliance with certain USPAP provisions by the year 2012, but extended that time to 2013, with the understanding that 2013 was to be a year of cooperative learning on USPAP. Full compliance with USPAP Standard 6 and the Ethical Rules was to begin in 2014. However, based on input received

from assessors, municipal officials and DOR staff after the year of cooperative learning concluded, DOR determined that requiring completion of the Annual Assessment Report (AAR) each year is best for improving assessment performance and transparency throughout the state. USPAP is a set of property appraisal standards that were developed primarily for transactions regulated by the federal government. Assessors can refer to USPAP for guidance, however, Wisconsin statutes, case law and the Property Assessment Manual contain the standards and practices required of Wisconsin assessors.

Assessors were required to complete an AAR for each municipality where they were the assessor from 2014 to 2019. The AAR was provided to the municipality and DOR. Starting in 2020, assessors are not required to complete an AAR. DOR will continue to provide an AAR template. Assessors and municipal officials need to discuss annual assessment requirements and determine whether an AAR, or similar document, will assist with completion and communication of these items. Municipalities and assessors may consider this as a contractual item, identifying what the assessor must complete by specified deadlines.

Statutes and Case Law

Although statutes and case law may be thought of as standards, they are not optional in the sense of “attempting to achieve.” Rather, they are required.

Two of the primary requirements are contained in sec. [70.32](#) and [70.05](#), Wis. Stats. Sec. [70.32](#), Wis. Stats., requires assessors to assess residential, commercial, manufacturing, forest, other, and personal property at full value. Agricultural land must be assessed according to use value guidelines, and undeveloped and agricultural forest must be assessed at 50 percent of its full value. Sec. [70.05](#), Wis. Stats., requires each major class of property, except agricultural, to be assessed within ten percent of full value once in every five-year period.

Performance and Technical Standards

Performance and Technical standards for Wisconsin’s assessors to reference are contained in the *Wisconsin Property Assessment Manual* (WPAM).

Wisconsin Property Assessment Manual (WPAM)

The WPAM describes technical, procedural, and administrative practices. It also defines procedures, policies, and assessor performance expectations.

Sec. [73.03](#), Wis. Stats., provides the authority for preparing the WPAM. This statute requires DOR prepare a manual that “shall discuss and illustrate accepted assessment methods, techniques and practices with a view to more nearly uniform and more consistent assessments of property at the local level.” It goes on to say, “The manual shall be amended by the department from time to time to reflect advances in the science of assessment, court decisions concerning assessment practices, costs, and statistical and other information deemed valuable to local assessors by the department.”

International Association of Assisting Officers (IAAO) Technical Standards

IAAO strives to be the “internationally recognized leader and preeminent source for innovation, education, and research in property appraisal, assessment administration, and property tax policy.” The IAAO accomplishes this, in part, by publishing Technical Standards. These are available without charge from the [IAAO website](#). The most current version in effect on January 1 of a given assessment year is incorporated by reference in the manual.

An assessor should become familiar with each of the standards. Assessors should recognize that the standards are general in nature and should always check the state statutes for final guidance. A brief synopsis of each standard is below.

[Guide to Assessment Administration Standards](#)

This is an index to the IAAO standards. Assessors should use this guide to direct them to the appropriate standard or other document they need.

[Standard on Contracting for Assessment Services](#)

This standard deals with contracting for assessment services. The standard covers such things as Request for Proposals (RFPs), awarding of contracts, monitoring contract performance, and considerations by type of service. Municipalities use RFPs to be sure there is clear understanding as to what they expect to be done. RFPs provide the assessor with clear information as to what is expected so they are able to develop a proposal based on the requirements.

[Standard on Oversight Agency Responsibilities](#)

This standard was formerly known as the Standard on Administration of Monitoring and Compliance Responsibilities. The standard was updated and renamed in July, 2010. This standard applies more to the Wisconsin Department of Revenue (DOR). DOR has the responsibility of overseeing the assessment process.

[Standard on Assessment Appeal](#)

This standard refers to appeals instigated by property owners; it is not intended to cover appeals between taxing districts or governmental agencies.

This standard outlines the procedures for informal appeals to the assessor, appeals to Board of Review (BOR) and appeals to DOR or courts. It also covers the notice of assessment use and timing.

[Standard on Automated Valuation Models \(AVMs\)](#)

This standard provides guidance for both public sector Computer Assisted Mass Appraisal (CAMA) and private sector AVM systems. It covers the design, preparation, interpretation, and use of AVMs for the appraisal of property. The principles addressed in this standard are

considered applicable to all appraisals of real property, which are designed to estimate market value. The standard does not address the appraisal of personal property, highly specialized, or unique property.

This standard covers specifications of AVM models, calibration techniques, residential AVMs, commercial and industrial AVMs, land models, AVM testing and quality assurance, and AVM reports.

[Standard on Digital Cadastral Maps and Parcel Identifiers](#)

This standard addresses the development and maintenance of digital cadastral maps, parcel data layers in a geographic information system, and parcel identifiers. The standard is meant to be more pertinent to local jurisdictions maintaining in house parcel-mapping systems. Manual systems are dealt with in another standard.

The standard covers topics such as, elements of a digital cadastral mapping system, preparation for a digital cadastral mapping program, digital cadastral map creation, mapping system maintenance, quality control, and parcel identifiers.

[Standard on Manual Cadastral Maps and Parcel Identifiers](#)

This standard provides recommendations for the development and maintenance of manual cadastral maps and parcel identifiers. The standard on digital cadastral mapping should be referred to for detailed information on mapping standards.

This standard covers elements of a manual mapping system, map content, essentials of design, preparation for a mapping program, parcel map compilation process, digital mapping and interactive graphics, parcel identification systems, and assigning parcel identifiers.

[Standard on Mass Appraisal of Real Property](#)

This standard defines requirements for the mass appraisal of real property for ad valorem purposes. It primarily addresses the needs of assessors, assessment oversight agencies, and taxpayers. It provides procedures to be used for appraisal at market value; it does not address appraisals at use value, acquisition value, base year value, or classification. Section 3 focuses on collecting and maintaining property data; section 4 deals with the three approaches to value; and section 5 discusses managerial considerations.

[Standard on Professional Development](#)

This standard contains recommendations for basic guidelines for the professional development, education, and certification of assessing officers. This standard is broad in scope due to the various state requirements. Assessors should be well acquainted with the certification requirements in Wisconsin. Assessors and their staff should be aware of and attend classes and training offered by IAAO, Wisconsin Association of Assessing Officers (WAAO), and DOR.

Some of the areas this standard covers are certification programs, recommended education,

administrative authority and responsibilities, qualifying applicants for employment, certification and education, and continuing education.

Standard on Property Tax Policy

This standard defines the elements of property tax policy and their influence on the equitable distribution of property taxes. It does not address the collection of property taxes.

Some of the areas this standard covers are assessing officer's role in policy formation, tax policy analysis, components of a model property tax system – valuation and taxation, property appraisal vs. property tax, controls on the incidence of property taxation, and controls on the overall property tax system.

Standard on Public Relations

This standard focuses on public relations and what it means to be an assessor. A good public relations program is a benefit to the assessor and promotes effective communications between the assessment office and the property owners. It should be an integral part of the assessment office. A well-planned and well-executed public relations program not only shows what an assessment office does, but also how, why, and for whom it does its services.

This standard covers topics such as developing a public relations program, developing a procedural manual, public records, printed information and correspondence, media contacts, speaking engagements, contacting other public officials, appeals process, public education and internet web sites.

All assessors, whether in a one-person office or a large multi-person office, need to take the time to develop a good public relations program.

Standard on Ratio Studies

This standard has two major parts. The first section pertains to the local assessor, while the second section pertains to the oversight agency (DOR). The standard contains many technical details, however, the assessor can refer to *Property Assessment Valuation* (IAAO 2010) and in *Mass Appraisal of Real Property* (1999, Chapter 5) for further information. The assessor uses ratio studies more than the oversight agency; however it is a powerful tool that should be used by both. This standard provides information on how to set up and use ratio studies.

This standard covers topics related to the assessor, such as steps in ratio studies, timing and sample selection, ratio study statistics and analyses, sample size, reconciliation of ratio study performance measures, ratio study standards, and personal property ratios studies. Topics related to the oversight agency include oversight of ratio studies, steps in ratio studies, timing and sample selection, acquisition and analysis of sales data, ratio study statistics and analyses, sample size, appraisal ratio studies, estimating performance for unsold properties, presentation of findings, documentation and training, ratio study standards, and personal property studies.

Standard on Valuation of Personal Property

This standard is intended to provide information pertaining to the defining, discovery, listing, classifying, valuing, verifying and reporting personal property for ad valorem tax purposes. It is not intended to address unique valuation issues associated with personal property of public utilities, telecommunications, railroads, or similar properties.

This standard presents methods and techniques assessors can use to achieve uniform and equitable personal property valuations. This standard includes the definition of personal property, discovery of personal property, verification and auditing, and valuation.

Standard on the Valuation of Properties Affected by Environmental Contamination

This standard provides information and guidance concerning the affect environmental contamination has on the valuation of property for assessment purposes. It also provides valuable reference resources for the assessor who is faced with a contaminated property.

This standard covers several topics including definitions of contaminants, impact on value, specific factors influencing value, approaches to value, other considerations, summary of considerations, and public relations.

Standard on Verification and Adjustment of Sales

This standard addresses two inter-related topics – sales verification and adjustment of sales. It provides guidance to the assessor to be sure they are only using sales that meet the definition of market value and that are adjusted for any money not attributable to the real estate when they are developing their estimates of market value. Accuracy is dependent upon proper verification and adjustment of sales data.

Topics covered by this standard include sources of sales data, useful sales information, sales verification, documenting the results of the verification process, and adjustments.

Uniform Standards of Professional Appraisal Practices (USPAP)

The Appraisal Foundation strives to be the “ultimate source of appraisal standards, appraiser qualifications, and standards of ethical conduct in all valuation disciplines to assure public trust in the valuation profession.” The Appraisal Foundation has codified industry-wide appraisal standards in a document entitled *Uniform Standards of Professional Appraisal Practice* (USPAP).

The Appraisal Foundation’s stated purpose for USPAP is to “promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.”

The USPAP document is updated every two years and is available for viewing without charge on the [Foundation's website](#). A printed copy can be ordered from the Foundation's website as well. The USPAP table of contents includes:

Preamble

Ethics Rule

Competency Rule

Scope of Work Rule

Jurisdictional Exception Rule

Record Keeping Rule

Standards and Standards Rules

- Standard 1: Real Property Appraisal, Development
- Standard 2: Real Property Appraisal, Reporting
- Standard 3: Appraisal Review, Development and Reporting
- Standard 4: Real Property Appraisal Consulting, Development (Retired)
- Standard 5: Real Property Appraisal Consulting, Reporting (Retired)
- Standard 6: Mass Appraisal, Development and Reporting
- Standard 7: Personal Property Appraisal, Development
- Standard 8: Personal Property Appraisal, Reporting
- Standard 9: Business Appraisal, Development
- Standard 10: Business Appraisal Reporting

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Standards Rules, and Statements.

- The Definitions establish the application of certain terminology in USPAP
- The Ethics Rule sets forth the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct.
- The Competency Rule presents pre-assignment and assignment conditions for knowledge and experience
- The Scope of Work Rule presents obligations related to problem identification, research, and analyses
- The Jurisdictional Exception rule preserves the balance of USPAP if law or regulations of a jurisdiction precludes compliance with any part of USPAP
- The Record Keeping Rule identifies what must be included in a work file
- The ten Standards establish the requirements for appraisal, appraisal review, appraisal consulting service and the manner in which each is communicated
 - Standards 1 and 2 establish requirements for the development and communication of a real property appraisal
 - Standard 3 establishes requirements for the development and communication of an appraisal review
 - Standards 4 and 5 establish requirements for the development and communication of a real property appraisal consulting assignment (Retired)
 - Standard 6 establishes requirements for the development and communication of a mass appraisal
 - Standards 7 and 8 establish requirements for the development and communication of a personal property appraisal
 - Standards 9 and 10 establish requirements for the development and communication of a business or intangible asset appraisal

- Statements on Appraisal Standards clarify, interpret, explain, or elaborate on a Rule or Standards Rule
- Comments are an integral part of USPAP and have the same weight as the component they address. These extensions of the definitions, rules, and standard rules provide interpretation and establish the context and condition for application

There are exceptions to USPAP, which are recognized in the Jurisdictional Exception Rule. This rule states, in part, “If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment.” In an assignment involving a jurisdictional exception, USPAP requires the appraiser to:

1. Identify the law or regulation that precludes compliance with USPAP;
2. Comply with that law or regulation;
3. Clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and cite in the report the law or regulation requiring this exception to USPAP compliance

The jurisdictional rule goes on to say, “Law includes constitutions, legislative and court-made law, and administrative rules and ordinances.” These provisions recognize the need to respect jurisdictional requirements when appraising property for assessment purposes.

Professional Ethics

Ethics serve to guide professional conduct and behavior. Sec. [19.59](#) Wis. Stats., defines a code of ethics for local government officials, including assessors. Several portions of the statute are of particular importance to municipal assessors.

For example, sec. [19.59\(1\)\(a\)](#), Wis. Stats., states in part, “No local public official may use his or her public position or office to obtain financial gain or anything of substantial value for the private benefit of himself or herself or his or her immediate family, or for an organization with which he or she is associated.”

Sec. [19.59\(1\)\(b\)](#), Wis. Stats., states in part, “No person may offer or give to a local public official, directly or indirectly, and no local public official may solicit or accept from any person, directly or indirectly, anything of value if it could reasonably be expected to influence the local public official's vote, official actions or judgment, or could reasonably be considered as a reward for any official action or inaction on the part of the local public official.”

Sec. [19.59\(1\)\(c\)1](#), Wis. Stats., states in part that no local public official may “Take any official action substantially affecting a matter in which the official, a member of his or her immediate family, or an organization with which the official is associated has a substantial financial interest.”

Violation of any ethical code is considered misconduct on the part of certified assessment personnel and is subject to disciplinary action.

Statutes Governing Assessments

For purposes of taxation, property in Wisconsin is divided into general property and exempt property. General property is defined as all property that has not, by law, been exempted from general property taxes. (State law, chapters 70, 76, and 77, specify exempt property) Local taxing jurisdictions levy property taxes and are charged to a unit of property in the same proportion that the unit's value is to the total property value within the jurisdiction.

General property is divided into two broad categories, real property and personal property. Real property is land, any improvements that have been attached to the land, and all fixtures, rights, and privileges pertaining thereto. Personal property includes all goods, wares, merchandise, chattels, and effects, of any nature or description having any real or marketable value, and not included in real property.

General real property must, by law, be further divided into the following eight classes:

1. Residential
2. Commercial
3. Manufacturing
4. Agricultural
5. Undeveloped Land, formerly swamp, or waste
- 5m. Agricultural Forest
6. Productive Forest Land
7. Other

There is also a requirement that general personal property must be placed in one of the following categories:

- steam and other vessels
- furniture, fixtures, and equipment
- all other general personal property

It is the job of the assessor to estimate the value of property as of January 1 of each year and to record this information in the assessment roll. All real property is recorded in one section of the assessment roll while personal property is recorded in a separate section.

Sec. [70.32](#), Wis. Stats., refers to the assessment of real property. Usually, parcels of real property are 40 acres (a quarter-quarter section) or smaller pieces (blocks or lots, for example) derived from the subdivision of an original 40 acre parcel. Whatever its size, or legal description, every parcel of general real property which is listed separately in the roll must first be classified by use and then be assigned a value for land, and for improvements, if there are any, to be used in the calculation of the tax to be charged against the property. If a legal description of real property contains different classes of property, the assessor should indicate how much of the parcel's total acreage and value is within each class (refer to Chapter 14 for instructions on how to value agricultural property). The name and address of each owner or other person or company responsible for the tax should also be entered next to the property description.

The law, under sec. [70.30](#), Wis. Stats., also refers to the assessment of the several items of personal property which are to be separately valued and taxed. The assessor must list the

name of each person who will be charged a general tax on personal property, and next to the person's name must be entered the number and value of the several items for which the person will be taxed. Each person listed separately, and the number and value of items charged to that person, are often referred to collectively as an account.

Manufacturing property is assessed by the state. Beginning January 1, 2003, DOR charges municipalities with manufacturing properties for manufacturing assessments. The annual fee will be based on equalized value of the manufacturing property located in the municipality multiplied by a rate determined by DOR to cover 50 percent of the budgeted cost associated with administering the assessments. The state assesses manufacturing property at the same time that local assessors are determining the value of non-manufacturing property. The state prepares an assessment roll for the manufacturing property located in a municipality while the local assessor prepares a roll for all other property within the same municipality. Owners of manufacturing property may protest the state-determined values to a state Tax Appeals Commission. Owners of non-manufacturing property may protest the locally determined values to a local Board of Review (BOR).

In each assessment roll, there is one list of separate parcels of real property, and another list of separate personal property accounts. The January 1 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.

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. While the general property tax is the principal source of revenue over which the local units have direct control, the property tax does not supply all revenues these units need. Certain non-property revenues collected by the state are returned to local, school, and county units by sharing the tax collected through aids or credits. Consequently, the property tax has become a supplemental tax which is levied by the local, school, and county units after all other non-property revenues have been estimated. The sum of the tax is the difference between the estimated expenditures to be made by the jurisdiction in the next year, and the estimated non-tax revenues available to 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 is determined, the tax levy must be divided among all of the taxation districts that contain territory in the jurisdiction. A state levy, for example, is apportioned among all taxation districts in the state; an individual county's levy among all of the taxation districts in the county; and a school levy among all of the taxation districts in the school district.

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. These uniform values are also called equalized values because all of the various local levels of assessment have been equalized and all of the general property has been valued on an equal basis, namely 100 percent of market value. The equalized values are used by the taxing jurisdictions to apportion their tax levies among municipalities.

While local, school, county, and state units each levy a tax on property, only the local units make the primary assessment and the initial tax collection. This is accomplished in the following manner. The state reforestation tax is billed to each county clerk who, in turn, bills this tax to each town, city, and village within the county.

School boards levy a tax on property after they have estimated their non-property revenues and these taxes are billed by the school clerk to each taxation district, or part of a taxation district, within the school district. Likewise, all taxes levied on property by the county boards are billed by the county clerk to each town, village, and city within the county. All of these bills are apportioned among the various municipalities or school districts within the county, based upon the proportion of full property values that each individual district or municipality bears to the county total full value.

After the levies are apportioned by the taxing jurisdictions, the local clerk totals all billings and adds them to the amount, the local unit has levied on property for local needs, if any. The amount of this total tax levy 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 taxation district. The relationship of each individual assessment to the total assessed value of the taxation district equals the tax liability for each property in relation to the total tax liability of the tax district.

$$\frac{\text{Individual Assessment}}{\text{Total Assessed Value}} = \frac{\text{Individual Tax Liability}}{\text{Total Tax Liability of Taxation District}}$$

To apportion the tax levies among the individual properties in the taxation district, the tax rate is calculated. *The tax rate is the rate 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.

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

Once the tax rate is established, the amount of property taxes to be borne by an individual property is determined by multiplying the assessed value by the tax rate.

When the town, city, or village treasurer collects the taxes, considerable amounts of money are turned over to the county. The county in turn, keeps the county taxes, but returns the amount of the state reforestation to the State Treasurer.

To summarize, the allocation of school, county, and state taxes to each taxation district is based upon the full value of the entire district, but the amount allocated to each individual taxpayer is based upon the local assessed value of each parcel.

Figure 1-1

Basic Property Tax Functions of the Several Units of Government				
Governmental Unit	Tax Levy or Apportionment	Assessment	Review	Tax Collection
Local Taxation District: Town Village City	For general government- Fire, Police, Public works, etc., levied by town, village, or city board of common council. Tax billed to individual property owners.	Made by town, village, city, or county assessing officers. Assessed value for each parcel entered in local assessment roll- (sec. 70.05-70.10 , Wis. Stats.) or by the county assessor if under sec. 70.99 .	Local BOR, Circuit Court, State Supreme Court (sec. 70.46 , Wis. Stats.), and Wisconsin DOR	All collections made by local treasurer in the first instance. Local treasurer remits county and state taxes collected to county treasurer and school taxes to treasurer of school district.
Special Purpose District	For general operations, capital improvements and debt retirement; general property tax levied by district commission and apportioned to taxation district clerks, special assessments and charges billed directly to taxpayer.	Made by Wisconsin DOR sec. 33.21 to 33.37 , 60.70 to 60.79 , 62.18 , 66.0821 , Chapter 200 , Wis. Stats.	No specific review per se	All general property tax monies received from taxation district treasurer. Special assessments and charges may be collected by special purpose district treasurer.
Vocational, Technical and Adult Educational District	For capital improvements, operation maintenance, debt retirement; levied by district boards and apportioned to taxation district clerks by district board secretary (sec. 38.16 , Wis. Stats.)	Made by Wisconsin DOR (sec. 38.16 , Wis. Stats.)	No specific review per se	None- all property tax monies received from taxation district treasurer.
School District	For school construction and operation; levied by school boards and apportioned to taxation district by clerk of school district. (sec. 120.12 , Wis. Stats.)	Made by Wisconsin DOR (sec. 121.06 , Wis. Stats.) known as equalized value of school districts.	No specific review per se	None- All property tax monies received from taxation district treasurer.

Basic Property Tax Functions of the Several Units of Government				
Governmental Unit	Tax Levy or Apportionment	Assessment	Review	Tax Collection
County	For welfare and highways, etc. Levied by county board and apportioned to taxation districts by county clerk. (sec. 70.63 , Wis. Stats.)	Made by Wisconsin DOR. (sec. 70.57 , Wis. Stats.) See (1) below	Wisconsin Tax Appeals Commission (sec. 70.64 , Wis. Stats.)	County treasurer collects only delinquent taxes and postponed payments, but must keep complete record of all payments over extended period of time.
(1) County may now be the governmental unit making the primary assessment if provisions of sec. 70.99 , Wis. Stats. are adopted.				

Administrative Structure of General Property Tax

The power to tax property was granted to local governments by [Article VIII](#) of the Constitution of the State of Wisconsin. This article requires the taxation of property be uniform. To ensure uniformity in the taxation of property throughout the state, the State Legislature has sole responsibility for all laws pertaining to property tax assessments and tax collection. It has the right to prescribe what shall be taxed and what shall not be taxed, and to classify persons and property for purposes of taxation. To further promote uniformity of local property tax administration, the Wisconsin DOR has been given broad supervisory and regulatory duties implemented primarily through the Division of State & Local Finance.

In Wisconsin, the property tax is administered on a widely decentralized basis and touches every level of government. The following outlines the various duties of town, village, city, county, and state governments in regard to the administration of the property tax. This list is by no means complete, but includes the most important areas.

Town, Village, and City Governments

Governing Body, Town Board, Common Council, Board of Trustees

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 and the state forestation tax. Property taxes are the major source of revenue for local units, and primary responsibility for assessment and tax collections rests with each town, village, and city in the state. The governing units provide for a method of selecting the assessor and assistant assessor. They fill vacancies and unexpired terms of assessing officials, establish the salaries of assessing officials, and provide the operating and capital budgets of the assessor’s office (in counties not under the county assessor system). In counties adopting the county assessor system, the assessor is appointed either by the county executive, the county administrator, or the chairman of the county board with the approval of the county board.

Assessor

It is the assessor's duty to discover, list, and value all taxable real and personal property within the taxation district. It is the assessor's responsibility to ensure the parcels within the district are valued uniformly. Preparation of the annual assessment roll is the end result of each year's work. The assessor also submits a number of annual reports to the DOR concerning changes to property, which are discovered each year.

By far, the largest percentage of assessors are part-time officials. Full-time assessors are found primarily in the more densely populated municipalities and are provided for in counties under the county assessor system authorized by sec. [70.99](#), Wis. Stats. DOR, who values manufacturing property, is also referred to as "the assessor".

Methods of Selection

Sec. [70.05\(1\)](#), Wis. Stats., requires each taxation district have an assessor. "There shall be elected at the spring election one assessor for each taxation district not subject to assessment by a county assessor under sec. [70.99](#), Wis. Stats., if election of the assessor is provided." The election of assessors, whether in a town, village, or city, is held biennially in odd numbered years. An elected assessor must be an elector of the taxation district, and holds office for a term of two years.

As an alternative to an elected assessor, the law makes provision for the appointment of assessors. Whenever an assessor is appointed, the requirement that the assessor be an elector of the taxation district does not apply. If a corporation is appointed as the assessor, the corporation shall designate the person in its employ who will be responsible for the assessment.

An assessor, whether elected or appointed, must be currently certified by DOR. Certification of assessors is discussed in more detail later in this chapter.

Aside from these basic requirements, the statutory provisions for selecting the assessor vary somewhat for towns, villages, and cities; therefore, each will be discussed separately.

Towns

Sec. [60.30](#), Wis. Stats., outlines the election of assessors in towns. This section provides for the election of an assessor biennially, in the odd numbered years, as described above. Elected assessors in towns must take and file the official oath of office within five days before June 1, even though the assessor is elected in the April election. This is done so that when the BOR meets, the newly elected assessor has not yet taken office, and therefore, is not put in the awkward position of having to defend assessments made by the previous assessor.

The law also provides methods of appointing town assessors. There are two different ways a town may change from an elected assessor to an appointed assessor. One way is through a referendum, the other is by a vote of the electors at the town meeting. The provisions for appointing assessors are listed in sec. [60.307](#) Wis. Stats. Sec. [60.30\(2\)\(b\)](#), Wis. Stats. provides no assessor may hold the office of treasurer and assessor at the same time. In addition, it

allows the electors of a town, by referendum held at a regular or special election, to vote to combine the offices of the assessor and clerk, to take effect at the expiration of the current terms of both officers.

Villages

Sec. [61.19](#), Wis. Stats., governs the selection of assessors for villages. It provides for the election of an assessor in each village in odd-numbered years, except as otherwise provided. This section also provides that the method of selection or tenure of any office may be changed in accordance with the provisions of sec. [66.0101](#), Wis. Stats.

Sec. [66.0101](#), Wis. Stats., applies to both villages and cities, and deals with home rule and the manner of enacting, amending, or repealing a city or village charter. As it applies to the assessor, this section provides an ordinance, which could change the method of selection or tenure of an assessor, can be passed by a two-thirds vote of the governing body. Such an ordinance cannot take effect until 60 days after its passage and publication, and may be submitted to a referendum vote initiated by either the electors or the governing body.

Sec. [61.34\(2\)](#), Wis. Stats., provides for the joint employment of an assessor through a cooperative arrangement among villages or cities. It states, “The village board, in behalf of the village, may join with other villages or cities in a cooperative arrangement for executing any power or duty in order to attain greater economy or efficiency, including joint employment of appointive officers and employees.” This enables cooperating districts to employ a full-time, non-resident, professional assessor.

The law requires that in villages, the assessor’s oath must be administered and filed within five days after notice of appointment is given and for elected assessors within five days before June 1.

Cities

For cities, the selection of the assessor is outlined in sec. [62.09](#), Wis. Stats. This section provides for selection of city officials either by appointment or through election by voters. It also states officers shall continue to be selected in the manner prevailing until changed in accordance with the provisions of sec. [66.0101](#), Wis. Stats. The requirements of this section were discussed previously in regard to the selection of assessors in villages. The same provisions also apply to cities.

Special provisions apply for the selection of assessors in first-class cities. Sec. [70.06](#), Wis. Stats., governs the process and provides the assessment of property be under the direction of the commissioner of assessments. The commissioner of assessments is responsible for dividing the city into tax districts and appointing one assessor for each district. The assessors must be residents of the city, are full-time employees, and hold office in accordance with the civil service laws. With the approval of the common council, the commissioner of assessments also has the authority to appoint a chief assessor, chief appraisers, supervising assessors, supervising appraisers, property appraisers, and other expert technical personnel as necessary for the valuation of the city to be made in accordance with law.

In cities, appointed assessors must take and file the official oath within ten days after notice of the appointment. Elected assessors must take and file the oath within five days before June 1.

Assistant Assessors

The law also makes provision for the appointment of assistant assessors. Sec. [70.05\(2\)](#), Wis. Stats., provides the governing body of any town, city or village not subject to county assessment under sec. [70.99](#) Wis. Stats., may provide for the selection of one or more assistant assessors to assist in the discharge of the assessor's duties. The word "assistant" means one who acts as a subordinate helper. Many municipalities hire appraisal firms under this section to aid the assessor in performing a revaluation. In such cases, much of the assessment work may be performed by the appraisal firm; however the assessor still has final responsibility for the assessments. Assistant assessors hired under this section are not required to be residents of the taxation district.

Expert Help

Sec. [70.055](#), Wis. Stats., provides a means by which the governing body of a municipality may employ expert help to work with the assessor in completing an equitable assessment in compliance with the law. This section states, "If the governing body of any town, village or city not subject to assessment by a county assessor under sec. [70.99](#), Wis. Stats., determines that it is in the public interest to employ expert help to aid in making an assessment in order that the assessment may be equitably made in compliance with law, the governing body may employ such necessary help from persons currently certified by the Department of Revenue." This section is used when a municipality determines an equitable and uniform assessment cannot be made without a revaluation of the entire municipality. Therefore, expert help is hired to work with the assessor to perform a revaluation. When hired, the expert help has the same powers and duties as the regular assessor. The local assessor is not relieved of any responsibility when an expert appraiser is hired to aid in making the assessments. When appointed, the expert help acts together with the assessor as an assessment board in exercising the powers and duties of the assessor. All persons appointed under this section must file the official oath prior to beginning the duties of office.

Vacancies

In addition to methods of selecting assessors for a full term, the law also provides a means for filling office vacancies. Sec. [17.23](#) through [17.25](#), Wis. Stats., outline the procedure for cities, villages, and towns.

In cities where the assessor is appointed, vacancies are filled in the same manner as the original appointment for the remainder of the unexpired term. If a vacancy occurs in a city where the assessor is elected, the law provides for a temporary appointment by the appointive power until a successor is elected and qualifies. The elected successor would remain in office for the remainder of the unexpired term.

For vacancies in villages where the assessor is elected, the law provides for a temporary appointment by a majority of the village board for the remainder of the unexpired term, or

until a special election can be held. If the assessor is an appointed position, the vacancy is filled in the same manner as the original appointment. In towns, a vacancy in the office of an elected assessor is filled by appointment by the town board for the remainder of the unexpired term. In towns where the assessor is appointed, vacancies are filled by appointment for the remainder of the unexpired term by the appointive power in the same manner as the original appointment.

Certification

All assessors and assessment personnel performing assessment work in the state must be currently certified in compliance with law and the administrative rules prescribed by DOR. Sec. [70.05\(1\)](#), Wis. Stats., provides no person may assume the office of town, village, or city assessor unless certified by DOR as qualified to perform the functions of the office of assessor. If a person who has not been certified is elected to the office, the office shall be vacant and the appointing authority shall fill the vacancy from a list of persons so certified by DOR. The law further provides assistant assessors and expert help must also be certified as specified in sec. [70.05\(4\)](#), Wis. Stats., which states: “All assessment personnel ... appointed under this section shall have passed an examination and have been certified by the Department of Revenue as qualified for performing the functions of the office” and in sec. [70.055\(1\)](#), Wis. Stats., which requires applicants for certification as expert appraisers submit satisfactory evidence they possess the necessary qualifications for certification by successfully completing an examination given by DOR.

DOR, under sec. [73.09](#), Wis. Stats., is granted the authority to establish by rule, the level of certification, continuing education requirements, examinations, and the requirements for and responsibilities associated with temporary certification for all assessors and assessment personnel of each local unit of government and for county assessor systems. The Assessor Certification Program is discussed in more detail in Chapter 2. Information regarding the [Assessor Certification Program](#) can be found on the DOR website.

Compensation

The statutes provide for compensation for assessors, but except for the county assessor, leave the amounts up to the judgment of the employer. Salaries for the assessor and other appraisal positions should be competitive with other appraisal positions, and not based on the salaries of other local officials. Competitive salaries are necessary to retain a competent assessor and other appraisal staff. For the county assessor, the Division of Personnel Management in the Department of Administration (DOA) recommends a reasonable salary range based upon pay for comparable work or qualifications in the county.

Liability/Causes for Removal

It has been determined by the courts that an assessment made in good faith cannot be questioned in a court of equity, and the assessor’s duties are quasi-judicial, which relieves the assessor from personal liability for errors in the performance of the duties of office. This does not, however, include intentional misconduct or fraud. The law provides any assessor who willfully or intentionally violates or fails to perform the duties imposed on the office by law, is subject to a state fine, civil liability, or removal from office.

State Fine

Sec. [70.501](#), Wis. Stats., provides any assessor who intentionally violates or fails to perform any of the duties imposed by law shall be subject to a fine of \$50 to \$250. It states “Any assessor, or person appointed or designated under sec. [70.055](#) or [70.75](#), Wis. Stats. who intentionally fixes the value of any property assessed at less or more than the true value thereof prescribed by law for the valuation of the same, or intentionally omits from assessment any property liable to taxation in the assessment district, or otherwise intentionally violates or fails to perform any duty imposed by law relating to the assessment of property for taxation, shall forfeit to the state not less than \$50 nor more than \$250.”

Civil Liability

Sec. [70.503](#), Wis. Stats., provides an assessor found guilty of any violation or omission of duty is liable in damages to any person sustaining loss or injury as a result. It states, “If any assessor or person appointed or designated under sec. [70.055](#) or [70.75](#), Wis. Stats. is guilty of any violation or omission of duty. Such persons shall be liable in damages to any person who may sustain loss or injury thereby, to the amount of such loss or injury; and any person sustaining such loss or injury shall be entitled to all the remedies given by law in actions for damages for tortious or wrongful acts.”

Removal

Sec. [17.14\(1\)](#), Wis. Stats., provides any assessor, in addition to being removable as otherwise provided, may be removed by the circuit court for the county for one or more of the following causes:

- a. Willful or intentional assessment of property at other than its true cash value with the intent to subject the property to more or less than its lawful share of taxes.
- b. Willful or intentional omission of taxable property from the assessment roll with intent to permit the same to escape taxation.
- c. Willful or intentional assessment of the property of one person at a lower value than the property of another or others whereby favoritism or discrimination between taxpayers in the district is shown.
- d. Solicitation or receipt of any favor, reward, money, or other thing of value from the owner of any taxable property in the assessment district for the assessment or valuation of property at other than its true cash value.
- e. Solicitation or demand by any assessor, of any owner of property liable to assessment in the assessment district, to aid, assist, or promote the business or interests of the assessor by means and virtue of the office, the assessor gains or receives pecuniary profit or advantage that could not otherwise be gained or received.
- f. Any violation of law in the valuation or assessment of property in the assessment district.
- g. Failure to use the WPAM provided under sec. [73.03\(2a\)](#), Wis. Stats., and as required by sec. [70.32\(1\)](#) and [70.34](#), Wis. Stats.

Board of Review

In municipalities not served by a county assessor, Boards of Review (BOR) meet annually to inspect the assessment rolls for errors, omissions, and duplications. In addition, they hear

complaints by taxpayers and may make warranted adjustments on assessed values based solely upon sworn oral testimony before the BOR. BORs for those counties under the county assessor system meet at specified dates in the various municipalities, starting with the statutory date for all BORs. Otherwise, they function similarly to other BORs.

Municipal Attorney

Municipal attorneys research and pass upon questions of property tax law asked by the assessors. They act as counsel for the municipalities during the BOR proceedings. In the performance of these tasks, municipal attorneys may seek legal advice from DOR's Office of General Counsel.

Clerk

The clerks add the assessment rolls, examine and correct all double assessments, imperfect descriptions and other apparent errors, and make all corrections to the assessment roll ordered by the BOR. They annually report assessed values (which should reflect the value of annexations and detachments prior to the date of assessment) to other governmental agencies. They calculate the tax rates and extend taxes against each parcel of real estate and personal property in the tax roll. Clerks also execute warrants for collections and deliver the tax rolls to the treasurers.

Treasurer

The local treasurers collect taxes, as entered in the tax roll, in the month of January each year. The treasurer collects the first installment of postponed real estate taxes during January. The second installment is collected by the county treasurer. In February, settlement is made with the county treasurer including a list of delinquent taxes. In cities the amounts and number of installment payments are determined in the city charter.

County Government

Clerks

The county clerks purchase and distribute assessment rolls, tax rolls, and other necessary forms needed by local units for assessment and tax collections. These forms are prescribed or approved by the DOR. County clerks also apportion county taxes, state reforestation tax (and state special charges) to each town, village, or city in the county based upon the full valuations determined by the DOR pursuant to sec. [70.57](#), Wis. Stats.

Real Property Lister

All counties have established this function. The Real Property Lister (RPL) keeps maps and records of all real property ownerships, prints the name of the owner and legal description of each parcel as of the assessment date of each year, in the assessment rolls, tax rolls, and property records. Most major cities in Wisconsin incur the cost of completing these items. The information supplied by the RPL to local assessors should be reviewed for accuracy, but all changes must be made by the RPL. Valuation issues are the responsibility of the assessor.

County Treasurer

The county treasurers keep complete records of all taxes paid, postponed, or delinquent. They take collection of postponed and delinquent taxes over an extended period and eventually take tax deeds to parcels on which taxes remain delinquent. County treasurers also make settlement with local treasurers and eventually charge back to local units all taxes that are uncollectible.

County Assessor System

Sec. [70.99](#), Wis. Stats., provides a county assessor system may be established for any county by passage of a resolution or ordinance adopting such a system by an approving vote of 60 percent of the entire membership of the county board. After passage of an enabling resolution or ordinance by the county board, the county executive or administrator, or the chairperson of the county board, with the approval of the county board, appoints a county assessor from a list of candidates provided by DOR, who have passed an examination and have been certified by DOR as qualified for performing the functions of the office. Once appointed, the county assessor is responsible for the assessment of all towns, villages, and cities in the county.

After being appointed, the county assessor may select deputies and assistant assessors. DOR shall establish levels of proficiency for all appraisal personnel to be employed in offices of the county assessor.

Any person appointed as a county assessor or assistant assessor, shall have permanent tenure after successfully serving the probationary period in effect for that county, and may be removed or suspended only for the reasons named in sec. [17.14\(1\)](#), Wis. Stats., or for such cause as would sustain the suspension or removal of a state employee under state civil service rules. Employees of the assessor shall be incorporated into the civil service program of the county if one exists.

Any assessment made by the county assessor shall be performed as required of a local assessor. There are, however, several different procedures under the county assessor system.

In making the first assessment of any city, town, or village, the county assessor shall equalize (adjust to a common level) the assessment of property within each taxation district. Each subsequent year, the county assessor shall revalue as many taxation districts within the county as staffing permits to bring and maintain each district at full value. All districts must be revalued within four years.

There is one BOR for each county under the county assessor system. It shall have five to nine members, no more than two of whom may reside in the same city, town, or village, and are appointed by the county executive, if there is one, otherwise by the county board chairperson. In either case, appointments are subject to county board confirmation. Members serve staggered five-year terms.

To prevent the BOR from being overburdened, a county board may establish a county Board of Assessors (BOA) to investigate objections and to eliminate those of a minor nature such as

obvious errors, misunderstandings, etc. The BOA is comprised of the assessor or the deputy, and other members of the assessor's staff as the county assessor may designate.

Upon adoption of a county assessor system, each town, village, and city assessor duly appointed or elected continues in office for the current year's assessment, but as soon as the current year's assessment is completed all assessment records, books, maps, aerial photographs, appraisal cards, and any other data must be turned over to the county assessor. The local assessor is divested of all authority in respect to the jurisdiction of the county assessor.

County Board

The county boards receive a report on the full value of each town, village, and city in the county from DOR. The county board uses the full value of each town, village, and city for the purpose of apportionment of county and state reforestation taxes.

District Attorney

In property tax administration, district attorneys are concerned with assisting local treasurers with the collection of delinquent personal property taxes. They also assist DOR in the commencement and prosecution of actions and proceedings for penalties, forfeitures, removals, and punishment for violations of property tax law.

State Government

Department of Revenue

DOR is responsible for the administration of all state tax laws, establishment of equalized values for local governments, the supervision of property tax implementation, and the administration of several local aid and property tax relief programs. DOR is organized into six divisions - State and Local Finance; Income, Sales, and Excise Tax; Research and Policy; Enterprise Services, Lottery, Technology Services. In addition to these divisions, the Office of General Counsel reports to the Secretary of Revenue.

Secretary of Revenue

The Secretary of Revenue is appointed by the Governor, confirmed by the Senate, and serves at the Governor's pleasure. The Secretary is the head of DOR, and through division personnel administers the full range of tax, inspection, and supervision laws contained in state law. The Secretary of Revenue, upon appeal and adjudication, orders reassessments, supervised assessments and revaluation of individual assessments established by municipal BORs.

Office of General Counsel

The Chief Counsel and staff attorneys provide legal advice and opinions to DOR, and also represent DOR in cases before the Tax Appeals Commission.

State & Local Finance (SLF)

SLF consists of the Equalization Bureau, Manufacturing & Utility Bureau, and Local Government Services Bureau and the Office of Technical and Assessment Services (OTAS).

Office of Technical and Assessment Services (OTAS)

OTAS responsibilities:

1. Maintain the Division systems and programs
2. Tax Incremental Finance: process creations, amendments, and terminations
3. Develop uniform assessment standards and practices
4. Maintain the Wisconsin Property Assessment Manual which serves to define those standards and provides guidance for Wisconsin property assessment
5. Propose legislation to improve equity and uniformity in assessment
6. Certify local assessors and assessment personnel
7. Develop and administer examinations for the various levels of certifications
8. Establish continuing education and recertification requirements
9. Administer the program for recertifying assessment professionals
10. Review and approve training programs for assessors
11. Develop seminars and training materials
12. Contribute to training activities for municipal assessors through:
 - a. The statewide vocational system
 - b. Annual assessor conferences
 - c. The League of Wisconsin Municipalities
 - d. the Wisconsin Association of Assessors
 - e. Other professional organizations
 - f. An annual conference with the local assessors
13. Develop and enforce disciplinary procedures for assessment professionals
14. Conduct investigations related to potential disciplinary actions
15. Develop publications to assist property owners, assessors, members of the BOR, business owners, and others to understand the assessment process and property tax system
16. Provide assistance to assessors seeking guidance in best practices
17. Respond to assessment and appeals process questions

Equalization Bureau

The Equalization Bureau provides direct supervision and assistance to local units of government by meeting annually with local assessors in the five Equalization Districts for the purpose of instruction in assessment laws and techniques. Other functions of this Bureau include the following:

1. Processing of petitions submitted by property owners to seek re-assessment of entire municipalities provided by sec. [70.75](#), Wis. Stats.
2. Supervising municipal revaluations under sec. [70.055](#), Wis. Stats.
3. Administrating individual assessment appeals under sec. [70.85](#), Wis. Stats., and
4. Establishing the Equalized Values annually

Manufacturing & Utility Bureau

The Manufacturing & Utility Bureau is responsible for the annual market value assessment of all taxable real and personal manufacturing and telephone company property in the state pursuant to sec. [70.995](#), Wis. Stats. Municipal assessors with manufacturing property in their districts are notified prior to February 15th of each year, which parcels will be assessed by DOR for the next assessment year. All objections to manufacturing assessments and exempt computer values are investigated by the State BOA. The State BOA is chaired by the Manufacturing and Utility Bureau Director. Other members of the Board are the Manufacturing and Utility Bureau central and district managers. Under sec. [70.995\(14\)](#), Wis. Stats., each municipality with manufacturing property pays a fee for the services provided by the Manufacturing & Utility Bureau.

The Manufacturing & Utility Bureau is responsible for auditing utility and special taxes. Until 1854, all railroad and public utility property was assessed and taxed locally as general property. Local assessment created serious problems because local assessors were unable to assess the property on a uniform basis. This was because much of the property extended beyond the boundaries of the municipality or even the county.

Since local governments were unable to cope with these problems, the state assumed the administration of railroad taxes in 1854, and since that time has also assumed the taxation of most other public utilities such as light, heat, and power companies. The assessment of the property of utility companies is the joint responsibility of both the Bureau and the various local assessors because the law provides all property of utility companies not used for utility business purposes is to be assessed locally, while property used for utility purposes is to be assessed by DOR. In addition, structures used in part for the operation of a public utility and in part for non-operating purposes, are assessed in part by the local assessor and in part by DOR. The local assessor assesses the portion of the structure that represents the extent of its use for non-utility purposes. DOR values the portion used for utility purposes. Since it is not always obvious which property is devoted to utility versus non-utility purposes, or what percentage of a structure is used for non-operating purposes, local assessors frequently need to make inquiry to the Bureau if they are in doubt as to the proper tax jurisdiction.

Railroad, telegraph, airline, pipeline, conservation, and regulation companies are by law assessed and taxed according to an ad valorem method while light, heat, power, carline companies, and rural electric associations are by law taxed on a gross revenue method. Ad valorem taxes are based on the value of the property and the tax rate applied is the average state full value property tax rate. This rate is determined by DOR and is computed by dividing the total general property taxes levied by all units of government by the full value of all general property in the state. Under the gross revenue method, taxes are based on receipts, and the various tax rates are statutorily specified.

All state assessed utility tax revenues are designated as state funds, except revenue from airline and railroad companies, which is earmarked for use by the State Department of Transportation (DOT), and certain taxes paid by railroad companies are attributable to terminal properties, which are turned over to the municipalities in which the terminal is located.

Local Government Services Bureau (LGS)

Rapid growth in government services and the resultant growth in property taxes have resulted in the need for more effective central data gathering and processing. Control of public spending, sound land use, administration of local assistance programs, and stimulation of economic growth, are all policy areas affected by several interrelated units of government – federal, state, county, municipal, and special districts. The services provided in a given locality may receive support financially by various governmental units, in the form of state shared revenue payments, school aids, local license fees, etc. that an evaluation either locally or statewide of each local government unit's fiscal status is difficult without the compilation of accurate and timely information. LGS assists in the collection, verification, and certification of fiscal information. Another area of responsibility is the real estate transfer return program.

Certification of fiscal information is an important function of LGS and directly affects every owner of general taxable property in the state. LGS certifies annually to the Department of Public Instruction (DPI) the full valuation of general property of school districts for the apportioning of general taxes for school purposes. The certification of the full value of school districts must be completed on or before October 1. The State Superintendent of Public Instruction then certifies the appropriate full values to each school district clerk. The apportionment of the general property tax portion of the school budget is based upon the full value of each municipality, or part of a municipality, which is located within the school district. The school district clerks then apportion the levies to the municipalities involved.

Annually, LGS produces a certification of the general property full valuations for Wisconsin Technical College Districts used in apportioning the general property tax portion of their budgets to the underlying municipalities. LGS also certifies the full value of town sanitary districts, metropolitan sewerage districts, and lake protection and rehabilitation districts.

LGS determines the amounts of general property tax relief, including school levy tax credits and the lottery and gaming credit pursuant to sec. [79.10](#) Wis. Stats. The maximum property value eligible for the lottery and gaming credit payment is certified and forwarded to clerks, and in March of each year the actual payments due to each municipality is forwarded to the DOA. DOA in turns prepares and forwards the payments to municipalities.

LGS also determines and certifies the individual municipal and county amounts of shared revenues. These shared revenues were historically distributed according to population and tax effort and are derived from state tax collections. Payments are distributed twice a year, 15 percent in July and 85 percent in November.

State aids to municipalities and counties for exempt computers due to the exemption of specified computer equipment from the general property tax are determined and certified by LGS.

The State Average Full Value Rate is determined and certified by LGS for purposes of ad valorem taxation of certain utility and railroad properties. Each August, LGS provides DNR an adjustment factor based on the change in equalized values and the level of assessment. This certification facilitates DNR's administration of the Payment in Lieu of Taxes (PILOT)

on Stewardship lands. LGS also makes other certifications permitting borrowing by towns, villages, cities, school districts, and other special-purpose districts.

Department of Administration (DOA)

DOA calculates the state reforestation tax and apportions the same to each county clerk. It receives the warrant rolls of amounts of tax credits and shared revenues, and other aids payable to each town, village, city, or county treasurer from DOR. The State Treasurer makes the actual disbursement.

Attorney General

The Attorney General's office consults with DOR's Office of General Counsel and represents DOR in certain actions.

Courts

In addition to the various governmental agencies listed above, certain matters regarding property tax administration are also brought to the attention of the state circuit courts and the State Supreme Court.

Wisconsin's Equalized Values

Property tax is a topic that we can all relate to, but few of us can explain in any detail. What we do know is that it creates questions at many levels. Every year, each parcel of taxable real estate or item of personal property generates 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, news media reports on the changes to the tax rate. We know that the December tax bill can have a large impact on our own budgets; however, we often don't understand how we can effectively correct, change, or impact those tax bills.

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.

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 in a year without a revaluation, the assessed value does not reflect the 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 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. That is a primary reason for the Equalized Value.

The need for these estimates began even before Wisconsin became a State in 1848. A historical summary of the property tax 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, including estimating Equalized Value, was given to the Tax Commission (now DOR).

This section describes one of the main functions of DOR in its property tax administration, the development of the Equalized Value. Additional DOR publications are available on DOR's website, as well as answers to property tax [common questions](#). In this section, 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 of property, as of January 1, and certified by DOR on August 15 of each year.

General property is divided into two broad categories, real property and personal property. Real property is land, any improvements attached to the land, and all fixtures, rights, and privileges pertaining thereto. Personal property includes all goods, wares, merchandise, chattels, and effects, of any nature or description having any real or marketable value, and not included in real property.

¹ Stark, Jack, "Property Tax and Tax Relief in Wisconsin", *State of Wisconsin Blue Book 1991-1992*, Wisconsin Legislative Reference Bureau, (Madison:1991), 103 1-16

General real property in the state must, by law, be divided into the following eight classes, according to use:

Residential	Undeveloped Land
Commercial	Agricultural Forest
Manufacturing	Productive Forest Land
Agricultural	Other (Farm Sites and Farm Buildings)

The statutes also require general personal property be placed in one of the following categories:

Steam and Other Vessels	Furniture, Fixtures and Equipment
	All Other General Personal Property

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 percent of the market value of undeveloped land; and 50 percent 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.

We refer to the ‘taxable’ property because originally **all** property was subject to the property tax. Over time, changes occurred in which specific items, like churches, merchants inventories, or manufacturer’s processing machinery and equipment, are 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). Also, certain classes of property, while remaining taxable, are not valued at market value, but at some percentage thereof.

The value is needed for each taxation district, which includes every town, village, and city, plus those portions located in an adjacent county. There are approximately 1851 municipalities and 1908 taxation districts.

The detail in the local assessment roll, showing the assessed value of land, improvements and their total, for eight classes of real property and three classes of personal property, is also the breakdown required of the Equalized Values. Each local assessor values all classes of property 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, it is as of the close of January 1 of each year. In effect, this would mean if a building burned to the ground on January 1, it would not be included in the assessed value, or generate a tax. If the fire started after midnight, and burned on January 2, it technically existed on January 1 and would be included in the Assessed Value and the Equalized value, and would receive a tax bill later that year in December.

State laws recognize the difficulty in maintaining assessments at the value standard (market, use value, or 50 percent of market). In most cases individual property assessments are at different levels than the value standard. However, the Equalized Value is always at the value standard. The relationship between a municipality's Equalized Value and its total assessment is referred to as the aggregate level of assessment.

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 requires the property tax should be uniform. This is 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 residents voted to change the 'uniformity' clause in the constitution in 1974 to allow for non-uniform taxation of agricultural land and undeveloped land. State laws changed in the 1995-97 Budget Act 27 to implement the constitutional change impacting agricultural land. 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.

The statutes were modified again in the 2003-04 Budget Act 33, which changed the name of the 'swamp and waste' class of property to 'undeveloped', and added the 'agricultural forest' class of property. Effective for January 1, 2004 assessments, these two classes of property are to be valued at 50 percent of their market value, and Equalized at the same percentage.

The following section discusses 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 percent of the total value in the county, the city taxpayers should pay 30 percent 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, taxable status of property, and statutory changes in the basis for valuation in various classes of property.

In addition to establishing the total Equalized Value for each town, village, and city, DOR must list the value by the eight classes of real property and three classes of personal property. Whereas, the values of individual real estate parcels or personal property accounts within the classes are determined by local assessors, not by DOR.

The exception to this is the assessment of the manufacturing class of property, wherein DOR is the assessor. DOR estimates a market value assessment each year for each manufacturing property, and adds these values to the other class totals at market value for the final Equalized Value. However, since the manufacturing values are at full market value on an

annual basis, the values must be equated to the local level of assessment. This process 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 1,851 taxation districts. DOR uses six basic strategies to determine Equalized Values: (1) sales analysis, (2) use value analysis, (3) property appraisal, (4) local reports, (5) Manufacturing Class, and (6) sec. [70.57](#), Wis. Stats., corrections.

1. **Sales Analysis:** Sales are analyzed through two principal methods: (a) assessment-to-sales ratio studies and (b) unit value projections. The sales forming the basis of the analysis represent the calendar sales for the year prior to the January 1 being estimated (e.g., the calendar year sales in 2018 are the basis of analysis for the January 1, 2019 values). The Real Estate Transfer Returns (RETRs), filed with the county register of deeds, 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 assessors throughout the year, as they review them to determine if the transaction can be used to estimate an assessment-to-sales ratio. The remaining market value sales are then analyzed statistically.
 - 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 are 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 the class. This relationship is considered to be its "assessment level". The total local assessment of the class is then ratioed to full value, resulting in the statistically derived Equalized Value of the class. Annually these assessment/sales studies amount to the review of approximately 240,000 real estate sales.

For example, assuming there are five market sales of residential property in a township, the sales analysis would be made as follows:

Township of Badger Sales Analysis

Sale	Assessed Value	Selling Price	Ratio of Assessment-to-Sales Price
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	\$84,800	\$99,600	85.14%
Total	\$385,000	\$413,400	93.13%

NOTE: *For ease of illustration, only five sales are shown.*

In this example, the average ratio of the total assessed value to total actual sales price is 93.13 percent - even though the ratio of individual properties are above or below this average. The total assessed value of the class is divided by 93.13 percent to project the market value of class. 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. It is noted with sufficient sales evidence of differing types of property within a municipality, ratio projections can be refined to more accurately reflect specific conditions within the community. This component of the Equalized Value, done annually and reflecting the market place 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 agricultural forest land, undeveloped, productive forest land or other (farm sets and the land supporting them). Sales (38 acres or larger) are verified and broken down into 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 4,700 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, produces values for agricultural land, based on its productive capability. A Farmland Advisory Council 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 crop production of 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. These values are calculated for three grades of tillable soils and for pasture. The design of the data and calculations (using five-year averages and accounting for detail from each municipality, like the local tax rates), remove 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. Annual changes to use-values are limited to the annual statewide change in Equalized Values, less the value of agricultural land and new construction.
 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 that do occur are field verified and incorporated into 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 DOR uses to set the current Equalized Value: (a) the Municipal Assessment Report, due by the second Monday in June and (b) the Clerk's Statement of Assessments, also due by the second Monday in June.
 - a. Local assessors are required to report all changes in locally assessed property values to DOR due to such changes as annexations or detachments, new construction, classification changes impacting the basis of valuation, 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, they do not adjust for the reported changes due to revaluation. DOR values are adjusted to market changes annually, while the revaluation changes reflect the assessor's catching up for those years when most assessments were copied from year to year.

The accurate reporting of new construction and demolitions occurring within a community has taken on greater importance with the imposition of levy limits in 2005. The amount municipalities and counties can increase its levy is directly tied to the values reported on the Municipal Assessment Report.

The Equalized Value of personal property is based upon assessment information reported by local assessors. Upon review of the Municipal Assessment 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 BOR has met and finalized the local assessment for a particular year, the local clerk, or designated county official, 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 BOR. 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 the local level of assessments.
5. **Manufacturing Class:** The Manufacturing Class of property is assessed by DOR annually at 100 percent of market value. These values are incorporated into the Equalized Values. After the municipality has completed the local assessment roll, the manufacturing full value assessments are adjusted to the local level for extension of local taxes.
6. **Sec. 70.57, Wis. Stats., Corrections:** A significant effort is expended in reviewing prior year Equalized Value determinations, primarily because of the timing of the Municipal Assessment 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. However, assessors with multiple districts plan their work to extend throughout the year, and the assessors cannot reasonably complete their job in the same time frame as DOR. DOR's experience is that 40 to 50 percent of the assessor reports are estimates. After reviewing all amended reports, recent experience is that $\frac{1}{3}$ 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 residential, commercial, manufacturing, productive forest, other, and personal property. Agricultural use-values are applied to each subclass of agricultural land; the market values of undeveloped and agricultural forest land are reduced by 50 percent, by statute for each municipality in the

state. The taxation district Equalized Value totals are summed to arrive at the County and State Equalized Value totals. This value, and the value of each county, is certified to the DOA on August 15 of each year. In addition, values for each Tax Incremental Financing (TIF) District are calculated based on the TID Assessment Report. The total assessed value of a TID is then adjusted by the municipality’s overall level of assessment. This process ensures TID values that are responsive to changes within the TID, as determined by the municipal assessor. The TIF incremental value is excluded in the apportionment values provided to the county.

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 is provided by sec. [70.64](#), Wis. Stats. 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.

Use of Equalized Values

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 (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 percent of the Equalized 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 townships that have identical tax bases, but different assessment levels. Assume that the county has a total tax levy of \$100,000 and that the Equalized Value of all property in the county is \$100 million -- \$50 million in each township.

	Local assessed value	% to County total of assessed value	Full value or Equalized Value	% to County total of Equalized Value
Township A	\$20,000,000	28.6%	\$50,000,000	50.0%
Township B	\$50,000,000	71.4%	\$50,000,000	50.0%
Total County	\$70,000,000	100.0%	\$100,000,000	100.0%

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

Township A	28.6% of \$100,000	=	\$ 28,600
Township 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:

Township A	50% of \$100,000	=	\$ 50,000
Township B	50% of \$100,000	=	<u>\$ 50,000</u>
Total County Levy			\$ 100,000

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.

Establishing School District Equalized Values: The typical Wisconsin school district boundaries often overlap all or parts of several different taxation districts. The school district Equalized Value is established by ratioing the assessed value of each school district within each taxation district (obtained from the municipal Clerk’s Statement of Assessments) to full value, based on the average level of assessment for that taxation district. Those values from all taxation districts in the school district are added together to produce the school district’s Equalized Value. Any tax incremental district’s incremental value is not included in the total district value. This total school district value is then the basis to apportion a school district’s levy to each municipality in the school district.

The school district Equalized Values should not be confused with equalizing school taxes. The concept of ‘equalizing school taxes’ or ‘tax based equalization’ is a facet of the Wisconsin property tax system. In 1924, the DPI 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.

The concept of equalizing school taxes is also a cornerstone to the state’s shared revenue formulas. Counties and municipalities received \$672,400,013 in 2007 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 municipalities with the greatest need.

Allocation of State Aids to Local Governments: The distribution of funds to local governments under several state programs is determined in part by formulas measuring

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

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 with 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 percent of Equalized Value. Certain school districts have debt limits of 10 percent of Equalized Value.

Determination of Manufacturing Equated Property Values: DOR determines the fair market value of all manufacturing property in the state, at a 100 percent level of assessment. Municipalities assess property for tax purposes at a different overall percent of market value. The manufacturing fair market 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 all non-manufacturing property at 93.13 percent of market value, the value of any manufacturing property in the municipality would be adjusted to the same level (e.g., full market value of a manufacturing property is \$150,000 X 93.13% = equated assessment of \$139,700).

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.

Measuring Compliance with 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 percent of the full value of that same class at least once during any given five year period. DOR annually calculates the level of assessment by class and provides that information to each municipality. If non-compliance continues for six consecutive years, DOR will order a revaluation for the seventh year (contracted and monitored by DOR), and costs are billed to the municipality.

Calculating 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.

Both assessed and fair market values shown on property tax bills underscores Wisconsin's 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. The local assessor is concerned with equity between property owners in the municipality, while DOR is concerned with equity between municipalities and counties. This Equalizing procedure ensures school taxes, county taxes, and major state aids are apportioned fairly to the state's 1851 municipalities.

STATE OF WISCONSIN					
REAL ESTATE PROPERTY TAX BILL FOR 2019 VILLAGE OF BADGER AMERICA CO.			IMPORTANT: Correspondence should refer to 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.		
BILL AND SUE HOMEOWNER RR 9 BADGER WI 58425			LEGAL DESCRIPTION PART OF THE FIRST ADDITION TO THE SECOND ADDITION CONSISTING OF 1 LOT		
PARCEL # 12-116-0029-0000					
Assessed Value Land	Ass'd Value Improvement	Total Assessed Value	Ave. Assmt. Ratio	Net Assessed Value Rate (Does NOT reflect credit)	
22,000	76,900	98,900	98.9000000	.017243455	
Est. Fair Mkt. Land	Est. Fair Mkt. Improvements	Total Est. Fair Mkt.	<input type="checkbox"/>	A Star in this box means Unpaid Prior Year Taxes	School taxes reduced by school levy tax credit
22,250	77,750	100,000			185.01
2018	2019	2018	2019		
Taxing Jurisdiction	Est. State Aids Allocated Tax Dist.	Est. State Aids Allocated Tax Dist.	Net Tax	Net Tax	% Tax Change
STATE OF WI			17.27	17.20	-.4%
AMERICA CO	16,632	17,466	317.60	328.20	3.3%
VILLAGE OF BADGER	116,684	117,737	183.29	183.32	.02%
SCH. DIST. #3150	659,459	569,823	1,220.87	1,188.45	-2.6%
TECH. COLLEGE #56	20,283	22,326	150.06	173.21	15.4%
Total	813,058	727,352	1,889.09	1,890.38	.01%
	First Dollar Credit		79.76	74.64	-6.4%
	Lottery & Gaming Credit		105.56	121.08	14.7%
	Net Property Tax		1,703.77	1,694.66	-0.5%
Make Check Payable to:	Full Payment Due On or Before January 31		Net Property Tax		
JANE DOE	\$ 2,053.68		GARBAGE 359.02		
TREASURER, VILLAGE OF BADGER	Or First Installment Due On or Before January 31				
RR 9, PO BOX 6890	\$ 1,206.35				
BADGER WI 58425	And Second Installment Due on or Before July 31				
And Second Installment Payment Payable to	\$ 847.33				
JOHN SMITH, COUNTY TREASURER					
AMERICA COUNTY COURTHOUSE					
BADGER WI 58425					
FOR INFORMATIONAL PURPOSES ONLY – Voter-Approved Temporary Tax Increases					
Taxing Jurisdiction	Total Additional Taxes	Total Additional Taxes Applied to Property	Year Increase Ends		
BILL AND SUE HOMEOWNER RR 9 BADGER WI 58425					
<input type="checkbox"/> Check For Billing Address Change					
TOTAL DUE		FOR FULL PAYMENT			
PAY BY		JANUARY 31		2020	
▶		\$ 2,053.68			
Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and, if applicable, penalty.					
Failure to pay on time, See reverse.					

Chapter 2

Assessor Certification

State law requires all assessors and technical level assessment personnel to be certified. State certification of assessors and assessment personnel ensures individuals working in the assessment field possess the minimum knowledge necessary to perform the assessment function. Establishing minimum standards is required by state law to ensure quality property assessments, and therefore, greater equity in property taxation.

History of Certification

Assessor certification is not a new nor unique development to Wisconsin. All of the states neighboring Wisconsin have assessor certification programs. Wisconsin's involvement in certifying assessors began in 1969 when the first county assessor system was established in Wisconsin. At that time, the Department of Revenue (DOR) certified a list of qualified candidates for the office of county assessor. In 1973, the Legislature enacted sec. 70.99, Wis. Stats., a statute providing for mandatory certification of county assessors and their appraisal staff. The Legislature also enacted secs. 70.055 and 70.75, Wis. Stats., providing for mandatory certification of expert help.

In 1974, the Advisory Committee on Assessor Certification was formed. The goal of this committee, which consisted of representatives from DOR and from the assessing and appraisal fields, was to define the criteria for local assessor certification. Following closely the proposals of this committee, the Legislature enacted sec. 70.05(1), Wis. Stats., requiring all assessors and assessment personnel assuming office on or after January 1, 1977, to be certified. This requirement was extended in sec. 73.09(2), Wis. Stats., to all DOR assessment personnel commencing on January 1, 1981.

Certification Levels

There are five levels of assessor certification in Wisconsin; three are assessor levels and two are for assessment personnel other than the assessor. The levels of certification, in order of increasing responsibilities, are: Assessment Technician, Property Appraiser, Assessor 1, Assessor 2, and Assessor 3. The duties an individual is authorized to perform are progressively more complex as the level of certification becomes higher. An individual certified at the higher level is allowed to perform the duties of any subordinate level of certification, except for the Assessor 3 level. An Assessor 3 can only perform duties associated with the Assessor 3 certification.

Each town, village, city, and county within Wisconsin is rated for a specific minimum level of certification for the statutory assessor depending on the relative complexity of the property assessment function. If an individual is elected or appointed to the office of assessor and is not certified at the appropriate level for the municipality, the office is declared vacant and the appointing authority must appoint an appropriately certified individual to fill the office of assessor. A non-certified individual cannot be appointed to fill an unexpired term of an appointed or elected assessor.

Certain property assessment personnel other than the statutory assessor must also be certified. The level of certification required depends on the duties performed. Each level of certification has a description of the duties authorized at that particular level. If an individual performs any or all of the duties described at a particular level of certification, the individual must be certified at that level to legally perform those duties. Clerical personnel do not fall under the definition of assessment personnel and therefore do not have to be certified.

Duties by Certification Level

The levels of certification, including duties required by level, are established by [Administrative Rule Tax 12.06](#). The levels are listed in hierarchical order. With the exception of Assessor 3, each subsequent level of certification is qualified to perform duties included in the present certification and those below. The duty and opportunity to sign a roll rests with the Assessor levels of certification and must be coordinated with the municipality to ensure an assessor with the correct level of certification is responsible for signing the roll.

Assessment Technician

Assessment Technician shall be authorized to perform, in accordance with the *Wisconsin Property Assessment Manual* (WPAM), and under the direct supervision of a property appraiser or an assessor, the following duties: measuring and listing, calculating building cost data, posting maps/plats/charts, collecting relevant data, assisting with physical inventories, verifying property descriptions, and classifying real property according to use.

Property Appraiser

Property Appraiser shall be authorized to perform, in accordance with the WPAM, and under the direct supervision of an assessor, the duties of an Assessment Technician and the following duties: inspecting classes of real property for assessment purposes, assembling relevant information regarding tangible personal property, appraising real and personal property for assessment purposes, and supervision of assessment staff.

Assessor 1

Assessor 1 shall be authorized to perform, in accordance with the WPAM, any of the duties of a Property Assessment Technician, Property Appraiser, and the following duties: serving as statutory assessor in an assessment district with a degree of complexity requiring the level of Assessor 1 as determined by DOR, contacting taxpayers of the assessment district to explain the property assessment laws and procedures under which the property assessments are determined, supervising subordinate assessment staff, and signing the assessment roll as statutory assessor in an assessment district requiring the level of Assessor 1.

Assessor 2

Assessor 2 shall be authorized to perform, in accordance with the WPAM, any of the duties of a Property Appraiser, an Assessment Technician, an Assessor 1, and the following duties: serving as statutory assessor in an assessment district with a degree of complexity requiring

level of Assessor 2 as determined by the DOR, supervising subordinate assessment staff, and signing the assessment roll as statutory assessor in an assessment district requiring the level of Assessor 2.

Assessor 3

Assessor 3 shall be authorized, in accordance with the WPAM to perform the following duties: serving as statutory assessor in an assessment district with a degree of complexity requiring level of Assessor 3 as determined by the DOR, policy determination, budgetary formulation, and responding to appropriate levels of government involved in the property assessment process, and supervising subordinate assessment staff.

Levels of Certification by Assessment District

DOR, by administrative rule, has established the levels of certification required for statutory assessors by assessment district based on the complexity of the assessment function.

Assessor 3

Municipalities requiring an Assessor 3 level of certification are the following:

City of Madison - Dane County

City of Milwaukee - Milwaukee, Washington, and Waukesha Counties

Assessor 2

Municipalities requiring an Assessor 2 level of certification are the following:

Town of Grand Chute - Outagamie County

Town of Salem - Kenosha County

Town of Somers - Kenosha County

Village of Allouez - Brown County

Village of Ashwaubenon - Brown County

Village of Bristol - Kenosha County

Village of Brown Deer - Milwaukee County

Village of Caledonia - Racine County

Village of Elm Grove - Waukesha County

Village of Fox Point - Milwaukee County

Village of Fox Crossing - Winnebago County

Village of Greendale - Milwaukee County

Village of Hales Corners - Milwaukee County

Village of Menomonee Falls - Waukesha County

Village of Mt. Pleasant - Racine County

Village of Pleasant Prairie - Kenosha County

Village of Shorewood - Milwaukee County

Village of Twin Lakes - Kenosha County

Village of Whitefish Bay - Milwaukee County

City of Appleton - Calumet, Outagamie, and Winnebago Counties

City of Beaver Dam - Dodge County

City of Beloit - Rock County
City of Brookfield - Waukesha County
City of Cudahy - Milwaukee County
City of DePere - Brown County
City of Eau Claire - Chippewa and Eau Claire Counties
City of Fitchburg - Dane County
City of Fond du Lac - Fond du Lac County
City of Franklin - Milwaukee County
City of Glendale - Milwaukee County
City of Green Bay - Brown County
City of Greenfield - Milwaukee County
City of Janesville - Rock County
City of Kenosha - Kenosha County
City of LaCrosse - LaCrosse County
City of Manitowoc - Manitowoc County
City of Marshfield - Marathon and Wood Counties
City of Mequon - Ozaukee County
City of Middleton - Dane County
City of Monona - Dane County
City of Muskego - Waukesha County
City of Neenah - Winnebago County
City of New Berlin - Waukesha County
City of Oak Creek - Milwaukee County
City of Oconomowoc - Waukesha County
City of Oshkosh - Winnebago County
City of Racine - Racine County
City of Sheboygan - Sheboygan County
City of South Milwaukee - Milwaukee County
City of Stevens Point - Portage County
City of Sun Prairie - Dane County
City of Superior - Douglas County
City of Waukesha - Waukesha County
City of Wausau - Marathon County
City of Wauwatosa - Milwaukee County
City of West Allis - Milwaukee County
City of West Bend - Washington County
City of Wisconsin Rapids - Wood County

Assessor 1

All towns, villages, and cities not specifically mentioned as requiring Assessor 2 or Assessor 3 level of certification shall require an Assessor 1 level of certification.

2019 Levels of Certification by Assessment District

The following are effective for the 2019 assessment.

Assessor 3

Municipalities with a 2016 Equalized Value of the commercial class of property greater than \$1,000,000,000 require an Assessor 3:

Town of Grand Chute, Outagamie County
Village of Ashwaubenon, Brown County
Village of Menomonee Falls, Waukesha County
Village of Pleasant Prairie, Kenosha County
City of Appleton, Outagamie County
City of Brookfield, Waukesha County
City of Eau Claire, Eau Claire County
City of Glendale, Milwaukee County
City of Green Bay, Brown County
City of Janesville, Rock County
City of Kenosha, Kenosha County
City of La Crosse, La Crosse County
City of Madison, Dane County
City of Middleton, Dane County
City of Milwaukee, Milwaukee County
City of New Berlin, Waukesha County
City of Oshkosh, Winnebago County
City of Verona, Dane County
City of Waukesha, Waukesha County
City of Wauwatosa, Milwaukee County
City of West Allis, Milwaukee County

Assessor 2

Municipalities with a 2016 Equalized Value of the commercial class of property less than \$1,000,000,000 and greater than \$100,000,000 require an Assessor 2:

Town of Brookfield, Waukesha County
Town of Buchanan, Outagamie County
Town of Burke, Dane County
Town of Carlton, Kewaunee County
Town of Greenville, Outagamie County
Town of Ledgeview, Brown County
Town of Madison, Dane County
Town of Minocqua, Oneida County
Town of Rib Mountain, Marathon County
Town of Sheboygan, Sheboygan County
Town of Yorkville, Racine County
Village of Allouez, Brown County

Village of Bellevue, Brown County
Village of Brown Deer, Milwaukee County
Village of Butler, Waukesha County
Village of Caledonia, Racine County
Village of Cottage Grove, Dane County
Village of Deforest, Dane County
Village of Elm Grove, Waukesha County
Village of Fox Crossing, Winnebago County
Village of Germantown, Washington County
Village of Grafton, Ozaukee County
Village of Greendale, Milwaukee County
Village of Hales Corners, Milwaukee County
Village of Hartland, Waukesha County
Village of Holmen, La Crosse County
Village of Howard, Brown County
Village of Jackson, Washington County
Village of Johnson Creek, Jefferson County
Village of Kimberly, Outagamie County
Village of Kohler, Sheboygan County
Village of Lake Delton, Sauk County
Village of Lake Hallie, Chippewa County
Village of Little Chute, Outagamie County
Village of McFarland, Dane County
Village of Mount Horeb, Dane County
Village of Mount Pleasant, Racine County
Village of Mukwonago, Waukesha County
Village of Oregon, Dane County
Village of Pewaukee, Waukesha County
Village of Plover, Portage County
Village of Rothschild, Marathon County
Village of Sauk City, Sauk County
Village of Saukville, Ozaukee County
Village of Shorewood Hills, Dane County
Village of Shorewood, Milwaukee County
Village of Slinger, Washington County
Village of Somers, Kenosha County
Village of Sturtevant, Racine County
Village of Sussex, Waukesha County
Village of Waunakee, Dane County
Village of West Milwaukee, Milwaukee County
Village of West Salem, La Crosse County
Village of Weston, Marathon County
Village of Whitefish Bay, Milwaukee County
City of Altoona, Eau Claire County
City of Antigo, Langlade County
City of Ashland, Ashland County
City of Baraboo, Sauk County
City of Beaver Dam, Dodge County
City of Beloit, Rock County

City of Burlington, Racine County
City of Cedarburg, Ozaukee County
City of Chippewa Falls, Chippewa County
City of Cudahy, Milwaukee County
City of Delafield, Waukesha County
City of Delavan, Walworth County
City of De Pere, Brown County
City of Dodgeville, Iowa County
City of Elkhorn, Walworth County
City of Fitchburg, Dane County
City of Fond Du Lac, Fond Du Lac County
City of Fort Atkinson, Jefferson County
City of Franklin, Milwaukee County
City of Greenfield, Milwaukee County
City of Hartford, Washington County
City of Hayward, Sawyer County
City of Hudson, St Croix County
City of Jefferson, Jefferson County
City of Kaukauna, Outagamie County
City of Lake Geneva, Walworth County
City of Lake Mills, Jefferson County
City of Manitowoc, Manitowoc County
City of Marinette, Marinette County
City of Marshfield, Wood County
City of Menasha, Winnebago County
City of Menomonie, Dunn County
City of Mequon, Ozaukee County
City of Monona, Dane County
City of Monroe, Green County
City of Muskego, Waukesha County
City of Neenah, Winnebago County
City of New Richmond, St Croix County
City of Oak Creek, Milwaukee County
City of Oconomowoc, Waukesha County
City of Onalaska, La Crosse County
City of Pewaukee, Waukesha County
City of Platteville, Grant County
City of Plymouth, Sheboygan County
City of Port Washington, Ozaukee County
City of Portage, Columbia County
City of Prairie Du Chien, Crawford County
City of Racine, Racine County
City of Reedsburg, Sauk County
City of Rhineland, Oneida County
City of Rice Lake, Barron County
City of Ripon, Fond Du Lac County
City of River Falls, Pierce County
City of Saint Francis, Milwaukee County
City of Shawano, Shawano County

City of Sheboygan, Sheboygan County
City of South Milwaukee, Milwaukee County
City of Sparta, Monroe County
City of Stevens Point, Portage County
City of Stoughton, Dane County
City of Sturgeon Bay, Door County
City of Sun Prairie, Dane County
City of Superior, Douglas County
City of Tomah, Monroe County
City of Watertown, Jefferson County
City of Waupaca, Waupaca County
City of Wausau, Marathon County
City of West Bend, Washington County
City of Whitewater, Walworth County
City of Wisconsin Dells, Columbia County
City of Wisconsin Rapids, Wood County

Assessor 1

All towns, villages, and cities not specifically mentioned as requiring Assessor 2 or Assessor 3 level of certification require an Assessor 1 level of certification.

Temporary Assessor Certification

Sec. 73.09, Wis. Stats., provides DOR shall establish rules for the temporary certification at the first level of certification (Assessment Technician) and designate the functions that may be performed by such persons. It also provides DOR shall establish the requirements for and responsibilities associated with temporary certification. In accordance with the law, the following guidelines have been implemented for temporary certification at the Assessment Technician level.

Temporary certification allows an individual to perform at the Assessment Technician level under direct supervision of the certified individual signing the assessment roll, or, if employed within DOR, under the supervision of the individual's immediate supervisor. Direct supervision under Administrative Tax Rule 12.05 means the statutory assessor is personally responsible for all work performed by temporarily certified individual(s). The statutory assessor must monitor the activities of the temporarily certified individuals to ensure full compliance with the requirements of the tax rule.

Strict adherence to the start and end dates of temporary certification is the responsibility of the supervisor. Only two persons employed by private firms in the same municipality may hold temporary certification consecutively.

To become temporarily certified, an individual must submit an *Application for Temporary Certification (PC-724)* to DOR. For an application to be approved, the applicant cannot have been previously temporarily certified and must have a job commitment from an elected or appointed assessor from a firm contracting to make the assessment under sec. 70.05(2), 70.055, or 70.75, Wis. Stats.; or from DOR. The application form must be signed by both the

applicant and the sponsor, and notarized. Temporary certification does not become effective until DOR sends a letter of approval to the applicant. Once issued, the temporary certification is effective for 100 days.

Examination Guidelines

Certification is achieved by passing an exam. Details on how to register for the exam can be found on the [DOR website](#). Certification is attained by correctly answering 70 percent or more of the questions on the DOR prescribed exam. Assessor Certification [Study Material](#) is available and can be downloaded from the DOR website.

Exam Content by Level of Certification

The five levels of exams have a potential of testing seven subject areas. These areas are math, statistics, rectangular survey (legal descriptions), construction terminology, Wisconsin property assessment law, basic appraisal, and administration. The areas and to what extent they are tested will depend on the level of exam being taken. Figure 2-1 shows the emphasis placed on a particular subject area for each certification level.

Figure 2-1

Subject Area	Technician	Appraiser	Assessor 1	Assessor 2	Assessor 3
Math	20	5	1	0	0
Statistics	0	0	3	12	14
Legal Descriptions	10	11	8	5	0
Construction Terms	8	7	9	13	0
WI Assessment Law	12	13	51	29	21
Appraisal	0	14	28	41	25
Administration	0	0	0	0	40
Total Questions	50	50	100	100	100

Recertification

Certifications expire five years after the date of issuance.

To recertify, one must attend four of the five most recent Annual Assessor Meetings (Sec. [73.06\(1\)](#), Wis. Stats.) *and* complete the continuing education requirements (CEUs) as established by DOR for the level of recertification sought. Both the Assessor Annual Meeting requirement and the CEUs must be completed during the current five-year certification period in order to be credited toward future recertification. When all education requirements have been met, the certificate holder may file an application for recertification.

DOR Assessor Annual Meeting

The continuing education alternative requires individuals seeking recertification to complete at least four Annual Assessor Meetings by DOR (sec. 73.06(1), Wis. Stats) during each five-year certification period.

Assessors have the option of meeting this recertification requirement by completing the assessor annual meeting on DOR's internet site under assessor training. In order to gain credit for viewing these materials, the assessor must complete the entire program.

Continuing Education Requirements (CEUs)

CEUs were established by DOR for each level of certification. These are in addition to Annual Assessor Meeting requirements. The CEUs for recertification by certification level and subject area are shown below. Instruction approved as meeting CEU requirements are posted online under Assessor Training.

Continuing Education Requirements by Certification Level

(Minimum classroom hours)

Level of Certification	Appraisal	Property Tax Law or Supervisory/ Management	Total Program Hours Required
Assessment Technician	0	0	0
Property Appraiser	20	0	20
Assessor 1	15	15	30
Assessor 2	15	15	30
Assessor 3	3	27	30

When an individual is certified at multiple levels, coursework may be applied to meet CEUs at each level. For example, if an individual certified as both an Assessor 3 and Assessor 2 attends a course approved for three hours of continuing education in the area of appraisal, those three hours can be applied to meet both the Assessor 3 and Assessor 2 CEUs.

To receive continuing education hours for non-credit classroom instruction, the program must be approved by DOR prior to attendance. The Committee on Continuing Assessor Education is responsible for reviewing and approving materials submitted by course sponsors for continuing education hours. A course will not be approved unless it includes a minimum of 2.5 hours of instruction. In addition, proposed courses are evaluated to determine whether the subject area of the program is appropriately categorized as appraisal-related, property tax law, or supervisory/management-related instruction. The Committee also reviews the qualifications of the course instructors and establishes the number of continuing education hours that will be granted for each course. For online courses, the course must include a quiz or test for completion.

Submit requests for course approval to OTAS on the appropriate [state-prescribed form](#) no

later than 60 days prior to the beginning of the program. For certified individuals to receive CEU credit for approved courses, certain restrictions apply:

1. The entire course must be attended and completed during the applicant's current certification period, but not later than two months prior to the expiration date.
2. Coursework begins before an individual is certified cannot be used to meet recertification requirements.
3. An individual can receive CEU credit for a given course only once during any one certification period.
4. During any one recertification period, an instructor may apply continuing education hours toward recertification one time for each different program they instruct.

Credit programs offered by an accredited institution are automatically approved for assessor continuing education credit if the conditions of Administrative Tax Rule 12.065 are met. Tax Rule [12.065](#) defines a credit program as a course applicable toward an associate or higher degree at an accredited institution of higher education.

The course content must fall within the guidelines of "Appraisal," "Property Tax Law" or "Management Instruction" as defined in Administrative Tax Rule [12.065](#). The rule defines Appraisal instruction as those programs consisting of broad-based appraisal knowledge essential to assessors and assessment personnel in performing the appraisal function. It defines Property Tax Law or Management instruction as those programs which consist of assessment administration knowledge which is broad-based and essential to assessors in performing the assessment function.

Applying for Recertification

The online list of approved [Assessor Continuing Education Courses](#) is updated when courses are approved. To receive CEU credit for credit courses, the individual must provide DOR with evidence of satisfactory completion within 30 days of completion of the course. Satisfactory completion means receiving a passing grade for the program. Auditing a credit program does not satisfy the requirement of satisfactory completion.

For each annual meeting called by DOR and approved non-credit program attended, the participant will receive a certificate of attendance. An individual who takes approved credit courses should keep the grade reports. These certificates and reports should be retained for use in completing the [Application for Re-certification of Assessment Personnel](#) (PM-112).

When all education requirements are met, it is the responsibility of the individual to submit an application for renewal along with the recertification fee to DOR, attesting the recertification requirements are met. The educational requirements must be fulfilled and the application submitted to OTAS at least 60 days prior to the certification expiration date.

DOR Oversight of Assessor Practices

Wisconsin assessors are governed by state law and the Wisconsin Property Assessment Manual. State laws related to assessor certification contain provisions intended to ensure the integrity of the certification program by establishing procedures for reviewing assessor practices. The Secretary of Revenue, or any designee, may order corrective action, suspend

or revoke the certification of any assessor, assessment personnel, or expert appraiser for the practice of any fraud or deceit in obtaining certification, or any negligence, incompetence, or misconduct, sec. 73.09 (7), Wis. Stats.

Assessment practices oversight is an administrative process. One aspect of this process begins with a request for review of assessment practices from a property owner. Evidence is gathered from witnesses and records. In any matter that goes forward to a hearing, the evidence is presented, cross-examination is allowed, and the parties make arguments to the hearing examiner, who issues a proposed decision for approval by the Secretary. The burden is on DOR to prove the matter.

Assessor Practice Review Procedure

When a request for review of an assessor's practices is filed with DOR, the issues are analyzed to determine those dealing with state law. Appropriate issues for review include fraud, neglect, and misconduct. Differences in opinions of value are not grounds for assessor review as there is a statutorily mandated valuation appeal process.

The practice review process begins with the property owner contacting DOR. After this initial contact, a letter is sent to the property owner asking if they wish to file a formal Request for Review of Assessor's Practices. If the property owner elects to complete and submit the form, DOR also seeks any additional relevant and supporting documentation.

DOR evaluates the submissions and may send a letter of inquiry to the assessor (and other parties if necessary) with a specific time period allotted for response. Copies of the submissions and correspondence may be provided to the assessor and are subject to open records requests.

DOR is tasked with ensuring assessment practices are performed using professionalism and care. Specifically, assessment practices must include recognized methods and techniques and not commit substantial errors or omissions that significantly impact assessments. Diligence and due care are required to identify and analyze the factors, conditions, data, and other information that have a significant effect on the credibility of the assessment. Examples of due care and diligence include, but are not limited to, the following: routinely auditing data to ensure accuracy, continually updating property characteristics, and collecting data in a prescribed format designed to facilitate both the collecting of data in the field and the entry of data into the computer system.

Delinquent Tax

Individuals with assessor certification are screened at initial issuance, renewal, and periodically to identify individuals with Wisconsin tax delinquencies. If DOR determines an applicant for certification or recertification is liable for delinquent taxes, the application may be denied or certification revoked. Those with delinquent tax liabilities are notified and allowed at least 10 days to pay the amount due. If the delinquent account is not satisfactorily resolved, DOR notifies the certified assessor of the date his or her certification will be revoked. A minimum of 30 days' notice is provided to the certified individual. The notice includes a statement of the facts that warrant the denial or revocation.

When an individual's initial certification or renewal application has been denied or

certification revoked for a delinquent tax liability, the person is entitled to a hearing before DOR. The hearing is limited to the questions of: a) mistaken identity of the credential holder; and b) whether the credential holder has resolved the delinquent tax account for which he or she is liable.

Upon receipt of a Department of Revenue Tax Clearance Certificate, OTAS will reinstate any remaining portion of the person's assessment certification period.

Links and Contacts

The following forms are available on DOR's website:

- [PC-722](#): Application for Assessor Certification Application
- [PC-724](#): Application for Temporary Certification
- [PM-112](#): Application for Recertification of Assessment Personnel

Education and exam information is available on DOR's website under [Assessor Training](#).

Contact information: Wisconsin Department of Revenue
Office of Technical and Assessment Services, M/S 6-97
Assessor Certification
PO Box 8971
Madison, WI 53708-8971

Telephone: (608) 266-7750;
Email:bapdor@wisconsin.gov

Chapter 3

Staffing Recommendations

To help ensure equitable assessments, each municipality should provide the necessary funds to allow for hiring a sufficient number of competent staff to perform the assessments in accordance with the law and accepted appraisal practices. The municipality should allocate funds for the purchase of office supplies and assessment aids.

Budget

In the budget of any unit of government, salaries and benefits are the biggest single outlay of funds in relation to other expenses. This amount varies depending on the staff size and number of professional, technical, and clerical positions.

There is a correlation between compensation received and the quality of work performed. To attract and keep competent staff, competitive salaries are necessary. Salary levels for the part-time assessor, full-time assessor, or the assessor's staff should not be arbitrarily placed in line with salaries of other local officials. The assessment salaries should reflect the responsibilities, education, certification, and experience requirements of the position, and should be in line with similar positions in private and other governmental agencies.

Large municipalities with full-time staff members generally accept this premise; however, this is not always the case in small municipalities. Smaller taxation districts usually require part-time personnel who maintain other means of support and perform the assessment function for only a few months a year. Even so, these individuals are still required to be certified and have knowledge of appraisal theories and techniques. In such municipalities, the part-time assessor is often responsible for all assessment duties in the district (See Figure 3-1 for a comparison). While there are fewer properties to assess, their assessment may be just as difficult as properties in large metropolitan areas, but the salaries paid in relation to the responsibilities are not always in direct proportion. An assessor is expected to accomplish and maintain certain activities and standards, enumerated in sec. [70.05](#), Wis. Stats., regardless of the size of municipality served. These include specific requirements for assessment ratios further discussed in Chapter 10.

The municipality can contribute to the improvement of the overall quality of assessments by allowing assessor input in the budgeting process and by providing for a budget including:

- Adequate funding for the assessor's salary
- Assessor training
- Modern office equipment and supplies
- Support staff as necessary
- Periodic revaluations
- Modernization of appraisal systems
- Public relations relative to the assessment function

The statutory assessor is responsible for completing all assessment activities when operating a single person office. Figure 3-1 provides a table of job activities and identifies the staff member responsible for performing the duties.

Figure 3-1

Assessment Personnel

Job Activities	Position Classification
Typing letters and reports Filing appraisal cards and personal property returns Prepare notices of increased assessment Adding and balancing assessment roll	Clerk Typist
Perform general correspondence for assessor’s office Maintain office records on personal and fiscal matters Schedule meetings with taxpayer groups & other governmental agencies	General Secretary
Process all personal property forms and data Check self-reporting forms for accuracy Assist appraiser in valuation duties Assist in making drawings of buildings Measure and list land and improvements Post maps, plats, and charts Calculate building cost data Collect data on construction costs Verify property descriptions	Assessment Technician
Viewing of all classes of real property for assessment purposes Appraise real property Testify before Board of Review (BOR) on data relative to real property assessments	Real Property Appraiser
Viewing of personal property for assessment purposes Assemble pertinent information on tangible personal property subject to taxation Appraise personal property Testify before BOR on data relative to personal property assessments	Personal Property Appraiser
Serve as statutory assessor for assessment district Sign the assessment roll Determine policy and develop budget figures for the assessment office Respond to appropriate levels of government involved in the property assessment process	Statutory Assessor

Assessor Training

With continuing education requirements in effect as one means of attaining recertification, there is added emphasis on assessor training (refer to Chapter 2 for continuing education requirements). The assessment budget should include funding for periodic training of the assessor and assessment personnel. Training needs may vary depending on the size of the

assessment jurisdiction and the job responsibilities; however, as a minimum, the assessor should receive training in assessment law and administration, basic appraisal theory, and

applications of appraisal theory. Courses and assessment related conferences are offered throughout the year by the various vocational schools in the state, the UW-Extension, the Wisconsin Association of Assessing Officers (WAAO), the Wisconsin League of Municipalities, the International Association of Assessing Officers (IAAO), the Appraisal Institute, and various private organizations and individuals. (Refer to the Appendix for addresses of the vocational schools, IAAO, and Appraisal Institute.)

Public Relations

It is important for adequate funding be provided to promote public information regarding the assessment process. In addition to providing funding for the statutorily required assessment notices and BOR determinations, the budget should provide for annual tax bills and informational booklets such as *Guide for Property Owners*, *Property Assessment Appeal Guide*, *Property Tax Guide for Wisconsin Mobile Home Owners* and the *Agricultural Assessment Guide*.

Office Space and Office Supplies

To effectively perform the assessments, it is imperative the assessor be provided with the necessary records, forms, equipment, supplies, and office space to do the job. While assessors in some smaller municipalities may work from their homes, this may not always be desirable and in many cases is not practical. All of the various assessment records, maps, and other supplies require considerable space, which should be provided, or at least made available to the assessor upon request. As a minimum, the assessor should also be provided with modern office equipment, including a telephone and fax machine, computer, typewriter, calculator, access to a photocopy machine, fireproof filing cabinets, and office furniture. (The supplies and equipment needed will vary depending on the number of assessment personnel and the sophistication of the assessment system).

This presents another element that must be considered by smaller districts: is it essential for each municipality to have its own assessor? In some cases, it may be more practical for several districts to pool their resources to hire a full-time, experienced assessor.

Each municipality must analyze its assessment needs and evaluate the alternatives available. The number one priority of every municipality must be equitable assessments. The means to achieve equitable assessments will be the result of efficient use of labor, supplies, and cost effective assessment procedures. The governing body that understands the assessment needs of its municipality and meets those needs through effective planning will achieve accurate and equitable assessments for many years to come.

Once staffing needs are determined, an analysis must be made of other resources necessary to perform the assessments in the most efficient and equitable manner possible. Based on prior experience, assessment administration texts, and this section, the assessor determines mapping, data processing, capital outlay needs (such as furniture and supplies), and office rents, if applicable, to prepare and justify the annual budget request to the governing body.

Staffing Requirements

The number of assessment personnel required varies from one district to the next. Staffing needs range from a single part-time assessor in small municipalities to an assessment office consisting of supervisors, appraisers, technical, clerical, and other staff in large municipalities. The number of staff required also varies depending on whether a manual or automated assessment system is used, since this affects staff efficiency. Efficiency is dependent on the availability of adequate equipment such as tape measures, maps, soil surveys, historical records, current assessment manuals, calculators, and computers.

In determining the number of positions required to staff an assessment office, the Wisconsin Department of Revenue (DOR) draws on the experience of its own staff, the records of performance by professional appraisal firms, and the experience of city assessment offices and county assessor systems both in and out of state. To arrive at minimum staffing requirements, the individual characteristics of the property to be assessed (full value and number of properties) and the different steps making up the total assessment process are considered.

Manual Assessment Systems

The estimates shown in Figure 3-2, lines 1 and 2, are based upon the use of a manual assessment system with one assessor (who has prior appraisal/assessment experience) handling the assessment process including: listing, pricing, applying appropriate depreciations, valuing improvements by the market, cost, and income methods (where appropriate), valuing vacant and improved land parcels by the market approach, and verification of final assessed values. This would be comparable to a revaluation and would assume the gathering of all new data on property record cards.

For example, assume the following number of improved parcels in a township with a part-time assessor:

Residential	=	91 improved parcels
Commercial	=	6 improved parcels
Agriculture	=	141 improved parcels

The following calculations produce the average “person days” required to complete the project:

91 improved residential parcels/5 appraisals per day (avg.)	=	18.2 person days
6 improved commercial parcels/2 appraisals per day (avg.)	=	3.0 person days
141 improved ag parcels/2 appraisals per day (avg.)	=	<u>70.5 person days</u>
Total	=	91.7 person days

The total of 91.7 or 92 person days indicates it would take an assessor 92 working days to completely reassess the township. Based on this information, an appropriate work schedule could be developed. Built into these figures is time for other routine duties such as taxpayer contact, Open Book, and BOR appearances.

After an adequate set of property record cards are created, the assessor on a year-to-year basis, should be able to field-verify the land and improvement information on the record cards, cost out the improvements, estimate depreciation, make any necessary adjustments, and arrive at a final dollar value at a faster pace (See Figure 3-2, line 2).

Another area to be considered is the assessment of personal property. The assessment of personal property includes discovery, viewing, assembling pertinent valuation information, listing, and valuation. Figure 3-2, line 3 lists the average number of personal property parcels that can be completed in one day.

Figure 3-2

Improved Parcels Per Day, Manual System				
Position	Activity	Residential	Commercial	Agricultural
Assessor	Measure, list, and value	5	2	2
Assessor	Field verification of land and improvement information on property record cards (after adequate set of record cards are created)	10	5	5
Appraiser	Assessment of personal property	-	10	10
Data Collector	List and Measure	15	8	7

To reduce the cost of the assessment process, many larger districts employ data collectors. The data collectors measure and list properties and cost them out to the point of developing replacement costs new. Depreciation, market adjustments, and other valuation data are determined by the assessor who is responsible for the final assessment of each property. The use of data collectors allows the appraisal staff to devote more time to performing field studies, market analyses, assessment/sales ratio studies, and reduces the number of staff appraisers needed. Figure 3-2, line 4 shows the number of parcels that data collectors can list and measure daily.

The number of support staff (in the form of clerk-typists or receptionists) required in an assessment office varies with the duties assigned. In general, however, one support position is required for every five full-time professional positions.

Automated Assessment Systems

Private enterprise has been employing computer-assisted systems and based on that experience, coupled with the experience of various governmental agencies, the following staffing guidelines, and job descriptions are suggested.

Even with an automated assessment system, certain routine management duties remain; therefore, a chief assessor, deputy assessor, and supervising appraisers may be needed, depending on the size of the municipality. The bulk of the workload is completed by field data collectors. They list and measure the number of improved parcels listed in Figure 3-3, line 1.

Figure 3-3

Improved Parcels Per Day, Automated System				
Position	Activity	Town	Village	City
Data Collectors	List and Measure	8	15	15
Appraiser	Field verification of computer generated value estimates	85 to 100 properties per day		

For example, assume a city has 48,000 parcels. The following calculations are required to determine the number of data collectors needed on a full-time (but temporary) basis.

$$48,000 \text{ parcels} / 15 \text{ listings per day} = 3,200 \text{ days}$$

$$3,200 \text{ person days} / 234 \text{ working days (i.e., the average \# of working days per year per employee)} = 13.68 \text{ or } 14 \text{ data collectors}$$

To accomplish this workload, the data collectors may be a mixture of permanent and temporary help, and must be certified at the Assessment Technician level by the Wisconsin DOR.

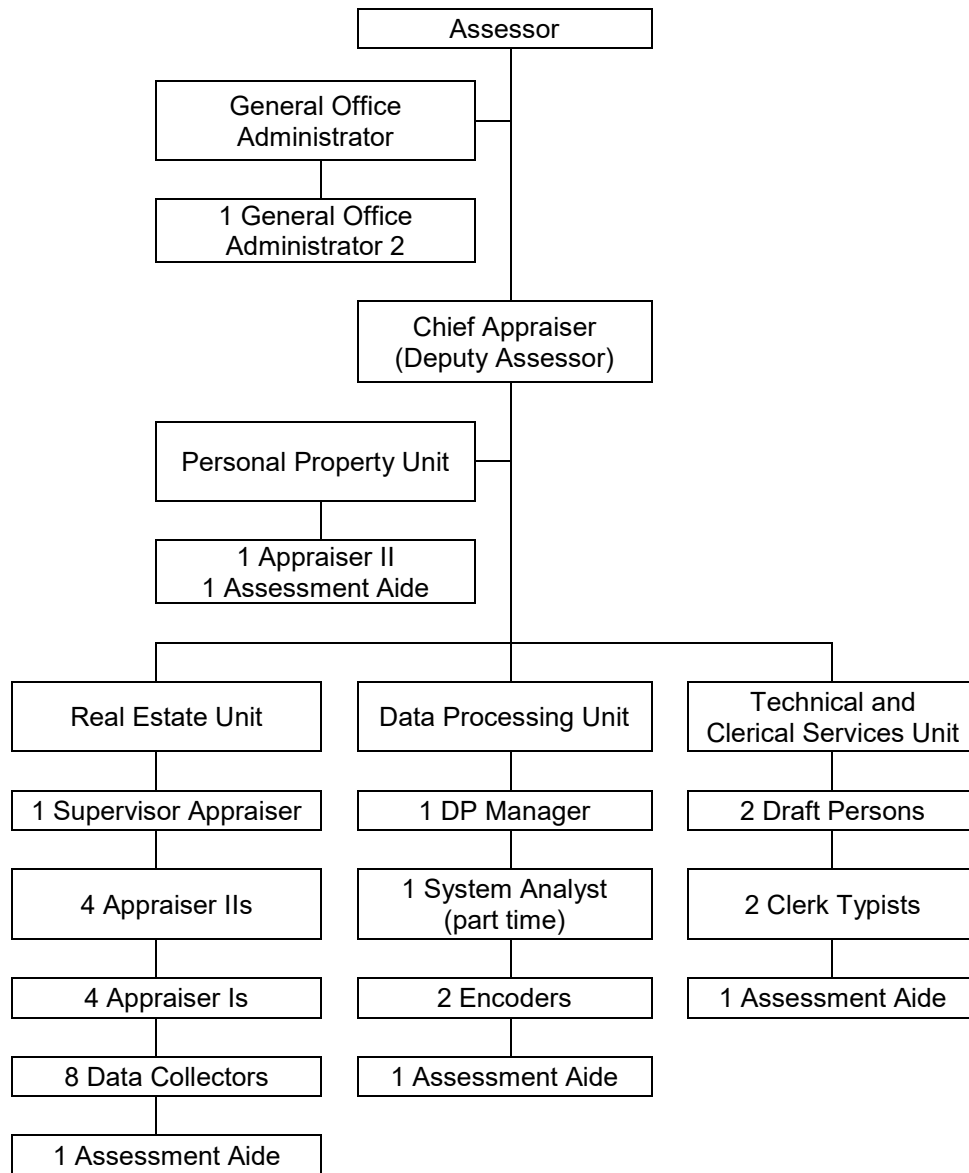
Once the data is listed, it is processed, and value estimates are produced. Once these estimates are received by the appraisal staff, they must be field verified. During this review, market adjustments, cost and design factors, and depreciation estimates may be changed if the values produced do not seem appropriate. (See Figure 3-3, line 2 for the number of properties an appraiser can review per day.) The appraiser would assume other duties such as market analysis, ratio studies, taxpayer contact, and Open Book and BOR appearances when not reviewing values.

After the property record card is completed, it is handled in one of two ways, either by in-house computer facilities or by a private service contractor. Large municipalities generally

have data processing facilities in-house and maintain their own data entry operators, systems analyst, and data processing manager. If a municipality does not have its own computer or finds it impractical to acquire one, it may contract with an outside service bureau or combine with other municipalities to establish a regional facility. By using a service bureau, a municipality is basically renting time and space on the computer and pays only for time used. If problems arise that require a systems analyst, additional charges may result. Staff size varies depending on whether the municipality has its own computer or purchases computer time from another agency.

As previously discussed, the size and organization of an assessment office varies among municipalities, based on the size of the municipality, type of parcels being appraised, and whether or not data processing is used. Figure 3-4 is a typical organizational chart for a large municipality employing automation in the appraisal process. The numbers of assessment positions shown on the chart are based on a city with approximately 105,000 parcels. While the number of positions required varies from municipality to municipality, the basic organization remains the same, and can therefore, be used as a guide.

Figure 3-4



Position Descriptions

The following example position descriptions are meant to help define different types of work performed, knowledge, experience, and level of certification for various activities in one person or multi-staff offices. Since each municipality's property makeup, resources, and needs differ, the actual job description should be tailored to those specific needs.

Position: Statutory Assessor (One Person Office)

Nature of Work

This is technical and professional work in the appraisal of real and personal property for taxation purposes. The work involves complete responsibility for the discovery, listing, and valuation of all real and personal property.

Statutory assessor's duties include, but are not limited to, the following:

1. perform all field activities;
2. plan all work programs;
3. make all cost studies of current construction costs as evidenced by new construction;
4. interview appropriate individuals to discover the current value of taxable personal property;
5. determine the tax exempt status of property;
6. conduct sales analyses and dispersion studies;
7. view properties and analyze structural and locational value-determining factors;
8. make adjustments on assessments as indicated by market factors;
9. value all taxable residential, commercial properties;
10. prepare and deliver the forms required by the DOR;
11. sign the assessment roll;
12. send Notices of Changed Assessment;
13. provide instructional materials;
14. attend the Open Book;
15. attend the BOR and present evidence to support value estimates;
16. take corrective action when necessary.

Desirable Knowledge, Abilities, and Skills

This position requires knowledge of the principles, methods, and techniques of real and personal property valuation; thorough knowledge of laws, court decisions, rules and regulations governing personal and real property assessments for taxation purposes; working knowledge of construction costs, index numbers, and conversion factors applicable to both real and personal property; ability to deal courteously and tactfully with the property owners, and to enforce tax laws with firmness; ability to analyze data, maintain permanent records, prepare comprehensive reports and to testify and support assessments before the BOR; and ability to communicate clearly and concisely, orally and in writing. Experience in or general knowledge of computer science and statistics is desirable.

Desirable Experience and Training

This position requires extensive experience in the appraisal of personal and real property, including residential, and commercial property for taxation purposes, and the ability to analyze sales data and establish unit values. Successful completion of courses in real estate, property appraisal or other related fields offered by technical schools or organizations, such as the Wisconsin Association of Assessing Officers (WAAO), International Association of Assessing Officers (IAAO), the Appraisal Institute, American Society of Farm Managers and Rural Appraisers, are examples of desirable training. Graduation from college or technical school with a degree in real estate, economics, public administration, or a related field is desired, but not required.

DOR-Required Certification

Assessor 1 or Assessor 2 level of certification is required, depending on the complexity of the assessment work.

Position: Statutory Assessor (Multi-Staff Office)

Nature of Work

This is administrative and professional work in supervising the appraisal of real and personal property for tax purposes and in the direction of related activities of the Assessor's Office. The work involves complete responsibility for assessing all real and personal property and the preparation of the assessment roll. Much of the detailed responsibility of this work is delegated to assistants and the Assessor is primarily concerned with the establishment and review of techniques used in performing the assessments and the review and analysis of taxpayer complaints of inequities.

The statutory assessor's duties in a multi-staff office also includes, but are not limited to the following:

1. plans, organizes, directs, and reviews the work of real and personal property appraisers and other employees engaged in making and recording assessments, and preparing assessment rolls;
2. views property and analyzes structural and locational value-determining factors, and establishes property values for assessing purposes;
3. confers with and advises employees regarding work methods and procedures and personally handles unusual and complex cases;
4. signs the assessment roll;
5. interviews the public, receives and adjusts complaints involving assessments and other matters arising in the work;
6. makes recommendations regarding adjustments to the assessments in all tax cases resulting in litigation;
7. perform other duties as required.

Desirable Knowledge, Abilities, and Skills

This position requires knowledge of the principles, methods, and techniques of real and personal property valuation; thorough knowledge of laws, court decisions, rules and regulations governing personal and real property assessments for taxation purposes; knowledge of office methods, procedures and equipment; ability to analyze factors which tend to influence the value of property and to exercise sound and objective judgment in the determination of equitable property values; and ability to establish and maintain effective public relationships.

Desirable Experience and Training

This position requires extensive experience in the appraisal of personal and real property, including residential, agricultural, and commercial property for taxation purposes, including experience in an administrative capacity. Successful completion of courses in real estate, property appraisal or other related fields offered by technical schools or organizations such as WAAO, IAAO, or the Appraisal Institute are examples of desirable training. Graduation from an accredited college or university with completion of courses in real estate, public finance, economics, property assessing, or public administration is desirable, but is not required.

DOR Required Certification

Assessor 2 level of certification is required. Assessor 3 level of certification is recommended.

Position: Chief Appraiser

(Deputy Assessor, Supervising Assessor, Assistant Assessor)

Nature of Work

This is technical and supervisory work, performed primarily in the office, in regard to the appraisal of real estate and tangible personal property. The duties of the Chief Appraiser include, but are not limited to, the following:

1. plans and directs work of the valuation staff and evaluates performance; recommends the hiring of new valuation personnel;
2. is responsible for assigning, orienting, training, and supervising such personnel;
3. evaluates individual performance;
4. directs the staff in making cost studies of current construction costs;
5. supervises the preparation of sales analyses and dispersion studies;
6. recommends, develops, interprets, and implements the assessor's policies, operating practices, standards and procedures, and evaluates results;
7. provides technical assistance and advice on complex or unusual property valuation problems;
8. represents the assessor at meetings, speaking engagements, and in contact with the public, taxpayer associations, and real estate or business groups;
9. directs preparation of assessment appeal cases and production statistics.

Areas of Responsibility

This position has broad supervisory responsibilities over the technical, clerical, and data processing service units while maintaining direct supervision over the real estate and personal property units. This person would assist in developing policies, planning long-term programs, making difficult administrative decisions, perform related work as required, and would assume the duties of the assessor in the event of the assessor's inability to act through absence, incapacity, resignation, or otherwise.

Desirable Knowledge, Abilities, and Skills

This position requires knowledge of the principles and practices pertaining to the valuation of property, Wisconsin property tax laws, court decisions, rules and regulations; working knowledge of construction costs, index numbers, and conversion factors applicable to both real and personal property; ability to plan, assign, and direct the activities of a professional staff engaged in assessment activities; ability to communicate verbal and written ideas clearly and logically and to speak effectively before groups; ability to meet and deal tactfully with property owners, the public, and public officials; thorough knowledge of principles and techniques in training and supervising personnel.

Desirable Experience and Training

The individual should have experience in estimating building and construction costs, the physical characteristics of improvements, and the methods and techniques used in valuing real and personal property. The individual should also have the ability to analyze sales data and establish unit values for the assessment of residential and commercial land. Successful completion of courses in real estate, property appraisal or other related fields offered by technical schools or organizations, such as WAAO, IAAO, or the Appraisal Institute, are examples of desirable training. Graduation from college with a degree in real estate, economics, public administration, or a related field is desired, but not required.

DOR Required Certification

Assessor 2 level of certification is required. Assessor 3 is recommended.

Position: Appraiser II

Nature of Work

This is the highest professional level in the appraisal series. Under general direction, this individual makes market value appraisals of difficult and complex multi-residential, commercial, recreational, and institutional real property, utilizing the market, cost, and income approaches to arrive at a total value including land, improvements, and personal property. This position also performs statistical and special studies and prepares written reports on appraisal problems; collects and analyzes data on building costs, interest, capitalization, rental rates, and operating costs. The Appraiser II may perform all the duties of an Appraiser I or assist in the performance of the duties of the Statutory Assessor or Chief Appraiser.

Areas of Responsibility

This position is responsible for appraisal of complex properties such as major hotels and office buildings, department stores, shopping centers, banks, and insurance companies; assisting in training and supervising Appraiser I and Assessment Aides; preparing assessment appeals cases and testifying as to market value before the BOR or Circuit Court; meeting with representatives of governmental agencies on matters of zoning, building ordinances, sanitation, easements, engineering requirements, geological conditions, and other conditions which affect the market value of property; providing technical advice to an appraisal crew in analyzing interest rates, incomes, and operating expenses; determining rates and allowances for economic and functional depreciation of property, considering age, type, conditions, and trends within the city; assembling, correlating, and analyzing data on cost, income, and sales; representing the assessor at meetings, speaking engagements, and in contact with the public, taxpayer associations, and investment groups.

Essential Knowledge and Abilities

This position requires the ability to make market value appraisals that meet acceptable standards, including land, improvements, and personal property of complex residential income-producing properties, and less complex stores and office buildings; ability to effectively supervise and train Assessment Aides and Appraiser Is; considerable knowledge of property appraisal and assessment principles, practices, and techniques, and Wisconsin property tax laws and rules; knowledge of statistical principles and techniques and ability to analyze statistical data; thorough knowledge of types, methods, and materials used in all types of building construction; knowledge of principles of supervision and training; ability to maintain effective public relations; and the ability to keep accurate records and make reports.

Desirable Experience and Training

This position requires experience in estimating building and construction costs, the methods and techniques used in valuing real property, and the ability to analyze sales data and establish unit values for the assessment of residential and commercial land. Successful completion of courses in real estate, property appraisal, or other related fields offered by technical schools or organizations, such as WAAO, IAAO, or the Appraisal Institute, are examples of desirable training.

DOR Certification

Assessor 1 level of certification is required. Assessor 2 is recommended.

Position: Appraiser I

Nature of Work

This is the professional entry-level position in the appraisal series. Under close supervision, this person is trained to either make market value appraisals of residential properties and less complex commercial real properties utilizing the market, cost, and income approaches; or verify the accuracy of reported data on property statements and to inspect and appraise

personal property including stock, machinery, equipment, supplies, furniture, fixtures, and leasehold improvements. The individual may perform technical work in the office or assist the Appraiser II in valuing more complex properties. Related work is performed as required.

Areas of Responsibility

This individual is trained to appraise residential and less complex commercial real properties; assist in field reviewing and verifying estimated sales prices; measure, plot, diagram, and describe buildings; compute square foot area, and note quality characteristics for property records; interpret legal descriptions, blueprints, and topographical maps; assist in appraising typical properties to develop unit value factors for revaluing a neighborhood; collect sales, building costs and lease, rent, business income, and expense data; explain appraisal and assessment practices to the public; assist in examining accounting records, financial statements, and related documents of commercial business firms and apartment houses to verify the accuracy of reported data; assist in processing property statements by viewing and comparison to prior year statements to determine if all property is reported; assist in preparing assessment appeal cases and testifying as to market value before the BOR.

Essential Knowledge and Abilities

This position requires knowledge of basic principles of business, economics, general concepts of property appraisal, and current trends of assessments. It also requires ability to assemble and analyze data, prepare written reports, maintain records, and make mathematical computations, analyze financial and accounting data, read and interpret deeds, maps, plats, and blueprints; working knowledge of Wisconsin tax law; and ability to develop and maintain effective public relations, speak and write effectively, and establish and maintain cooperative relations with fellow employees.

Desirable Experience and Training

This position requires some experience in estimating building and construction costs, the physical characteristics of the improvements, and the methods and techniques used in valuing real and personal property. Education in appraisal-related fields is recommended.

DOR Required Certification

Property Appraiser level of certification is required. An Assessor level 1 of certification is recommended.

Position: Assessment Aide

Nature of Work

This position performs technical property assessment work in the office and provides support services to the professional and technical staff of the assessor's office. Under supervision, this individual is trained to follow established procedures to accomplish routine technical work related to the appraisal and assessment functions. This individual may be trained to assist

in obtaining information concerning property in the field. Related clerical work is performed as required.

Areas of Responsibility

This individual assists in making drawings of buildings being appraised from blueprints when necessary; assists in performing sales analysis and dispersion studies; assists in drawing plot plans of land parcels on property record cards; records sales information on property record cards; calculates cost appraisals and ratios from appraiser's notes and reports; proofreads and checks mathematical computations on completed appraisal cards; posts appraiser's estimates of value on appropriate summaries and reports; posts forms for data processing input and maintains control of forms and letters; verifies location, size, and parcel numbers of properties from less-difficult legal descriptions; writes less-difficult legal descriptions, assists public in locating property from legal descriptions; assists in processing simple property statements and calculating full cash values using life tables; assists in computing square-foot area, noting property characteristics and calculating replacement cost new of single family dwellings; assists in discovering new and out-of-business personal property accounts.

Desirable Knowledge, Abilities, and Skills

Knowledge of office procedures, general knowledge of principles, practices, and instruments used in drafting, layout design and map interpretation; general knowledge of property descriptions, deeds, and survey data; ability to make mathematical calculations; interest in working with detailed data involving forms and numbers; ability to write and speak with clarity; and ability to deal courteously and tactfully with property owners.

Desirable Training and Experience

Such training as may have been gained through graduation from high school is recommended for this position. Training or experience in real estate would also be helpful.

DOR Required Certification

The Assessment Technician level is required.

Position: General Office Administrator

Nature of Work

This position acts primarily as private and confidential office administrator for the assessor. In addition, it provides support as needed for other units.

Duties

1. Perform all general correspondence for the Assessor's Office, maintaining and keeping a follow-up file of all correspondence and reports requiring an answer;
2. take minutes covering meetings with the Assessor and transcribe them as needed;

3. be able to take dictation of a difficult and technical nature and transcribe letters, directions, reports on legislative matters, speeches, and articles on taxation and assessment practices with speed and accuracy;
4. keep records of all appointments and conferences;
5. help develop and type all charts, tables and reports for the Assessor;
6. type and make copies for the Assessor's Office;
7. maintain all office records on personnel and fiscal matters:
 - a. personnel records - sick leave, vacation, compensatory time and leave without pay; responsible for filling out time cards
 - b. process monthly expense reports
 - c. do all purchasing for Assessor's Office with Assessor's authorization and within budget allowances
 - d. keep a general expenditure ledger, balance it with the auditor, and maintain a control for budget purposes
 - e. assist the Assessor in the development of an annual budget
8. process daily work reports - receive work reports from staff required to file them; and compile daily, weekly, and monthly reports for the Assessor of work completed;
9. pick up mail, open, sort, stamp date received, and route to appropriate personnel;
10. perform other duties as assigned.

Desirable Training and Experience

This position requires such training as may have been gained through graduation from high school and/or vocational school and office experience. Resourcefulness, tact, patience, courtesy, and ability to carry out instructions with a minimum of supervision are also desirable.

Summary

While every taxing district may not require all of the positions previously described, the personnel that are required should meet the qualifications as described for the corresponding position. This is important because similar work must be performed whether the municipality is a small or large one with the same basic requisite knowledge and skills.

Chapter 4

The Assessment Cycle and Dates Governing Assessment

Each year the governing body selects the type of assessment conducted for the current assessment year. While some assessor duties are carried out every year, other duties are dependent on the type of assessment being conducted for the municipality.

Assessments fall into two broad categories: maintenance and revaluation. Maintenance consists of copying the assessment roll from the previous year and updating values to the current level of assessment when changes warrant. Examples of changes include new construction, combining or splitting of parcels, remodeling, demolition, annexation and zoning changes, changes in classification, and any other occurrence that might affect value or the attributes of the parcel. These changes may, or may not, result in a change in value; nonetheless each of these requires the Property Record Card (PRC) to be updated. Reliable valuation depends on reliable data so ongoing maintenance and updating of information is a high-priority responsibility for all assessors.

Sometimes maintenance is not enough to meet the requirements of fair and uniform assessments. At these times, a revaluation is needed. Revaluation refers to assessment of all parcels in the municipality. This is periodically necessary because economic conditions are constantly changing. Some municipalities revalue all properties every year to recognize economic change and make adjustments on an annual basis. The tasks required to accomplish revaluation are dependent on the quality of the PRC data and how well the valuation model replicates market influences. The IAAO [Technical Standards](#) on Mass Appraisal of Real Property offers the following option to gather necessary data for accurate and uniform assessments:

"3.3.5 Alternative to Periodic On-site Inspections

Provided that initial physical inspections are timely completed and that an effective system of building permits or other methods of routinely identifying physical changes is in place, jurisdictions may employ a set of digital imaging technology tools to supplement field re-inspections with a computer-assisted office review. These imaging tools should include the following:

- *Current high-resolution street-view images (at a sub-inch pixel resolution that enables quality grade and physical condition to be verified)*
- *Orthophoto images (minimum 6" pixel resolution in urban/suburban and 12" resolution in rural areas, updated every 2 years in rapid growth areas, or 6–10 years in slow growth areas).*
- *Low level oblique images capable of being used for measurement verification (four cardinal directions, minimum 6-inch pixel resolution in urban/suburban and 12-inch pixel resolution in rural areas, updated every 2 years in rapid growth areas or, 6–10 years in slow growth areas). These tool sets may incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to georeferenced imagery or remote sensing data from sources (such as LiDAR [light detection and ranging]) and identify potential CAMA sketch discrepancies for further investigation.*

Assessment jurisdictions and oversight agencies must ensure that images meet expected quality standards. Standards required for vendor-supplied images should be spelled out in the Request for Proposal (RFP) and contract for services, and images should be checked for compliance with specified requirements. For general guidance on preparing RFPs and contracting for vendor-supplied services, see the Standard on Contracting for Assessment Services [IAAO 2008]. In addition, appraisers should visit assigned areas on an annual basis to observe changes in neighborhood condition, trends, and property characteristics. An on-site physical review is recommended when significant construction changes are detected, a property is sold, or an area is affected by catastrophic damage. Building permits should be regularly monitored and properties that have significant change should be inspected when work is complete."

If the municipality has not conducted a revaluation in the past ten years or so; or if the PRC data is believed to be significantly out-of-date; or when assessment values seem out of sync with the market; the assessor must effectively 'start over'. Revaluation is described in detail in Chapter 6, Revaluation. Other, less extreme situations may arise, such as maintenance is not enough, but the expense of a full revaluation is not justified. Perhaps a full revaluation was conducted in the past five years and PRCs seem largely accurate, yet certain neighborhoods seem to be increasing or decreasing in value faster than others. Or perhaps the PRCs are reasonably reliable, but the governing body wants exterior viewings conducted to ascertain what's happening in various neighborhoods, or for some other compelling reason (for example, the effect of flood damage). Each of these situations requires a different work effort on the part of the assessor.

The assessor should verify and analyze sales as they occur throughout the year. Assessments should be entered into Provide Assessment Data (PAD) as soon as sales are verified. Each sale must be analyzed to determine its suitability for inclusion in market sales analysis (when it meets the criteria of an arm's-length transaction) and in sales/ratio analysis. Criteria for fielding sales are discussed in more detail later in this chapter and in Chapter 10.

Table 4-1 summarizes the types of tasks associated with different levels of revaluation and those tasks associated with annual maintenance. The table is not an exhaustive list of all assessor responsibilities, but serves as a starting point for planning activities for the tax cycle.

Administration of the property tax in Wisconsin requires cooperation between state and local government officials and among the various functional units within a municipality. Coordination is required due to multiple inter-dependent tasks and processes. The assessor must be familiar with the statutes and dates governing the assessment process, as well as the property tax-related roles of various public officials and governmental units. Figure 4-1 in the second half of this chapter outlines the assessment cycle and the time frame for completion of each phase, along with statutory references.

ANNUAL ASSESSOR REQUIREMENTS BY ASSESSMENT TYPE

	Full Revaluations	Exterior Revaluation	Interim Market Update	Annual Review/Maintenance
Appropriate When	PRC outdated or inaccurate, <u>or</u> assessment uniformity is poor, <u>or</u> full revaluation not done in 10 years, <u>or</u> assessment uniformity is poor <u>or</u> reassessment is required per statute 70.75	Most PRC information can be verified by exterior inspection <u>and</u> full revaluation was completed within the past 6-9 years	PRC is deemed reliable <u>and</u> full revaluation completed within past 5 years <u>and</u> assessment level shows unacceptable degree of variance in some neighborhoods or classes	PRC is deemed reliable <u>and</u> revaluation was completed within past 5 years <u>and</u> assessment level during previous assessment year is within acceptable parameters
Real Property Affected	All property	All property	Changes identified in column D PLUS Analysis of problem strata identified from previous assessment year	Annexed properties Change in exemption status Demolitions and fire damage New construction Change in classification Parcels with ongoing construction Change in legal description Change in zoning
Land Study	On-site inspection	On-site inspection	As necessary	As necessary
Inspect Exterior	All buildings	All buildings If no changes, may use digital imaging technology to supplement field re-inspections with a computer-assisted office review	Buildings w/changes	Buildings w/changes
Inspect Interior	All buildings	Buildings with changes	Buildings with changes	Buildings with changes
Building Measurements	Measure all buildings	Measure or verify as needed	Measure or verify as needed	Measure or verify as needed
Photos	All primary buildings	As needed	As needed	As needed
Sketch	All primary buildings	As needed	As needed	As needed
Analyze Neighborhoods, Property Types, and Trends	Required	Required	Required. Results determine whether assessment is full value or aggregate assessment level	Optional
Property Record Card (PRC)	Create new	Update/create new as needed	Update/create new as needed	Update/create new as needed
Review Classifications	Required	Required	Required	Required
Validate Usability of Sales	Required	Required	Required	Required
Verify Sales Attributes (Ch 7 and 9)	Required	Required	Required	Required
Parcels to be Valued	All parcels	All parcels	Parcels with changes	Parcels with changes
Review/Revalue Properties	All parcels	All parcels	Parcels with changes	Parcels with changes
Assessment Level	Full value	Full value	Aggregate assessment level or full value as appropriate	Aggregate assessment
Mail Notice of Change in Asmt	Only if assessment changes	Only if assessment changes	Only if assessment changes	Only if assessment changes
Personal Property Assessment	Required	Required	Required	Required
Add Omitted Property to Roll-70.44	Required	Required	Required	Required
Correct Errors in Roll-70.43	Required	Required	Required	Required
Hold open book / attend BOR (minimum 7 days between open book and BOR-70.47	Required	Required	Required	Required

A change in color across a row indicates a change in the level of task work required compared to the preceding assessment type

Work Procedures for Assessors

Preparation and Preliminary Work (Prior to January 1)

Obtain Assessment Forms

Prior to beginning the assessments, the assessor must obtain the appropriate forms. The forms used in the assessment process are prescribed by DOR and are available from the county. Among the forms that must be acquired are the assessment roll, PRCs, statements of personal property, statements for property subject to occupational taxes, tax exemption reports, Municipal Assessment Report, and assessment notices.

The assessor must also have current copies of Volumes 1 and 2 of the [Wisconsin Property Assessment Manual](#) (WPAM) Series. Copies of the WPAM or the order form are available from the Department of Administration (DOA) and on the DOR website.

Mail Out or Distribute Appropriate Reporting Forms

After obtaining forms, the assessor distributes the statements of personal property, which are to be completed and returned by the taxpayer. The forms should be distributed well in advance of the due date so taxpayers have enough time to properly complete them. Completed forms received by the assessor should be verified for accuracy in content and checked for arithmetic and procedural errors. In cases where the forms are not returned, the assessor should attempt to obtain the data when performing the fieldwork. Any reporting forms, which appear to be questionable, should also be verified in the field.

Acquire Aerial Photos, Soil Surveys, and Other Maps

The assessor needs a complete set of up-to-date maps showing each parcel of property to ensure each is correctly described and property is not omitted from assessment. Aerial photos and soil surveys are also needed for use in classifying and grading agricultural, swamp, and forest lands. Maps are generally available through the county, aerial photos can be obtained through the Agricultural Stabilization and Conservation Service (ASCS) or the State Department of Transportation (DOT), and soil surveys are available from the Soil Conservation Service. For additional sources of maps, refer to the Appendix.

Obtain Real Estate Transfer Returns

Real Estate Transfer Returns (RETRs) are confidential under sec. [77.265](#), Wis. Stats., RETRs are available to the assessor on the Provide Assessment Data (PAD) site.

RETRs are valuable to the assessor for analyzing assessment equity, providing data on market value and economic trends, and for maintaining accurate legal descriptions. They notify the assessor that property has changed hands, indicate the price of the sale, provide a legal description of the property conveyed, and indicate financing terms and conditions.

A review of the legal description contained on the transfer return alerts the assessor to land splits or parcels combined through the sale. Where a parcel's boundaries are changed, it is necessary to prepare a new legal description and to note any changes on the assessment maps and other property records. A new parcel number must also be assigned. The real property lister assigns parcel numbers, and can also be contacted for assistance in preparing legal descriptions.

The assessor must verify the data contained on each transfer return. This is done to determine if the sale is an arm's-length transaction, learn the terms of the sale, determine whether the sale price included personal property, and learn if any other special circumstances affected the sale. Once the sales that are not arm's-length are eliminated, the assessor can utilize the remaining data to perform sales analyses.

Analyze Sales Data and Conduct Sales Ratio Studies

The assessor must stratify and analyze sales by performing assessment/sales ratio studies. This procedure is described in detail in Chapter 10. This is done to determine the assessment level, and to check the equity of the assessments, both within classes (land vs. improvements, new improvements vs. old improvements, etc.), and between classes of property (residential vs. agricultural, etc.). Through analysis of the sales the assessor can determine whether inequities exist in the assessments of certain types of properties and correct any problems found. The assessment level must be determined to ensure new construction is assessed at the same level as other property and there is equity between the assessments of real estate and personal property.

Obtain Copies of Building Permits

To be continually aware of construction and major remodeling activities occurring in the municipality, it is important that the assessor receive copies of all building permits issued. The assessor should inspect each property on which a building permit is issued, and update the records and assessment accordingly. Where construction or remodeling is not completed by the January 1 assessment date, it should be noted on the PRC, and rechecked the next year for additional changes. Records should be kept of all building permits issued, and the information should be posted on the PRCs.

Identify Zoning Changes and Other Land Use Factors

The assessor must be aware of planning, zoning, restrictive covenants, and other controls affecting land use, development, and value. The assessor must maintain a zoning map, and any changes occurring should be noted on the map and on the PRCs. Where sales indicate zoning changes or other planning action such as proposal of a new highway, a freeze on building permits, a sewer moratorium, etc., are affecting property values in a given area, the assessments should be reviewed and adjusted accordingly.

Obtain Market, Cost and Income Data

Sec. [70.32](#), Wis. Stats., requires property be valued from the best information that can be obtained. The assessor should contact realtors to obtain additional information on sales for use in the

market approach, and collect property income and expense data for use in the income approach. Builders and contractors in the area should also be contacted for local construction costs. This data can be used to verify the cost schedules in Volume 2 and determine whether adjustments are warranted in the local modifier.

Formulate a Plan for Viewing Properties

Prior to beginning fieldwork, the assessor should develop a plan for viewing properties. Notification requirements take time to complete. Send the first round of notices approximately one month prior to the desired dates of inspection to ensure adequate time for distribution. When requesting view of a property for purposes of data collection, assessors must provide notice to the property owner. DOR recommends a letter (Request to View Property Notice – Form [PR 300](#)) sent through regular mail and allowing 14 calendar days for a response. In addition, during a revaluation, contact shall be supplemented with a notice in the local paper or a notice included with a recent tax bill. This supplementary contact during revaluation also helps assessors avoid trespass.

If property owners do not respond to the initial contact, an optional next step is to obtain consent or denial to view the property in person. If the property owner is unavailable, leave a door hanger listing contact information. For any remaining unresponsive property owners, send a letter (Request to View Property Notice - [Form PR-300](#)) through certified mail. Allow 14 calendar days to respond. Record denials by maintaining a list.

If property owners remain who have not responded with an affirmative consent or denial to the request to view the property, the following options are available:

- Use the next best information available (see Chapter 9) to establish a supportable valuation
- Use the special inspection warrant (see the Appendix for the warrant template) to gain view if the next best information is insufficient to develop a supportable valuation
- Note the lack of response and opportunity to view the property at the BOR, if applicable
- Right to enter a property may be exercised once per year if the statutory requirements in the section Avoiding Trespass – Chapter 5-10 are met

Field Work (June-April)

Review Agricultural Classification

Because the use of agricultural parcels can change frequently, the assessor must review the classification of these parcels on an annual basis to determine whether land classified as agricultural in the prior year is still being used for agricultural purposes. This task is made easier if the assessor provides all property owners who had land classified as agricultural in the prior year with the Agricultural Use Value Information Request ([Form PR-324](#)). The form

collects information on the use of forest and agricultural lands as of January 1 and requests property owners return the completed form to the assessor's office no later than March 1.

The form is optional for property owners; the assessor cannot penalize the owner for failing to return the form. However, in the absence of a completed form, the assessor may not assume the parcel is no longer agricultural. In these cases, the assessor must verify the parcel is no longer being used for agricultural purposes before changing the classification.

View and Value Real Estate

To maintain equitable assessments, it is essential the assessor maintain current and complete records on every property in the municipality. A property record file (paper or electronic) must be created for each new parcel resulting from land splits, or new construction. Where demolitions or remodeling have occurred, the assessor must update the record cards and assessments. The data collected by the assessor should be sufficient to allow use of all three approaches to value, as deemed appropriate. Once the property has been appraised, there should be final review to ensure that it is relative to similar properties.

Proceed with the standard assessment discovery, listing and valuation processes as described by state law and the WPAM. The following are sources of information the assessor can consider with the best sources listed first:

1. Request a view of the property (see Chapter 5-10 Notification Process)
2. View the property from a public area such as a road
3. Request data from the property owner (e.g., construction contracts, leases, operating expenses, receipts, blueprints, video and/or photographs of the improvements, etc.)
4. Obtain other information, (e.g., sales listing information and building permits)

If these sources of information do not allow the assessor to develop a value, an interior view is required. As an example, if the property has no prior improvement inspection, there is no view of the property from a public area and the property owner has provided no information. With this type of unique situation, the assessor may request a special inspection warrant under [sec. 66.0119, Wis. Stats.](#) This option should be used only when necessary.

Obtaining a special inspection warrant requires three forms:

- An affidavit detailing the facts giving rise to the need for a warrant
- The special inspection warrant. The warrant also advises the homeowner of the lawful basis for the inspection of his home and describe the search's proper limits including identification of the assessor as one with the authority to search.
- Return of Officer

The completed affidavit and warrant should be brought to a local magistrate (i.e., municipal judge or court commissioner). Contact the local clerk of courts to determine hours when a magistrate is available. The local magistrate determines whether or not facts exist to support the issuance of the warrant. If so, the warrant is signed by the magistrate. The assessor and peace officer or sheriff may then execute the search. After completion of the search, the official paper work (endorsement on warrant and return of officer) should be completed and filed by the assessor. Please see the Appendix for sample special inspection warrant forms.

View and Value Personal Property

Sec. [70.34](#), Wis. Stats., provides that “all articles of personal property shall, as far as practicable, be valued by the assessor upon actual view at their true cash value ...” Whenever possible, the assessor should view personal property, even though the owner may submit a statement of personal property. A physical viewing is performed to verify the information reported on the statement, and may disclose additional facts which cannot be found by simply reviewing a personal property statement. In addition, since personal property statements are not required from farmers or other firms or corporations whose personal property is not used for the production of income, it is necessary to visit each such establishment to determine the amount and value of the personal property. The data contained on all of the personal property forms is later transferred to the assessor’s personal property summary worksheet. The assessor should keep a record of all statements of personal property submitted, and where necessary, should follow-up on, or collect any forms which have not been returned in a timely manner.

If physically viewing personal property, the notification (Chapter 5-10) and data collection (Chapter 9-21) provisions for real estate apply to the process and are a recommended practice for personal property.

Office Work

Complete the Assessment Roll (March-April)

After having reviewed the assessments in the field, and making any changes as necessary in the property records and assessments, the assessor completes the assessment roll. For real estate, the class code, acreage, and assessment for each parcel are entered in the real estate section of the assessment roll. The assessments entered in the roll should match those shown on the PRCs. Personal property assessments are entered in the Personal Property section of the assessment roll in alphabetical order.

When completing the assessment roll, the assessor must correct any errors existing from the previous assessment year. Property omitted from assessment in previous years (up to two years) shall also be entered in the assessment roll. The procedure for entering omitted property in the assessment roll is described in the Chapter 7 – Real Property Assessment – General.

After completing the fieldwork, all statements of personal property are arranged in alphabetical order and the assessments are entered on the Personal Property Summary Worksheet booklet.

Once the assessments are completed, the assessor totals each page of the assessment roll and completes the Real Estate Assessment Roll Summary and the Personal Property Assessment Roll Summary.

Send Out Notices of Changed Assessment (April)

Once the assessments have been completed, under state law the assessor is responsible for mailing assessment notices to property owners whose assessments have changed from the previous year's assessment. State law requires the assessor to notify property owners by ordinary mail when the assessment of any taxable real property, or any improvements taxed as personal property changes from the prior year. The notice must be sent at least 15 days before the meeting of the local Board of Review (BOR) or board of assessors. If the municipality conducts a revaluation under sec. 70.05, Wis. Stats., the notice must be sent at least 30 days before the meeting of the BOR or board of assessors. The notice must contain the amount of the changed assessment and the time, date, and place of the meeting of the BOR or board of assessors. Effective January 1, 2020, the assessor is not required to provide notice if land is classified as agricultural land, as defined in sec. [70.32\(2\)\(c\)1g](#), Wis. Stats., for the current year and previous year and the difference between the assessments is \$500 or less. See sec. [70.365](#), Wis. Stats. The state prescribed notice is available on the [DOR website](#).

The assessor must attach the assessor's affidavit (PA-533) to the assessment roll that the notices have been mailed as required under sec. [70.365](#), Wis. Stats.

In addition, the assessor shall send a notice to a property owner who is being assessed for omitted property in any of the 2 previous years or for the correction of an error for the previous year. The notice must be mailed regardless of the amount of increase. In addition to the changed assessment, the notice shall provide information regarding the property owner's appeal rights at the BOR, and the date, time and location of the BOR meeting(s).

Turn Assessment Roll Over to Clerk

(On or Before the 3rd Monday of April, 1st Monday of April for County Assessors)

Complete the assessment roll and provide it to the local clerk on or before the third Monday in April. Before the BOR, the assessor completes and signs the Assessor's Affidavit, attached to the roll. Once the Assessor's Affidavit is signed, the assessor cannot impeach the affidavit, and the assessor's value must be accepted as correct unless the testimony of sworn witnesses proves otherwise.

Attend All Hearings Before the BOR

**(During the 45-day Period Beginning on the 4th Monday of April,
Beginning on the 2nd Monday of April for County Assessors)**

Sec. [70.48](#), Wis. Stats., requires the assessor or the assessor's authorized representative attend all hearings before the BOR, without order or subpoena, and under oath submit to examination and fully disclose to the BOR information concerning the assessment in question. The assessor should be prepared to take all books, papers, records, etc. to the BOR meeting to explain how the assessments were derived. The assessor's role at the BOR meetings is described in Chapter 21.

Complete the Municipal Assessment Report

Assessors must annually file an electronic Municipal Assessment Report to DOR no later than the second Monday of June.

NOTE: For New Assessors

It is recommended new assessors, in the first year of performing assessments, limit themselves to placing new construction on the roll, deleting buildings removed, performing the personal property assessments, and completing the assessment roll and various reports previously discussed. Entering new construction on the assessment roll includes collecting data on each building constructed or remodeled since the previous January 1, completing a PRC, and estimating the value of the building using the same methods and procedures used by the previous assessor, if feasible. Adjustments may be required on those properties the assessor feels are radically out of line; however, attempts to make extensive changes in the first year of assessing may not be the most practical policy.

If a new assessor, after evaluating the existing assessment situation in a municipality, feels there are extensive inequities in the assessments, this fact should be brought to the attention of the local governing body. The Supervisor of Equalization for the district should also be contacted to help determine the best way to remedy the situation. In some cases, a complete revaluation of the municipality may be the only alternative. Chapter 6 discusses revaluation and the various alternatives available to a municipality considering revaluation.

Where it is not feasible to perform a revaluation or otherwise correct extensive inequities during the current assessment year, the new assessor may be hesitant to sign the assessment roll for that year. This is understandable since liability for all assessments rests with the assessor once the roll has been signed. Should the assessor refuse to sign the assessment roll, defense of those assessments then becomes the responsibility of the municipality, as determined by the courts in the case of *Bass v. Fond du Lac County*, 60 Wis. 516, 19 N.W. 526 (1884). For additional information on this, see Chapter 22.

Figure 4-1

Calendar of Events

Property Assessments and Tax Levies

This list of events is not all-inclusive but identifies significant primary deadlines and timeframes

Period or Date	Statutory Reference	Subject	Law or Comment
Prior to January 1	70.01	Calendar year is basis of general property tax	“When so levied such taxes are a lien upon the property against which they are basis of general charged. That lien is superior to all other liens, and is effective as of January 1 in the year when the taxes are levied.”
	70.05(1)	Necessity for assessor by election	“There shall be elected at the spring election one assessor for each taxation district not subject to assessment by a county assessor under s. 70.99 if election of the assessor is provided.”
	70.05(1)	Assessor to be certified	“No person may assume the office of town, village, or city assessor unless certified by the department of revenue ... as qualified to perform the functions of the office of assessor.”
	19.01	Form of oath	State of Wisconsin County of _____ ss. I, the undersigned, who have been elected (or appointed) to the office of _____, but have not yet entered upon the duties thereof, swear (or affirm) that I will support the constitution of the United States and the constitution of the State of Wisconsin and will faithfully discharge the duties of said office to the best of my ability. So help me God _____ (Signature) Subscribed and sworn to before me this _____ day of _____ 20_____ _____ (Signature)
	60.31(1) 60.31(3) 61.21 62.09(4)	When taken	This oath must be taken within five days after appointment in towns and villages or within ten days of appointment in cities. Elected assessors in towns, villages, and cities must take and file the oath within five days of June 1. The clerk of the taxation district is empowered to administer the oath.

Period or Date	Statutory Reference	Subject	Law or Comment
	73.03(2a) 70.32(1) 70.34	Assessors shall use and defer to the WPAM including complying with statutory and administrative rules and procedures.	“To prepare, have published and distribute to each property tax assessor and to others who so request assessment manuals ... [which] discuss and illustrate accepted assessment methods, techniques, and practices with a view to more nearly uniform and more consistent assessments of property at the local level. The manual shall be amended by the department from time to time to reflect advances in the science of assessment, court decisions concerning assessment practices, costs, and statistical and other information deemed valuable to local assessors by the department.”
	70.32(1)	Obtain real property value knowledge	“Real property shall be valued by the assessor in the manner specified in the <i>Wisconsin Property Assessment Manual</i> (WPAM) ...from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefore at private sale.
Prior to January 1	70.34	Obtain personal property knowledge	“personal property shall, as far as practicable, be valued ... at their true cash value ... in the manner specified in WPAM.”
	70.345	Uniformity between real and personal property	“The assessor shall exercise particular care so that personal property as a class on the assessment rolls bears the same relation to statutory value as real property as a class. To assist the assessor in determining the true relationship between real estate and personal property the department of revenue shall make available to local assessors information including figures indicating the relationship between personal property and real property on the last assessment rolls.”
	70.10	When to make assessments	The assessor should begin work as soon as possible after June 1 or completion of the Board of Review, whichever is later, to assess all the real and personal property as of the close of January 1 each year.
(Usually held in November)	73.06(1)	Attend DOR annual assessor meeting	“The Department of Revenue ... shall annually ... at the time which in its judgment is best calculated to obtain the ends sought, call a meeting of all such local assessors for conference and instruction relative to their duties in the valuation and assessment of property.”

Period or Date	Statutory Reference	Subject	Law or Comment
	69.63	Receive sales transfer returns from DOR for posting of assessed values	It shall be the duty of the Department of Revenue to collect from time to time statistics of recorded sales of real estate in each county and of the assessed valuation of the lands included in such sales.”
	77.265	Confidentiality of sales transfer returns	Real Estate Transfer forms are privileged information.
	70.09(3)	Receive tax forms and necessary supplies from DOR and other agencies	<p>“(a) The Department of Revenue shall prescribe basic uniform forms of assessment rolls, tax rolls, tax bills, tax receipts, tax roll settlement sheets and all other forms required for the assessment and collection of general property taxes throughout the state, and shall furnish each county designee a sample of the uniform forms.”</p> <p>“(c) If any county has reason to use forms for assessment and collection of taxes in addition to those prescribed under par. (a), the county real property lister and treasurer jointly may prescribe such additional forms for use in their county, upon approval of the Department of Revenue.”</p> <p>“(d) Each county designee who requires the forms prescribed in pars. (a) and (c) shall procure them at county expense and shall furnish such forms to the assessors, clerks and treasurers of the taxation districts within the county, as needed in the discharge of their duties.”</p>
February 1	70.40 70.42(2) 70.421(2)	Deadline for submitting occupational tax forms to Manufacturing & Utility Bureau	From: Iron Ore Concentrations Coal dock operators Crude oil refinery operators
Prior to February 15	70.995(6)	DOR notifies local assessor of property assessed as manufacturing	“Prior to February 15 of each year the department of revenue shall notify each municipal assessor of the manufacturing property within the taxation district that will be assessed by the department during the current assessment year.”
January-April	70.32(2)	Assessor enters values in assessment roll	“The assessor having fixed a value, shall enter the same opposite the proper tract or lot in the assessment roll, following the instruction prescribed therein.”

Period or Date	Statutory Reference	Subject	Law or Comment
	70.30	Assessor enters value in the personal property assessment roll	“Every assessor shall ascertain and set down in separate columns prepared for that purpose on the assessment roll and opposite to the names of all persons assessed for personal property the number and value of the following named items of personal property assessed to such person, which shall constitute the assessed valuation of the several items of property therein described ...”
	70.43(2) 70.43(4)	Assessor makes corrections for errors of preceding year	“If the assessor discovers a palpable error in the assessment of a tract of real estate or an item of personal property that results in the tract or property having an inaccurate assessment for the preceding year, the assessor shall correct that error by adding to or subtracting from the assessment for the preceding year. The result shall be the true assessed value of the property for the preceding year. The assessor shall make a marginal note of the correction on that year’s assessment roll. As soon as practicable, the assessor shall provide written notice of the correction to the person assessed. That notice shall include information regarding that person’s appeal rights to the board of review.”
	70.44(1) 70.44(3)	Assessor values property omitted in 2 most recent years and corrects roll	“Real or personal property omitted from assessment in any of the 2 next previous years unless previously reassessed for the same year or years, shall be entered once additionally for each previous year of such omission, designating each such additional entry as omitted for the year of omission and affixing a just valuation to each entry for a former year as the same should then have been assessed according to the assessor’s best judgment, and taxes shall be apportioned, using the net tax rate as provided in s. 70.43 , and collected on the tax roll for such entry. As soon as practicable, the assessor shall provide written notice concerning ... that person’s appeal rights to the board of review to the owner of the property.”
	70.32(2) 70.09(3)	Keep assessment records as work progresses	In other parts of this manual are shown accepted assessment methods, records, and record systems, etc. which are essential to a good assessment and an adequate defense.
January-April	70.35(1) 70.35(2)	Assessor distributes personal property returns	“In the alternative the assessor may require such person, firm or corporation to submit a return of such personal property and of the taxable value thereof. There shall be annexed ... the declaration of such person or of the

Period or Date	Statutory Reference	Subject	Law or Comment
			managing agent or officer of such firm or corporation that the statements therein contained are true.”
			“The return shall be made and all the information therein requested given by such person department of revenue which shall provide suitable schedules for such information bearing on value as the department deems necessary to enable the assessors to determine the true cash value of the taxable personal property that is owned or in the possession of such person on January 1 as provided in s. 70.10 .”
March 1	70.35(3)	Deadline for filing personal property returns with the assessor	“Each return shall be filed with the assessor on or before March 1 of the year in which the assessment provided by s. 70.10 is made. The assessor, for good cause, may allow a reasonable extension of time for filing such return. All returns filed under this section shall be the confidential records of the assessor’s office, except that the returns shall be available for use before the board of review as provided in this chapter. No return required under this section is controlling on the assessor in any respect in the assessment of any property.”
	70.995(12)(a) 70.995(12)(b)	Manufacturers Property forms	“The Department ... on or before March 1. allow an extension to April 1.”
	70.365	Mail notices of changed real property assessments	"When the assessor assesses any taxable real property, or any improvements taxed as personal property under s. 77.84 (1) , and arrives at a different total than the assessment of it for the previous year, the assessor shall notify the person assessed if the address of the person is known to the assessor, otherwise the occupant of the property. However, the assessor is not required to provide notice under this section if land is classified as agricultural land, as defined in s. 70.32 (2) (c) 1g. , for the current year and previous year and the difference between the assessments is \$500 or less. If the assessor determines that land assessed under s. 70.32 (2r) for the previous year is no longer eligible to be assessed under s. 70.32 (2r) , and the current classification under s. 70.32 (2) (a) is not undeveloped, agricultural forest, productive forest land, or other, the assessor shall notify the person assessed if the assessor knows the person's address, or otherwise the occupant of the property, that the person assessed may be

Period or Date	Statutory Reference	Subject	Law or Comment
			<p>subject to a conversion charge under s. 74.485. Any notice issued under this section shall be in writing and shall be sent by ordinary mail at least 15 days before the meeting of the board of review or before the meeting of the board of assessors in 1st class cities and in 2nd class cities that have a board of assessors under s. 70.075, except that, in any year in which the taxation district conducts a revaluation under s. 70.05, the notice shall be sent at least 30 days before the meeting of the board of review or board of assessors. The notice shall contain the amount of the changed assessment and the time, date, and place of the meeting of the local board of review or of the board of assessors. However, if the assessment roll is not complete, the notice shall be sent by ordinary mail at least 15 days prior to the date to which the board of review or board of assessors has adjourned, except that, in any year in which the taxation district conducts a revaluation under s. 70.05, the notice shall be sent at least 30 days prior to the date to which the board of review or board of assessors has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed and failure to receive the notice shall not affect the validity of the changed assessment, the resulting changed tax, the procedures of the board of review or of the board of assessors or the enforcement of delinquent taxes by statutory means. After the person assessed or the occupant of the property receives notice under this section, if the assessor changes the assessment as a result of the examination of the rolls as provided in s. 70.45 and the person assessed waives, in writing and on a form prescribed or approved by the department of revenue, the person's right to the notice of the changed assessment under this section, no additional notice is required under this section. The secretary of revenue shall prescribe the form of the notice required under this section. The form shall include information notifying the taxpayer of the procedures to be used to object to the assessment. The form shall also indicate whether the person assessed may be subject to a conversion charge under s. 74.485."</p>

Period of Date	Statutory Reference	Subject	Law or Comment
First Monday in April	70.10	Assessment is to be completed	“Except in cities of the 1 st class and 2 nd class cities that have a board of assessors under s. 70.075 , the assessment shall be finally completed before the first Monday in April.”
	70.50	County assessor delivers assessment rolls to municipal clerks	“On or before the first Monday in April, a county assessor under s. 70.99 shall deliver the completed assessment roll and all sworn statements and valuations of personal property to clerks of the towns, cities & villages in the county who shall file and preserve them in the clerk’s office.”
Second Monday of April	70.47(3)(a)	County Board of Review	“With respect to the assessment rolls of taxing districts prepared by a county assessor, the board of review as constituted under s. 70.99(10) shall schedule meetings in each taxing district on specific dates beginning with the 2 nd Monday of April.”
April, May, June	70.995(8)(b)	Notification of full value manufacturing assessments to owners and to respective municipalities	“The Department of Revenue shall annually notify each manufacturer assessed under this section and the municipality in which the manufacturing property is located of the full value of all real and personal property owned by the manufacturer.”
April and on-going	70.45	Delivery of assessment roll to clerk for open examination	“When the assessment rolls have been completed in cities of the 1 st class, they shall be delivered to the commissioner of assessments, in all other cities to the city clerk, in villages to the village clerk and in towns to the town clerk. These officials shall have published a class 1 notice, if applicable, or posted notice under Chapter 985, in anticipation of the roll delivery as provided in Sec. 70.50 , that on certain days, therein named, the assessment rolls will be open for examination by the taxable inhabitants, which notice may assign a day or days for each ward, where there are separate assessment rolls for wards, for the inspection of rolls. On examination, the commissioner of assessments, assessor or assessors may make changes that are necessary to perfect the assessment roll or rolls, and after the corrections are made the roll or rolls shall be submitted by the commissioner of assessments or clerk of the municipality to the board of review.”
May, June, July, August	70.995(8)(c) 70.995(8)(d)	Objection to manufacturing valuation must be filed with State Board of	“All objections to the amount, valuation, taxability...” “A municipality may file an objection with the state board of assessors to the amount, valuation, or taxability under this section or to the change from assessment

Period or Date	Statutory Reference	Subject	Law or Comment
		Assessors (BOA) with-in 60 days of issuance of assessment	under this section ... of a specific property having a situs in the municipality, whether or not the owner of the specific property in question has filed an objection. Objection shall be made on a form prescribed by the department and filed with the board within 60 days of the date of the issuance of the assessment in question.”
On or before first Monday of May	70.50	Delivery of assessment roll to clerk	“Except in counties that have a county assessment system under s. 70.99 and in cities of the 1 st class and in 2 nd class cities that have a board of assessors under s. 70.075 the assessor shall, on or before the first Monday in May, deliver the completed assessment roll and all sworn statements and valuations of personal property to the clerk of the town, city or village, who shall file and preserve them in the clerk’s office.”
April and on going	70.52	Clerk examines roll and makes necessary corrections	“Upon receiving assessment roll the said clerk shall carefully examine it. The clerk shall correct all double assessments, imperfect descriptions and other errors apparent upon the face of the roll, and strike off all parcels of real property not liable to taxation. The clerk shall add to the roll any parcel of real or personal property omitted by the assessors and immediately notify them thereof; and such assessors shall forthwith view and value the same and certify such valuation to said clerk, who shall enter it upon the roll, and such valuation shall be final. To enable such clerk to properly correct defective descriptions the clerk may request aid when necessary, from the county surveyor, whose fees for the services rendered shall be paid by the town, city or village.”
	70.49(1)	Assessor signs affidavit in assessment roll	“The assessors shall annex to the completed assessment roll, before the meeting of the board of review, their affidavits, to be made and certified substantially in the following form: STATE _____ OF _____ WISCONSIN, _____ County, ss. I, _____ the assessor for the _____ of _____ in said county, do solemnly swear that the annexed assessment roll contains, according to my best information and belief, a complete list of all real and personal property liable for assessment for the present year and that the valuations of real and personal property for the present year in said district, have been

Period or Date	Statutory Reference	Subject	Law or Comment
			<p>made with the best information available using professionally accepted appraisal practices. I swear that I have performed, without prejudice, all the duties of the office of assessor with respect to such assessment roll. Notices of changed assessment as required by Section 70.365, Wis. Stats., were deposited in the U.S. mail on _____.</p> <p>I also do solemnly swear that I am certified by the Wisconsin Department of Revenue under Section 73.09 Wis. Stats., to perform the duties of assessor. Subscribed and sworn to before me this _____ day of _____, 20 ____</p>
			<p>_____ Assessor's Signature"</p>
April	70.365	<p>Assessor attaches statement regarding notices of changed assessment</p>	<p>"The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed..."</p>
<p>During the 45-day period beginning the Fourth Monday of April</p>	70.47(1)	<p>BOR: time and place of meeting</p>	<p>"The board of review shall meet annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45. In towns and villages the board shall meet at the town or village hall or some place designated by the town or village board. If there is no such hall, it shall meet at the clerk's office, or in towns at the place where the last annual town meeting was held. In cities the board shall meet at the council chamber or some place designated by the council and in cities of the first class in some place designated by the commissioner of assessments of such cities."</p>

Period or Date	Statutory Reference	Subject	Law or Comment
	70.47(3)	BOR receives assessment roll at first session	<p>Shall receive the assessment roll and sworn statements from the clerk.</p> <p>Shall be in session at least 2 hours for taxpayers to appear and examine the assessment roll and other assessment data.</p> <p>If the assessment roll is not completed at the time of the first meeting, the board shall adjourn for the time necessary to complete the roll, and shall post a written notice on the outer door of the place of meeting stating the time to which the meeting is adjourned.</p>
	70.47(3)(ag)	Assessor attends first session of BOR	The assessor shall be present at the first meeting of the board or review.
	70.48	Assessor to attend BOR to offer sworn oral testimony	“The assessor or the assessor’s authorized representative shall attend without order or subpoena all hearings before the Board of Review and under oath submit to examination and fully disclose to the board such information as the assessor may have touching the assessment and any other matters pertinent to the inquiry being made.”
May	70.48	Clerk to make corrections ordered by BOR	“The clerk shall make all corrections to the assessment roll ordered by the Board of Review, including all changes in the valuation of real property. When any valuation of real property is changed the clerk shall enter the valuation fixed by the board in red ink in the proper class above the figures of the assessor, and the figures of the assessor shall be crossed out with red ink. The clerk shall also enter upon the assessment roll, in the proper place, the names of all persons found liable to taxation on personal property by the board of review, setting opposite such names respectively the aggregate valuation of such property as determined by the assessor, after deducting exemptions and making such corrections as the board has ordered. All changes in valuation of personal property made by the Board of Review shall be made in the same manner as changes in real estate.”
May	70.47(12)	BOR sends notice of decision; clerk prepares affidavit of mailing	“Prior to final adjournment, the board of review shall provide the objector ... by personal delivery or notice by mail, return receipt required, of the amount of the assessment as finalized by the Board and an explanation of appeal rights and procedures... Upon delivering or mailing the

Period or Date	Statutory Reference	Subject	Law or Comment
			notice under this subsection, the clerk of the board of review shall prepare an affidavit specifying the date when that notice was delivered or mailed.”
	70.53	Clerk prepares aggregate statement of assessments	<p>“Upon the correction of the assessment roll as provided in s. 70.52, the clerks shall prepare and, on or before the 2nd Monday in June, transmit to the Department of Revenue a detailed statement of the aggregate of each of the several items of taxable property specified in sec. 70.30, Wis. Stats. a detailed statement of each of the several classes of taxable real estate, entering land and improvements separately, as prescribed in sec. 70.32(2), the aggregate of all taxable property by elementary and high school district and by vocational, technical and adult education district, and a detailed statement of the aggregate of each of the several items of exempt real property as specified by the department of revenue, entering land and improvements separately, and shall make available to the department of revenue at its request a copy of the corrected assessment roll from which the detailed statement is prepared. Failure to comply subjects the taxation district to the penalty provisions under sec. 73.03(6).</p> <p>The Department of Revenue shall review and correct the statement. Every county clerk shall, at the expense of the county, annually procure and furnish to each town, city and village clerk blanks for such statements, the form of which shall be prescribed by the Department of Revenue.”</p>
	70.65	Clerk transcribes listings and valuations into tax rolls	<p>“Annually the clerk of the taxation district shall prepare a tax roll. The clerk shall begin preparation of the tax roll at a time sufficient to permit timely delivery of the tax roll under s.74.03. The format of the tax roll shall be prescribed by the Department of Revenue under sec. 70.09(3).”</p>
After BOR	70.73(1m)	Discovery of palpable errors after BOR has adjourned	<p>If a town, village or city clerk or treasurer discovers a palpable error, as described under sec. 74.33(1), Wis. Stats., in the assessment roll after the board of review has adjourned for the year under sec. 70.47(4), Wis. Stats., the clerk or treasurer shall correct the assessment roll before calculating the property taxes that are due on the property related to the error and notify the DOR of the correction under sec. 74.41, Wis. Stats.</p>

Period or Date	Statutory Reference	Subject	Law or Comment
Second Monday of June	73.03(5)	Send reports to DOR	Municipal Assessment Report * (if Report can't be finished by June, an estimated report should be submitted.)
Second Monday of June	66.1105(6)(a)	Clerk & Assessor submits TID Report	"The department of revenue may authorize allocation of tax increments only if the city clerk and assessor annually submit to the department all required information on or before the second Monday in June..."
August 1	70.57(1b)	DOR publishes preliminary equalized value	"On or before August 1 of each year, the department of revenue shall publish on its Internet site for each county and taxation district a preliminary determination of its equalized value, tax incremental finance district values as provided under s. 66.1105(5) (g) and (6) , and net new construction value as provided under ss. 66.0602 and 79.05 ..."
August 15	70.57(1)	Determination of full values of each county, city, village, and town of the state by DOR	"The department of revenue before August 15 of each year shall complete the valuation of the property of each county and taxation districts of the state. From all the sources of information accessible to it the department shall determine and assess by class the value of all property subject to general property taxation in each county and taxation district. It shall set down a list of all the counties and taxation districts, and opposite to the name of each county and taxation district, the valuation determined by the department, which shall be the full value according to its best judgment. There shall also be prepared a list of all the counties of the state, with opposite the name of each county the valuation determined, which shall be certified by the secretary of revenue as the assessment of the counties of the state made by the department, and be delivered to the department of administration.

Period or Date	Statutory Reference	Subject	Law or Comment
August 15	70.57(1m)	DOR notifies each county and taxation district of its equalized value	“On August 15 the department of revenue shall notify each county and taxation district of its equalized value. The department of revenue shall make available to each taxation district a list of sales within the taxation district and shall indicate whether or not those sales were used or rejected in establishing equalized value. If insufficient residential and agricultural sales in a equalized taxation district require the department to use sales from other taxation districts in establishing value the department shall so notify the affected taxation district and, upon written request from that taxation district, shall make available to the taxation district the sales information from other taxation districts and other information used to establish the equalized value. Upon resolution by the governing body of a county or taxation district, the department shall review the equalized value established for the county or taxation district.”
	70.575	Full value state assessment by DOR	“The department, not later than August 15 in each year, shall total the assessments of counties made by the department of revenue under section 70.57 , and the total shall be known as the state assessment and shall be the full market value of all general property of the state liable to state, county and local taxes in the then present year. The department shall enter upon its records such state assessment.”
On or before 4th Monday in August	70.60(1)	Department of Administration (DOA) apportions state tax to counties	The department of administration shall compute the state tax chargeable against each county basing such computation upon the valuation of the taxable property of the county as determined by the department of revenue pursuant to s. 70.57 . On or before the 4 th Monday of August in each year the department of administration shall certify to the county clerk of each county the amount of the taxes apportioned to and levied upon the county, and all special charges which the county clerk is required by law to make in any year to any such county to be collected with the state tax. The county clerk shall then charge to each county the whole amount of such taxes and charges, and the same shall be paid into the state treasury as provided by law.”

Period or Date	Statutory Reference	Subject	Law or Comment
15 days prior to annual county board meeting	73.06(5)	DOR makes separate report to county board of property value in each taxation district	"The department of revenue through its supervisor of equalization shall make a report to the county board of each county showing in detail the work of local assessors in their several districts, the failure, if any, of such assessors to comply with the law, the relative assessed and full value of property in each taxation district, and all information and statistics that may be obtained. Such report shall be filed with the county clerk at least 15 days before the annual meeting of the county board."
Annual county board meeting	70.62(1)	Determination of county tax to be levied for the year	"The county board shall also, at such meeting, determine by resolution the amount of taxes to be levied in their county for the year
10 days after county board meeting	70.63(1)	Apportionment of county and state taxes to towns, villages, and cities within the county	"The county clerk shall apportion the county tax, and the whole amount of state taxes and charges levied upon the county, as certified by the department of administration, among the towns, cities and villages of the county, according and in proportion to the valuation thereof as determined by the Department of Revenue. The county clerk shall carry out in the record book opposite the name of each in separate columns, the amount of state taxes and charges and the amount of county taxes so apportioned thereto, and the amount of all other special taxes or charges apportioned or ordered, or which the county clerk is required by law to make in any year to any town, city or village, to be collected with the annual taxes. The clerk shall certify to the clerk of, and charge to each town, city and village, except in cities of the 1st class, the amount of all such taxes so apportioned to and levied upon it, and shall, at the same time, file with the county treasurer a certified copy of the apportionment."
On or Before October 15	70.64(3)	Equalized Value appeals from county or taxation district	"To accomplish an appeal there shall be filed with the tax appeals commission on or before October 15 an appeal in writing setting forth: (a) That the county or taxation district, naming the same, appeals to the tax appeals commission from the assessment made by the department of revenue under sec. 70.57 , Wis. Stats. specifying the date of such assessment. (b) Whether the appeal is to obtain a review and redetermination of the assessment of all the taxation districts of the county or of particular districts only, therein specified. (c) Whether review and redetermination is

Period or Date	Statutory Reference	Subject	Law or Comment
October and November	70.56(1)	Lost assessment roll and new assessment	<p>desired as to real estate, or personal property, or both. (d) That the appeal has been authorized by an order or resolution of the county board or governing body of the taxation district in whose behalf the appeal is taken. (e) A plain and concise statement, without unnecessary repetition, of the facts constituting the grievance sought to be remedied upon appeal, which shall specifically allege in what respects the assessment in error.</p> <p>(f) The appeal shall be verified by a member of the governing body of the county or taxation district authorizing the appeal in the manner that pleadings in courts of record are verified. When 2 or more taxation districts join in taking such appeal the verification may be made by the proper officer of any one of them.”</p> <p>“Whenever the assessment roll of any assessment district shall be lost or destroyed before the second Monday of October in any year and before the tax roll there from has been completed the assessor of such district shall immediately prepare a new roll and as soon thereafter as practicable make a new assessment of the property in the assessor’s district. If the Board of Review for such district shall have adjourned without day before such new assessment is completed such board shall again meet at a time fixed by the clerk of the town, city or village, not later than the fourth Monday in October and like proceedings shall be had, as near as may be, in reference to such new assessment and assessment roll as in case of other assessments, and such clerk shall give notice of the time and place of such meeting of the board of review as is provided in sec. 70.47(2), Wis. Stats. Such new assessment and assessment roll shall be deemed the assessment and assessment roll of such assessment district to all intents and purposes. In case the assessor shall fail to make such new assessment or the board of review shall fail to meet and review the same, or any assessment roll is lost or destroyed after the second Monday in October in any year and before the tax roll there from is completed, or both the assessment roll and tax roll are lost or destroyed, then the county clerk shall make out and deliver a tax roll in the manner and with like effect as provided ins. 70.71.”</p>

Period or Date	Statutory Reference	Subject	Law or Comment
October and November	70.56(2)	Lost tax roll	"Whenever a tax roll in any town, city or village shall be lost or destroyed before it has been returned by the treasurer or sheriff holding the same, a new roll shall be prepared in like manner as the first, and delivered to such treasurer or sheriff, who shall complete the collection of the taxes and return such new tax roll in the manner provided for the original tax roll."
November	69.62	County clerk to file statement of taxes and indebtedness with DOR	"The county clerk of each county shall, immediately upon the receipt from the department of revenue of the blanks and instructions necessary for carrying out the provisions of s. 69.61 , by town, village and city officers, distribute the same to such officers at the expense of the county, and shall annually, on or before November 30, make out and transmit to the department of revenue, a statement in detail of all county taxes levied on taxable property in the county revenue levied during the preceding year, and the purposes for which the same were levied and expended. Any county clerk failing to make the statement herein provided for, and within the time above provided, shall be liable to the county for all damages caused by the delinquency."
November 1 and on-going	70.995(8)(e)	DOR equated manufacturing assessment roll delivered to local clerk	"Upon completion of and review by the tax appeals commission and receipt of the statement of assessments required under s. 70.53 , the department of revenue shall be responsible for equating all full-value manufacturing property assessments entered in the manufacturing property assessment roll to the general level of assessment of all other property within the individual taxation district. Thereafter, the manufacturing property assessment roll shall be delivered to the municipal clerk and annexed to the municipal assessment roll containing all other property."
December 1	79.10	Clerks receives notification of tax credit from the LGS	On or before December 1 of the year preceding the distribution under sub. (7m)(a), or before the department of revenue shall notify the clerk of each town, village and city ... of the amount to be distributed to it under sub. (7m)(a), on the following Monday in July. The anticipated receipt of such distribution shall not be taken into consideration in determining the tax rate of the municipality but shall be applied as tax credits."

Period or Date	Statutory Reference	Subject	Law or Comment
December	70.73(1)	Correction of tax roll and assessment roll before delivery to treasurer	Whenever it shall be discovered by any town, village or city clerk or treasurer that any parcel of land has been erroneously described on the tax roll the clerk or treasurer shall correct such description... [and when discovered] that personal property has been assessed to the wrong person, or two or more parcels of land belonging to different individuals or corporations have been erroneously assessed together on the tax roll, the clerk or treasurer shall notify the assessor and all parties interested, if residents of the county, by notice in writing to appear at the clerk’s office at some time, not less than five days thereafter, to correct the assessment roll, at which time and place the assessment roll shall be corrected by entering the names of persons liable to assessment thereon, both as to real and personal property, describing each parcel of land and giving its proper valuation to each parcel separately owned; but the valuation so given to separate tracts of real estate shall not together exceed nor be less than the valuation given to the same property when the several parcels were assessed together. Such valuation of parcels of land or correction of names of persons assessed with personal property may be made at any time before the tax roll shall be returned to the county treasurer for the year in which such tax is levied. Such valuation or correction of names, when so made, shall be held just and correct and be final and conclusive.”
Third Monday of December or before	70.65(5) , 74.03	Clerk delivers tax roll to treasurer	“The clerk of the taxation district shall transfer the tax roll, prepared under s. 70.65 , to the treasurer of the taxation district on or before the 3rd Monday in December.”
December	70.73(3)	Correction of tax and assessment roll after delivery to treasurer	“When the assessment roll shall have been so corrected the clerk shall enter a marginal note on the roll stating when the correction was made by the assessor; and if the taxes shall have been extended against the property previously the clerk shall correct the tax roll in the same manner that the assessment roll was corrected, and extend against each tract the proper amount of tax to be collected.”
	69.60	Clerk files statement of taxes and indebtedness	“The clerk of each town, city, and village shall annually, at the time required by law to deliver the tax roll to the town, city or village treasurer, make out and transmit to the

Period or Date	Statutory Reference	Subject	Law or Comment
		with county clerk	county treasurer, on blanks furnished by the department of revenue, a statement showing the total amount of all taxes levied therein by said town, city or village for the current year.”
December	69.61	Clerk files statement of taxes with DOR	“Annually, or before the 3rd Monday of December, a statement in detail of all taxes levied in each town, village and city during the year, shall be made and filed by the clerk thereof, with the department of revenue. Any such clerk failing to make the statement herein provided for, and within the time above provided, shall be liable to the town, village and city for all damages caused by the delinquency. The department of revenue shall prepare and furnish the blanks for such statement, as well as for the statement mentioned in s. 69.62 .”

End of Assessment Year

Chapter 5

Public Relations in the Assessment Office

The assessor's job goes beyond the discovery, valuation, and the listing of property. When communicating with the public, the assessor needs to demonstrate professionalism, accuracy, honesty and integrity. Good public relation skills are essential to the assessor's office.

Property taxes continue to receive attention from property owners, politicians, and the media. It's important for the assessor to demonstrate fairness and equity in the assessment process. This can be achieved by implementing a good public relations program that encourages interaction between the public and the assessor to develop a spirit of cooperation and understanding.

Many people do not understand property assessment and may be afraid, anxious, angry, or confused about the process. The assessor can help property owners understand the assessment function by using good public relations. Although total satisfaction may not be possible, the property owner should feel they have been treated fairly and in a professional manner. DOR provides several informational guides, which explain assessment procedures, appeals, and taxation. These guides are available on the [DOR website](#). Providing access to information in meaningful ways to the public increases goodwill and understanding of the property assessment process. The process should be as transparent as possible.

The Public

The assessor communicates with many people including property owners, attorneys, real estate appraisers and brokers, lending institutions, government officials and agencies, and tax representatives. Each person has a different level of knowledge about property assessment and may be seeking different information from the assessor. For example, individual property owners are usually concerned with only their properties, while a neighborhood owners association is interested in an entire neighborhood. Real estate appraisers are usually interested in properties that have sold; whereas, lending institutions are interested in properties they are financing.

The level of knowledge varies greatly, from property owners who may know little about property assessment to real estate professionals who may understand the assessment function as well as the assessor. The assessor must be flexible to adjust the level of conversation and type of information to suit the particular individual.

Public Relations Techniques

There are various techniques, or skills that can be used to promote good public relations. The use of these techniques establishes a rapport with the public that will create understanding and cooperation.

The basic technique of public relations is to treat people with respect and treat them the way you want to be treated. This means showing consideration and understanding for the property owner's position. It is best to look at the situation from the property owner's point

of view and respond accordingly. If the assessor knows, or can sense, the property owner is not familiar with the assessment function, avoid jargon and technical words. The assessor should spend time explaining the assessment process.

The following are specific techniques the assessor can use to develop good public relations.

Availability

The availability of the assessor to the public is a crucial element to good public relations. Property owners become frustrated when they have questions and are not able to contact the assessor. All of the good intentions, assessment knowledge, and other public relations techniques are of little use if the people are unable to reach the assessor.

The Open Book provides an opportunity to discuss the assessment process with property owners. The assessor should be available when Notices of Changed Assessment are mailed. The assessor must be able to explain why the assessment was changed, how the assessment was determined, and what factors influenced the decision. In addition, the property owner should have an opportunity to provide additional evidence, which the assessor did not have. By being available to discuss assessments at this time, the number of appeals to the Board of Review (BOR) may be reduced.

Note: [2017 Wisconsin Act 68](#), effective November 27, 2017, requires a 7-day period between open book and board of review. Section 70.47(1), Wis. Stats., states in pertinent part: *The board of review shall meet annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45.*

The assessor should also be available when the tax bills are sent out. Although the assessment cannot be changed at this time, the assessor must be able to explain how the assessment was determined and arrange to review the next year's assessment with the property owner.

Availability should not be a problem for the full-time assessor with regular office hours. Part-time assessors will have to make a special effort to be available to the public; and may consider establishing regular hours to meet with property owners. Local officials should have the assessor's phone number so the public can contact the assessor. All phone calls to the assessor should be returned promptly.

Honesty

The assessor must always be honest in all dealings with the public. Honesty is the basis of effective public relations. Once the assessor is perceived as dishonest or untruthful, it is extremely difficult to regain the public's understanding and cooperation. If the assessor develops and maintains a reputation for honesty and integrity, the public will develop faith and trust the accuracy of the assessments. This leads to fewer complaints and better cooperation.

To establish credibility, the assessor must follow through on a promise. If an assessor promises to review the assessment of a property next year, the assessment must be reviewed.

Being honest is also being consistent. Public trust is lost if one property owner is told the assessment is based on one set of facts and the neighboring property owner is told something else. When these two property owners discuss their assessments and find each has been told a different story, the assessor's credibility is seriously damaged.

The assessor must also be honest when asked questions for which there are no immediate answer. In these cases, tell the property owner the question requires some research and promise to get back to the property owner with the answer. Once the information is obtained, contact the property owner as soon as possible. If there is a delay, the assessor should contact the property owner and explain the reason for the delay, and get back to the property owner as soon as the information is obtained.

Listening Skills

Listening is also an important skill to help the assessor develop good public relations. Careful listening to the property owner ensures prompt and accurate service to the public. Do not anticipate what the property owner means. Let the person express what is on their mind. The assessor needs to pay close attention to what is said, and give the property owner his/her undivided attention. The assessor must not be working on other matters or give the appearance of being uninterested. Giving complete and undivided attention to the property owner conveys the message that what is being said is important. Careful listening enables the assessor to determine what the property owner wants so the assessor can satisfy the property owner's concerns. The assessor may want to restate what the property owner said to make sure both parties understand the request. This may prevent the assessor from spending time gathering the wrong information or answering the wrong question.

Know the Facts

The assessor must have accurate facts, since the assessor is presumed to be an expert on the assessment process. When the assessor meets with a property owner and does not have the correct facts, the assessor's credibility is severely damaged. For example, if the assessor has the wrong lot size, the wrong building size, the wrong number of bedrooms or bathrooms, or other inaccurate information, it is difficult to convince the property owner the assessment is accurate. Accurate information helps convince the property owner of the assessment's accuracy.

This is particularly true at the Board of Review (BOR). Assessors are required to provide the BOR specific information about the validity of the valuation being objected to and provide the information used to determine the assessment under sec. 70.47(8)(h), Wis. Stats. If the assessor goes before the BOR with accurate information, it is much easier to convince the BOR to sustain the assessment. However, if the assessor testifies to inaccurate information or is unsure of the facts, this casts a cloud over the assessor's ability and makes it difficult to defend the accuracy and fairness of the assessment.

Accuracy becomes even more important if the BOR decision is appealed to court. The court usually only reviews the BOR record. If the record shows the assessor testified to inaccurate information or was unsure of the facts, the court is unlikely to support the assessment.

Appropriate Language

The assessor must use the appropriate language for the public being addressed. When talking to a property owner, who is inexperienced in the assessment field, the assessor should use simple words when explaining the basics of the assessment function. Technical terms such as “comps” or “comparable sales” should not be used without explaining what they mean and why they are important. These and other words the assessor uses every day may not be understood by the average property owner. The goal is to inform the public, not to confuse it. Periodically asking questions helps determine if the property owner understands the material. The assessor must be willing to explain any material the property owner finds confusing. Even though the assessor is trying to simplify the process, the assessor must not be perceived as being condescending, and should always treat the property owner with dignity and respect.

The assessor needs to be aware of the level of knowledge of real estate brokers, appraisers, and other assessors. Most of these professionals are familiar with the assessment function and the related technical language. There is always individuals who do not have the same level of experience and understanding as the assessor.

One of the principle duties of the assessment office is to educate the public about the property assessment function. Any effort to make the assessment process easier to understand can increase the public’s appreciation of and cooperation with the assessor’s office.

Flexibility

The assessor deals with people with a wide variety of knowledge of the assessment function. Some people have no understanding of the assessment function, while others are as knowledgeable as the assessor. Therefore, the assessor must have the flexibility to deal with these varied groups. In some cases, the assessor must meet with one property owner who has no knowledge of assessment, followed by a meeting with a very knowledgeable property owner.

Being flexible is the key to dealing with individual property owners. If a property owner has information affecting the assessment or shows an error, the assessor must admit the mistake and correct the error. The assessor should not present a rigid and inflexible image. This does not mean the assessor “caves in” to the property owner. It means the assessor approaches each situation with an open mind and a willingness to admit and to correct a mistake. For example, if the property owner has sales the assessor was not aware of or can show the assessor has the wrong lot or building size, the assessor must have the flexibility to admit the mistake and make the appropriate correction. However, if the property owner has no new information or cannot show any errors in what the assessor did, the assessor must not change the assessment just to avoid controversy.

Patience

Patience is another important characteristic in the public relations process. The assessor encounters many circumstances and individuals that test the assessor’s patience. The ability

to remain calm and understanding in the face of trying situations greatly increases the assessor's effectiveness in dealing with the public.

There are many situations requiring patience. The assessor may have a number of property owners who have similar questions or similar complaints coming into the office or calling on the phone on the same day. Each property owner must be treated with dignity and shown the same degree of attention and interest, even though the assessor may have answered the same question or complaint numerous times.

Property owners may not be able to clearly state their questions or to quickly get to the point. Most people know very little about property assessment. Because of this lack of knowledge, it may be difficult for property owners to say what they mean. The assessor must be patient and allow property owners to state their concerns in their own words. In trying to rush the property owner or jump in with an answer, the assessor may confuse the property owner or answer the wrong question. The assessor may also have to go over an answer several times before the property owner completely understands what the assessor is saying.

These techniques form the basis for good public relations. The assessor who can master these techniques will build a spirit of goodwill, understanding, and trust with the public making the assessment process easier for everyone. The assessor should strive to constantly improve these techniques, and periodically evaluate the performance of the assessor's office and note those areas to be improved. Improving public relations is a continuous process pays great dividends.

Applying the Techniques

The individual techniques listed in the previous section are the basis of good public relations. However, these techniques are rarely used alone. The assessor usually applies a combination of some or all of these techniques to the individual situation. The following sections deal with how to apply these techniques to the various public relations situations of the assessor's office.

Personal Contacts and Telephone Calls

Personal contacts and telephone calls are the most frequent opportunities the assessor has to apply public relations techniques.

As mentioned previously, the assessor should be available to handle personal contacts and phone calls. The full-time assessor has established, regular office hours to handle these contacts. The part-time assessor may consider establishing office hours or a specific time to handle personal contacts. The assessor should promptly respond to any personal contact or phone call. If the information is readily available, the assessor might be able to answer the question immediately. If it will take some time to gather the information, the assessor should tell the property owner this and get back to them as soon as possible.

The assessor should consider the following suggested steps when dealing with a personal contact or telephone call:

1. **Listen:** Allow the property owners to state everything they feel is important. Give the property owner your undivided attention. The property owner considers it important, and you should too. You may want to take notes of what is said to help you understand the request and to respond. If this is a personal contact, meet in an office, conference room, or some area free of distraction.
2. **Ask:** “Is there anything else?” Give the property owner every chance to provide new information or ask questions. You want to get everything out in the open at this time. You don’t want to think you have solved the problem only to have the property owner bring up new information or questions requiring you to repeat your answer or redo your work.
3. **Restate the Issue:** State in your own words what you understand the issue to be. This gives you the chance to express what you feel is the problem or request. This also gives the property owner the chance to correct any misunderstandings you may have. In many cases, the property owner may not be perfectly clear in stating the problem or request. Restating the problem in your own words helps to ensure both you and the property owner understand the issue.
4. **Address the Issue** – This is where you provide the property owner with the information requested, explain how the assessment was developed, or respond to the issue. If you are explaining the assessment, make sure you have all the information you based the assessment on available for the property owner to see. Go over the information with the property owner to help them understand it. It is important to be prepared to spend as much time as necessary to assure the property owner understands the assessment. A strong effort at this step to ensure the property owner understands the assessment often means one less appeal to the BOR.

The assessor must also remain flexible. The property owner occasionally brings forth new information or point out errors of which the assessor was unaware. The assessor should consider this information and, if warranted, change the assessment accordingly. If the information does not justify a change in the assessment, the assessor must be prepared to explain why the assessment will not be changed.

Not all problems can be solved immediately. The assessor may need to re-inspect the property or review the assessment. If a decision must be postponed, the assessor should explain what additional information is needed and how long it will take to reach a decision. The assessor should set a specific time when a decision will be reached and then follow through. Only in rare situations should the assessor not keep the deadline.

There are also be problems that cannot be resolved when the assessor and the property owner cannot agree and the issue must go to the BOR. The assessor should explain what the BOR is and how it works so the property owner is prepared to present relevant testimony. There are also times when the assessor does not have the authority to act. For example, the property owner may contact the assessor after the property owner has received the tax bill. The assessor cannot change the assessment at that time, but can explain the property owner’s appeal rights under the statutes.

Written Correspondence: Letters and Notices

Letters and notices are the second most frequent contact with the public. Written correspondence allows time to research issues before responding while creating a record of communication. In some cases, letters and notices are prescribed in format with timing dictated by statute. For example, when requesting access to a property to collect data, notifying the property owner of their rights and options for collecting data is required. Documenting consent or denial is necessary and should be completed with the following process.

General Correspondence

Answering Letters

A time limit for answering letters should be established. Unless there are unusual circumstances, all letters should be answered within 10 business days. The assessor will improve public relations by providing prompt written response to letters. The assessor should always respond to a letter in writing unless a simple question is asked. For example, if the property owner writes a letter asking for the assessed value, the assessor may handle that request through a telephone call, and then note on the letter the date of the phone call, who the assessor talked to, and what was said.

The assessor should keep a correspondence file containing the original letter and a copy of the response. Correspondence may be kept in one file, or with the individual property file, or both. The advantage of having a correspondence file is the assessor has all correspondence in one place for easy reference and can use previous letters as models for future letters. The advantage of keeping the letters with the property file is each time the assessor looks at the file all correspondence relating to the property is immediately available. An alternative is to maintain a correspondence log containing the subject of the letter, the date received, the date the response was sent, the author, and the name or number of the property file in which the correspondence is kept. This way the assessor can keep the correspondence with the property file and can look through the log to find the location of letters written on similar subjects.

When answering a letter, the assessor can follow this three-step approach:

1. Research
2. Write
3. Revise

Research

The first part of this step is to determine what information is being asked for in the letter. At times, the letter may not clearly state what information is requested and the assessor will have to contact the property owner to clarify the issue. For letters requesting a great deal of information, the assessor should list the points covered in the property owner's letter and check them off as the research is done and the letter is written. This ensures the assessor provides all the requested information. Since most of the letters are requesting information regarding the property assessment, the major sources of research will consist of

the property assessment files, the *Wisconsin Property Assessment Manual* (WPAM), and Chapter 70 of the Statutes. The assessor must refer to the individual property files to explain the assessment and may need to refer to WPAM and Chapter 70 to explain the procedures and laws. Specific parts of WPAM or Chapter 70 may need to be quoted to explain the assessor's actions. After determining the issue and gathering the necessary information, the assessor is ready to write the letter.

Writing

Many formats can be used to write a letter. The correct format is the one the assessor finds to be the most effective. The following format is recommended for the assessor's use. If the assessor does not find this format effective, there are numerous sources available on writing techniques in books or on the Internet.

Opening – The first paragraph needs to identify the issues or questions. The assessor should try to establish a feeling of empathy, or understanding, for the property owner's situation.

Answer the Questions – After acknowledging the property owner's question and building a feeling of understanding the assessor should proceed to answer the questions or address the issues. The response should completely answer the questions. Avoid going into too much detail or getting so technical or the owner may get overwhelmed and confused. Explain the assessment without going into a lengthy explanation of the assessment process. It is not always easy to know the correct amount of information to provide. This can only be learned through experience.

Closing – After answering all the questions and addressing all the issues, close the letter by rebuilding goodwill. Offering to meet with the property owner or providing additional sources of information to show goodwill.

The following sample letter and response demonstrate how this format can be used.

John Jones, Assessor
City of Badger

Dear Mr. Jones:

I have just received my notice of changed assessment that shows that my assessment has doubled since last year. I cannot understand how my assessment could have increased so much when the property has not changed at all since last year. I am a retired person who does not have a lot of money to spend on increased taxes. Please lower my assessment back to what it was.

Jane Smith

Jane Smith
2408 Green Acres Drive
Badger, WI

Dear Ms. Smith:

Thank you for your letter regarding the notice of changed assessment for your property. I can certainly understand how a person on a limited income would be concerned over a doubling of the assessment.

My staff has made a revaluation of all of the property in the city this year. The purpose of the revaluation was to have all assessments at market value and to correct any inequitable assessments. Market value is the amount that a property would sell for if placed on the open market. Your assessment is based on sales of similar properties in the city. Your assessment increased from \$37,000 to \$75,000, an increase of 103%. The average increase for the entire city was 101%. I will be happy to meet with you to further explain how your assessment was arrived at.

You also may appeal your assessment to the Board of Review. You will need to contact the clerk to get an appeal form and schedule a hearing at the Board of Review. Please complete the form and bring it to the Board of Review.

The problem of property taxes has become an increasing concern of the elderly. The State of Wisconsin has developed two programs to help the elderly with their property taxes. The Department of Revenue can provide you with information on the Homestead program at (608) 266-1961. The Property Tax Deferral Loan Program provides loans of up to \$2,500 to help qualified individuals age 65 or older pay their property taxes. For more information or a loan application, contact the Wisconsin Housing and Economic Development Authority at (800) 755-7835.

I hope this information is helpful to you. Please feel free to contact me if I can be of further assistance.

Sincerely,

John Jones

In the opening paragraph, the assessor acknowledges the property owner's letter, shows understanding, and sympathy for the property owner's situation.

The following paragraph explains why the property owner's assessment increased. The assessor does this without getting technical and offers to meet with the property owner to provide more detailed information.

The next two paragraphs provide the property owner with additional options. One paragraph explains the property owner's right to appeal to the BOR. The other paragraph informs the property owner of possible financial assistance for handling the property taxes.

The closing paragraph attempts to rebuild goodwill by offering further assistance. Throughout the letter, the assessor attempts to establish a feeling of understanding, assistance, empathy, and availability. This will help to build good public relations between the assessor and the property owner.

Revise

One of the greatest faults in writing is attempting to write a perfect letter on the first try. The assessor should expect to have to revise the letter. Trying to write a perfect letter can inhibit the writing process. It usually works best to get everything down on paper and then revise it. Revising consists of correcting spelling, grammar, and punctuation. During the revision process, the material can be rearranged or additional information can be added for greater clarity.

This material is meant to be an introduction to the basics of the writing process. There are numerous resources and courses available to the assessor who wishes to become more skilled in the writing process.

Notification Process Requesting Access to Property for Data Collection

Initiating Contact

When requesting view of a property for purposes of data collection, assessors must provide notice to the property owner. DOR recommends a letter (Request to View Property Notice - [PR 300](#)) sent through regular mail and allowing 14 calendar days for a response. In addition, during a revaluation, contact may be supplemented with a notice in the local paper or a notice included with a recent tax bill. This supplementary contact during revaluation also helps assessors avoid criminal trespass.

Documenting Consent or Denial

If property owners do not respond to the initial contact, an optional next step is to obtain consent or denial to view the property in person. If the property owner is unavailable, leave a door hanger listing contact information. For any remaining unresponsive property owners, send a letter (Request to View Property Notice – [PR 300](#)) through certified mail. Allow 14 calendar days to respond. Record denials by maintaining a list.

Lack of Consent or Denial

If property owners remain who have not responded with an affirmative consent or denial to the request to view the property, the following options are available:

- Consider using the next best information available (see WPAM Chapter 9) to establish a supportable valuation
- Use the special inspection warrant (see WPAM Appendix for warrant template) to gain view if the next best information is insufficient to develop a supportable valuation
- Note the lack of response and opportunity to view the property at the board of review, if applicable
- Right to enter a property may be exercised once per year if the statutory requirements in the Avoiding Trespass section are met

Avoiding Trespass

Sec. [70.05\(5\)\(b\) Wis. Stat.](#), [Sec. 943.13\(4m\)\(am\) Wis. Stat.](#), and Sec. [943.15\(1m\) Wis. Stat.](#) list the following requirements before entry onto private property or a construction site (not including buildings, agricultural land or pasture, or livestock confinement areas) is allowed, once per year (assessment cycle), for property tax assessment purposes unless the property owner authorizes additional visits:

- **Purpose:** The reason for the entry must be to make an assessment on behalf of the state or a political subdivision.
- **Date:** The entry must be on a weekday during daylight hours, or at another time as agreed upon with the property owner.
- **Duration:** The assessor's visit must not be more than one hour.
- **Scope:** The assessor must not open doors, enter through open doors, or look into windows of structures. *
- **Notice:** If the property owner or occupant is not present, the assessor must leave a notice on the principal building providing the owner information on how to contact them.

*As the inspection of a property has been held to be subject to Fourth Amendment protections in *Milewski v. Town of Dover*, 2017 WI 79, 377 Wis. 2d 38, 899 N.W.2d 303, an assessor should avoid the curtilage of a residence if relying solely on the trespass statute to enter the property. Curtilage is the area surrounding the home that is so intimately tied to the home itself that it is placed under the home's "umbrella" of protection. Factors to consider: (1) proximity of the area to the home, (2) whether the area is within an enclosure surrounding the home, (3) the nature and uses to which the area is put, and (4) the steps taken by the resident to protect the area from observation of passersby. (See: *U.S. v. Dunn*, 480 U.S. 294 (1987).

Denial of entry: The assessor may not enter the premises if they have received a notice from the property owner or occupant denying them entry. The assessor must leave if the property owner or occupant asks them to leave, sec. [943.15\(1m\)\(f\) Wis. Stat.](#)

If a reasonable written request (see Notification Process with Request to View Property Notice) to view the property is refused, the assessor should not enter the property. The assessor may seek a special inspection warrant to view the property, if necessary (please see Chapter 9-22 for further discussion on Data Collection). The assessment should be based on the best information available – recent sale of the subject or comparable properties, building permits, or previous viewings. The assessor must not view this as an opportunity to “penalize” the property owner for denying the assessor a view of the property. The assessor must be able to defend the assessment in relation to the assessment of similar properties. The assessor must still follow state law and assess property at its market value.

Assessors are recommended to consider the following:

- Use photo identification and authorization from the municipality authorizing your viewing.
- If possible, have identification on your vehicle-such as “Municipal Assessor.”
- Notify the local police or sheriff of your presence in a particular area and explain your activities.

- ***Do not enter any buildings or dwellings without consent directly from the property owner.***
- ***Do not remain on the land after a property owner asks you to leave.***
- Do not enter lands after darkness or at unreasonable times of day, except by appointment with the property owner.
- Do not enter dangerous, potentially confrontational areas, or clearly and overtly designated private property.

Speaking Engagements

The primary contact with individual property owners is through personal visits, phone calls, and letters. The advantage of these contacts is to ensure the property owner understands the assessment. The disadvantage is only one property owner is reached at a time and the message has to be repeated. Speaking engagements provide the opportunity to reach a large number of property owners with the same message. The assessor can take advantage of opportunities to speak before various groups to improve public understanding and cooperation.

Numerous groups and civic organizations can be addressed. These include business organizations such as the Chamber of Commerce, civic organizations such as Kiwanis and Rotary Clubs, as well as organizations such as senior citizen groups and neighborhood ownership associations. The type of organization being addressed dictates the type of information to be conveyed. When addressing a business organization, the focus is on the assessment of commercial property; for a senior citizen's group, the emphasis is the assessment of residential property and property tax relief programs designed for the elderly.

The assessor should limit the discussion to the basic functions of the assessor's office and the assessment process. The assessor should explain what an assessment is, how it is determined, what market value is, what uniformity and equity are, and how an assessment is contested. Trying to cover too many topics or details can confuse the audience rather than increase the public's understanding of the assessment process. The type of audience and the amount of time available dictates the topics and the depth of coverage.

Media Contacts

Occasionally, the assessor receives inquiries from the media about the assessment process. This is particularly true when there is a change in a large value property, such as a shopping center or office complex, a change in a specific neighborhood, or a revaluation. Media contacts are an opportunity to get assessment information to many people at one time. Providing the media with accurate and relevant information may reduce the number of phone calls and letters to the assessor's office.

The most important factor in dealing with the media is to have the correct facts. Public relations can be seriously damaged if the assessor is quoted in the newspaper giving one set of facts and later states a different set of facts. If unsure of the facts, the assessor should say so and promise to look into the situation and get back to the media. Since almost everything in the assessor's office is a public record, and open to public inspection, the assessor should not make it difficult for the media to obtain information. Being open and honest with the

media increases the public's confidence in the credibility and competence of the assessment office.

The assessor should avoid commenting on areas that are not part of the assessor's duties or responsibilities. The assessor needs the cooperation of other departments and officials to perform the duties required of the assessment office. This cooperation can be lost or damaged if the assessor issues statements involving the functions of other departments. Tax bills are prepared by the clerk or treasurer, refer all tax related inquires to them. This prevents the assessor from making erroneous statements that could frustrate or irritate the property owner and the other official.

There are times when the assessor can use the media to inform the public. The media can be used to inform business owners of the need to complete the statement of personal property. When changing the assessments in one area or for one type of property, the media can inform the public of what is being done and the reasons for it. The media can inform property owners what the BOR is and how the property owner can prepare for the hearing. The assessor should utilize the media as much as possible to keep the public up-to-date on what is being done by the assessment office.

Use of the media is an effective way to disseminate public information. This is especially true during a revaluation when the public anxiety is at its greatest. By providing updates during the revaluation, the assessor can ease the public's anxiety and gain the understanding and cooperation needed to make the revaluation run smoothly. The use of the media during the revaluation is discussed in the next section.

Public Relations in Revaluation

The revaluation offers the assessor the opportunity to use all of the public relations techniques discussed in this chapter. The assessor will have to master the techniques of availability, honesty, listening, appropriate language, knowledge of facts, flexibility, and patience. These techniques are applied to personal contacts, phone calls, letters, speaking engagements, and media contacts in order to perform an effective revaluation. The various public relations efforts can be divided into three steps: before, during, and after the revaluation.

Before the Revaluation

The assessor should use the media to inform the public of what the revaluation involves. A press release or information statement should be issued to the local newspaper and contain the following information:

1. Explain why the revaluation is necessary, (e.g., to comply with sec. [70.05](#) Wis. Stats.); because there are inequities between types and classes of property; because there are no property record cards; or the cards are outdated.
2. Explain who will do the revaluation. Is it the assessor or an appraisal firm? If it is an appraisal firm, explain how and why it was selected and the experience of the

firm and the individuals involved. Include pictures of the individuals who will be doing the field work, even if they are members of the assessor's staff.

3. Explain how the revaluation will be done. Explain the steps involved in the field review, such as, the measuring of the improvements and the interior viewing. Explain what elements of the property are important and why. Explain what market value is and how it is determined.
4. List the date the revaluation will start and when it will end. State when the Notice of Changed Assessments will be sent. Explain what the "open book" is and when it will be held.

The assessor may also arrange to be on local radio talk and public affairs shows to explain the revaluation process. If the community has cable television with a local access or government channel, the assessor should arrange to appear on that channel to explain the revaluation. The assessor can also arrange to appear before local civic groups and other organizations, and should consider providing a booklet containing the above information to distribute to the property owners.

The more information the assessor can convey before the revaluation, the smoother the revaluation should go. If the property owners are well informed about what to expect, they will be more cooperative and understanding during the revaluation.

Note: If a private appraisal firm is performing the revaluation, the firm's representative or project supervisor must be deeply involved in the public relations effort. The assessor should still remain involved in the public relations aspect of the revaluation. Since the assessor has to live with the results of the revaluation for a number of years, good public relations should be practiced during the revaluation. The assessor needs to know what was said and why so the assessor is able to explain the revaluation in future years.

The trespass law states in part "Before a city, village, or town assessor conducts a revaluation of property under this paragraph [Section [70.05\(5\)\(b\)](#) Wis. Stats.], the city, village or town **shall** publish a notice on its municipal Web site that a revaluation will occur and the approximate dates of the property revaluation. The notice **shall** also describe the authority of an assessor, under Section [943.13](#), Wis. Stats. and Section [943.15](#), Wis. Stats., to enter land. If a municipality does not have a Web site, it **shall** post the required information in at least 3 public places within the city, village or town." (Emphasis added)

During the Revaluation

It is important that someone from the assessor's office is available to property owners who have questions during the revaluation. The assessor, or another individual, should have a thorough knowledge of the status and process of the revaluation to answer the property owners' questions.

Progress reports to the public are important during the revaluation. These reports keep the public informed of what is happening, which areas have been field reviewed and which areas are next to be reviewed. The assessor should keep the public aware of the revaluation time

schedule. Is it on schedule or not? If the project is not on schedule, what is the reason and when will the project be completed?

After the Revaluation

After the new values are determined, assessment notices are sent to property owners as required by sec. [70.365](#), Wis. Stats. When the assessment changed from the previous year, a notice must be sent to the property owner. This should cover all property when a revaluation is performed. The assessor should inform the property owners of the average increase for the municipality and for each class of property. However, the assessor is not required to provide notice if land is classified as agricultural land, as defined in sec. [70.32\(2\)\(c\)1g](#), Wis. Stats., for the current year and previous year, and the difference between the assessments is \$500 or less.

The assessment roll is a public document. The assessor can make the assessment roll available to the public by publishing it in the local newspaper. Some communities have copies of the assessment roll at various locations throughout the municipality, such as banks or libraries. The assessment roll should be available for property owners to review their assessment and compare it with their neighbors. This may eliminate a lot of questions property owners will have concerning the fairness of their assessment and allows property owners to point out obvious errors to the assessor.

An “open book” session must be held each year so the property owners can talk to the assessor or those who have performed the revaluation.

Note: [2017 Wisconsin Act 68](#), effective November 27, 2017, requires a 7 day period between open book and board of review. sec. [70.47\(1\)](#), Wis. Stats., states in pertinent part: *The board of review shall met annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45.* This allows property owners to discuss the factors affecting the value and give the assessor the chance to correct any errors. The assessor must be thoroughly prepared for the “open book.” This means all property record cards should be accurately completed and available. The assessor should have any land value maps, sales information, or other information to help the property owners understand how the assessments were derived.

The assessor might consider meeting with civic groups and neighborhood associations. This allows the assessor to explain what the revaluation accomplished and how different classes of property and different neighborhoods were valued.

Chapter 6

Statutory Revaluation and Reassessment

Revaluation and reassessment are two very similar processes sharing a common goal. The basic objective of both is to achieve equity in the assessments so each property bears only its fair share of the property tax burden. However, there is also a major difference between the two. A reassessment is the doing over of an existing assessment roll, while a revaluation is the creating of a new assessment roll. This chapter refers to statutory revaluations and reassessments.

A statutory revaluation and reassessment includes the following:

- Preparation of property record cards for each parcel, including vacant land
- Classification and grading of land
- On-site viewings of each property
- Measuring each building
- Recording the interior and exterior physical characteristics
- Estimating the market value of each property based on the following:
 - Sales of comparable properties
 - Construction costs
 - Income producing capability of the property, when applicable

Although, revaluation is also commonly used to describe the work an assessor does annually when revaluing properties, it is not a statutory revaluation. This annual work may or may not include the field work associated with the statutory revaluation.

There are several reasons why a revaluation/reassessment may be needed:

1. Inequities may exist in the assessments of properties within classes.
2. Inequities may exist between the various classes of property.
3. The governing body may want to update the assessment records to show the physical characteristics of all taxable property.
4. The governing body may desire a complete inventory of all taxable property.
5. The current assessments may not have been made in compliance with the law.

There are a number of different ways a revaluation/reassessment may be undertaken.

1. The municipality may hire expert help under sec. [70.055](#), Wis. Stats.
2. One or more assistant assessors may be hired under sec. [70.05\(2\)](#), Wis. Stats., to assist the local assessor in performing a revaluation; or
3. a reassessment may be done when taxpayers petition DOR under sec. [70.75](#), Wis. Stats.

Each of the statutory revaluations/reassessment will be discussed in more detail later in this chapter. It is important to understand the procedures and processes of the various revaluations/reassessments. It is equally important to understand that the work required by the assessor may be different depending upon the type of revaluation or reassessment.

The work required by the municipality before contracting for the revaluation or reassessment can vary greatly with each type of revaluation or reassessment. If a reassessment is being completed, the municipality must use the Standard Contract when requesting bids or proposals. Section [70.055](#), Wis. Stats., revaluations also require the use of the Standard Contract.

Section [70.055](#), Wis. Stats., Expert Help

A revaluation would be conducted under this section when the governing body determines it is in the public interest to employ expert help so the assessments are made in compliance with the law. To initiate action under sec. [70.055](#), Wis. Stats., the governing body passes an Expert Assessment Resolution (see sample copy in the Forms Chapter), which establishes a record of the body's intent. The resolution is sent to DOR. The Supervisor of Equalization for that district, who is available for assistance, will provide the governing body:

1. information on revaluation
2. a copy of the state Standard Contract and Specifications
3. guidelines for completing the contract
4. a list of certified expert help

DOR prescribes a Standard Contract, Form PR-209, and Specifications for Revaluations, Form PR-210, performed under this section to ensure that required processes and procedures are followed. Sample copies of each are included in the Forms Chapter and are also available on the DOR website.

The Standard Contract and Specifications should be used by the municipality to develop a Request For Proposal to solicit bids for the revaluation. Prior to soliciting bids, these specific areas of the Standard Contract must be completed by the municipality.

1. the name of the district to be revalued,
2. the year of the revaluation,
3. the parcel count,
4. the completion date for the revaluation,
5. number of days for open book conferences -

Note: [2017 Wisconsin Act 68](#), effective November 27, 2017, requires a 7 day period between open book and board of review. Section [70.47\(1\)](#), Wis. Stats., states in pertinent part: *The board of review shall met annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45.,*

6. the individual to whom the bids are to be submitted, and
7. the date that the bids will be opened and an appraiser selected.

Once this has been done, various certified expert appraisers are asked to submit bids on the Standard Contract forms which are sent out by the governing body. These proposals are returned to the governing body who selects the expert help of its choice

Selecting the Expert Help

When selecting expert help to perform a revaluation, the municipality should consider the amount of the bid and the qualifications, experience, and reputation of the person or firm. The lowest bid may not always be the most economical in the long run. Each bid received should be analyzed in terms of the base compensation, amount charged for the assessment of additional parcels, charges for Board of Review (BOR) meetings, etc. Past experience in terms of the size of revaluations performed may be important and should be investigated. The expert help should also be asked to provide a list of municipalities where they have performed revaluations, and each should be contacted to learn about the quality of the work performed. The municipality must also consider the ability of the expert help to meet their needs in terms of the number of personnel required to perform the job within the project timeline; material resources, such as data processing capabilities; and financial resources, such as the ability to

obtain a performance bond, and other required insurance premiums. After considering all of these factors, the municipality selects an individual or firm that it feels is capable of completing the revaluation in a timely and equitable manner. The person or independent contractor hired must be currently certified at the appropriate level by DOR.

Prior to beginning work, the expert help must file an oath of office with the municipal clerk, as provided by sec. [19.01](#), Wis. Stats. A list of all personnel to be performing work and the type of work performed by each (excluding clerical staff) must also be filed by the expert help. With the exception of clerical support, all personnel assisting the expert help must also be certified.

Responsibilities of the Local Assessor

With the execution of the contract, an assessment board is created which includes the expert help and the local assessor. For the term of the contract, the expert help has the same powers and duties as the regular assessor; however, the local assessor has not been relieved of any responsibilities. Sec. [70.055](#), Wis. Stats., states in part, “when so appointed, such expert help, together with the assessor, shall act as an assessment board in exercising the powers and duties of the assessor during such employment, and the concurrence of a majority of such board shall be necessary to determine any matter upon which they are required to act ...” For this reason, the local assessor is encouraged to participate in every stage of the revaluation. This participation can be an invaluable learning experience for the local assessor, who will maintain the assessments in subsequent years.

While it may not be possible to work with the expert help on a daily basis, the assessor should meet with the expert help regularly to monitor the quantity and quality of the work performed throughout the revaluation. Specific areas to be reviewed include:

Data Collection – The property record cards should be reviewed to verify the data collected. Complete, accurate, and consistent data must be collected on each property to properly perform the assessments. If a municipality considers it likely that future assessments may be done using automated data processing systems, care should be taken to see that data collected is in the proper format.

Land Classification – The classification and grading of land should be reviewed and spot-checked in the field to be sure it is correct.

Sales Analysis – Accurate and well-organized sales data is essential to effectively perform the assessments. All sales must be analyzed to separate the usable sales from those which are not “arm’s-length,” determine the amount of each sale attributable to land and improvements, develop unit values for land, measure depreciation for improvements, etc. The sales analysis must be in writing so there is documentation to show how the sales were used in estimating market value.

Values – The unit values developed for land should be reviewed for accuracy. Because of the wide range of desirability, productivity, and use of land, there should be a range of values for each land unit. Statistical data on land values can be obtained from the DOR district offices, and should be used to check the unit values developed by the expert help. Once the assessments for both vacant and improved properties have been completed, they should be compared against the assessments of similar properties for equity, and against recent comparable sales to determine if they reflect the market. In areas where there are sufficient

sales, dispersion studies should be performed to measure assessment performance. For more information on how to perform dispersion studies, refer to Chapter 10.

Manual Usage – The completed record cards should be reviewed to assure that all properties have been valued in accordance with the *Wisconsin Property Assessment Manual*, with proper base costs and local modifiers. A review should also be made of market adjustments to be sure that any adjustments made are warranted, and that they are properly documented on the property record cards.

Computations – The pricing of the record cards should be checked for errors in computation and pricing procedures.

Documentation – There should be adequate documentation to show how the assessments were derived. This will greatly aid the assessor in maintaining the assessments in subsequent years. Documentation should be provided for all data used in the income approach, such as rental data, operating statements, and derivation of capitalization rates; unit values for land; depth factor tables, justification for the local modifiers, and all sales analyses performed for vacant and improved properties.

Any problems or errors that are found to exist in any of these areas should be discussed with the expert help so they can be resolved before completion of the project.

The situation may occur where the assessor and expert help have differing opinions regarding work methods, valuation procedures, and the final value estimates. This can be a problem since the law requires that the concurrence of a majority of the assessment board is necessary to determine any matter upon which they are required to act. If it becomes apparent that this will be a problem throughout the revaluation, the governing body may request that a DOR employee be designated to serve as a member of the assessment board along with the assessor and expert help. All three parties then become responsible for the assessments and as such, would sign the assessment roll. If no members of the assessment board are willing to sign the roll, signature by a majority of the board would still constitute a legal assessment roll.

In summary, the assessor's responsibilities during a revaluation have not been lessened; therefore, the municipality must still have an assessor, even though expert help will actually be performing the assessment work. The municipality may not hire expert help, under sec. [70.055](#), Wis. Stats., to serve in the dual capacity of expert help and assessor. DOR has determined that this would constitute a conflict of interest that could jeopardize the validity of the entire assessment. This could result in the legality of the assessments being challenged by taxpayers of the municipality.

Payment of the Expert Help

Under the Standard Contract the municipality pays the expert help for services performed on a monthly basis. The expert help submits statements to the municipal clerk each month, reflecting the amount of work completed for that month, and the amount due less a retainment of ten percent. The retainment is held by the municipality until the revaluation project is completed, and is paid to the expert help upon the final adjournment of the BOR, along with any additional compensation that may be due for BOR appearances, correction of legal descriptions, assessment of additional parcels, etc., as provided in Article II of the standard contract.

All statements should be reviewed by the clerk for errors in computation, and verified by the assessor to ensure that they accurately reflect work completed. Upon approval of each statement, it should be promptly processed for payment.

Section [70.05\(5\)\(b\)](#), Wis. Stats., Trespass

When requesting view of a property for purposes of data collection, assessors must provide notice to the property owner. DOR recommends a letter (Request to View Property Notice - [PR 300](#)) sent through regular mail and allowing 14 calendar days for a response. In addition, during a revaluation, contact may be supplemented with a notice in the local paper or a notice included with a recent tax bill. This supplementary contact during revaluation also helps assessors avoid criminal trespass.

Documenting Consent or Denial

If property owners do not respond to the initial contact, an optional next step is to obtain consent or denial to view the property in person. If the property owner is unavailable, leave a door hanger listing contact information. For any remaining unresponsive property owners, send a letter (Request to View Property Notice – [PR 300](#)) through certified mail. Allow 14 calendar days to respond. Record denials by maintaining a list.

Lack of Consent or Denial

If property owners remain who have not responded with an affirmative consent or denial to the request to view the property, the following options are available:

- Consider using the next best information available (see WPAM Chapter 9) to establish a supportable valuation
- Use the special inspection warrant (see WPAM Appendix for warrant template) to gain view if the next best information is insufficient to develop a supportable valuation
- Note the lack of response and opportunity to view the property at the board of review, if applicable
- Right to enter a property may be exercised once per year if the statutory requirements in the following section ("Avoiding Trespass") are met

Avoiding Trespass

Sec. [70.05\(5\)\(b\)](#), [943.13\(4m\)\(am\)](#), and [943.15\(1m\)](#), Wis. Stats. list the following requirements before entry onto private property or a construction site (not including buildings, agricultural land or pasture, or livestock confinement areas) is allowed, once per year (assessment cycle), for property tax assessment purposes unless the property owner authorizes additional visits:

- **Purpose:** The reason for the entry must be to make an assessment on behalf of the state or a political subdivision.
- **Date:** The entry must be on a weekday during daylight hours, or at another time as agreed upon with the property owner.
- **Duration:** The assessor's visit must not be more than one hour.
- **Scope:** The assessor must not open doors, enter through open doors, or look into windows of structures. *
- **Notice:** If the property owner or occupant is not present, the assessor must leave a notice on the principal building providing the owner information on how to contact them.

*As the inspection of a property has been held to be subject to Fourth Amendment protections in *Milewski v. Town of Dover*, 2017 WI 79, 377 Wis. 2d 38, 899 N.W.2d 303, an assessor should avoid the curtilage of a residence if relying solely on the trespass statute to enter the property. Curtilage is the area surrounding the home that is so intimately tied to the home itself that it is placed under the home's "umbrella" of protection. Factors to consider: (1) proximity of the area to the home, (2) whether the area is within an enclosure surrounding the home, (3) the nature and uses to which the area is put, and (4) the steps taken by the resident to protect the area from observation of passersby. (See: *U.S. v. Dunn*, 480 U.S. 294 (1987).

Denial of entry: The assessor may not enter the premises if they have received a notice from the property owner or occupant denying them entry. The assessor must leave if the property owner or occupant asks them to leave, sec. [943.15\(1m\)\(f\)](#), Wis. Stats.

If a reasonable written request (see Notification Process with Request to View Property Notice) to view the property is refused, the assessor should not enter the property. The assessor may seek a special inspection warrant to view the property, if necessary (please see Chapter 9-22 for further discussion on Data Collection). The assessment should be based on the best information available – recent sale of the subject or comparable properties, building permits, or previous viewings. The assessor must not view this as an opportunity to “penalize” the property owner for denying the assessor a view of the property. The assessor must be able to defend the assessment in relation to the assessment of similar properties. The assessor must still follow state law and assess property at its market value.

Assessors are recommended to consider the following:

- Use photo identification and authorization from the municipality authorizing your viewing.
- If possible, have identification on your vehicle-such as “Municipal Assessor.”
- Notify the local police or sheriff of your presence in a particular area and explain your activities.
- ***Do not enter any buildings or dwellings without consent directly from the property owner.***
- ***Do not remain on the land after a property owner asks you to leave.***
- Do not enter lands after darkness or at unreasonable times of day, except by appointment with the property owner.
- Do not enter dangerous, potentially confrontational areas, or clearly and overtly designated private property.

Section [70.05\(2\)](#), Wis. Stats., Assistant Assessor

Many municipalities hire expert help under sec. [70.05\(2\)](#), Wis. Stats., to perform a revaluation while acting in the official capacity of assistant assessor. In such cases, most of the assessment work is actually performed by the expert help as under sec. [70.055](#), Wis. Stats.; however, the statutory assessor still has the final responsibility for the assessment. When a revaluation is conducted under this section, the municipality is not statutorily required to use the Standard Contract and Specifications prescribed by the state for revaluations under sec. [70.055](#), Wis. Stats.; however, the municipality should be sure that the contract used meets their needs. The contract should clearly spell out the scope of the work to be performed, including services to be provided by the expert help, local assessor, and municipality; the number and type of properties to be valued; the availability of existing

records; the correction of legal descriptions; whether mapping services are to be provided; what type of public relations the expert help must provide; what standards of performance are required; whether the expert help must hold open book conferences; insurance and bonding requirements for the expert help; when work is to begin and end; how compensation will be handled; turnover of records upon completion of the project; and any other areas that the municipality feels are important and will help to ensure a good revaluation. The state prescribed contract meets these criteria and its use is therefore recommended even though it is not statutorily required.

When the specifications for a revaluation are clearly outlined in the contract, all bids received will be based on the same criteria, allowing for competitive bidding. In addition, when all parties understand exactly what work is to be performed and by whom, prior to beginning the project, numerous problems can be avoided.

Once a contract has been drawn up by the municipality, bids should be solicited from certified expert help. Based upon the bids received, the municipality selects the assistant assessor to work with the local assessor in performing the revaluation. The same factors considered when hiring expert help under sec. [70.055](#), Wis. Stats. should be considered when hiring expert help under this section.

While the expert help may actually be performing the bulk of the assessment work, the assessor is the person with statutory liability for the assessments. As such, the assessor must keep informed of the work performed, procedures used, and whenever possible, be actively involved in the creation of the assessments so that when the revaluation is completed the assessor will have enough confidence in the values to be able to sign the assessment roll in good conscience. If unable to work directly with the expert help in performing the revaluation, at a minimum the assessor should review data collection, land classification, sales analyses, values, manual usage, computations, and documentation, as discussed previously.

It is possible that the assessor and expert help may have different opinions regarding methods used in deriving the assessments and the assessments themselves, resulting in the assessor's refusal to sign the assessment roll. Should this occur, defense of the assessments then becomes the responsibility of the municipality, as determined by the courts in the case of *Bass v. Fond du Lac County*, 60 Wis. 516, 19 N.W. 526 (1884). In this case the court found that absence of the assessor's signature on the assessment roll is evidence of the inequality or injustice of the assessment, and shifts the burden of proving it equitable and just to the municipality.

Section [70.75](#), Wis. Stats. – Reassessment and Supervised Assessment

Under sec. [70.75](#), Wis. Stats., property owners may petition DOR for reassessment of the taxation district. The basis for the petition must be that the assessments are not in compliance with the law and that it is in the public interest for all property to be reassessed. If, after conducting a public hearing and investigating the assessment situation, DOR finds that the inequities in the assessments are extensive and of a nature to warrant intervention by DOR, it may order either a reassessment under sec. [70.75\(1\)](#), Wis. Stats., or a supervised assessment under sec. [70.75\(3\)](#), Wis. Stats. Procedures for filing a complaint and DOR's investigation are discussed in Chapter 21, which deals with assessment appeals.

At this point it is necessary to differentiate between a revaluation, reassessment, and supervised assessment. Theoretically, a revaluation, reassessment, or supervised assessment

will each have the same end result; that is, each should produce equitable and uniform assessments. The term “reassessment” as it relates to sec. [70.75](#), Wis. Stats., means the actual doing over of the assessment roll. Such action would be taken if, after a full investigation, DOR was satisfied that a complaint appeared to have merit. One or more persons would be appointed by DOR to reassess the municipality, preparing a new assessment roll. The roll prepared by the appointed person(s) is then a legal substitute for the original assessment roll.

The term “revaluation” usually refers to the hiring of an assistant assessor(s) or expert help to aid in making a new assessment, although the assessor may perform a revaluation without outside assistance. In any case, the previous year’s assessment roll is not affected as it is with a reassessment.

Closely related to the revaluation is a supervised assessment. This is the alternative to a reassessment and is provided for under sec. [70.75\(3\)](#), Wis. Stats. Under this alternative one or more persons are appointed by DOR to assist the assessor in making the assessment for a year following the assessment being appealed. The effect of a supervised assessment is essentially the same as a revaluation under sec. [70.055](#), Wis. Stats.

When a supervised assessment or a reassessment is ordered by DOR, the work is performed by expert help selected by DOR, or by members of DOR. Expert help is hired by the DOR, using the state prescribed Standard Contract and Specifications for work performed under secs. [70.75\(1\)](#) and [70.75\(3\)](#), Wis. Stats. When selecting expert help to perform the assessment work, DOR considers the same factors that were discussed previously in regard to selecting expert help. Should extenuating circumstances exist, such as the unavailability or unwillingness of expert help to perform the work, members of DOR can be appointed to perform the assessments; however, this rarely happens.

Involvement of Department of Revenue

The major difference between work performed under sec. [70.75](#), Wis. Stats., and revaluations conducted under secs. [70.055](#) and [70.05\(2\)](#), Wis. Stats., is the degree of involvement by DOR. When a reassessment is performed under sec. [70.75\(1\)](#), Wis. Stats., the entire assessment and review functions are removed from the hands of the municipality. DOR solicits contract proposals and hires expert help. The Supervisor of Equalization obtains a blank assessment roll, and all other necessary forms to be used by the expert help in performing the reassessment. All work performed by the expert help is reviewed and supervised by DOR. In addition, a special three person Board of Corrections is appointed by DOR to replace the local BOR. This board is responsible for examining the assessment roll prepared by the expert help, and reviewing and correcting the assessments in the same manner as a BOR. Throughout the entire course of the reassessment, the expert help is paid by DOR. All costs incurred by DOR, including supervision and payment of the expert help, are billed to the municipality when the project is completed.

When a supervised assessment is conducted under sec. [70.75\(3\)](#), Wis. Stats., DOR is again responsible for selecting the expert help, supervising the work performed and paying the expert help; however, the municipality is still involved in the assessment and review process. The local assessor is a member of the assessment board, along with the expert help, and a designee of DOR. While DOR supervises the assessments, the local assessor, as a member of the assessment board, should be aware of the status of the revaluation and the procedures used in performing the assessments. The assessor is also responsible for performing all work

required of the assessor in regard to valuing mobile homes subject to the monthly mobile home parking permit fee and valuing personal property. When a supervised assessment is performed, the local BOR has the same powers, duties, and limitations as in any ordinary assessment year. In essence a supervised assessment is basically the same as a revaluation under sec. [70.055](#), Wis. Stats., with the exception of DOR's selection, payment, and supervision of the expert help.

Section [70.05 \(5\)](#), Wis. Stats. – Market Value Assessment

Under sec. [70.05\(5\)\(d\)](#), Wis. Stats., the assessed value of each major class of property must be within ten percent (10%) of the full value of the same major class of property, in the same year, at least once in the five-year period consisting of the current year and the four previous years. Full value is defined as the total taxable value of each major class of property (excluding manufacturing) as determined by DOR. Major class of property means any class of property, except agricultural, that includes more than ten percent (10%) of the non-manufacturing full value of the taxation district. For purposes of this law, undeveloped land, agricultural forest, forest, and other (Classes 5, 5m, 6 & 7) are treated together as one class. Agricultural land, by statute, is not considered a major class.

If DOR determines that the assessed to full value of each major class of property (excluding manufacturing) has not been established within 10% of each other, in the **same year**, at least once in the four-year period consisting of the current year and the three previous years, DOR will notify the clerk of the district. DOR's official notification will be in writing and mailed to the clerk on/or before November 1 of the year of determination.

If DOR determines that the taxation district remains out of compliance in the five year period consisting of the current year and the four previous years, DOR will issue a second and final Notice of Non-compliance, on or before November 1 of the year of determination.

If, in the next year (the sixth year out of compliance), the assessed value of each major class of property is not within 10% of the full value of the same major class of property, DOR will order special supervision of the subsequent year's assessment under sec. [70.75\(3\)](#), Wis. Stats.

When DOR orders a special supervision under sec. [70.05](#), Wis. Stats., it is not required to hold a public hearing to gather information as it is with a taxpayer-initiated petition for reassessment under sec. [70.75](#), Wis. Stats.

All costs of DOR in connection with special supervision under this section will be billed to the taxation district.

Local Assessor

It is not necessary that the municipality hire expert help under sec. [70.055](#), Wis. Stats., or assistant assessors under sec. [70.05\(2\)](#), Wis. Stats., to perform a revaluation. In some cases the municipality may be aware of the need for a revaluation and may prefer that the assessor perform the work. In municipalities with a full-time assessor, this may necessitate the hiring of additional support staff. Where the assessor is a part-time position, it may require that the position be made full-time for the length of time necessary to perform the revaluation, and may require the hiring of additional staff.

Staffing needs will be dependent on the amount of work to be performed, and the time-frame to complete the revaluation. Chapter 3 provides information on staffing, productivity rates, and budgeting, which can be used to estimate the number of additional staff and budget requirements for an in-house revaluation. Once staffing and budget needs have been determined and provided, the assessor is ready to proceed with the revaluation project as follows:

Obtain Assessment Forms

Prior to beginning the assessments, the assessor must obtain all of the necessary assessment forms and records, including property record cards, assessment notices, personal property returns, occupational tax forms, maps, soil surveys, aerial photos, real estate transfer returns, building permits, cost manuals and any other records that may be useful during the revaluation. It is particularly important that the assessor have a complete set of current maps for verifying legal descriptions and to be sure that no property is omitted from assessment.

Distribute Reporting Forms

The assessor distributes the various report forms, such as the statement of personal property and occupational tax forms to the appropriate taxpayers. The forms should be distributed well in advance of the due date so taxpayers have enough time to properly complete the forms.

Review Legal Descriptions

Legal descriptions as listed in the assessment roll should be reviewed for errors, incorrect acreages, omissions, overlap, and failure to close. This is done using current maps, and helps to guarantee that all property in the municipality is accounted for. The real estate transfer returns should also be reviewed for land splits or combined parcels which necessitate the preparation of a new legal description. Any incorrect legal descriptions should be researched using deeds (found in the Register of Deeds Office). The county Real Property Lister can also be contacted for assistance in preparing new legal descriptions.

Preparation of Record Cards

The assessor must prepare appropriate property record cards for each parcel in the municipality, using current forms. The record cards should be labeled with the property owner's name and address as provided in sec. [70.17](#), Wis. Stats., a legal description of the property, parcel number, and size of the land parcel when available. This information is generally available on adhesive backed labels from the county clerk or real property lister. Using up-to-date maps, lot sketches should be drawn, and dimensions recorded on the residential and commercial property record cards. Sketches are particularly desirable for parcels that are not delineated on the maps (in such cases it will be necessary to refer to the legal descriptions to determine the size and shape of the parcel) or if maps are not conveniently available.

Data Organization

When labeling the property record cards, they should be arranged in some logical sequence to facilitate office and field operations. For example, all of the property cards for one subdivision should be grouped together and arranged by blocks, in numerical sequence; or in a rural area, the record cards for one section should all be grouped together, and then

arranged in order beginning with those in the NE NE, then the NW NE, then the SW NE, and so on.

Zoning

Using current zoning maps, the zoning of each parcel should be recorded on the property record cards. Private deed restrictions are also noted on the cards.

Review of Building Permits

Building permits should be reviewed, and the data contained on them posted on the appropriate property record cards. This provides a convenient history of any construction that has taken place on a building.

Collect and Analyze Cost Data

Cost data should be collected from builders, developers, and property owners. This information can be used to verify the cost schedules in Volume 2 of the assessment manual, and to determine whether adjustments are needed in the local modifiers provided by DOR.

Collect and Analyze Income Data

Investors, lending institutions, realtors, and property managers should be contacted to obtain data to be analyzed for use in the income approach. Specific income data can also be obtained from property owners during the listing phase of the assessment process. Data to be collected and analyzed includes economic rents, typical vacancy rates, typical operating expense ratios, discount rates, and recapture rates. The income and expense data collected must be sufficient to derive capitalization rates, and accurate estimates of net income needed to effectively apply the income approach. When valuing income producing properties, all data must be properly documented and adequate records prepared showing the determination of value by the income approach.

Collect and Analyze Sales Data

The assessor must collect and analyze all available sales data for the municipality in order to effectively apply all three approaches to value. Real estate transfer returns are the primary source of sales information, and are provided to local assessors by DOR. The assessor must verify the data contained on each transfer return to find out if the sale is arm's-length, learn the terms of the sale, and determine whether the sale price included personal property. Once the sales that are not arm's-length have been eliminated, the assessor can utilize the remaining data to perform sales analyses.

When analyzing the sales they should be divided into property groups that can be meaningfully compared against one another for valuation purposes. This is known as stratification. The sales should first be stratified by property classification. If there are a large number of sales, it may be possible to further stratify the sales by neighborhood, age, size, etc. Once the sales have been stratified, they are analyzed to separate the amount of sale attributable to land and improvements; to develop unit values for land; to measure accrued depreciation as evidenced by the difference between the cost of replacement new and sale price attributable to improvements; and to develop a systematic record of the findings of each sale investigated. The procedure for performing a sales analysis is discussed in more

detail in Chapter 10. All sales analyzed should be properly documented so they can be used at BOR proceedings and referenced in the future as necessary.

The assessor may also supplement the data contained on the real estate transfer returns by contacting realtors, lending institutions, and property owners. All sales data should be posted on the property record cards.

Collection of Neighborhood Data

When performing field work, neighborhood data should be collected so it is possible to delineate neighborhoods. A neighborhood is an area exhibiting homogeneity in residential amenities, land use, economic and social trends, and housing characteristics. Each neighborhood should be assigned an arbitrary neighborhood code, which should be noted on the property record card. Neighborhood data should be complete in order to determine the variations in selling prices due to location. The data should include school district; various neighborhood characteristics such as the type (urban, suburban), the predominant use class, whether it is declining, improving, or relatively stable, accessibility to the central business district, shopping centers, housing characteristics, range of selling prices, etc.; and a rating of the relative desirability of the neighborhood.

Collection of Property Data

The data collected on each property should be complete, accurate, and consistent. All information should be collected and recorded on the property record cards. When making a field viewing, the lister should:

1. Provide identification and explain the purpose of the viewing to the property owner
2. Verify any sales information on the property
3. Check the property address
4. Verify the property classification and zoning
5. Interview the property owner and record all pertinent facts
6. View the interior of the building, recording physical data
7. Measure and view the exterior of the building recording the story height and dimensions
8. Sketch (top view) the improvement showing all additions and porches
9. Select the proper quality and grade of the improvements consistent with the cost manual being used
10. Record site characteristics
11. Review the property record card for completeness and accuracy
12. Record the date of viewing on the property record card

When the listing is performed by the assessor the observed condition and “percent good” determination for the improvements can also be determined when collecting property data.

After the field viewing is completed, the property record cards are returned to the office for calculation of area and cost computations.

In those cases where the assessor or lister is unable to find the property owner at home, a “call back” form should be left at the property. The form should not be left in the mailbox since this is a violation of postal regulations. A call back is simply a form stating the purpose of the viewing, with a phone number and person to contact to arrange an appointment for the assessor to view the property.

In those cases where the assessor is unable to gain entry to a property, the improvement will have to be listed and valued according to the best information available. Please see Chapter 9, Data Collection section, for further discussion on collection of next best information.

Land Valuation

In 1998, agricultural lands began being assessed at “use-value,” i.e., assessment based on the ability of the land to generate income. DOR provides assessors with the values for agricultural lands on an annual basis. Chapter 14 provides details on how to assess agricultural lands.

Aerial photographs and soil surveys should be used in conjunction with (not in lieu of) field viewings to evaluate and classify, undeveloped and timber lands. Overlays should be prepared to show ownership lines and acreages, land classification and unit values used for each parcel valued. Land classification and grading must be recorded on the property record cards.

Basic unit values for residential and commercial lands are derived from an analysis of sales, rents, leases, and other available market data. In the analysis of market data, adequate records should be prepared showing the data collected and unit value determinations. Once unit values have been determined, they are applied to each parcel with adjustments made as necessary to account for the particular characteristics of the site. Land computations should be shown for each parcel on the property record cards.

Valuation of Personal Property

The assessor should begin by preparing a list of all personal property accounts in the municipality. This can be compiled from the preceding year’s assessment roll, and updated with additions or deletions that the assessor has discovered since the last assessment. The assessor should be sure that each property owner required to submit a personal property return has done so, and if not, they should be contacted to obtain the information. Any personal property returns submitted should be checked for arithmetic and procedural errors, and verified for accuracy in content. Since personal property returns are not required from farmers or other firms or corporations whose personal property is not used for the production of income, each such establishment must be visited to determine the amount and value of the personal property. The procedures discussed in Chapter 19 should be followed for the valuation of personal property.

Mobile Homes

In municipalities without a mobile home ordinance pursuant to sec. [66.0435](#), Wis. Stats., the assessor must assess mobile homes as either real estate, or personal property. In municipalities where a mobile home ordinance is in effect, the assessor must determine the market value of each mobile home against which the prior year’s net tax rate is applied to arrive at the monthly parking fee. The value of each mobile home under such an ordinance, however, is not entered in the assessment roll since mobile homes subject to an ordinance are exempt from the general property tax.

When valuing mobile homes, the assessor should use a mobile home listing form on which the physical features of each mobile home are recorded. Specific information to be collected on each mobile home includes: manufacturer, model, serial number, size, age, appearance,

condition, number of rooms, foundation, siding, type of heat, utilities, any additions such as patios, porches, skirting, etc., and any extras such as air conditioning, fireplaces, basement, etc. A blue book price manual should be checked for information on the resale value of mobile homes, and mobile home dealers in the area should be contacted to obtain cost data. Where there have been mobile home sales, a sales analysis should be prepared in order to study the local market and to compare with the cost approach.

Approaches to Value

The assessor must analyze the data collected on each property, giving consideration to the factors influencing the value of each property compared to others, and then process the data into a value indication by employing the cost, income, and market approaches (as applicable) to value.

The assessor must determine the value according to sec. [70.32\(1\)](#), Wis. Stats. by first considering “any recent arm’s-length sales of the [subject] property to be assessed if according to acceptable appraisal practices those sales conform to recent arm’s-length sales of reasonably comparable property.” If no recent sales of the subject property exist, then the assessor must consider “recent arm’s-length sale of reasonably comparable property.” If no recent sales of the subject property and no recent sales of comparable property exist, then the assessor must consider “all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed.” However, in the use of any approach other than the market approach for non-agricultural property, the final assessed values must be correlated to the statutory standard--ordinary market value.

Final Review

After initial value estimates have been derived, each property must again be viewed, along with the property record card and value estimate. This is done to verify the accuracy of the data, to be sure that the replacement costs have been properly derived, and to make a judgment of the overall condition, desirability, and usefulness of each improvement to arrive at a depreciation estimate. When appropriate, net income should be capitalized into an indication of value to determine the loss of value attributable to functional and economic obsolescence. The depreciated improvement value is then added to the land value, and the total property value is reviewed against sales data for comparable properties to be certain that it is reasonable, and against the assessments of other properties to assure equity between properties. Where a determination of value has been made using the income approach, the value estimate must also be reviewed to make the proper correlation between the cost, market, and income approaches. A final review is a very important aspect of any revaluation project. It helps to eliminate errors in computations, ensure uniformity in record card and form completion by various personnel, and to be sure that all land and improvements have been properly accounted for.

Measure Assessment Performance

Once the assessments have been established for each property, the values must be tested to find if they represent market value and if they are equitable. The best way to do this is through assessment/sales studies, provided there are a sufficient number of sales available. The procedures to be used for these studies are discussed in detail in Chapter 10.

Completion of Assessment Roll

After the assessments have been reviewed in the field, and any necessary changes have been made, the assessor completes the assessment roll. For real estate, the class code, acreage, and assessment for each parcel are entered in the appropriate section of the roll. Personal property assessments are entered in the personal property section of the roll in alphabetical order. Following the open book conference, any additional changes that have been made in the assessments are recorded in the assessment roll and each page of the assessment roll is totaled and the real estate assessment roll and personal property assessment roll summaries are completed. When the assessment roll is turned over to the clerk the assessor completes the assessor's affidavit and signs the roll.

Reports to the Department of Revenue

When expert help has performed a revaluation, the expert help is responsible for completing the Municipal Assessment Report, and a listing of buildings on leased land for that year. If the revaluation is performed by the local assessor, the assessor continues to be responsible for completing and submitting reports to DOR by the second Monday in June. If the revaluation has not been completed, an estimated Municipal Assessment Report should be submitted. That report should include increases in valuation due to annexations, new construction, property formerly exempt and now assessed, losses in value due to annexation, demolitions, and property becoming exempt. For personal property it should provide information on the value of by class. Contact the Supervisor of Equalization for assistance in preparing these reports.

Assessment Notices

Upon completion and review of the assessments, assessment notices are mailed to all property owners in the municipality. Under secs. [70.055](#) and [70.75](#), Wis. Stats., by contract these notices must be mailed at least 15 days prior to the open book conferences), except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR. **Note:** [2017 Wisconsin Act 68](#), effective November 27, 2017, requires a 7-day period between open book and board of review. Section [70.47\(1\)](#), Wis. Stats., states in pertinent part: *The board of review shall meet annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45.* This is done for the convenience of taxpayers so they have time to review their assessments and make arrangements as necessary to attend the open book conferences. The notice form used is prescribed by DOR as provided under sec. [70.365](#), Wis. Stats., and must also include the dates and time for the BOR. The standard contract provides that the dates and times for the open book conferences also be included on the assessment notice.

Open Book Conference

An Open Book conference is an informal meeting which is held to allow taxpayers to discuss the new assessments with the assessor or expert help, learn how they were derived, and compare their assessments with others. The state standard contract specifies that an open book conference must be held by expert help when a revaluation is conducted under secs. [70.055](#) or [70.75](#), Wis. Stats. By allowing time to meet with taxpayers prior to turning the assessment roll over to the BOR, it may be possible to resolve problems and correct any errors that are discovered, thus decreasing the number of formal objections presented to the BOR.

After the open book conference has been held, the assessment roll is completed, signed by the appropriate person(s), and turned over to the clerk.

Completion Date for a Revaluation

The completion date for a revaluation or a reassessment will vary, depending on the size of the municipality, types of properties, number of individuals working on the project, quality of maps available, accuracy of legal descriptions, and other factors. It is not uncommon for the completion date to extend beyond the statutory meeting date for the BOR; however, the completion date should in no case, extend beyond the normal time for extending the tax rolls and collecting taxes.

Board of Review

When a revaluation extends beyond the statutory meeting date for the BOR, the BOR must still meet during the 45-day period beginning on the fourth Monday of April; however, at that time it would adjourn to the date that it is anticipated the assessment roll will be completed. The clerk must post written notice on the outer door of the place of meeting, stating the date and time to which the meeting has been adjourned. If the assessment roll still is not completed on the adjourned meeting date, the Board must again meet and adjourn to another date when it is anticipated the roll will be completed. The clerk must again post a written notice on the outer door of the meeting place stating the new date and time to which the meeting has again been adjourned. This procedure must be followed each time the assessment roll is not completed on the adjourned meeting date until the date that the assessment roll is completed. When the assessment roll is finally completed and the BOR meets, it must be in session the hours required by statute for the first meeting of the BOR.

The BOR's powers, duties, and limitations still hold as in any ordinary year, and its responsibilities have not been lessened by virtue of a revaluation. However, where DOR has ordered a reassessment pursuant to sec. [70.75\(1\)](#), Wis. Stats., a special Board of Corrections, appointed by DOR, would then be responsible for the review and correction of the assessments and the regular BOR members would be relieved of any responsibility in regard to those assessments. Reference should be made to Chapter 21 for additional information on BOR duties, responsibilities, and limitations.

Municipality's Role in a Revaluation

When expert help is hired to perform a revaluation, the standard contract makes the municipality responsible for furnishing adequate office space, at no cost to the expert help for the duration of the revaluation. The space should be in or near the municipal hall, and should include desks, tables, chairs, file cabinets, heating, lighting, plumbing, telephone, and janitorial services. The municipality must take an active role in the promotion of public information regarding the revaluation.

During the revaluation, the expert help and/or assessor may have reason to refer to various municipal records. The municipality should make available previous assessment rolls and records, sewer and water layouts, building permits, tax records, records of special assessments, plats, and any other maps currently in their possession, at no cost. The municipality should also be certain that there are adequate maps for use during the revaluation. This is essential for the proper assessment of all property in the municipality.

The municipality must also provide approved forms, binders, record cards, adhesive backed labels, assessment notice forms, and any other materials as necessary for the completion of the revaluation. In addition, the name and address of the owner, legal description, and parcel number of each parcel to be appraised must be provided by the municipality. All of these materials can be obtained from the County Clerk or the Real Property Lister.

[2009 Wisconsin Act 68](#) addresses notification which must be published or posted prior to commencement of a revaluation by an assessor. The trespass bill states in part “Before a city, village, or town assessor conducts a revaluation of property under this paragraph [Section [70.05\(5\)\(b\)](#) Wis. Stats.], the city, village or town **shall** publish a notice on its municipal website that a revaluation will occur and the approximate dates of the property revaluation. The notice **shall** also describe the authority of an assessor, under sec. [943.13](#), Wis. Stats., and sec. [943.15](#), Wis. Stats., to enter land. If a municipality does not have a website, it **shall** post the required information in at least 3 public places within the city, village or town.” (Emphasis added)

Municipalities may consider publishing this notice every assessment year.

It is recommended that you provide a link to the above noted statutory references so that persons visiting your website could click on those links and review the statutes. Model language regarding this notice is provided below.

Sample Revaluation Notice

A revaluation of property assessments in the (*municipality*) shall occur for the (*year*) assessment year. The approximate dates of the revaluation notices being sent to property owners is expected to be in (*month/year*). Please also notice that the Assessor has certain statutory authority to enter land as described in sec. [943.13](#) and [943.15](#), Wis. Stats.

The ability to enter land is subject to several qualifications and limitations, as described within the foregoing statutes. Copies of the applicable statutes can be obtained at public depositories throughout the State of Wisconsin, and from the [State of Wisconsin Legislative Reference Bureau](#) website or a copy may be obtained from the municipal clerk upon payment of applicable copying charges.

Public Relations

Prior to, and throughout the revaluation, it is important that taxpayers be aware of what is happening. The municipality should publish articles in the local newspaper prior to the revaluation so citizens are aware that a revaluation will be conducted, the purpose of the revaluation, who will perform it, when it will begin, and what to expect.

The municipality should also prepare some type of letter of introduction for all field staff, which should be presented along with a picture identification card, when viewing each property. This will help to relieve apprehension on the part of property owners who may be reluctant to allow someone they do not know to enter their home. DOR prepares letters of introduction for expert help hired under secs. [70.75\(1\)](#) and [70.75\(3\)](#), Wis. Stats.

To keep abreast of the status of the revaluation, it is necessary for the governing body to regularly meet with the assessor or expert help (as the case may be) to receive progress

reports and discuss problems. By being continually aware of the status of the revaluation, the governing body is in a better position to keep the public informed, and to plan ahead for open book conference and BOR dates.

During the revaluation the public should be kept informed of the progress of the revaluation. This is best handled through the local newspaper. There should be coordination between the assessor or expert help and the governing body regarding news releases to the public. Many times the expert help has had experience in this area and will have suggestions for how to handle informational releases.

Personal contacts are an important aspect of a public relations program. When dealing with taxpayers, the assessor and expert help should project a courteous, cooperative, and helpful attitude. It should be recognized that whenever there is a revaluation there are bound to be some problems. By taking time to meet with taxpayers and discuss the assessments, it may be possible to resolve many of the problems, and correct any errors that are found to exist.

Compensation to the Assessor

The amount of compensation for the assessor during a revaluation is up to the judgment of the governing body, and should be commensurate with the degree of participation expected of the assessor. When expert help is hired to perform a revaluation, the responsibilities of the assessor have not been lessened. Under sec. [70.055](#), Wis. Stats., the assessor and expert help are equally responsible for the assessments; under sec. [70.05\(2\)](#), Wis. Stats., the assessor has sole responsibility for the assessments; and under sec. [70.75\(3\)](#), Wis. Stats., the assessor, expert help, and DOR designee are all equally responsible for the assessments. As such, the assessor should take an active part in the entire revaluation. This involvement will help to ensure proper maintenance of the assessments in future years, and should be reflected in the assessor's salary.

Cost of a Revaluation

Cost can be a major factor in determining whether or not to conduct a revaluation. The cost for a revaluation is determined by the number of parcels to be appraised, the number of personal property accounts, the availability of maps, the quality of existing records, the different classes of property involved, accessibility to the entire area with regard to roads, etc. Any estimate of cost must consider all of these factors; therefore, the cost of a revaluation must be determined on an individual basis.

Maintenance of the Assessments and Assessment Records

Following a revaluation or a reassessment, it is important that the assessments and the assessment records be properly maintained on an annual basis to reflect current conditions. Sec. [70.32](#), Wis. Stats. states in part, "Real property shall be valued at the full value which could ordinarily be obtained therefore at private sale." Assessments should conform to market value to assure uniformity of assessments so that the property tax burden will be equitably distributed across property classes and among individual property owners. By analyzing recent sales and performing assessment/sales ratio studies, the assessor can readily determine whether the assessments represent market value and are equitable between property owners. An assessment/sales ratio study is a comparison of property assessments against the actual sales prices of the same properties. Overall, assessment ratios for each class of property should be approximately equal to the assessment ratio for all classes of property combined. If the assessment ratios for different classes of property are unequal,

assessment inequities exist and it will be necessary for the assessor to review the assessments and make adjustments as needed to maintain equity in the assessments. For more information on how to use sales to analyze the equity of the assessments, refer to Chapter 10.

Assessments should not be carried over from year to year with no adjustments. Property values are continually changing, and the values do not change at the same rate for all properties. With no changes in the assessments, inequities will soon develop. Therefore, they should still be reviewed annually and sales analyses performed to determine if specific classes or types of property need to be adjusted to maintain equity in the assessments.

In addition to maintaining the assessed values, the property records must also be maintained. Assessments can only be as accurate as the property data on which they are based. It is not possible to arrive at equitable assessments using inaccurate and incomplete data. Because property characteristics are continually changing, the property record cards must be updated on an annual basis to account for new construction, remodeling, land splits, and demolitions. If the record cards are not properly maintained, they will no longer aid the assessor in making defensible assessments, and the benefits realized as a result of the revaluation will soon be lost.

To help maintain property records, the assessor is furnished with copies of all real estate transfer returns. Market data from the transfer returns should be analyzed and posted on the property record cards. The assessor should also be notified of all building permits, which alert the assessor to changes in property characteristics. In addition, it will be necessary for the assessor to periodically view all properties and update the property record cards to reflect current conditions.

Chapter 7

Parcel and Information Systems

Listing

After real property is discovered, the next step is to list the property. This involves collecting data on each parcel using property records and recording assessment information in the Assessment Roll. DOR prescribes the forms required for the assessment and collection of general property taxes and furnishes each county designee with a sample of the forms. The county designee obtains the forms at county expense and furnishes them to the assessors, clerks, and treasurers.

Electronic Data Standards

Beginning with the 2013 assessment year, municipalities are required to maintain electronic assessment data. Consistent system standards are vital to the sharing, analysis and use of assessment data across boundaries. Assessment offices and users of assessment data are dependent on accessible data in a standard format.

All municipalities are required to create an electronic version of the 2013 assessment data and maintain the electronic data for future assessment years. Electronic assessment data includes all assessment data, such as parcel attributes, sketches, and photographs. The requirement excludes information in assessment work files such as:

- handwritten notes, correspondence,
- building permits, or field sketches.

Municipal assessment contracts may exceed these standard requirements. All work products may be requested by the municipality to be maintained electronically.

Parcel Numbering Projects

Counties that are transitioning computer systems or undergo a parcel renumbering project, are required to follow the standards and specifications of this manual. Technological advances in computer systems and programming are the basis for the assessment and taxation records standardization requirements. Clearly defined data standards allow for transferring information between users. A standard data format allows for stable and sound infrastructure development. Sec. [73.03\(5\)](#), Wis. Stats., provides DOR with the statutory authority to standardize property data.

2013 Act 20 Process Statewide Parcel Mapping

[2013 Wisconsin Act 20](#), the biennial state budget for 2013-2015, created statutory directives for state and local governments to coordinate on the development of a statewide digital parcel map. DOR collects and provides access to the data using XML. Under the law, counties must coordinate their parcel mapping with the Wisconsin Department of Administration (DOA) and meet its searchable format standard by June 30, 2017 for posting certain parcel information online (sec. [59.72\(2\)\(a\)](#), Wis. Stats.). The statewide parcel map initiative is an

effort to create a state digital parcel map with local parcel data using geographic information systems (GIS) technology. Programming and related vendor contracting for the creation of the XML Assessment/Tax Roll is a DOA Strategic Initiative Grant item. XML is the standard format for DOR. Counties may use grant funds for XML roll creation in conjunction with fulfilling "Act 20 Attributes".

Wisconsin Act 20, the biennial state budget for 2013 – 2015, created statutory directives for state and local governments to coordinate on the development of a statewide digital parcel map. The Statewide Parcel Map initiative is an effort to create a digital parcel map for Wisconsin by aggregating local parcel datasets utilizing geographic information systems (GIS) technology. The Parcel initiative is a multi-faceted, multi-year collaborative effort of DOA, State Cartographer's Office, and local governments.

The statewide parcel map provides assessors with information helpful to verifying assessments of property. The following information is available for most parcels in the statewide parcel map:

- Parcel ID
- Tax Parcel ID
- Tax Roll Year
- Full Physical Street Address
- Total Assessed Value
- Assessed Value of Land
- Assessed Value of Improvements
- Assessed Forested Value
- Estimated Fair Market Value
- Net Property Tax
- Gross Property Tax
- Class of Property
- Deeded Acres
- GIS Acres

More information can be found at the [DOA website](#).

Assessment Roll

The Assessment Roll is the official listing of all properties within a municipality (Town, Village, City) by ownership, description, and location showing the assessed values for each.

The completed Assessment Roll is an official listing which contains owners and legal descriptions of all real estate parcels and items of personal property within a taxation district, acreages of most parcels, the statutory classification and assessed value, according to land and improvements, of general taxable parcels.

Rolls and the Authority of the Department of Revenue (DOR)

Real property record cards, personal property forms, Assessment Rolls, and other supplementary forms are used to record property information. The assessor can then use the information when making assessments or when presenting evidence before the Board of

Review (BOR). Those forms prescribed by DOR, under the authority of sec. [70.09\(3\)](#), Wis. Stats., contain important information used by all taxation districts. A municipality or county must contact [DOR](#) for approval to use a form (sec. [70.09\(3\)](#), Wis. Stats.) different than prescribed by DOR. DOR reviews alternate forms to ensure they contain the necessary information; are in a similar format to the prescribed form; and that they meet statutory and departmental standards.

Real Property Lister (RPL)

Counties may provide for a RPL to prepare and maintain accurate ownership and description information for all real property parcels in the county. That information may include the following:

- Parcel numbers: the RPL creates, assigns, and retires parcel numbers
- The owner’s name and an accurate legal description as shown on the latest records of the office of the Register of Deeds (ROD): owner(s) names are researched and listed for the parcel of record by the RPL
- The owner’s mailing address: updates to owner's mailing address, whether one owner or multiple owners, are made by the RPL
- The number of acres in the parcel (if it contains more than one acre): the RPL lists the parcel acres based on the best information available including, but not limited to, when documents are recorded for splits, combinations, and certified survey maps
- School district and special purpose codes: all codes attached to the parcel are assigned by the RPL

The RPL provides this information for the use of municipal assessors, clerks, and treasurers, county offices, and any other person requiring that information. The RPL also serves as the coordinator between the county and the municipalities for assessment and taxation purposes.

Because of the specialized nature of maintaining accurate, up-to-date maps and records, this function is best carried out at the county level. This allows the lister to make efficient use of the computers and other equipment, have ready access to documents and deeds recorded with the ROD, and provide a central location for real property records in the county.

Preparation of the Assessment Roll

Although the duties for real property listing are defined in sec. [70.09](#), Wis. Stats., the responsibility for preparing a complete and accurate Assessment Roll resides with the assessor. Before entering new construction on the Assessment Roll, the assessor is required to equate the value to the level of assessment.

Important Assessment Roll Dates and Requirements in the Assessment Year For Assessors and Clerks

On or before 1st Monday
in May The assessor delivers the completed Assessment Roll to the clerk (sec. [70.50](#), Wis. Stats.) This is delivered prior to the BOR.

April and ongoing Clerk examines and corrects Assessment Roll (sec. [70.52](#), Wis. Stats.)

Note: It is important to verify the accuracy of the Assessment Roll at this time. Most of a clerk's tax work and subsequent reports depend on the accuracy of the Assessment Roll.

4th Monday in AprilBOR to convene (sec. [70.47](#), Wis. Stats.) (45-day period)

On or before 2nd Monday

in June Clerks of all taxation districts efile the SOA with DOR/Local Government Services (LGS) (sec. [70.53](#), Wis. Stats.) Assessor files the MAR and TAR with DOR.

December 1DOR certifies the amount of state property tax credits to be allocated for real estate and personal property.

3rd Monday in December Clerks of all taxation districts e-file the statement of taxes (SOT) with DOR/LGS (sec. [69.61](#), Wis. Stats.)

Sec. [70.52](#), Wis. Stats., requires the clerk to examine and correct the roll. It is important for the clerk to examine and make any necessary corrections in the Assessment Roll before the BOR meets. Such examination and correction should include, but is not limited to:

1. Elimination of duplicate assessments.
2. Addition to the roll of any taxable property omitted by the assessor in the current assessment. The clerk shall ask the assessor to certify an assessed value of property omitted on the current roll (sec. [70.52](#), Wis. Stats.).
3. Elimination from the roll of any property illegally assessed by the assessor.
4. Review of the following:
 - a. The assessor's treatment of Forest Crop Land (FCL) under sec. [77.04\(1\)](#) and [\(2\)](#), Wis. Stats., (these lands must be assessed and properly classed).
 - b. The assessor's treatment of Managed Forest Land (MFL) under section 77, [subchapter VI](#).
 - c. The assessor's classification of property – whether it is real estate or personal property.
5. Make sure improvements are assessed with the legal description upon which they are located.
6. Review each assessment (real estate and personal property) by the school district (elementary (K-8) and/or regular (K-12) school, union high and technical college). Review those parcels and applicable personal property assessments contained in other special districts containing area of less than the total taxation district. It is important that all are properly coded.

The Electronic Assessment Roll

The use of an electronic roll over a paper roll may create multiple benefits for taxpayers and users. The benefits of providing a computer based searchable roll for users creates another set of requirements.

Using an electronic roll, especially in a non-revaluation year is suggested since it is unlikely many taxpayers will ask to view the roll. In other words, if there is not a revaluation scheduled in the current year and typically few residents appeal their assessment at BOR or

appear at open book, then one PC may be appropriate to search the roll. As the use of an electronic Assessment Roll grows, it is suggested that the municipality and the assessor discuss roll viewing capabilities prior to scheduling open book or BOR. If viewing an electronic roll is the only option for taxpayers, accommodations must be made to allow for viewing.

Roll Distinctions

There are different types of rolls for property assessment and taxation based upon time of year and use of the information. The differences are evident based upon business processes. Understanding the distinctions between the different types of rolls is important to establish a standard data format and eliminate inconsistencies. County Land Information Officers (LIO) and RPLs typically recognize the differences in the indexes; therefore reconcile them accordingly. An effort in reconciliation occurs when a parcel is combined by the assessor under sec. [70.23\(2\)](#), Wis. Stats., or in a county renumbering project.

A solution to reconciling the Assessment Roll and legal parcel roll is found under the duties of RPL under sec. [70.09](#), Wis. Stats., as the RPL serves as the technical expert on providing information on parcels of real property for tax professionals. The RPL also serves as the coordinator between the county and the taxation districts in the county for assessment and taxation purposes. Another solution is found through an understanding of the definition of the roll types and their use.

Definitions of Roll Types

Work Roll

The Work Roll is the legal parcel roll reflecting all taxable real and personal property. While the existence of geospatial representations of parcels define the basis of taxable property it does not cover all of them. Condos and road right-of-way are examples of data that is related to a core parcel polygon yet derived from it are more parcels, values, addresses and tax bills. The Work Roll is the conglomeration of the parcel index and the tax roll index into one file.

Change Roll

Counties and municipalities using an electronic system may, at any time after January 1 of the tax year, send an updated Assessment Roll to the assessor. This roll includes only parcels with changes:

- Splits
- New Parcels
- Conveyance updates:
 - Transfers
 - Encumbrances
 - Title changes

The Change Roll may be provided to the assessor in an electronic format and delivered from FTP, email or other application. Delivery of the Change Roll does not eliminate the requirement to deliver the Work Roll.

Open Book Roll

The assessor is charged with providing and arranging roll data for the Open Book conference. Electronic rolls at open book are suitable for browsing provided the systems utilized are intuitive for the user. Assessors should provide real and personal property rolls identified by parcel number, and alpha order. Address order rolls are suggested but not required.

The Open Book Roll is the Assessment Roll, leading up to the creation of the pre-BOR Roll. It is suggested and good practice, for the assessor to submit the Open Book roll to the county RPL not less than 30 days prior to the BOR if the county creates the Notice of Assessment (NOA) and 20 days if the assessor creates and mails the NOA.

Note: [2017 Wisconsin Act 68](#), effective November 27, 2017, requires a 7-day period between open book and board of review. Sec. [70.47\(1\)](#), Wis. Stats., states in pertinent part: *The board of review shall met annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the Assessment Roll is open for examination under s. 70.45.*

Board of Review Roll

It is at the discretion of the municipality to provide printed rolls and viewable electronic rolls or both for BOR sessions. It is suggested that a printed roll be available at all times in the municipal offices and available during BOR.

It is the municipality's responsibility to print the Assessment Roll in sort order. Sort order is in order by parcel number. The municipality can consider contracting with the county to obtain this version.

Assessment Roll

The Assessment Roll is the index or removed tax roll of that same property corresponding to the representation of ownership, location and valuation. The official listing of all properties within a given municipality (Town, Village, City) by ownership, description, and location showing the corresponding assessed values for each.

The completed Assessment Roll is an official listing which contains owners and legal descriptions of all real estate parcels and items of personal property within the taxation district, acreages of most parcels, the statutory classification and assessed value, according to land and improvements, of general taxable parcels.

A completed Assessment Roll is the final product of many hours of the assessor's work. When the assessor signs the affidavit and attaches it to the Assessment Roll, the roll becomes the only official assessment record required by statute. The Assessment Roll is designed so the eight classes of real estate can be listed separately with respect to ownership, legal description, school district, number of acres, and assessed value of the land and improvements. In addition, columns for such special categories as forest crop, managed forest land, and all exempt land are also provided in order that all lands can be accounted for, thus minimizing the possibility of omitted property.

The number of parcels in each property class is becoming increasingly important for statistical purposes such as estimating the cost of hiring expert help. The Assessment Roll maintains an area for recording the number of land and improvement parcels on each page

of the roll. The page by page summary of the Assessment Roll on the special summary sheets permits an accurate totaling of the roll with respect to parcel count, number of acres, assessed value, and other columns.

Tax Roll

The Tax Roll is the official list showing the amount of taxes, special assessments, and charges levied against each parcel and item of personal property in the municipality.

Continuing Maintenance of Rolls

Legal Parcel Roll (Property Records)

The Legal Parcel Roll is a database created and maintained in a manner prescribed by DOR containing real property ownership and assessment information. This roll is created by the County from documents recorded in the ROD that have been determined by the RPL to be valid, accurate and complete for assessment, taxation and parcel mapping purposes.

Another aspect of the rolls is the continuing maintenance that is performed. Oftentimes this takes place without an actual roll being printed each time, but the previous year's Assessment Roll is the basis for the Legal Parcel Roll.

The sequence of roll creation is dictated by county business requirements, systems and infrastructure. The Legal Parcel Roll is worked on year round as parcels are added and subtracted, ownership changes are made and properties are bought and sold. Identification of the Legal Parcel Roll helps in identifying the process requirements used to create it along with the associated business requirements. The active Legal Parcel Roll becomes the work roll as of January 1.

Revaluation

When undertaking a revaluation, it is suggested an assessor develop a systematic delivery of the changes to the RPL. Timely reviews of the changed roll by the RPL help to identify potential issues with parcels and related omissions, combinations, new construction and demolitions.

Municipalities may contract with the county for printing of the Open Book Roll. Assessors and municipalities must submit the Open Book Assessment Roll information to the RPL at a time frame specified by the RPL. Assessors should not submit the Assessment Roll to the RPL with the expectation that a reconciliation and printing of any roll will occur in less than 10 business days.

Assessment Roll Print Sort Order

The legal parcel number is the number representing a geospatial polygon tied to a legal description and sometimes a deed. It may be a surrogate number or the tax parcel ID. If indexed, it may NOT be a 1:1 relationship with the Assessment Roll. There are alternate formats to print the Assessment Roll, by street address, parcel number or an alternate shortened PIN number that has intelligence and is identifiable by the user. The Assessment

Roll may also be printed by section number and in that listing a sub order may be developed by street address, last name or parcel number:

- Street address: street number, street name, consecutive order
Note: County and municipal systems may not have the ability to print in a street address order.
- Name: last name, first and middle initial
- Parcel Number: consecutive order, then subdivision order
Note: subdivisions should be located at the end of each roll by subdivision name, and then by lot number.

Roll Printing

Under sec. [70.09\(3\)\(d\) Wis. Stats.](#), the county is required to provide the county designee basic forms including Assessment Rolls and tax rolls. Assessors and municipalities using the county for roll printing should schedule roll printing in advance of the needed date.

Sort Order

Practical applications with the use of the Open Book and BOR Roll at Open Book and BOR provides that sort order capabilities are required. Municipalities and counties must consider the use of the assessment roll when creating or changing tax systems. While a printed roll is an assessor requirement, the fundamental architecture of the roll must be based on its business use. A sort order is a requirement for BOR and Open Book. An assessment roll must be provided to the BOR under sec. [70.47\(6\) Wis. Stats.](#) The assessment roll shall be checked for omitted property and for double assessments.

Where Real Property Assessed

Sec. [70.12](#), Wis. Stats., provides that “Except in cities of the first class, all real property not expressly exempt from taxation shall be entered upon the Assessment Roll in the assessment district where it lies.” Cities of the first class have been excluded from this section because the commissioner of assessments has the authority to divide the city into smaller administrative or assessment districts and also to direct that the assessments of real property be made without regard to the boundaries of the districts.

To Whom Real Property Assessable

Sec. [70.23](#), Wis. Stats., requires the assessor enter upon the assessment roll opposite the name of the person to whom assessed a correct and pertinent description of each parcel of real property. Since the tax roll is prepared from the assessment roll, it is important that the correct name appear in the assessment roll.

Sec. [70.17](#), Wis. Stats., outlines how the name listing is handled for a variety of situations. It states that real property shall be entered in the name of:

1. The owner, if known to the assessor, which is a RPL duty under sec. [70.09](#), Wis. Stats., and based on recorded documents from the ROD

2. Otherwise, to the occupant thereof if ascertainable
3. And, otherwise, without any name
4. The person holding the contract or certificate of sale of any real property contracted to be sold by the state but not conveyed (by Jan.1st) shall be deemed the owner for such purpose
5. The undivided real estate of any deceased person may be entered to the heirs of such person without designating them by name
6. The real estate of an incorporated company shall be entered in the same manner as that of an individual
7. Improvements on leased lands may be assessed either as real or personal property

Description of Property

Sec. [70.23\(1\)](#), Wis. Stats., says that “The assessor shall enter upon the Assessment Roll a correct and pertinent description of each parcel of real property in the assessment district...” Every assessment requires a legal description of the property sufficient to convey title to a grantee in a tax deed. This is necessary to protect the local district from having a non-collectable tax charged back by the county. Only correct descriptions should appear on the assessment roll to ensure that taxpayers pay taxes on their property alone.

(Sec. [70.23](#), Wis. Stats., defines a process in general terms related to the manner in which the assessor creates an assessment roll not a work roll.)

School District

DOR prescribes assessment roll forms, as provided in sec. [70.09\(3\)](#), Wis. Stats. The RPL is required to fill in the number of the school district on the assessment roll for each property.

Procedure for Entering Descriptions in the Assessment Roll

Unplatted Property

Regular government descriptions of land should be entered in the assessment roll opposite the name of the person to whom assessed. The preferred order in locating quarter sections is counter clockwise as follows: northeast quarter, northwest quarter, southwest quarter, and southeast quarter. Parts of the quarter section are described observing the same order as illustrated in Figure 7-1.

Figure 7-1

NE NE NW NE SW NE SE SE NE NW NW NW SW NW SE NW NE SW NW SW SWSW SE SW NE SE NW SE SW SE SE SE	NW 160 Acres	40 Acres	40 Acres
		40 Acres	40 Acres
	SW 160 Acres	SE 160 Acres	

Not more than one section should be put on one page of the assessment roll. Where a government forty is subdivided and owned by two or more persons, the several parts should be entered in regular order following the proper position in the assessment roll. In other words, each part of the forty should be described and entered on the roll before proceeding to enter the description of the following forty. If an individual owns several forties, list each forty on a line in the assessment roll giving the appropriate description for each forty.

Assessed Acres

During Open Book and/or BOR proceedings information related to parcel acres may be presented to the assessor that is deemed to be the best information available. Assessors are required to review this information when it is presented and adopt the acre measurements if deemed reliable.

Counties utilizing surveys, certified survey maps (CSMs), or map surveys to assist developing accurate acre bases for parcel construction may change the assessed acres from time to time.

The RPL should work with the assessor in developing justification for changes to the parcel acres. In all instances any change in acres requires a changed NOA and value change.

Available Information

- CSMs
- Recorded meets and bounds descriptions
- Map of survey

When a portion of a forty is a subdivision, a listing should be made in the forty giving the name of the subdivision and the acreage taken by it. A typical listing could simply be “Sunnyside Subdivision – 16.5 acres.” Listings such as these merely serve to account for the full acres within each forty. Without such listings completing the inventory of the full acreage of a forty, property could be left off the roll because it is assumed to be accounted for in some other place.

Irregular descriptions such as government lots or metes and bounds should be listed in the same order as indicated above for regular government forties. The number of acres in each parcel should be entered after each description, and the total number of acres in the section should be checked with the known actual amount. The acreage for town roads and older county trunks and state highways should be included in each parcel so the acreage will total correctly. However, the land upon which the new county trunks, state highways and interstate highways are being built is being acquired in fee ownership by the county and State of Wisconsin and must be deducted.

Platted Property

Plats of lands of an unincorporated village, lying within any town, shall be entered in one part of the roll in alphabetical order by subdivision name and in regular order within each subdivision as to lots and blocks. Each block in the subdivision should be entered in order, beginning with Block 1 or A. All lots in such blocks should be entered in order before any lot in another block. The same rule applies to cities and villages. Assessment Rolls should be indexed to show the page on which each subdivision is entered.

Descriptions referring to certified survey maps by volume and page should also list the forty or government lot, section, town and range in which the map is located as a bare minimum. A more desirable listing would also include a brief indication of the size of the parcel involved. Whenever a description has been split by a certified survey map, an entry should follow that description in the Assessment Roll listing the number of the certified survey map and the acreage taken up by the survey map from the forty, government lot or outlot. This also applies to subdivisions where a lot or parcel of the subdivision has been divided by a certified survey map.

Subdivision Plats

For information and examples of plats and regulations including: CSMs Assessor's Plats, Condo, Cemetery and Local Plats reference the [Wisconsin Platting Manual](#).

Exempt Property

The assessor should list every description of exempt real property and its acreage in the Assessment Roll. This property is not subject to the regular property tax; however, some exempt property is subject to special taxation.

Private forest cropland is privately owned forest land which is exempt from the general property tax because it is part of a special state forestry program. The assessor must value this property, but only for the record, not for current taxation purposes. Under certain circumstances these values could be used in the future to calculate taxes on property withdrawn from the program. All other exempt property is not valued.

Simplified System of Description

Sec. [70.86](#), Wis. Stats., provides that, "The common council or other governing body of any city in this state may at its option adopt a simplified system of describing real property in either the Assessment Roll or the tax roll or in both the Assessment Roll and tax roll of such

city, and may likewise from time to time amend or change such simplified system.” In 1932, 21 Opinion of Attorney General 92 interpreted this to authorize a simplified system of describing real estate in assessment or tax rolls if the descriptions indicate the real estate intended with ordinary and reasonable certainty. Before any simplified system of describing real property is established, it is recommended that the municipality coordinate its system with the county RPL and the county treasurer. Ultimately, any deviation by the assessor or the municipality from county systems and requirements set a precedent for the municipality to either create their own tax system or adopt the county system in its entirety.

Combining Descriptions

There are times when it is convenient for the assessor to combine descriptions of parcels, making one assessment rather than several. The law establishes guidelines for the combining of descriptions.

Sec. [70.23\(2\)](#), Wis. Stats., says that when two or more tracts owned by the same person are improved or occupied with buildings so that they are practically incapable of separate valuation, they may be entered in the Assessment Roll as one parcel. In some municipalities, the legal descriptions have been combined so that all contiguous parcels in a section which are owned by the same person are described in one legal description. When property is described in this manner, the assessor may have several 40s described in one legal description on the Assessment Roll. Such legal descriptions should be broken down by 40s on the property records making certain that all property has been accounted for, and to allow taxpayers to more readily compare assessments if they wish to do so.

Sec. [70.28](#), Wis. Stats., provides that no assessment of real property shall be held invalid for the reason that several contiguous parcels are assessed together as one parcel when owned by the same person at the time of the assessment.

Best Practice: Assessors may not combine parcels together for convenience of assessment or taxation. A zero value placed on a parcel will trigger an investigation of omitted property by the RPL. "Assessed with" applications are only to be used under sec. [70.23\(2\)](#), Wis. Stats. Manufacturing property is offered more latitude under sec. [70.995](#), Wis. Stats.

Number of Acres

Sec. [70.23\(1\)](#), Wis. Stats., requires that the assessor enter upon the Assessment Roll, along with the name and description, the number of acres in each tract containing more than one acre. The acreage of all parcels, even if less than one-acre must be listed. This helps the assessor to account for all the land in the district and helps to eliminate omitted property. While acreage proved by a Registered Land Surveyor (RLS) is preferred, an assessor may use acreage determined from a County or Municipal Geographic Information System (GIS) until acreage from an RLS is available. In all cases the assessor must use the best information and deemed reliable and accurate.

Classification of Real Property

Sections [70.32\(2\)](#) and [70.32\(3\)](#), Wis. Stats., provide for the classification of real property according to its use. Land use classification is required in a form that allows comparability between localities and regions, and that will also permit the study of trends over time in individual areas. In order to achieve these goals, it is essential that land use classification be uniform within and between individual municipalities. The statutory land use classification established in Wisconsin provides for a uniform system of use classification which, when adhered to properly, helps to achieve comparability in property tax land use statistics.

For purposes of land use classification, the following definitions of parcel are provided. These combined definitions apply to the narrative throughout this manual, including the expanded definitions of use classification that follow. The instructions to clerks and assessors in the Assessment Roll prescribed by DOR also use the combined definitions to define a parcel for the purpose of preparing a parcel count of real property.

A parcel is a contiguous area of land described in a single description in a deed or as one of a number of lots on a plat; separately owned, either publicly or privately; and capable of being separately conveyed. For ease of listing data, a segment of a street, highway, railroad right-of-way, pipeline, or other utility easement may be treated as though it were a parcel.

Another definition of parcel, as derived from sec. [70.25](#), Wis. Stats., is “any description of land which shall indicate the land intended with ordinary and reasonable certainty and which would be sufficient between grantor and grantee in an ordinary conveyance...”

A parcel may also be described as two or more legal parcels (as previously defined) whose descriptions have been consolidated by the assessor into a single description. This definition is established by sec. [70.28](#), Wis. Stats., which states that “No assessment of real property which has been or shall be made shall be held invalid or irregular for the reason that several lots, tracts, or parcels of land have been assessed and valued together as one parcel and not separately where the same are contiguous and owned by the same person at the time of assessment.” It is common for a person or a corporation to acquire title to two or more contiguous parcels and then to operate or develop them as a single establishment. If use classification is properly administered within the given definitions of a parcel there should be no problem with record keeping. The overall use of the various single parcels in such an operating “establishment” will control the classification of the separate deed parts.

Assessment Rolls in rural areas assembled by 40s (the quarter-quarter section of the Rectangular Survey System) are good examples of an establishment (farm) being divided into separate descriptions for record keeping purposes. These separate descriptions, however, do not change the use classification.

Following the definitions of a parcel and of an establishment previously given, and in keeping with secs. [70.25](#) and [70.28](#), Wis. Stats., the assessor must first determine the predominate use, or determine if there are multiple uses which can be individually identified and separated. If a predominate use is determined, the parcel is entered in the Assessment Roll as a single entry with one overall use classification. If multiple uses are identified, separate

use classifications are entered in the roll for each use, or in some cases, separate use classifications and descriptions may be warranted for each of the various uses.

If the recorded description does not fit the above determinations, the assessor may either combine recorded descriptions (sec. [70.28](#), Wis. Stats.), or create separate descriptions and calculate their acreages (sec. [70.25](#), Wis. Stats.).

In each county a real property lister is available to assist in the preparation of descriptions for parcels. For the determination of proper use classification the statutory assessor is solely responsible, subject to the guidelines presented here.

To assist assessors in uniform listing of individual land parcels into the proper land use classes, the following expanded definitions for each of the eight classes of real property are provided. The annual determination of use for property tax classification is controlled by the use as found as of the assessment date, January 1.

Class 1	=	Residential
Class 2	=	Commercial
Class 3	=	Manufacturing
Class 4	=	Agricultural
Class 5	=	Undeveloped Land
Class 5m	=	Agricultural Forest
Class 6	=	Productive Forest
Class 7	=	Other

Residential Classification (Class 1)

The residential class includes any parcel or part of a parcel of untilled land that is not suitable for the production of row crops, on which a dwelling or other form of human abode is located. It also includes vacant land in cities and villages where the most likely use would be for residential development. Mobile homes assessed as real property are classified as residential. Apartment buildings of up to three units are also classified as residential.

Apartment buildings of four or more units, hotels, summer resorts, and mobile home courts should be classified as commercial property.

Wherever possible, a single classification should be used, depending upon the predominate use of the property. There will be times when the assessor may find it helpful to split a parcel when classifying multiple use establishments. Examples are: a farm with a full set of buildings and an “extra” house not needed in the operation of the farm (agricultural and residential parcels, but only if the extra house is situated as to be feasible to break it away from the rest of the farm operation with a separate legal description); a forty acre wooded parcel with a house and yard (forest and residential); a gas station and garage with a separate dwelling unit (commercial and residential).

Commercial Classification (Class 2)

The commercial classification includes all land and improvements primarily devoted to buying and reselling goods for a profit. It also includes the providing of services in support of residential, agricultural, manufacturing, and forest uses. Whenever possible, the discussions of the various use classifications have identified situations which involve the providing of services, and state when such should be classified as commercial.

The following types of properties should be classified as commercial:

1. Apartments of four or more units.
2. Non-operating quarries and pits which are not depleted. (Depleted quarries and pits should be included in Class 5-Undeveloped Land.)
3. Mobile home parks and courts.
4. Stores with apartments above the store(s).
5. Hunting and fishing clubs, camping and picnic areas when clearly operated as a commercial enterprise or as a club for members only.
6. Flooded lands behind dams when defined by definite project boundaries.
7. Golf courses.
8. Commercial Greenhouses.

In situations where mixed commercial and manufacturing operations are involved the state manufacturing assessors will determine whether the property is to be classed as manufacturing and will provide the municipal assessor with a description of the property so classified.

Manufacturing Classification (Class 3)

Section [70.995](#), Wis. Stats., State assessment of manufacturing property.

- (1) Applicability.
 - (a) In this section “manufacturing property” includes all lands, building, structures and other real property used in manufacturing, assembling, processing, fabricating, making, or milling tangible personal property for profit. Manufacturing property also includes warehouses, storage facilities or offices in support of the manufacturing property, and all personal property owned or used by any person engaged in this state in any of the activities mentioned, and used in such activity, including raw materials, supplies, machinery, equipment, work in process, and finished inventory when located at the site of such activity. Establishments engaged in assembling component parts of manufactured products are considered manufacturing establishments if the new product is neither a structure nor other fixed improvement. Materials processed by a manufacturing establishment include products of agriculture, forestry, fishing, mining and quarrying. For the purposes of this section, establishments engaged in mining metalliferous minerals are considered manufacturing establishments.
 - (b) Materials used by a manufacturing establishment may be purchased directly from producers, obtained through customary trade channels or secured without recourse to the market by transfer from one establishment to another under the same ownership. Manufacturing production is usually carried on for the wholesale market, for

interplant transfer or to order for industrial users rather than for direct sale to a domestic consumer.

- (c) Manufacturing shall not include the following agricultural activities:
1. Processing on farms if the raw materials are grown on the farm
 2. Custom grist milling
 3. Threshing and cotton ginning

- (d) Except for the activities under sub. (2), activities not classified as Manufacturing in the Standard Industrial Classification Manual, 1987 edition, published by the U.S. Office of Management and Budget are not Manufacturing for this section.

- (2) Further Classification. In addition to the criteria set forth in sub. (1), Wis. Stats., property shall be deemed prima facie manufacturing property and eligible for assessment under this section if it is included in one of the following major group classifications set forth in the standard industrial classification manual, 1987 edition, published by the U.S. printing office. For the purposes of this section any other property described in this subsection shall also be deemed manufacturing property and eligible for assessment under this section:

- a. 10 - Metal mining
- b. 14 - Mining and quarrying of non-metallic minerals, except fuels
- c. 20 - Food and kindred products
- d. 21 - Tobacco manufacturers
- e. 22 - Textile mill products
- f. 23 - Apparel and other finished products made from fabrics and similar materials
- g. 24 - Lumber & wood products, except furniture
- h. 25 - Furniture and fixtures
- i. 26 - Paper and allied products
- j. 27 - Printing, publishing and allied industries
- k. 28 - Chemicals and allied products
- l. 29 - Petroleum refining and related industries
- m. 30 - Rubber and miscellaneous plastic products
- n. 31 - Leather and leather products
- o. 32 - Stone, clay, glass and concrete products
- p. 33 - Primary metal industries
- q. 34 - Fabricated metal products, machinery and transportation equipment
- r. 35 - Machinery, except electrical
- s. 36 - Electrical & electronic machinery, equipment and supplies.
- t. 37 - Transportation equipment
- u. 38 - Measuring, analyzing and controlling instruments; photographic, medical and optical goods; watches and clocks
- v. 39 - Miscellaneous manufacturing industries
- w. 7395 - Photofinishing laboratories
- x. Scrap processors using large machines processing iron, steel or nonferrous scrap metal and whose principal product is scrap iron and steel or nonferrous scrap metal for sale for remelting purposes
- y. Processors of waste paper, fibers or plastics using large machines for recycling purposes.
- z. Hazardous waste treatment facility, as defined in sec. [291.01\(22\)](#), Wis. Stats. unless exempt under sec. [70.11\(21\)](#), Wis. Stats.

- (3) For purposes of subs. (1) and (2), Wis. Stats., “manufacturing, assembling, processing, fabricating, making, or milling” includes the entire productive process and includes such

activities as the storage of raw materials, the movement thereof to the first operation thereon, and the packaging, bottling, crating, or similar preparation of products for shipment.

- (4) Whenever real property or tangible personal property is used for one, or some combination, of the processes mentioned in sub. (3) and also for other purposes, the department of revenue, if satisfied that there is substantial use in one or some combination of such processes, may assess the property under this section. For all purposes of this section the department of revenue shall have sole discretion for the determination of what is substantial use and what description of real property or what unit of tangible personal property shall constitute “the property” to be included for assessment purposes, and, in connection herewith, the department may include in a real property unit, real property owned by different persons. Vacant property designed for use in manufacturing, assembling, processing, fabricating, making or milling tangible property for profit may be assessed under this section or under s. [70.32\(1\)](#), and the period of vacancy may not be the sole ground for making that determination. In those specific instances where a portion of a description of real property includes manufacturing property rented or leased and operated by a separate person which does not satisfy the substantial use qualification for the entire property, the local assessor shall assess the entire real property description and all personal property not exempt under s. [70.11\(27\)](#). The applicable portions of the standard manufacturing property report form under sub. (12) as they relate to manufacturing machinery and equipment shall be submitted by such person.

Further information on businesses, activities, and property that are and are not classified as manufacturing is provided in Chapter 18.

Under state law, sec. [70.995\(6\)](#), Wis. Stats., DOR provides notification to each assessor by February 15 of the manufacturing property within the municipality that will be assessed by the DOR that year. The legal descriptions for manufacturing properties are still listed in the Assessment Roll; however, this is done to account for all property in the municipality. Following the legal description, manufacturing properties are coded “3. State Assessed Manuf.” The local assessor does not assess these parcels.

Agricultural Classification (Class 4)

This classification includes land devoted primarily to agricultural use. In 1995, significant statutory revisions were made that changed the classification and assessment of agricultural land. Land classified as agricultural cannot include buildings or improvements.

Effective January 1, 2003, [2001 Wisconsin Act 109](#), amended sec. [70.32\(2\)\(c\)1](#) Wis. Stats., defining agricultural land as “land exclusive of buildings and improvements and the land necessary for their location and convenience, that is devoted primarily to agricultural use as defined by rule.” This statute does not change the current definition of agricultural land, but clarifies that the land under agricultural buildings is excluded from Class 4.

Class 7, “Other,” includes the buildings and improvements and the land necessary for their location and convenience. Specific discussion on agricultural classification and valuation can be found in Chapter 14.

The classification of agricultural production covers land (farms, ranches, dairies, nurseries, orchards, cranberry bogs, etc.) devoted primarily to the production of crops, plants, vines, or trees (excluding forestry operations); and in keeping, grazing, or feeding of livestock for the sale of livestock or livestock products (excluding serums), for livestock increase, or for value increase. Livestock as used here includes cattle, sheep, goats, hogs, and poultry. Also included are animal specialties such as horses, rabbits, bees, pets, and fur-bearing animals in captivity, and fish in captivity. Agricultural production also includes sod farms, mushroom cellars, medicinal plants growing under sash or lath, and the production of bulbs, flower and vegetable seeds, vegetables, melons, berry crops, and grapes. The buildings and dwellings associated with growing, production, and associated services enumerated above are classified as “Other” (Class 7).

Agricultural land may consist of a single tract of land, or a number of separate tracts, which may be held under different tenures. Land can qualify for agricultural classification whether the tract is devoted primarily to an agricultural use by the owner or someone other than the owner, (i.e., a lease).

Where two distinct uses are present, two classifications are needed. For example, someone purchases 40 acres and builds a new home or remodels an existing home for residential use and farms or rents out the land. The house, outbuildings, and land necessary for location and convenience of buildings should be classified as “Other” (Class 7), and the balance of the acreage classified as agricultural, agricultural forest, forest, or undeveloped as appropriate.

Undeveloped Land (Class 5)

The [2003 Wisconsin Act 33](#) changed the name of class 5 to Undeveloped. Swampland or wasteland is defined by statute to include bog, marsh, lowland brush, uncultivated land zoned as shore land under sec. [59.692](#), Wis. Stats., and shown as a wetland on a final map under sec. [23.32](#), Wis. Stats., or other nonproductive land not elsewhere classified. This class also includes land which, because of soil or site conditions, does not produce and is not capable of producing; such as rock outcropping, borrow pits, abandoned, depleted quarries, and other land not used and with no potential for use. Sec. [70.32\(2\)\(a\)](#), Wis. Stats., excludes buildings and improvements from undeveloped lands. Undeveloped land includes productive land formerly used in agricultural production for one assessment cycle only. Productive lands (agriculture or forested) or lands capable of being productive lands should not be classified as undeveloped.

In a few areas of central Wisconsin, certain swamp lands produce a species of moss which grows in a wild state, is harvested and has a commercial use. This crop is slow growing, not cultivated, and is not regarded as an agricultural pursuit. Such lands should be classified as undeveloped land.

Lakebeds of natural occurring, navigable waters are owned by the state and are considered undeveloped land even though the acreage may be listed in the deed of property owned by individuals.

Agricultural Forest (Class 5m)

Sec. [70.32\(2\)\(c\)1d](#), Wis. Stats., which defines the “agricultural forest” class of property, was amended by [2003 Wisconsin Act 230](#). The following definition of “agricultural forest” is effective January 1, 2005.

Sec. [70.32\(2\)\(c\)1d](#), Wis. Stats., defines “agricultural forest” as “land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions: a. It is contiguous to a parcel that has been classified in whole as agricultural land under this subsection, if the contiguous parcel is owned by the same person that owns the land that is producing or is capable of producing commercial forest products. In this subdivision, ‘contiguous’ includes separated only by a road. b. It is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1, 2004, and on January 1 of the year of assessment. c. It is located on a parcel at least 50 percent of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.”

“Agricultural forest” classification examples are in Appendix 11-D, Agricultural Forest.

Note: The 2004 Assessment Roll needs to be kept to meet the requirement in sec. [70.32\(2\)\(c\)1d](#) Wis. Stats.

Forest Lands (Class 6)

This class includes land, which is producing, or capable of producing commercial forest products. Forest land can no longer include buildings and improvements.

Productive forest lands and related services in this classification are determined primarily on the use of the land. It is recognized that other activities, e.g., recreation, hunting, fishing, and limited occasional grazing of livestock may also be taking place within these forested areas. These types of activities are considered secondary in nature and not controlling.

Forest lands include those forested areas which are being managed or set aside to grow tree crops for “industrial wood” or to obtain tree products such as sap, bark, or seeds. Forested areas with no commercial use made of the trees, including cutover are also to be included in this classification. Cherry orchards, apple orchards, and Christmas tree plantations are classified as agricultural property.

Lands designated Forest Crop Land and Managed Forest Land by entry order of the Department of Natural Resources are entered separately in the Assessment Roll (See Chapter 16 - Real Property Assessment-Special). Improvements on Forest Crop Lands and Managed Forest Land are to be listed as personal property (secs. 77.04(1), and 77.84, Wis. Stats.)

Small, vacant tracts with trees are seldom considered to have forestry use as they are rarely held for timber production. These small acreage parcels better lend themselves to residential land values and use.

Establishments primarily engaged in performing services related to timber production, wood technology, forest economics and marketing, and other forestry services such as cruising timber, firefighting, pest control, and reforestation, should be classified as commercial. The lands and buildings associated with these forestry services should be separately described in the listing process and entered upon the roll in their proper use classification.

Forested areas primarily held for hunting, trapping, or in the operation of game preserves, should be classified as forest unless clearly operated as a commercial enterprise or exempt.

Other Classification (Class 7)

Effective January 1, 2003, [2001 Wisconsin Act 109](#) created sec. [70.32\(2\)\(c\)1m](#), Wis. Stats. defining “Other.” Sec. [70.32\(2\)\(c\)1m](#), Wis. Stats. states, “ ‘Other,’ as it relates to par. (a) 7, means buildings and improvements; including any residence for the farm operator’s spouse, children, parents, or grandparents; and the land necessary for the location and convenience of those buildings and improvements.”

This statute change provides that residences located directly on land that is part of the farm operator’s farm operations are to be classed as “Other.” Residences of the farm operator’s spouse, children, parents or grandparents are eligible. Land and improvements classified “Other” are valued at their market value.

Chapter 14 contains definitions and examples of how “Other” is applied.

Drainage Districts

Drainage districts are local governmental entities organized under a county drainage board for the primary purpose of draining lands for agriculture. A drainage district establishes a legal mechanism for managing drains and related facilities to ensure reliable drainage. Landowners who benefit from drainage must pay assessments to cover the cost of constructing, maintaining, and repairing district drains. Of the 72 counties in Wisconsin, 31 of them contain one or more drainage districts and can be located on an interactive map on the Wisconsin Department of Agriculture, Trade, and Consumer Protection website: [Wisconsin Drainage Districts](#). Beginning with assessments as of January 1, 2017, the [2017 Wisconsin Act 115](#) created the following provision for drainage district corridors: “...the assessor shall assess the land within a district corridor described under s. 88.74 in the same class under sub. (2)(a) as the land adjoining the corridor, if the adjoining land and the land within the corridor are owned by the same person.” Questions regarding drainage districts and corridors should be directed to the [State Drainage District Program Manager](#). Review annually to determine correct classification.

Apply sec. [70.43](#), Wis. Stats., for any corrections to 2017 assessments required as the law is effective January 1, 2017.

Roll Storage Formats

For data in a text or numerical format, electronic storage formats that are acceptable include comma delimited text formats (.txt), commonly available database formats such as MS-Access, DB2, SQL, etc. Unacceptable electronic formats are those that cannot be read except by customized or uncommon software.

Note: PDF and word processing files do not meet DOR requirements because individual fields and their contents cannot be identified and analyzed electronically.

For sketches and photographs, PDF, JPEG, GIF, TIF, and similar formats are acceptable.

Storage formats in the form of the Assessment Roll must be transmittable from the municipal clerk/treasurer or sent on behalf of the municipality by the assessor. The municipal clerk/treasurer is responsible for the transmittal and the content of the roll and any submittal requires their approval. As a business requirement of the municipal clerk or the clerk/treasurer's review process, it is recommended that Assessment Roll be in a format that allows for corrections. Sec. [70.73](#), Wis. Stats., provides for corrections of the tax roll. See the *Assessment and Tax Roll Instructions for Clerks (PA-502)*. These requirements identify that the municipal clerk or the clerk/treasurer review the summaries and correct any error to make certain all changes are correct. This is a step where most errors occur, and unless the electronic system has an application that allows and identifies roll corrections at the municipal level subsequent changes must follow a process utilizing the [PA-502](#) process.

Long Term Roll Storage

See Chapter 8, Retention of Assessment Records section, for long term storage requirements.

Electronic Storage/Paper Storage

Records created, maintained and retained electronically are subject to destruction from various cyber activities, operation system issues, application crashes, web-server crashes or other service malfunctions. Data custodians should be aware of the potential issues surrounding electronic data maintenance and dissemination obstacles. Electronic data should be backed up in alternate systems and locations to prevent loss and/or sporadic system malfunctions. Alternate display, retrieval, hard drive space or on a CD are required to provide this information to customers.

Long term storage of roll data in a PDF is suitable. Long term means more than three sequential rolls. Native formats should be maintained for not less than three years.

The Tax Roll should be kept indefinitely in an electronic viewable format as a JPG or PDF. The Assessment Roll must be kept by the municipality for 7 years. Under sec. [19.21\(4\)\(a\)](#), Wis. Stats., the Secretary of Revenue must give approval for the destruction of any roll containing FCL and MFL.

Parcel Splits

For taxation purposes the assessor's authority to combine a parcel is clearly defined, while the county's authority to split real estate parcels is not. The distinction is made clear, since the index containing the legal descriptions of the parcels and its corresponding number can and does differ from the total Assessment Roll parcel index. In business processes, the county has the authority to change the legal parcel number but does not have statutory authority to combine or split a parcel for assessment purposes.

The variability in the understanding of the authority of the assessor to combine tax parcels under sec. [70.23\(2\)](#), Wis. Stats., defines the variability in the indexes and subsequent definitions.

In a review of the assessor's duties under sec. [70.23](#), Wis. Stats., it is evident that for tax purposes, the assessor has the authority to combine parcels for the tax roll. Similarly, under sec. [70.09](#), Wis. Stats., the duties of the RPL, of which each county has established this function, the RPL has the duty to prepare and maintain accurate ownership descriptions for all parcels. The statute does not reference or otherwise imply similar parcel authority of the assessor under sec. [70.23](#), Wis. Stats.

The authority of the assessor to combine parcels is in the definition of the Assessment Roll found in sec. [70.23](#), Wis. Stats. The last sentence of the definition of the Assessment Roll indicates that the roll contains, "general taxable parcels." This is interpreted to mean: parcels that are both combined and uncombined.

Should counties adopt a system and process for assessed with, combining parcels or splits the assessor along with the landowner(s) making the request must follow the county directive and process. The forms used in this process must authorized by [DOR](#).

CAMA Export

Real and Personal Property Roll Timing

Contract assessors must pick up the Work Roll when it's made available by the county. The county RPL and or municipal lister will provide notice to the assessor when the Work Roll will be available. It is suggested that Work Rolls be in the possession of the assessor by January 31 of each year.

Parcel renumbering projects will have difficulty in meeting roll delivery at or near the first of the year. In these circumstances assessors should work off previous year's roll and reconcile changes to the new roll when it becomes available.

Roll Delivery Timing (XML)

On completion of the municipal Tax Roll, counties should create a XML tax roll for submittal to DOR. Starting in 2016, the county should send real and personal property rolls to DOR using the Co-muni code for the jurisdiction. (example: Portage County Town of Albion: 49002_Albion.xml)

County XML Assessment Roll Submittal Dates

County submittal of the *XML Assessment Roll* to DOR is made at the time of the submittal of the SOA and after final adjournment of the Board of Review.

County XML Tax Roll Submittal Dates

County submittal of the *XML Tax roll* to DOR is made at any time after completion of the tax bills. Complete *XML Tax Rolls* should be submitted to DOR no later than February 15th.

Updated XML Tax Roll Submittal

Counties updating their *Tax Roll* throughout the year may provide the DOR with the most current version periodically until that years roll is complete.

Roll Updates

Attempting to reconcile each sale to the tax roll is not a requirement for submittal of the XML Roll to the DOR. Provide DOR a Tax Roll with the required data for the previous assessment year. It is possible and likely that sales and accompanying eRETRs recorded late in the calendar year will not make it to the current Tax Roll in time for issuance of the tax bill. The timely submittal of the tax roll to DOR with up to date information is a goal that represents a work timing challenge.

Sale times and recordings can go on for months after the issuance of the tax bills; therefore holding off on the submittal of the XML Roll to address late filing is not effective.

Reconciling late filing of eRETR's for address corrections to the DOR XML Roll should be done for 30 days after the submittal of the tax bills.

Updates to the Tax Roll

During the assessment year, assessors discover ownership changes that affect:

- Mailing address
- Ownership
- Deed
- Deed Acres
- Acres
- Encumbrances

Most often assessors reviewing sales update the land owner name and mailing address in their database. When this occurs a match to the work roll can no longer be made. RPL's suggest the assessor provide the Assessment Roll to them prior to the mailing of the NOA. The RPL can use this time to reconcile ownership and mailing address information prior to the issuance of the tax bill.

Assessors (NOA) Using Recent Data

Many assessors develop NOA's utilizing current data from Electronic Real Estate Transfer Returns (eRETR) to establish accurate ownership information. Under these circumstances the assessor's data-set containing recent landowner information will not match with the work

roll. RPL's suggest assessors transmit the revised (NOA) roll to the county in an attempt to reconcile ownership information prior to the final roll and issuance of the tax bills.

Roll Delivery Format

Municipalities will be contacted by their RPL identifying roll format delivery to the county. Counties cannot anticipate every roll delivery option therefore it is suggested municipalities and vendors for the municipality should work with the county RPL's Office (if used) or Land Information Office to setup processes and procedures for roll delivery. DOR recognizes technologies in this area are changing and subsequent improvements will create efficiencies. A safeguard to changing technologies is to assure that your roll data and property record information can be transmitted in an open source format such as a comma separated file, txt and later stored and used in an *MS Excel* format. Data integrity can be lost when file formats are converted; therefore, a municipality should discuss the formatting preferences with the county prior to selecting an assessor and CAMA software. This will help in making file formats that are compatible with county systems.

Clerk or clerk/treasurers using a third party software vendor through the assessor may use the software vendor File Transfer Protocol (FTP) or otherwise transmit the Assessment Roll to the county. The formats and processes must follow those as prescribed by the county. Transmittal of data by a third party vendor does not relinquish the municipal clerk/treasurer from having on site, in electronic form, a copy of the roll that was received and sent. The clerk or clerk/treasurers must sign off on any and all electronic roll transmittals.

The distinction between indexes: Assessment Roll and Legal Parcel Roll, have not been made until now. County LIO's and RPL's typically recognize the differences in the two indexes; therefore reconcile them accordingly. An effort in reconciliation occurs when a parcel is, combined by the assessor under sec. [70.23\(2\)](#), Wis. Stats., or changes made as result of a county renumbering project.

A solution to reconciling the Assessment Roll and work roll is found under the duties of RPL under sec. [70.09](#), Wis. Stats. Another solution is found through an understanding of the definition of the Assessment Roll and its use.

Clerk or clerk/treasurers are responsible for the content of the roll and its delivery. Clerks must submit a roll to the County RPL in an electronic format such as: Microsoft Excel, CSV or TXT format. Assessors may not send the roll to the county on behalf of the clerk. Software systems utilized for roll transmittal are acceptable provided the system follows the directives of this section. Sec. [70.52](#), Wis. Stats., requires the clerks to examine and correct rolls. This includes the examination of the roll prior to BOR. Such examination of the roll is critical in the transmitting an error free roll to the county.

Assessment and Tax Roll – Information Redaction

Information restricted in accordance with applicable state law or county and municipal ordinances or policies may be redacted or hidden from public view. Software provided by counties, municipalities or their vendors for the purposes of maintaining, publishing and

disseminating assessment and tax roll data should have the ability to redact or hide this information from public view.

Safe at Home Statute

The *Safe at Home* law was enacted on April 1, 2017 with [2017 Wisconsin Act 365](#); sec. [165.68](#) Wis. Stats., Address Confidentiality Program; sec. [66.0504](#) Wis. Stats. The law establishes a program for victims of domestic abuse, child abuse, sexual abuse, stalking and trafficking, or those who fear for their physical safety. The names and addresses of those who enroll are considered confidential. A substitute address is established for public and private purposes.

Program Eligibility Requirements:

- Resident of Wisconsin
- Victim of actual or threatened violence or simply in fear of physical safety
- Residence at a location in this state that is not known by the person who committed the abuse against, or who threatens, the applicant or his or her child or ward
- Participant will not disclose his or her actual address to the person who committed the abuse against, or who threatens, the applicant or his or her child or ward
- Eligibility is not incumbent upon reporting or prosecution of any crime

For questions regarding impact of the Safe at Home statute on property assessment and taxation records, please contact us: bapdor@wisconsin.gov.

Roll Delivery Format for Cities That Do Their Own Real Property Listing

Municipalities that do their own real property listing functions may have roll creation delivery options that fit the business needs of the municipality. When these RPL functions occur in the municipality, the county and the municipality should collaborate and standardize data and data systems for system changes.

Format

XML Roll

For questions on formatting and sending your Assessment Rolls to [DOR](#).

Figure 7-2

Programming Common Class Codes

Common Class Code	Classification	Improvement Value Required	Land Value Requirement	Notes
G1	Residential	No	Yes	
G2	Commercial	No	Yes	
G3	Manufacturing	No	Yes	
G4	Agricultural	No	Yes	*No Improvement Value
G5	Undeveloped	No	Yes	
G5m	Agricultural Forest	No	Yes	
G6	Productive Forest	No	Yes	
G7	Other	Yes	Yes	*Improvement value cannot be "0"

Assessor and Municipal Requirements: Assessment Roll

The assessor must attach to the Assessment Roll a statement that the notices have been mailed as required under sec. [70.365](#), Wis. Stats. Upon providing this documentation the assessor must provide a roll for the open book in the following manner:

- At a minimum one roll must be provided by parcel number sort order and one by property owner name.
- If the municipality is providing the roll in a viewable format, the roll must be viewable on the county or municipal website in addition to being provided on a computer during open book. Each viewable computerized roll must be capable of viewing or searchable, by parcel number, and street address.
- The personal property roll must be provided in these same formats.

Assessment and Tax Roll Instruction for Clerks

The instructions for completion of the assessment and tax rolls are available for clerks and treasurers on the [DOR website](#).

Mobile Home Parking Fee and Roll

Refer to Chapter 8, Real Property Data Collection section and Required Data subsection for information about mobile homes.

Electronic Requirements

The minimum mobile home data must describe whether the mobile home is real property, personal property or subject to a parking permit fee, along with the data used to determine the assessment. The electronic data should follow the standard set by the county. As an example, mobile home assessment information can be in Microsoft Excel format and satisfy the electronic assessment data requirement.

Mobile home parks, campgrounds, and courts are classified as commercial. The individual mobile homes on these properties not under a permit fee become a personal property filing. The assessor must reconcile personal property filings from one assessment year to another.

Counties should identify in their personal property roll mobile home parks via an identifier of the park name. Figure 7-3 shows a sample data set for a mobile home park application. These data items should typically be shown in a CAMA system or an assessor created database.

Figure 7-3

Mobile Home Park Name									
Address	Lot #	Owner Name	Form Rec'd Date	Sale Price	Inspection Date				

For more information refer to Chapter 8 Manufactured and Mobile Home Valuation Worksheet and Manufactured and Mobile Home Statement of Monthly Municipal Permit Fee sections.

Personal Property Roll (See secs. [70.29](#) and [70.30](#), Wis. Stats.)

The personal property roll follows the standards as is indicated by the county. Cities or municipalities that create their own rolls, including a tax roll, follow the prescriptive guidelines the city has created.

Changes to the format of the personal property roll are typically done by the county in the same manner the regular Assessment Roll is created or updated. Modifications to the Personal Property Roll when done must consider the use of the roll and therefore, be indexed to be used by a sort order: alpha, parcel number or street.

The minimum electronic personal property data must be of the detail and type identified on the summary of the *Statement of Personal Property* ([PA-003](#)).

Personal property assessments are entered in the personal property section of the Assessment Roll in alphabetical order. Figure 7-4 shows automation of the personal property roll and a sample roll. Once the assessments have been completed, the assessor totals each page of the Assessment Roll and completes the Real Estate Assessment Roll Summary and the Personal Property Assessment Roll Summary.

Figure 7-4

Personal Property Tax Roll Listing

Name	Property Address Situs Address	Tax Bill Address	PIN	Computer Number	Document Number ERETR	School *=Impv
ACER, DAVID C & HEATHER M			17002-2- 291126- 210-0002	002-1079- 06-011 Muni-code	784/138	1176*

When sorting business name, for example "The Chair Warehouse", utilize a filter application in the database application to remove the markers such as "The" before the proper noun "Chair Warehouse".

CAMA systems, or a unique vendor based architecture, created for personal property assessment must be transferable to county systems in an electronic format. Electronic roll data must be transferable out of proprietary software to standards formats such as Microsoft Excel. A safeguard to changing technologies is to assure that your roll data and personal property information can be transmitted in an open source format such as a comma separated file, txt and later stored and used in a Microsoft Excel format. Data integrity can be lost when file formats are converted; therefore, municipalities should discuss the formatting preferences with their county prior to selecting an assessor and software to make assurances that the file formats used are compatible with county systems.

Personal property records created and maintained in Microsoft Excel are acceptable.

The [PA-003](#) is sent to the property owner in December and received by the assessor before the March 1 deadline. The basis of this roll is the prior year's personal property roll with startups and vacancies addressed through county listing functions.

It is suggested the assessor work with the RPL to develop a business personal property index to track business starts ups through the building inspection process, or from outside information.

Note: in many counties the ROD registers new business names. Local government staff is, as is the local assessor, generally more familiar with business changes than county staff would be.

Counties providing a personal property roll to the assessor should provide this information to the assessor no later than the first week of December.

Clerk Review of the Personal Property Roll

The clerk of the municipality is required to submit the personal property roll to the county upon review of assessments. A crosscheck of new businesses, closures and changes in valuation are helpful in the discovery of omissions and additions. Exporting the roll into a common software program is a requirement since it allows for the clerk to mathematically verify assessment totals, if and when changes are made at the BOR.

Personal Property Work Roll

The personal property roll is created in December, modified by the assessor prior to March 1 of each year then reconciled again prior to Open Book and the creation of the NOA. Assessors must reconcile the personal property roll with the county prior to the BOR. Assessors must submit the personal property roll to the county RPL not less than 15 days prior to BOR.

Automating the Request for Exemption Form ([PR-230](#))

Tracking the exemption requests starts with the assessor and the assessor's office. Exemption information assessed value or insurance value has not been captured locally for many reasons, ultimately because an assessed value is not required for these properties. Collecting exemption data, logging it and categorizing it through a data standard is important to the assessment process. Record keeping and tracking of requirements assures measurable analysis of this same data. Benefits of a [PR-230](#) repository will be manifested when the compiled information is made available to assessors.

Standard Exemption Codes

Exempt from Property Tax	Wis. Stat.
X1-Federal	70.177
X1A-Military	70.11(7)
X1B-Highway	
X1C-Forest	
X2-State	
X2A-University	70.11(3)
X3-County	70.11(2)
X3A- Fairgrounds	70.11(5)
X3B- Highway Department	
X3C- Airfield	59.58
X3D- Forest	77.02
X4-Other	
X5-Tribal	
X6-Municipal	70.11(2)
X6A-Elementary School	70.11(4)
X6B-Middle School	70.11(4)
X6C-High School	70.11(4)
X6D-Waste water Treatment	70.11(21)
X6E-Airfield	114.11
X6F-Government Operations	70.11(2)

X6G-Fire Protection	70.11(6)
X6H-Library	70.11(4)
X7- Medical	
X7A-Hospital	70.11(4m)
X7B-Medical Research	70.11(25)
X7C-Rehabilitation	70.11(4m)
X7D-Mental Physical Disabled camp	70.11(10m) and 70.11(22)
X8-Sports facilities	
X8A-Youth Hockey	70.11(32)
X8B-Sports entertainment	70.11(31)
X8C- Non-Profit Youth Baseball	70.11(46)
X9-Religious	
X9A-School	70.11(4)
X9B-Church	70.11(4)
X9C-Bible Camp	70.11(11)
X10-Cemetary	70.11(13)
X11-YMCA/YWCA	70.11(12)
X12-Radio Station	70.11(29)
X13-Historical	
X13A-Railroad	70.11(31m)
X13B-Architecture	70.11(34)
X13C-Native American Mounds	70.11(20)
X14 Housing	
X14A-Benevolent	70.11(4)
X15 Agricultural	
X15A-Digestors	70.11(18)
X15B-Manure storage	70.11(15)
X16 Utilities	76.23
X17 Hub Facility	70.11(42)

Software used by counties and assessors must be capable of storing and transmitting exemption codes as defined in this section.

Notice of Assessment (NOA) [\(PR-301\)](#)

Under sec. [70.365](#), Wis. Stats., the assessor must notify a person of a change to any real or personal property assessment when the total is different than the assessment for the previous year. The assessor is not required to provide notice if land is classified as agricultural land, as defined in sec. [70.32\(2\)\(c\)1g](#), Wis. Stats., for the current year and previous year and the difference between the assessments is \$500 or less. The NOA is also used when the person assessed may be subject to a conversion charge under sec. [74.485](#), Wis. Stats.

Assessors provide the NOA as appropriate for assessment changes and sign the *Assessor's Affidavit* ([PA-533](#)) stating that the requirement has been fulfilled. The RPL in each county may define a process for accepting pre-open book roll, pre- and post-BOR roll delivery processes. This process may differ slightly by county and it is suggested each assessor work with the RPL to better improve these requirements.

Vendors, counties or assessors automating the *Notice of Changed Assessment* ([PR-301](#)) should follow the suggested construction specifications and include all data fields and notice information and submit their form to [DOR](#) for approval.

Managed Forest Land (MFL) and Forest Crop Land (FCL)

This section provides solutions when parcel acres do not match Wisconsin Department of Natural Resources' (DNR) *Order* acres.

What acres should an assessor use for assessment when differences are discovered?

- **MFL and FCL contract acres** – control the taxation of land when an *Order* encumbers the parcel
- **DNR Order acres** – take precedence over parcel acres for the life of the contract and can only be changed by the DNR
- **Assessment, tax roll and tax bill acres** – should reflect the **current MFL Order acres**, unless a *Correction Order* is recorded before the current year Board of Review closes
- **MFL Correction Orders** – that are **not** recorded before the Board of Review closes are subject to a claim made under sec. [74.35](#), Wis. Stats.

What should an assessor do when a difference is discovered?

- Contact the [DNR](#)
- When parcel acres do not match the existing *Order*, the assessor and/or the Real Property Lister should notify the DNR of the acre discrepancies
- Under state law, DNR has the authority to make changes and issue a *Correction Order*

If you have questions, contact the [DNR Forest Tax Program Specialist](#). DNR continues to post forest program enrollment information on its website. To view the reports, which include MFL and FCL acreage, visit the [DNR website](#). When parcel acres that are prepopulated on the Assessment Roll do not match the DNR Master List, contact [DOR](#).

Counties' Role in the NOA

Counties creating the Notice of Assessment for the assessor either defined through a county directive or on a case by case basis must define process requirements to each municipality in advance of the assessment year. Municipalities contract with individual assessors for up to a three year contract; therefore, these contracts must be considered prior to the initiation of county NOA process.

Counties may choose to automate the NOA process through the assessor to the county database. Assessors may split duties in the following manner:

1. Assessor creates change amounts for the NOA and submits electronic Assessment Roll to the county
2. The county checks Assessment Roll to work roll for splits combinations and balance
3. County checks for zero values by class

Associated and direct actions with the NOA

- New parcels set to zero
 - Corrected acre parcels set to zero

Note: properties with an acre change of any size, the assessor is required to update the assessed value and the record capturing the acre change.
- Assessor roll – Times specific to BOR
- Open book roll – Times specific to requirement set by RPL for reconciling open book changes prior to BOR
- Store electronic NOA

Notice of Personal Property Assessment ([PR-299](#))

The [PR-299](#) is sent out by the assessor to notify taxpayers of their personal property assessments. The form provides space for indicating whether the assessment is on a new account or is a doomsday assessment, the municipality, location of the personal property, total assessed value, BOR date, and the assessor's telephone number.

Although state law does not require the assessor to notify personal property owners of their assessment, DOR recommends mailing this Notice as an element of good public relations.

The 2016 [PA-003](#) was updated to include cable TV equipment. Vendors, programmers and assessors should review the [PA-003](#) and make updates each year to capture the changes in the factors and additional updates.

Vendors, counties or assessors automating the [PR-299](#) should follow the suggested construction specifications and include all data fields and notice information.

Summary of Open Book Actions ([PR-130](#))

The [PR-130](#) is a mandatory form. The form can be used by the municipal clerk to ensure that all of the open book changes have been entered onto the Assessment Roll prior to BOR, it will also be a record of the changes in assessment of an individual property, and will aid the assessor in the future when valuing the property. A copy of the form should be provided to the municipal clerk and the original should become a part of the property record.

If counties adopt a system and process for the [PR-130](#), the municipality must follow the county directives. The forms used in this process must be approved by [DOR](#).

Correction of Assessment Roll

Errors occurring on the Assessment Roll include valuation errors, palpable errors and omitted property. The statutes provide several opportunities for the examination of the roll by municipal officials and the public and the correction of the roll by officials. Sec. [70.43](#), Wis. Stats., permits the assessor to correct any palpable errors discovered on the previous year's Assessment Roll. Sec. [70.44](#), Wis. Stats., directs the assessor to add any property omitted during the two previous years to the current roll. The Assessment Roll is available for open

examination under sec. [70.45](#), Wis. Stats., and changes are made “to perfect the Assessment Roll”. The assessor’s affidavit is then affixed and the roll delivered to the clerk.

Sec. [70.52](#), Wis. Stats., directs the clerk to examine the roll and “correct all double assessments, imperfect descriptions and other errors apparent upon the face of the roll, and strike off all parcels of real property not liable to taxation”. That section also directs the clerk to “add to the roll any parcel of real or personal property omitted by the assessors”

Sec. [70.47\(6\)](#), Wis. Stats., directs the BOR to “correct all apparent errors in description or computation, and shall add all omitted property”. With the preparation of the tax roll, sec. [70.73](#), Wis. Stats., directs that if the clerk or treasurer discover personalty assessed to the wrong person or parcels belonging to multiple owners assessed together as one parcel “the Assessment Roll shall be corrected.” Sec. [74.05](#), Wis. Stats., permits the correction of the tax roll “resulting from a palpable erroneous entry in the Assessment Roll.”

The assessor can correct any palpable error discovered and acknowledged by the assessor on the current Assessment Roll prior to the signing of the affidavit. Valuation errors discovered after the affidavit (sec. [70.49](#), Wis. Stats.) has been signed can only be corrected at the BOR.

The Correction of Palpable Errors

Valuation errors are not palpable errors and cannot be “corrected” under sec. [70.43](#), Wis. Stats. Sec. [74.33](#), Wis. Stats., defines palpable errors as:

1. a clerical error in the description of the property or the computation of the tax;
2. an assessment which included real property improvements that did not exist on the assessment date;
3. the assessment of exempt property;
4. the assessment of property which was not located in the taxation district;
5. a double assessment;
6. an arithmetic, transpositional or similar error.

A palpable error occurring on the previous year’s Assessment Roll, found prior to this year’s, BOR, can be corrected. A sample of the form for correcting sec. [70.43](#), Wis. Stats., palpable errors is included in Chapter 8. The prior assessment, corrected assessment and amount of the adjustment are noted on the form. The BOR certifies the adjustment amounts and the sec. [70.43](#), Wis. Stats., corrections become a separate section of the current Assessment Roll. A marginal note describing the correction is made on the previous roll. The tax to be collected or refunded is determined from the previous year’s net tax rate taking into account credits issued under sec. [79.10](#), Wis. Stats. Notice of appeal rights to the BOR is sent to the property owner.

The BOR cannot meet until the Assessment Roll is prepared (usually denoted by signing of the affidavit); and, the sec. [70.43](#), Wis. Stats., palpable errors section is not part of the Assessment Roll until the adjustment amounts are certified by the BOR; therefore, the assessor has until the first meeting of the BOR to prepare any palpable errors found on last year’s roll for correction under sec. [70.43](#), Wis. Stats.

See Chapter 8, Correction of Errors by Assessor section, for an example of the correction of a palpable error.

Omitted Property ([70.44](#))

The assessor cannot intentionally omit taxable property from the Assessment Roll. However, on occasion, a property is inadvertently omitted from assessment because it is assumed to be exempt or is completely missed. Real or personal property omitted from assessment in either of the two prior years may be added to and valued on the current Assessment Roll. Any property discovered to have been omitted for 2013 after the BOR has adjourned, will be assessed and taxed in 2014 as “omitted for 2013”. Omitted assessments may be determined for both real or personal property, whether in whole or in part. Assessors can assess partial omissions when the property is easily identified as discrete from formerly assessed property.

An assessor enters omitted property on the current roll once for each year the property was omitted from assessment. Each entry shall include a designation that the property was “omitted for the year 20_ _ (giving year of omission).” The omitted property is valued “according to the assessor’s best judgment.” The tax to be collected is determined from the omitted year’s net tax rate taking into account credits issued under sec. [79.10](#), Wis. Stats. Notice of appeal rights to the BOR is sent to the property owner.

Sec. [70.44](#), Wis. Stats., does not permit correction of errors in valuation. This statute covers those situations in which the assessor inadvertently omits real or personal property from assessment. Further discussion of omitted property is included in the Real and Personal Property sections of Chapter 22: Legal Decisions and Attorney General Opinions.

Errors Discovered Between the Assessor Signing the Assessment Roll Affidavit and the Close of the BOR

Under sections [70.47\(6\)](#) and [70.47\(10\)](#), Wis. Stats., the BOR has the authority to correct errors in the Assessment Roll. The BOR needs to provide proper notice and conduct a hearing when the result is a change in assessed value.

Under sec. [70.73\(1m\)](#), Wis. Stats., the clerk has the authority to correct palpable errors on the roll after the BOR is closed. Sec. [74.33\(1\)](#), Wis. Stats., defines palpable errors.

Electronic Assessment Rolls must provide a field capable of noting these corrections.

Municipal Assessment Report (MAR)

The MAR is an electronic form and requires a WAMS ID and password to access. It is the same process used to access Real Estate Transfer Returns and post assessments.

WAMS ID registration: <https://on.wisconsin.gov/WAMS/home>

- Enter your WAMS ID and Password and click login
- Click “Start Filing” to begin

A MAR must be submitted by the 2nd Monday in June. The type of filing is dependent upon the status of the BOR,

- If the BOR has not adjourned by the 2nd Monday in June, the assessor must submit an “Estimated MAR”.

- If the BOR has adjourned by the 2nd Monday in June, the assessor must submit a “Final MAR”.
- If the assessor has filed a “Final MAR”, the assessor should submit an “Amended MAR” only to change the previously submitted Final MAR.

Note: Failure to file a MAR may result in review of the assessor’s certification

Property Record ([PA-500](#))

The *Residential Property Record Card* ([PA-500](#)), *Agricultural Work Card* ([PA-703](#)), and *Residential Record Card Insert* ([PA-501](#)) contain important data elements required for the assessment of property. Standardization in the creation of this data-set is critical to every aspect of property valuation.

The Property Record contains all the information associated with a single tax parcel. A deed typically represents ownership of a parcel of land and all of its "improvements" (buildings and other structures); however, other interests occur. Condo units are an exception to this rule where an interest in land is shared with other unit owners.

The Property Record data will determine the assessment of the property. For this reason, the electronic Property Record is a valuable resource in identifying all the factors and attributes that affect the property value.

Because so many different elements contribute to the value of a property, the Property Record is divided into several sections. These sections are categorized by CAMA vendor software's differently. This separation must be reasonably compatible with other systems and entirely transferrable. CAMA systems must contain the information provided on the [PA-500](#) and the [PA-003](#). Software systems that try by contract or otherwise to prevent the municipalities from revealing their own data, especially when, as we have seen, the complete data sets are unavailable anywhere else is violation of state law.

Property Record Card (PRC) ([PA-500](#)) Printing

The county RPL or designee must provide paper PRCs when requested by the assessor:

- Format is a four-page, folder type card
- [PA-500](#) includes these print specifications:
- 11 x 17, double-sided, flip on short edge, portrait orientation, scale 97%

Reasonable requests for paper PRCs include: during a revaluation, while transitioning an assessment contract, or outdated, lost or destroyed records identified in the municipality.

Computer Valuation System Features

The different valuation applications need to be considered when designing and creating a mass appraisal computer system. Although computer-assisted assessment systems vary, most systems provide a mix of the following features:

Cost Approach	Non-linear Regression
Income Approach	Constrained Regression
Building Residual	Adaptive Estimation Procedure (Feedback)
Land Residual	Automated Selection of Comparable Sales
Property Residual	Miscellaneous
Mortgage-Equity/Ellwood	Property Record Cards
Discounted Cash Flow	Municipal Assessment Report
Sales Approach	Sales Ratio Study
Multiple Linear Regression	Amortization
Storage/Retrieval	Documentation

Assessors may be using systems no longer supported by the developer. If data cannot be removed from these systems, the outgoing assessor shall provide a data map and data dictionary of a comma delimited txt files.

The outgoing assessor must provide all of the assessment records, both paper and electronic, to the municipal clerk within 30 days of vacating the office of assessor or at the final adjournment of the BOR, whichever is later. Maintaining electronic data does not relieve the assessor from the responsibility of providing the municipality with a paper copy of each property record card. If converting paper records to electronic format, the original paper record must be returned to the municipality, not destroyed.

Property Record Transmittal

Transfer of Roll Data

If the outgoing assessor has used a proprietary assessment system, the outgoing assessor must provide the data to the municipality in two formats:

- The format native to the customized or uncommon software.
- A format such as comma delimited text formats, commonly available database formats such as MS-Access, DB2, SQL, etc. Definitions for all fields must be provided.
- The outgoing assessor is responsible for all costs associated with the transfer of the electronically stored data to the municipality.

Municipalities can obtain non-copyrighted data without infringement of copyrighted software architecture. A contract assessor is *not* the legal custodian of municipal records. All records received by the assessor during the term of the contract, including forms, notes, sketches, maps, photos, and electronic data, must be turned over to the municipality at the end of the contract term. If a contract assessor converts paper records to electronic form, the original paper record must be returned to the municipality, not destroyed.

When an assessor leaves the district, a copy of the assessor's records must be provided to the municipality and the subsequent assessor. In addition, all electronically captured data must

be made available to the municipality, and to the subsequent assessor, in electronic format along with the definitions for all fields on the file upon request.

Converting data from a commonly available database to a new system needs to be included in the municipality's bid for assessment work and may have an additional cost. The goal of data standards is to reduce transformation costs while increasing assessment quality.

Property Record Access Paper/Electronic

Municipalities are obligated to make available property record data in the form it is customarily kept. Property owners need to have the capability of viewing property records and print it. The municipality may adopt a process by which they provide electronic copies of the property records, yet are not obligated to provide electronic versions of the property records unless that request is accompanied by an open records request. The municipality may charge for this information.

Note: PDF files do not meet DOR requirements because individual fields and their contents cannot be identified and analyzed electronically.

If the municipality chooses to not maintain printed copies of the property record they must maintain the original native format from the software to make available a printed version upon request. This does not eliminate the assessor from maintaining work, notes, inspection results and other related work products that may or may not be part of the property record.

If the system you are utilizing has the ability to produce a paper copy of the current information on the property record when requested, you will not need to update the paper copy; however, it is suggested you maintain a paper file. Through contract, municipalities may request the assessor maintain a paper copy of the property record card as well as an electronic record.

Historical Records

Paper and electronic property record cards are to be held in a historical account for not less than seven years. Municipalities must archive historical property records and personal property information when records are to be maintained exclusively in electronic format.

Property Record Requirements

Sec. [70.32](#), Wis. Stats., specifies that real property shall be valued "... from actual view or from the best information that the assessor can practicably obtain ..." Toward this end, a property record must be maintained for every parcel of property.

The quality of any assessment hinges on the accuracy of the parcel data. The assessor must therefore make reasonable attempts to obtain and verify the data in each field. This includes sending a request by certified mail to the property owner for a physical viewing of the interior, if unable to gain entry during the normal course of field verification. In addition, when a property sells, the assessor must make reasonable attempts to verify the sale and property characteristics at the time of sale through an interview of the grantor and grantee and physical viewing of the property. If these attempts are not successful, the assessor must send

inquiries to the appropriate parties by mail in order to obtain the necessary information for completing the property record and/or evaluating the property characteristics at the time of

sale. Only when both a physical viewing and mail inquiry are unsuccessful, may the assessor resort to public information, including MLS data and data on the Internet

In order to develop accurate and equitable assessments and provide a sustainable defense, it is beneficial to complete the property record in its entirety. Minimally, the property record must contain the following information:

Parcel:

- Parcel Number
- Legal Description
- Owner Name & Address
- Number of Acres by Class (if less than one acre, then area and/or dimensions)
- Total Acres for the Parcel
- Land Value by Class and Subclass, if appropriate
- Total Land Value for the Parcel
- Improvement Value by **Class sub classes see MAR List.**
- Total Improvement Value for the Parcel
- Total Value for Parcel (must agree with Assessment Roll)
- Document how the final value was determined, with a level of detail comparable to the pricing ladder on the [PA-500](#)
- Land sketch or parcel identified on parcel map

Major Buildings:

- Story Height
- Building Type/Style
- Exterior Wall Construction
- Age (Condition, effective age) (Percent good)
- Basement
- Heating/Air Conditioning

Major Buildings, cont.:

- Living Accommodations
- Physical Condition Interior
- Physical Condition Exterior
- Other Features, for example:
 - Residential: fireplaces, plumbing features, built in garages, etc.
 - Commercial: sprinklers, elevators, fire proofing, roof type, etc.
- Quality of Construction
- Attachments
- Square Footage/Living Areas
- Building sketch with dimensions
- Land improvements
- Date of most recent interior viewing and identification of person who conducted viewing
- Date of most recent exterior viewing and identification of person who conducted viewing

Other Building Improvements:

- Structure Type
- Construction Type
- Size
- Quality
- Age (Condition, effective age) (Percent good)
- Modifications, as provided for in Volume 2
- Condition

Please refer to Volume 2 of the *Wisconsin Property Assessment Manual* for detailed property record specifications. The above list is not an all-inclusive list.

In order to maintain accurate property records, the assessor must complete the following on an annual basis and update the records as appropriate.

- Physically inspect new construction, annexed properties, and exempt status changes.
- Physically inspect properties affected by demolitions, fire, or remodeling and major building changes which typically require a building permit.
 - Re-inspect improved properties under construction over a period of years.

- Re-inspect and review all sales, legal description changes, e.g. splits, and zoning changes to update parcel attributes and ensure a fair assessment.
- Review all classifications to determine eligibility for agricultural classification, agricultural forest land classification, and undeveloped land classification.

While the DOR does not prescribe a commercial property record card, the assessor may employ the [PA-500](#) and [PA-703](#) as these forms provide fields for capturing the aforementioned data that is required for all classifications. Nationally recognized commercial valuation firms, including those mentioned in the Appendix, will often specify commercial listing procedures and forms that may assist the assessor with further development of a commercial property record.

Assessment offices that maintain property data records electronically must be able to generate a paper property record. Paper property records are crucial for providing information to the public. When providing a property record, every data field shall be provided along with all computations and adjustments that result in the final assessment. Ownership and retention of assessment records is discussed in Chapter 8.

Electronically produced property record cards need not duplicate the layout of state prescribed forms, which includes the [PA-500](#) and the [PA-703](#). However, electronic systems must allow for collection of each data field identified in the state prescribed forms. If there is a question of whether a computer generated record meets state requirements, the assessor should consult with [DOR](#). The assessor will find additional information on electronic parcel data in Chapter 8 of this manual.

Whether property records are maintained electronically or on paper, all assessment data for an assessment year must be identified, benchmarked, and provided to the municipality. When a property's characteristics change, the assessor must clearly identify when the change occurred and the assessment year impacted. Furthermore, assessments must be documented at each point in the assessment cycle that includes the following:

- The assessment upon issuance of the Notice of Assessment.
- The assessment upon conclusion of the Open Book.
- The assessment upon conclusion of the BOR.

The finalized assessment information must then be provided to the municipality on an annual basis when the assessor signs the assessor's affidavit that is attached to the Assessment Roll.

The Electronic Property Record ([PA-500](#))

Electronic data must be stored in a manner that includes comma delimited text formats. This includes data that was applied to determine the assessment. All assessment data, such as parcel attributes, sketches, and photographs, must be stored in an electronic format. The requirement excludes information in assessment work files such as handwritten notes, correspondence, building permits, or field sketches. However, an assessor may choose to maintain this information in an electronic format.

Common available database formats such as MS-Access, DB2, SQL, are acceptable. Unacceptable electronic formats are those that cannot be read except by customized or uncommon software.

Note: PDF and word processing files do not meet DOR requirements because individual fields and their contents cannot be identified and analyzed electronically.

Sketches/Parcels

Assessors using a sketching software, GIS, CADD, or other drawing systems representing building dimensions must provide the municipality with the complete file for each building that has been sketched. Native base sketching files should not require ownership of the software to transfer the data elements contained within. For sketches and photographs, PDF, JPEG, GIF, TIF, and similar formats are acceptable.

Intellectual Data

Other modeling reports that include scripting languages are the property of the contracted assessor while the reports and maps produced are the property of the municipality. This applies to geo referenced longitude and latitude that may derive spatial relationships from a GIS shape file or geo data base. In this case, the tables used to model or conduct other analysis, is the property of the municipality and must be included in the data transfer.

Property Record Card ([PA-500](#)) and Agricultural Work Card ([PA-703](#))

CAMA system data needs to transfer from a relational database to a CSV, txt file or MS Excel format. Information exported from a CAMA system must be data mapped and relational in MS Access to provide the subsequent user with identifiers to data within a record. Photos and sketches residing in a relational CAMA database such as MS Access must contain identifiers in the file that are relational to the parcel record. They must be relational directly by file name or in a property of the photo or sketch file.

Sketches and Photos

Sketches and photos converted from proprietary software and exported as an Adobe file are not suitable replacements. Each sketch must reside in the native format developed and reside in that format in the municipal computer, disk or transferable device. Electronic information should be made available to the incoming assessor 60 days after vacating the office.

Exporting Property Record Data

The outgoing assessor must turn over all assessment records, paper and electronic, in the assessor's custody to the municipality.

Maintaining electronic assessment data does not relieve the assessor from the responsibility of providing the municipality with a paper copy of each property record. If converting paper records to electronic form, the original paper record must not be destroyed. It must be returned to the municipality.

If the outgoing assessor has used a proprietary assessment system, the outgoing assessor must provide the data to the municipality in two formats:

- The format native to the customized or uncommon software.
- A format such as comma delimited text formats, commonly available database formats such as MS-Access, DB2, SQL, etc. Definitions for all fields must be provided.

Real Property Data Collection

Building permits, plat books, public contact, information collection forms, cost manuals, real estate transfer returns, property viewings, soil surveys, and aerial photographs are some of the sources available to the assessor for acquiring data needed to locate, identify, analyze and value property. Once collected, the data must be recorded and maintained in a consistent manner in order to serve as the official record of characteristics for that particular parcel.

Electronic Mobile Home Data

The minimum mobile home data must describe whether the mobile home is real property, personal property or subject to a parking permit fee and include the data used to determine the assessment.

Municipal Clerk and Electronic Data

Summary of Board of Review Proceedings

The *Summary of Board of Review Proceedings* ([PA-800](#)) is prepared by the BOR clerk after the BOR has completed all of its determinations. The summary provides the taxpayer's name, property description or designation, amount of assessment that the taxpayer objected to, names of any witnesses, and the BOR's determination. The form is filed with the BOR proceedings.

If counties adopt a system and process for the [PA-800](#), the municipality must follow RPL listing functions and must follow the county directives on this process. The forms used in this process must be authorized by [DOR](#).

Notice of Board of Review Determination ([PR-302](#))

This notice is sent from the BOR to the objector or the agent thereof. This form indicates the amount of the assessment as finalized by the BOR and an explanation of the taxpayer's further appeal rights and procedures.

Statement of Assessment (SOA) ([PA-521C](#))

Currently, the SOA is an e-file form completed by the clerk and to be submitted to DOR by the second Monday in June or after the BOR and all BOR adjustments have been made to the roll. After the BOR has met and finalized the local assessment for a particular year, the local clerk, or designated county official, submits a Clerk's SOA to DOR.

The SOA is a summary of each tax district's aggregate assessed value for each of the statutory classes of real and personal property and reflects any changes made at the BOR. The SOA also summarizes:

- Parcel counts,
- Acreage of each of the several types of exempt real property,
- The values by each school district, and
- The values by each special district, such as lake rehabilitation districts.

This report is compared to the assessor's report for any additional changes made by the BOR. 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 SOA, DOR cannot calculate the aggregate local level of assessment or equate the manufacturing Assessment Roll to that local level of assessment. Contact [DOR](#) if automating the SOA.

Programming the SOA for Delivery to DOR

Should counties adopt a system and process for the SOA, the municipality must follow the county directives on this process. The forms used in this process must be authorized by DOR.

Counties that utilize the RPL to file the SOA electronically must have the Clerk of the Municipality (BOR) authorize the County to make the electronic submittal to DOR.

[SOA filing information](#)

Specification for Alignment of School and Special District Codes:

- 6 Digit School Code
- 6 Digit Technical College Code
- 6 Digit Special District Code

Automating the Mill Rate Worksheet [PA-5/623](#) (R. 11-09)

This worksheet is designed and used as an aid to clerks in preparation of the tax rolls which will distribute the tax burden accurately and with fairness.

DOR has a sample document of the worksheet in *MS Excel* for utilization by the municipal clerk/treasurer/comptroller. This document sets the basis for calculating and estimating mill rates in a community. DOR has not provided or created an automated worksheet for use by municipalities. Counties updating and or revising systems and considering the Mill Rate Worksheet in their scope of services should follow the *Mill Rate Area Sheet* ([PA-5/624](#)) fields and calculations. This form must be submitted and becomes part of the tax roll file database/xml roll.

Check with the county to obtain instructions for the creation of the electronic format of this form. The worksheet is the basis for automation of the roll. The standard roll creates a system to populate municipal tax reports like the Mill Rate Worksheet.

If counties adopt a system and process for the Mill Rate Worksheet, the municipality must follow the county directives. The forms used in this process must be authorized by [DOR](#).

Automating the Mill Rate Area Sheet ([PA-5/624](#))

This form enables the clerk to establish and enter the assessed value, enter applicable mill rates for each tax purpose and determine a combined rate for each separate mill rate area in the taxation district. If the Assessment Roll has been prepared correctly, the clerk should be able to account for all assessed value of general property in the taxation district by adding together the assessed values of all mill rate areas. By multiplying the assessed value of each mill rate area times the combined mill rate for each area, the clerk can determine how many general property tax dollars are to be generated from each mill rate area. By totaling the general property tax dollars generated from each mill rate area, the clerk can verify that the correct tax amounts are placed on the roll and guarantee.

In the absence of an automated county based system, roll changes made by the treasurer should, at a minimum, convert the roll into *MS Excel*. This format allows for simplified transfer of roll data to internal and external business users. This format provides for additional uses of the roll, including creating mailing labels and sorting data for various uses.

If counties adopt a system for the [PA-5/624](#), the municipality must follow the county directives. The forms used in this process must be authorized by [DOR](#).

Municipal Treasurer and Electronic Data

The Tax District Treasurer's Settlement Sheet ([PC-501](#))

Should counties adopt a system and process for the Tax District Treasurer's Settlement Sheet (PC-501), the municipality must follow the county directives on this process. The forms used in this process must be authorized by [DOR](#).

Statement of Taxes (SOT) ([PA-5/632a](#))

The SOT, like the SOA, is bound in the Tax Roll and will remain in the roll. When completed, the SOT is e-filed with DOR and sent to the county Treasurer. The SOT is due before the 3rd Monday in December.

Note: Do not complete the SOT until the tax roll is complete, summarized, returned to the clerk and the district's Tax Increment Worksheet (TIW), if applicable, has been completed. The total tax roll amount, including any overrun or underrun, must be known before completing the SOT. Submit the original electronically to DOR, send a copy to the county treasurer and retain a copy for the district's records.

Accuracy is essential as the taxes reported are used to determine general property tax relief for each taxation district. The report is also used for the purpose of administering the laws for the taxation of railroads and other public utilities and special taxes.

Make all entries as indicated. The detail is needed for various statistical purposes.

There are a few instances in which a city or village is located in more than one county. Since taxing jurisdictions (state, county, school, etc.) apportion taxes based on the percentage of the equalized value of each particular “piece” in relationship to the total value of the taxing jurisdiction, the local clerk must levy these taxes against the assessed value of the property in the corresponding county piece. There should be a separate calculation of mill rates and taxes for each county portion. Complete each showing its taxes as apportioned and send a copy to the respective county treasurers.

The SOT has two important purposes:

1. To summarize all taxes and charges placed on the tax roll for collection, and
2. To enable the clerk to uniformly report the taxation district taxes and charges to DOR.

The tax roll **must** be completed first; the roll copy of the SOT should be completed once the tax roll is complete; and then two copies should be prepared, one for the county treasurer and one for the local records. The original is electronically sent to DOR by 3rd Monday of December.

The SOT is divided into sections separated by bold lines. Each section is specifically intended for a particular tax, special assessment or special charge. Each section is identified by a letter of the alphabet. Each portion of a section is identified by a line number. Generally, columns are headed by a number. Never make entries in the shaded areas.

DO NOT change the purpose of a line by changing or adding words. If you are not certain how to enter a given tax, special assessment or charge, please contact DOR.

Should counties adopt a system and process for the Statement of Taxes (SOT) form LG-530-1 the municipality must follow the county directives on this process. The forms used in this process must be authorized by [DOR](#).

Parcel Standards

This section describes a parcel data standard and data mapping standards.

The value of maps including paper, digital and those viewable online becomes apparent as users question, analyze, interpret and understand data to reveal map relationships to assessment data.

Requirements and specifications for parcel standards lead the way to a tax system that is integrated at all levels. Parcel attribute tables define the basis for a tax system from the parcel number to the geometry comprising the parcel.

Standardization

Compliance with this standard is recommended and supported through the Wisconsin Department of Administration Wisconsin Land Information Programs. These suggested requirements and standards should not be burdensome for counties with existing structures and parcel naming conventions as a digital parcel can be integrated at any level when a data map is provided. Digital parcel files and systems developed by experienced GIS professionals

demanded parcel standards and requirements as a matter of good professional practice. Standards have been defined by many professional organizations through various publications, yet no one standard has been fully implemented. Under sec. [73.03\(5\)](#), Wis. Stats., DOR is the only state agency with the authority to set standards to collect annually from town, city, village, county, and other public officers information regarding the assessment of property, and any other information that may be necessary in the work of the department, in the form and upon forms that the department shall prescribe. Grants provided to counties or regional planning commissions to develop or update parcel data should specify the adherence to standards provided in the WPAM.

Parcel Numbering Standard

A Parcel Number is “An identification number, which is assigned to a parcel of land to uniquely identify that parcel from any other parcel within a given taxing jurisdiction.” Just as a tax map is a graphic representation of a legal description, a parcel number is a simple numeric/alphabetic reference to the same legal description. Parcel numbers should be permanent and change only when the boundaries of the parcel itself are changed. Changing parcel boundaries is generally handled either through the use of hyphen-suffix systems, or through retiring number systems. Due to the inherent maintenance problems and the confusion which may result from the use of hyphenated or suffixed numbers, the retiring system is generally considered to be the better system. It is important that the parcel number be as permanent as possible.

DOR Parcel Geo Locator Standard

The DOR Parcel Locator Standard was developed by the Wisconsin Land Information (WLIA) Task Force 91-2. The Task Force's mission was to develop a standardized geographical locator for parcel of all types utilizing the Wisconsin Land Information Board recommended numbering scheme. The purpose of a standardized geographical parcel locator number or Parcel Geo-Code is to provide a means of entry level access to parcel data in an automated land records data base without automated graphics support. The Parcel Geo-Code is targeted to the user. It is assumed, for the development of the code, that the user has only the most rudimentary knowledge of maps and parcel descriptions.

Counties that change their parcel numbering system must adopt this numbering format. The standard below is implemented when a new numbering system is developed and put in place. Continue using the existing numbering standard for any parcel splits or combinations and maintain numbers as described below.

DOR parcel numbering standard

- Geographic significance and is tied to the Public Land Survey System
- Supports data exchange standards that require use of unique PINs in data sharing
- Complies with former standards developed by the Wisconsin Land Information Board
- Wisconsin Land Information Program's recommended PIN standard

Standards for a parcel project:

- Maintain previous number for not less than 4 years.
- Create Surrogate number
- Create a local shortened pin for tax bill.
- Survey and identify users and systems of your data.
- Create a data map and cross walk tables prior to implementation
- Others:

66008-1- 122030-102-001-0001-0000001

- 66 = Washington County
- 008 = Town of Farmington
- 1 = East of the 4th principle meridian
- 12 = Town 12 North
- 20 = Range 20 East
- 30 = Section 30
- 1 = NE $\frac{1}{4}$
- 02 = NW $\frac{1}{4}$ $\frac{1}{4}$
- 001 = lot
- 0001 = block
- 0000001 = Local Parcel Number optional 8 to 12 digit local number

The standard parcel numbering system is based on the Rectangular Survey System. The system contains 13 digits, which combine the township number, range number, section number, quarter section number, quarter-quarter section number and a parcel number. Figure 7-5 illustrates the parcel numbering system after the county and municipal number.

- The first digit identifies whether parcels lie east or west of the Fourth Principal Meridian. The number 4 identifies parcels east of the Meridian and the number 2 identifies parcels west of it.
- The second and third digits identify how far north of the Base Line the township is located.
- The fourth and fifth digits identify the range number from the Fourth Principal Meridian.
- The sixth and seventh digits identify the section number. A 0 must precede sections 1 through 9.
- The eighth digit identifies the quarter section with 1 = Northeast, 2 = Northwest, 3 = Southwest and 4 = Southeast.
- The ninth digit identifies the quarter-quarter section with 1 = Northeast, 2 = Northwest, 3 = Southwest and 4 = Southeast.
- The last four digits identify the individual parcel.

Parcel Numbering Clarifications:

- Parcel numbering can be done via an application.
- Parcel numbering can be done via a script, address gee-code, x, y coord etc.
- Parcel numbering can be done using an auto generate tool.

Figure 7-5

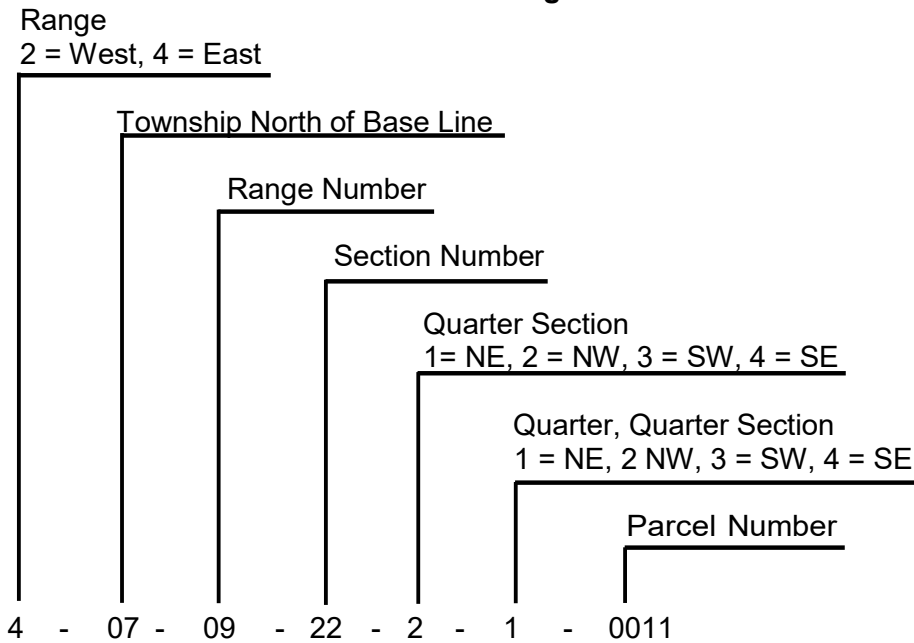


Figure 7-6 identifies the parcel number 4-07-09-22-2-1-0011. The number 4 shows that the parcel is east of the Fourth Principal Meridian. The numbers 07-09 identify Township 7 North Range 9 East. The number 22 identify Section 22, the number 2 identify the northwest quarter section, and the number 1 identifies the northeast quarter-quarter section. The quarter-quarter section is subdivided into 16 lots, the last 4 numbers 0011 identify lot 11.

Number Identification Subdivisions/Additions and Lots

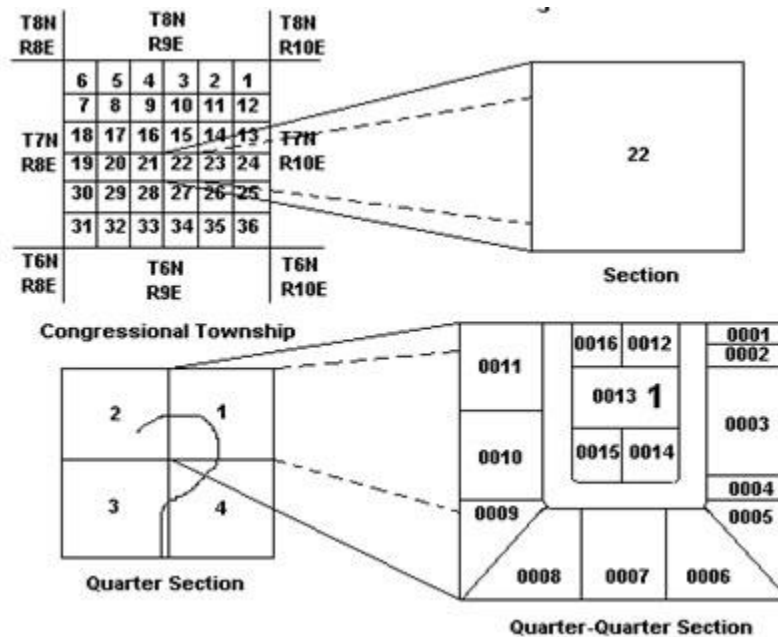
After the quarter, quarter section is identified there are specific applications for individual municipalities to identify the parcel. These identifiers include:

- 00 – Subdivision
- 278- Subdivision of the Silver Birch Addition to Wilde River
- 1900 Lot 19 of the Silver Beach Subdivision –Local NUMBER

Applying this example above from Bayfield County the parcel number would appear:
 PIN# 04012243072210027819000 (with hyphens, 04-012-2-43-07-22-1-00-278-19000).

Number	I identification
04	Bayfield County
012	Town of Cable
2	West of Fourth Meridian
43	Township 43 North
07	Range 7 West
22	Section 22
1	Northeast Quarter of Section 22
00	It is a Subdivision
278	Subdivision of the Silver Birch Addition to Wilde River
19000	Lot 19 of the Silver Beach Subdivision

Figure 7-6



The two-digit county and three digit municipality codes can be used at the beginning of the parcel number. While these codes may not be necessary for use within the municipality, they must be used when data is shared over several municipalities, such as in a Geographic Information System (GIS).

School district numbers are not part of the parcel numbering system because school district boundaries change rapidly and would require frequent changes to the parcel number. This defeats the permanency requirement and makes system maintenance difficult.

Parcels located in more than one-quarter section or quarter-quarter sections are numbered with the quarter section, or quarter-quarter section, containing the greater portion of the parcel. If part of the parcel is sold or subdivided, and the new parcel is located wholly within one-quarter section, or quarter-quarter section, a new parcel number is assigned to identify the location.

When parcels are combined or split, the old parcel numbers are most often retired and new parcel numbers created, since using the old parcel number causes confusion as to whether it identifies the old parcel or the new parcel. Currently, counties utilize various applications to address land splits; therefore, do not systematically retire numbers. Various applications are used in maintaining your system, as a result your tract index for parcel ownership and the subsequent change in conveyance maintains the parcel number change history.

A cross-reference list of retired parcel numbers should be maintained as it provides a historical record for the municipality and for other purposes such as title searches.

The recommended parcel numbering system contains all of the requirements of uniqueness, permanence, simplicity, ease of maintenance, convenience of use, and reference to geographic location mentioned earlier in this chapter.

Coordinate Systems

Legal descriptions which are based on metes and bounds, the rectangular survey system, and lots and blocks are all tied into marks or monuments, which may be destroyed, moved, or obliterated. The state plane coordinate system provides a permanent method of identifying points and minimizes errors resulting from curvature of the earth. Sec. [236.18](#), Wis. Stats., adopts a coordinate system as a supplemental method for defining and stating the positions or locations of points within Wisconsin. This system is known as the Wisconsin Coordinate System and is tied to the United States Coast and Geodetic Survey (USCGS) system of triangulation, which was established in 1807. (Since that time the USCGS has been renamed the National Oceanic and Atmospheric Administration.) Triangulation is a method of surveying based upon the trigonometric proposition that if three parts of a triangle are known (such as measurements of one side and two angles) the other three parts may be obtained through computation. The USCGS system of triangulation is a nation-wide system of monuments that serve as the basis for all geodetic land measurement in the United States. The monuments are arranged in a series of triangles, the angles and sides of which have been precisely measured. Through triangulation the USCGS has established thousands of these monuments for which position data and coordinates have been established. If a monument is obliterated or lost, its location can be predetermined through geodetic surveying.

Geodetic surveying, which takes into account the spherical shape of the earth, is highly specialized, requiring the use of special expensive equipment and complex mathematical calculations and reductions in which the ordinary land surveyor is not trained. In order to make the geodetic data of the national survey readily available to land surveyors, and to ensure that the locations of the monuments from the original land survey were permanently recorded, the USCGS developed State Coordinate Systems for each state. The State Coordinate System eliminates many computation problems for local surveyors because it mathematically converts a spherical area (called a zone) into a flat surface. This is known as projection because it is accomplished by geometrically projecting corresponding points from a sphere to a plane

Assessment and Tax Roll Electronic File Transmissions

DOR requests that all assessment and tax rolls be filed using Extensible Markup Language (XML) File. The most current information on the XML Roll and XSDschema is found on the [DOR webpage](#).

XML Assessment Roll Delivery

DOR works with a XML Work Group composed of Real Property Listers that review and provide recommendation on schema/file transfer. Contributions from this work group help in forming current and future XML rolls.

2018 Assessment and Tax Roll XML Schema Changes

1. Counties may submit all municipalities at one time using two separate files (one for real property and one for personal property)

Note: This change does not impact those currently compliant with the schema; counties can continue to submit one municipality at a time.

2. **Situs Address** – allow "address unknown" for parcels without an address
3. **Optional for:**
 - o Assessment and tax rolls
 - Occupational Tax
 - State Assessed Telco
 - o Personal property assessment and tax rolls
 - Forest Taxable
4. Send DOR your public (redacted) data

Auto Generated Parcel Centroid and Parcel Coordinates

Parcel re-numbering projects can be a large undertaking affecting business processes. Fundamental benefits of a geo-located parcel number may be achieved without changing the main business use of the parcel identifier. Various computer applications can auto generate and/or script a parcel number to latitude and longitude (LAT, LONG).

The 2016 xml roll provides a field for LAT, LONG of a point used to express the position or location of a parcel. The data field shall consist of 2 points that in LAT, LONG expressed in decimal degrees. Counties providing an autogenerated parcel centroid coordinate pair in LAT LONG should provide values out to 6 decimal places.

Example: -75.123456,39.123456

Parcel Point Data Representation-Vacant Land

Vacant land should contain LAT, LONG pairs from the centroid of the parcel. Counties possessing additional LAT, LONG in the XML roll for:

- Driveway
- Structure
- Front Door
- Mail Box
- Well
- PLSS Corner

Contact DOR to data map the architecture of the attribute for use in future XML roll expansions.

DOR is requesting coordinate pairs for the parcel. Each coordinate, if provided, must be identified by the Unit of Measurement (UOM) in feet or meters if not using a Decimal Degrees LAT, LONG coordinate.

Auto Generated Parcel Centroid and Parcel Coordinates

Parcel re-numbering projects can be a large undertaking affecting business processes. Fundamental benefits of a geo-located parcel number may be achieved without changing

the main business use of the parcel identifier. Various computer applications can auto generate and/or script a parcel number to latitude and longitude (LAT, LONG). The 2016 XML roll provides a field for LAT LONG of a point that are to be used to express the position or location of a parcel. The point shall consist of two points that in LAT LONG are expressed in decimal degrees. Counties providing an autogenerated parcel centroid coordinate pair in LAT LONG should provide values out to six decimal places.

Example: -75.123456,39.123456

Maintenance of Tax Maps

Without constant vigilance on the part of the assessor and the RPL, maps will become outdated rather quickly. It is desirable to make changes as they occur, but if time does not permit, changes should be made at least once a year. In many counties the RPL maintains the maps on a regular basis; however, the assessor should still be involved in the process and report any changes and corrections to the RPL so the maps can be updated accordingly.

There are two types of changes that take place. One type is the subdividing of parcels, either by individual property owners, recorded subdivisions or land divisions created by new roads or other public works.

The other type of change seen is improvements in the legal description due to updated surveys which can be more accurate than they had been in the past due to new technology. In some instances changes will require the assigning of new parcel numbers, while others will provide a more complete and accurate description of the property.

The sources of data for maintenance are the following:

1. Recorded deeds
2. Recorded subdivisions
3. Recorded certified surveys and other recorded maps
4. Highway and road surveys, other government surveys, and miscellaneous types of surveys
5. Records of relocation and monumentation of section corners (sec. [59.74\(2\)\(i\)](#), Wis. Stats.)

GIS Mapping

The standards in this section are advisory or suggested as a place holder until standards are created and adopted. GIS standards including addresses and parcel numbering applications is an ongoing discussion facilitated by the DOR through: State Agency Geospatial Information Committee (SAGIC) <http://sagic.wi.gov/> Land Information Officers, the WLIA Technical Committee, State Cartographers Office and the Department of Administration (DOA).

Benefits of GIS Applications

A computer assisted mapping system allows large volumes of data to be easily stored and organized for ready reference. Printed reports can be produced as needed, and when maps

are desired they can be rapidly and accurately prepared. When all geographic data is stored on a computer, the content of the maps is very flexible. The user can specify the type of map wanted, and the features to be included. The system makes it much easier to maintain current land data and maps.

When a complete set of tax maps is properly maintained, the assessor is provided with an accurate base for the assessment of property. *These maps form the foundation for a permanent parcel numbering system and are essential for correct legal descriptions.*

PLSS – Public land survey based parcel maps that are identified as representing the legal description of a parcel are excellent sources of information for the assessor in defining the assessable land areas.

Online Maps

Municipal and county parcel maps are used for assessment purposes in either a paper cadastral format or viewable in electronic formats online. While property boundaries on parcel maps available online or in digital formats (SHP, file geodatabase) serve as a proxy for ownership the line work, and geographic representation of property ownership must be based on records from control points, PLSS monumentation or work done by a licensed professional land surveyor. Counties and municipalities must define the level of accuracy represented. This standard is not meant to provide a standard for developing the authoritative definition of property boundaries or to specify limits for legal boundary determination or property conveyance.

GIS parcel data may not be the equivalent of legal property records or land surveys but can reflect base tax map records and is determined the accurate assessment record in the following scenarios:

- PLSS based maps digitized off corners and known points
- CSM based digitizing of parcels.

GIS maps digitized from paper cadastrals are also acceptable for portraying tax maps and are acceptable for assessment purposes.

Counties should contact DOA's [Division of Intergovernmental Relations](#) Grant Specialist when considering a parcel mapping project.

Parcel mapping projects are defined as the creation of digital parcel geographic representation of all land in the county. Representations of parcels either displayed on-line or for internal and agency use are not required to follow standards for accuracy tied to PLSS. Digitized parcels that are not PLSS monumented should be identified as such. Counties undertaking a parcel project should do so under a parcel indexing requirement. Parcel indexing at the geospatial level allows for definition of land use, categorization and identification of spatial inaccuracies otherwise not defined on a paper representation.

Orthophotos Suggested Reference Specifications

Projections

Ideally there is no one projection that fits all users' needs for air photography in Wisconsin. Setting a projection standard would not fit everyone's needs and the basis for doing so is unwarranted since technology applications can and will change projections for most advanced users.

Resolution

For assessment purposes resolution at the 6" level or better is preferred. Larger cities may demand a better product in this area; however, there is not a business need for projections greater than 6" in most rural areas.

Obliques

Municipalities contracting for oblique imagery do so for various business needs and requirements. Standards in this area manifest themselves through business requirements.

As the use of obliques become more prevalent in municipal and county applications it is reasonable and probable that assessors will work directly in proprietary software and make contributions in creating data sets. Applications in oblique imagery software include:

- building sketches,
- outbuilding sketching and diagraming,
- infrastructure and utility mapping,
- contamination mapping,
- building height,
- square footage calculations and
- diagraming.

Counties providing these applications to the assessor in a county web application must have the ability to convert building sketch and other [PA-500](#), if the data created is used for assessment purposes.

Accuracy

DOA's Division of Enterprise Technology Geographic Information Office acknowledges the Accuracy American Society of Photogrammetry and Remote Sensing (ASPRS) standards.

Class I or Class II standards are defined by the Wisconsin Regional Orthophotography Consortium (WROC). WROC suggests that Class II standards are suitable for most rural assessment work with 6" Pixel Resolution, leaf off, color.

GIS Standards and Benefits

- GIS provides communities a flexible specification for developing a digital parcel file suitable for use in a geographic information system (GIS). Because text labeling and the creation of a master address file are integral to extending the

usefulness of a digital parcel file, portions of this standard address the creation of those datasets.

- GIS makes it possible to merge digital property information from more than one community for multi-town mapping and spatial analysis.
- GIS makes it possible to identify a single property parcel statewide based on a single unique identifier.

Federal Geographic Data Committee (FGDC) Standards

The FGDC Content Standard for Digital Geospatial Metadata* was (according to FGDC literature) created for three reasons:

- To help organize and maintain an organization's internal investment in spatial data.
- To provide information about an organization's data holdings for data catalogues, clearinghouses, and brokerages.
- To provide information to process and interpret data received through a transfer from an external source.

The FGDC standard has been adopted as the metadata standard for Wisconsin with technical modifications to be made in conjunction with DOR, the WLIA Technical Committee and DOA.

The metadata standard provides users with over 200 common defined data items and a uniform indentation scheme, including all possible metadata and keyword fields for the purpose of search ability.

Additional information about the [FGDC Metadata Standard](#).

Chapter 8

Data Collection and Reporting

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.* Assessment records should be kept and organized in a way that facilitates the following activities:

- Gathering, analyzing, and verifying information
- Measuring and listing real property
- Updating real and personal property attributes
- Completion of forms in the field and office
- Valuation and assessment processes
- Statistical analysis
- Completion and delivery of forms to the Supervisor of Equalization office and the Department of Revenue (DOR)
- Presenting evidence to a taxpayer or Board of Review

The one-person office (part-time assessor) and the large multi-staff office share common problems with forms management. Some of these problems are the following:

- Data discovery
- Taxpayer compliance
- File updates
- Procedures for filing
- Type of storage
- Data transfer from old forms to new
- Delays in producing forms. (For example, computer downtime)

The different types of assessment offices can have problems that include:

One-Person (Part-time)

Variety of job responsibilities

Limited time available to spend on the job

Assessor turnover

Large Multi-Staff Office

Difficult to keep pace with large volume of available data

Additional indexing and filing problems due to large data volume

Large number of staff working with files requires a uniform system of record keeping and additional internal control forms

Lack of continuity in record system from one assessor to the next

DOR prescribes forms and records for the assessment and collection of general property taxes (see sec. 70.09(3), Wis. Stats.), these forms can be found on the [DOR website](#).

The real property record cards, personal property forms, assessment roll, and other supplementary forms are used to record property information. The assessor can then use the information when making assessments or when presenting evidence before the Board of Review. Those forms prescribed by DOR, under authority of sec. 70.09(3), Wis. Stats., contain important and specific elements that must be utilized by all taxation districts. If a municipality or county has reason to use a form which differs from that prescribed by DOR, they must contact DOR for approval to use an alternate form (sec. 70.09(3), Wis. Stats.). DOR reviews alternate forms to ensure they contain the necessary and prescribed information; are in a similar format to the prescribed form; and that they meet statutory and departmental standards. An assessment office may not use any locally generated form until it has been approved by DOR. Requests for form approval should be sent to:

Wisconsin Department of Revenue
Office of Technical and Assessment Services, M/S 6-97
PO Box 8971
Madison, WI 53708-8971
bapdor@wisconsin.gov

Assessment Forms and Records Background

Prior to 1965, annual and triennial field books were prescribed by DOR. From 1965 to 1971, the annual field books were replaced by a record system which consisted of loose-leaf real estate appraisal cards, aerial photographs, and base maps of each government section. The loose-leaf arrangement allowed each district to store these records in ring binders or in file cabinets. The record system consisted of the appraisal cards and basic maps regardless of whether they were actually kept in a binder or in file cabinets. Many districts preferred to use hard covered ring binders, but districts with a great number of individual parcels found it cumbersome and preferred to store the maps and cards in a cabinet.

This record system was permanent and had the advantage of universal application in both large and small districts and in those counties describing lands by 40 acres (government description) or by combined descriptions. Annual changes were required only where property descriptions were split by sale or where other changes occurred.

The present assessment records and forms are built upon and expand the previous forms. The current records have been designed to provide the maximum amount of information and uniformity.

The assessor should contact the county clerk to obtain any of the forms illustrated. Help in filling out the forms can be obtained by contacting the local Supervisor of Equalization office. The addresses and phone numbers for the district offices can be found in the appendix.

Retention of Assessment Records

Elected Assessor

An elected assessor may be the legal custodian of the assessor's office and is responsible for safely keeping all property and records associated with the office. Upon either expiration of the assessor's term of office, or whenever the office becomes vacant, the assessor must turn over all property and records in the assessor's custody to the municipality. This would include

all forms (both paper and electronic) including property record cards. All property and records belong to the municipality. The assessor is the physical custodian or caretaker of this property.

Contract Assessor

A contract assessor is *not* the legal custodian of municipal records. All records received by the assessor during the term of the contract, including forms, notes, sketches, maps, photos, and electronic data, must be turned over to the municipality at the end of the contract term. If a contract assessor converts paper records to electronic form, the original paper record must be returned to the municipality, not destroyed. All property and records belong to the municipality. The assessor is the physical custodian or caretaker of this property.

When an assessor leaves the district, a copy of the assessor's records must be provided to the municipality and the subsequent assessor. The outgoing assessor must provide all of the assessment records, both paper and electronic, to the municipal clerk within 30 days of vacating the office of assessor or at the final adjournment of the Board of Review, whichever is later. As a best practice, if contract expires at the conclusion of Board of Review, records shall be transferred within 30 days of that date. If contract expires at the end of the year, records shall be transferred by December 1. In addition, all electronically captured data must be made available to the municipality, and to the subsequent assessor, in electronic format along with the definitions for all fields on the file. Suitable electronic formats might be comma delimited text or XML.

State Public Records Board – Records Disposition Authorization

For municipalities that have entered into an agreement with the State Public Records Board, the Board has published the Wisconsin Municipal Records Manual which establishes minimum record retention times. For all other municipalities, sec. 19.21(4)(b), Wis. Stats., states, "The period of time any town, city or village public record is kept before destruction shall be as prescribed by ordinance unless a specific period of time is provided by statute. The period prescribed in the ordinance may not be less than 2 years with respect to water stubs, receipts of current billings and customer's ledgers of any municipal utility, and 7 years for other records unless a shorter period has been fixed by the public records board under s. 16.61 (3) (e) and except as provided under sub. (7)." Exceptions to the 7 year minimum are:

- No assessment roll containing forest crop acreage may be destroyed without prior approval of the Secretary of Revenue. Municipal Clerks must provide access to assessment rolls containing forest crop data for decades. An electronic format should be used when archiving rolls. Municipalities should consult with the county regarding the storage of the assessment roll and PRC data.
- Real Estate Transfer Returns need only be retained for five years.
- A public record as defined in sec. 19.32, Wis. Stats., "includes but is not limited to, handwritten, typed or printed pages, maps, charts, photographs, films, recordings, tapes (including computer tapes) and computer printouts." A public record does not include drafts, notes, preliminary computations, and like material.

See Chapter 22 for additional information on open records law and the assessor's office.

Real Property Data Collection

Building permits, plat books, public contact, information collection forms, cost manuals, real estate transfer returns, property viewings, soil surveys, and aerial photographs are some of the sources available to the assessor for acquiring the data needed to locate, identify, analyze, and value a property. Once collected, the data must be recorded and maintained in a consistent manner in order to serve as the official record of characteristics for that particular parcel.

Property Record Cards (PRC)

Each assessor must maintain a separate property record card (PA-500) for each parcel of agricultural, residential, commercial, and manufacturing property. Property record cards (PRC), in their hard copy forms, are four-page, folder type cards that can be kept in a ring binder or a file cabinet, and are designed to be used for every parcel of real estate throughout the state. This data may be stored electronically with the capability of being printed in the appropriate form upon request or need.

If there are two houses on a parcel, the second house can be priced on a secondary PA-500. Agricultural outbuildings can be priced on the "Other Building Improvements" section of the property record card or they can be priced on another supplementary insert form, the agricultural work card (PA-703). Detailed instructions for completing each field on the PRC can be found in Volume II of the WPAM.

Electronic Parcel Data

DOR has posted [electronic data common questions](#). Contact [DOR](#) with questions.

DOR requires that municipalities collect, and maintain parcel data electronically by 2013. DOR has informed each municipality via first class mail of the requirement to electronically store assessment data. They have also been informed that any contract or agreement for assessment services must include the electronic data storage requirement.

The assessor must inform the municipality in writing that they are required to store the parcel data in an electronic format. They must receive an agreement from the governing body to maintain automated property record cards and must ensure that the data is stored in a format that meets DOR requirements for transferability. They are also required to inform the municipality where the data will be located.

As with the Property Record, the municipality owns the electronic data regardless of the contract or the licensing of the software.

Electronic formats that are acceptable for data in a text or numerical format include comma delimited text formats, non-proprietary database formats such as MS-Access, DB2, SQL, etc. Unacceptable electronic formats are those that cannot be read except by customized or uncommon software. Note that PDF and word processing files do not meet DOR requirements because individual fields and their contents cannot be identified and analyzed electronically.

Acceptable formats for sketches and photographs include PDF, JPEG, GIF, TIF, and similar formats.

Assessors and municipalities are encouraged, but not required, to share assessment data on the internet, as permitted by law. As an example, sec. 70.35(3), Wis. Stats., provides for the confidentiality of information submitted on the Statement of Personal Property. As a result, that information cannot be posted to the internet.

Required Data

All assessment data, such as parcel attributes, sketches, and photographs, must be stored in an electronic format. Sketches and photographs, if not electronic by 2013, must be collected in an electronic format during the next revaluation or by 2015, whichever comes first. The requirement excludes information in assessment work files such as handwritten notes, correspondence, building permits, or field sketches. However, an assessor may choose to maintain this information in an electronic format.

The information required on the Property Record Card (PA-500) in accordance with the *Wisconsin Property Assessment Manual, Volume II* is required to be stored as electronic data. The assessor should be familiar with what information is required for residential, commercial, and agricultural properties. The minimum personal property data must be of the detail and type identified on the summary of the Statement of Personal Property (PA-003). The minimum mobile home data must describe whether the mobile home is real property, personal property or subject to a parking permit fee, and include the data used to determine the assessment.

Transfer of Electronic Data to Municipality and New Assessor

The outgoing assessor must provide all of the assessment records, both paper and electronic, to the municipal clerk within 30 days of vacating the office of assessor or at the final adjournment of the Board of Review, whichever is later. As a best practice, if contract expires at the conclusion of Board of Review, records shall be transferred within 30 days of that date. If contract expires at the end of the year, records shall be transferred by December 1. Maintaining electronic data does not relieve the assessor from the responsibility of providing the municipality with a paper copy of each property record card. If converting paper records to electronic format, the original paper record must be returned to the municipality, not destroyed.

If the outgoing assessor has used a proprietary assessment system, the outgoing assessor must provide the data to the municipality in TWO formats:

- The format native to the customized or uncommon software.
- A format such as comma delimited text formats, commonly available database formats such as MS-Access, DB2, SQL, etc. Definitions for all fields must be provided.

The outgoing assessor is responsible for all costs associated with the transfer of the electronically stored data to the municipality.

Failure to Comply with Electronic Data Requirement

If an assessor fails to comply with the electronic data requirement, a complaint against the assessor will be filed with [DOR](#) which will result in an investigation and possible revocation of the assessor's certification on the basis of misconduct under state law.

Property Characteristics and Attributes

The PRC (PA-500) is the vehicle for collecting property characteristics related to land and improvements, regardless of the property classification. For example, the card allows the assessor to record rental income and expense data for commercial property, acreage enrolled in special forestry programs, the bedroom/bath count for residential properties, and the quality/grade of agricultural land. These data elements are a mere fraction of the number of property characteristics that can be recorded on the PRC. Accurate PRCs are the basis for valuation and, as such, must be as accurate and complete as possible.

While paper PRCs will likely exist for a long time to come, the future of assessment requires that parcel data be converted to digital format. Digital parcel data is ultimately the most efficient and cost effective means of providing reliable, consistent property assessments. The DOR has begun defining what parcel characteristics will be captured digitally and the format in which data will be stored in order to enhance uniformity within and across municipalities, and to maximize the utility of the information being collected.

DOR has defined fifteen data elements that provide basic property information needed to analyze sales. Beginning July 2010, assessors will be required to submit this information to DOR electronically for all sales.

Real Estate Transfer Return

Sec. 77.22(1), Wis. Stats., requires that the grantee or an authorized agent shall file an electronic Real Estate Transfer Return (eRETR) and record the document with the county Register of Deeds Office. Real Estate Transfer Returns (RETR) are confidential under sec. 77.265 Wis. Stats. The electronic format for collecting this information is divided into eleven sections.

- Grantor Section: name, type of grantor, social security number address, telephone number, e-mail address is optional, relationship between grantor and grantee, ownership interest transferred, rights retained
- Grantee Section: name, grantee type, address, telephone number, e-mail address is optional, tax bill address
- Parcel Section: municipality name, parcel number, primary residence, physical property address, section-township-range or subdivision/condominium name, lot/unit number, and block
- Legal Description Section: legal description, if section, township, range was listed in above section.
- Physical Description Section: type of property, predominant use, lot square footage or total acres, MFL/PFC acres, feet of water frontage
- Transfer Section: transfer type
- Conveyance Section: conveyance date, document type, tax bill mailing address

- Financing Section: type of financing
- Weatherization Section: exclusion from Commerce's Rental Weatherization Program
- Fee Computation Section: total value of real estate transferred, value subject to fee, transfer fee due, transfer exemption number, value of personal property, exempt property from local property tax
- Agents and Preparer Section: agent for grantor and grantee, telephone number, e-mail address is optional, preparer, e-mail address is optional

Understanding and analyzing the RETR is extremely important. It is the key information source in the sales comparison approach and it is used in establishing the assessor's level of assessment and the municipality's full value.

In 2008, counties began submitting this information to DOR electronically where it is being collected to serve as a centralized Wisconsin sales database. Assessors review each sale and identify those suitable for use in comparable sales analysis and those suitable for use in sales/ratio analysis (refer to instructions for the automated [Provide Assessment Data](#) (PAD) system at DOR's website.

Property Tax Exemption Request

The Property Tax Exemption Request Form (PR-230) is a form used by individuals and organizations requesting an exemption from property taxes for real property under sec. 70.11, Wis. Stats. This completed form and additional supporting information is submitted to the local taxation district assessor by March 1 for determination of the property tax status.

Property Owner's Tax Exemption Report

Owners of property exempt under sec. 70.11, Wis. Stats., are required to file a Tax Exemption Report form with the municipal clerk by March 31 of each even-numbered year. There are two versions of this form. The PC-220 is used for single exempt parcels. The PC-220A is to be used for multiple parcels.

The Taxation District Exemption Summary Report, PC-226 must be filed with the DOR by July 1 of each even-numbered year by the municipal clerk. This form is used to summarize the Taxation District Exemption Reports and the Multi-Parcel Tax Exemption Reports.

Unrelated Business Income Report

This form (PC-227) must be filed with the municipal clerk by March 15 by owners of property exempt under sec. 70.11, Wis. Stats. which was used in the previous year in a trade or business for which the owner was subject to taxation under Sections 511 or 515 of the Internal Revenue Code.

Request for Exemption of Renewable Energy System

This form (PR-303) is available for the property owner to provide the assessor and request an exemption of qualifying energy system property. The form should be submitted to the assessor by March 1 of the current assessment year.

Manufactured and Mobile Home Valuation Worksheet

This form (PA-117) is designed for use in listing and valuing manufactured & mobile homes. The front of the form is used for data collection and includes an area for a sketch of the manufactured or mobile home as well as a valuation summary, listing the indicated value by the cost approach, the market approach, and the final value estimate. The back of the form is used for valuation computations using the cost and market approaches to value.

Manufactured and Mobile Home Statement of Monthly Municipal Permit Fee

This form (PA-118) is used for the computation of the monthly parking permit fee in municipalities with a mobile home ordinance under sec. 66.0435, Wis. Stats. Section A is completed by the community operator with the assistance of the manufactured or mobile home owner and contains a description of the manufactured or mobile home. The assessor records the market value of the manufactured or mobile home as computed on the manufactured & mobile home valuation worksheet (PA-117) in Section B. Section C shows how to compute the monthly municipal permit fee and is completed by the local clerk.

Real Property Reporting

Notice of Assessment

This document (PR-301) must be sent out by the assessor if the valuation of any taxable real property changed from the valuation placed on it the previous year.

The form provides space for indicating the reason for the valuation change, the parcel number, the legal description, the Open Book and Board of Review dates and times, and a phone number that can be used to obtain additional information.

Real Estate Assessment Roll

A completed assessment roll is the final product of many hours of the assessor's work. When the assessor signs the affidavit and attaches it to the assessment roll, the roll becomes the only official assessment record required by statute. The municipal assessment roll is designed so the seven classes of real estate can be listed separately with respect to ownership, legal description, school district, number of acres, and assessed value of the land and improvements. In addition, columns for such special categories as forest crop, woodland tax, managed forest land, and all exempt land are also provided in order that all lands can be accounted for, thus minimizing the possibility of omitted property.

The number of parcels in each property class is becoming increasingly important for statistical purposes such as estimating the cost of hiring expert help. The assessment roll maintains an area for recording the number of land and improvement parcels on each page of the roll. The page by page summary of the assessment roll on the special summary sheets permits an accurate totaling of the roll with respect to parcel count, number of acres, assessed value, and other columns.

Municipal Assessment Report

The Municipal Assessment Report (MAR) is completed and submitted online by the municipal assessor. The [MAR](#) is located on the DOR website with instructions.

The MAR is one of the official documents the local assessor is required to file with DOR. The MAR contains detailed information relative to changes to general property in the municipality for the current year.

A MAR must be submitted by the 2nd Monday in June. The type of filing is dependent upon the status of the Board of Review (BOR):

- If the BOR has not adjourned by the 2nd Monday in June, the assessor must submit an “Estimated MAR”.
- If the BOR has adjourned by the 2nd Monday in June, the assessor must submit a “Final MAR”.
- If the assessor has filed a “Final MAR”, he or she should submit an “Amended MAR” only to change the previously submitted Final MAR.

Note: failure to file a MAR may result in review of the assessor’s certification.

The MAR is a summary of all the Real Estate and Personal Property assessed values of a taxation district. Assessed Values are asked for by Class of Real Estate, and Category of Personal Property. Information about Real Estate values is asked for in columns and rows. Increases and decreases are reported in two columns, and the reasons for changes are reported in rows. Personal Property Values are asked for in columns, by category.

If you have questions regarding the completion of these forms, please contact your [Equalization District Office](#).

Tax Incremental District (TID) Information

Assessors annually provide the value of TIDs to DOR. The information is part of the MAR and is due on the second Monday in June under sec. 66.1105(6)(a), Wis. Stats. When TID value information is not filed by the due date, DOR will develop the current TID value as follows:

- The TID real estate value from last year is utilized.
- No economics are applied.
- No personal property (locally assessed) is included.
- Manufacturing changes are applied for real and personal property

Section 70.43, Wis. Stats., Correction of Errors by Assessors

A section of the assessment roll is designated to record the correction of palpable assessment errors made on the previous year's roll and to correct the taxes collected based on those improper assessments. Palpable errors are listed in sec. 74.33(1), Wis. Stats., and described in Correction of Palpable Errors section in WPAM Chapter 7. Valuation errors are not palpable errors and cannot be corrected under this section. Property owners have the responsibility to check the assessment on their properties and appeal to that year's Board of

Review any assessments with which they disagree. The assessor cannot go back a year under the guise of sec. 70.43, Wis. Stats., to "correct" valuation errors made on last year's assessment roll. Only the palpable errors listed in sec. 74.33(1), Wis. Stats. are correctable under sec. 70.43, Wis. Stats.

If the assessor discovers a palpable error in the assessment of a tract of real estate or an item of personal property that results in the tract or property having an inaccurate assessment for the previous year, the assessor shall correct that error by adding to or subtracting from the assessment for the **previous** year (the year the error occurred.) The result shall be the true assessed value of the property for the previous year. The assessor shall make a marginal note of the correction on that year's assessment roll.

The dollar amount of the adjustment shall be referred to the BOR and, if certified by that board, shall be entered in a separate section of the current assessment roll, as prescribed by DOR, and shall be used to determine the amount of additional taxes to be collected or taxes to be refunded. The dollar amount of the adjustment may be appealed to the BOR in the same manner as other assessments. The taxes to be collected or refunded shall be determined on the basis of the net tax rate of the previous year, taking into account credits under sec. 79.10, Wis. Stats. The taxes to be collected or refunded shall be reflected on the tax roll in the same manner as omitted property under sec. 70.44, Wis. Stats., but any such adjustment may not be carried forward to future years. The municipality shall proceed under sec. 74.41, Wis. Stats.

As soon as practicable, the assessor shall provide written notice of the correction to the person assessed. That notice shall include information on the appeal rights to the BOR. The following are examples of the proper procedure to correct a palpable error:

Scenario 1

A taxpayer attended open book to discuss their assessment with the assessor. During the discussion and review of the property record card, it was discovered that the assessor had erroneously doubled the square footage of the improvement the previous year. While doing the initial calculations, the assessor inadvertently entered the total square footage twice, which doubled the actual square footage of the improvement. The assessor corrected the square footage on the property record card and recalculated the assessment for the current year and made the correction on the assessment roll.

To correct the palpable error for last year's assessment, the assessor recalculated the assessment based on information used last year to determine the correct assessment for that year. The assessor entered a note on last year's roll indicating that a correction was made to the assessment due to a miscalculation of the square footage. The assessor completes the Corrections of Errors by Assessors form, PA-5/661, by entering the year the correction is for; the parcel/account number, property location and school code, owner's name and address in column a; the previous year's assessed value in column b; the corrected value in column c; in this scenario the assessor would enter the difference between column b and c in column d. (If the error occurred on personal property, the assessor would enter the difference in column e.) The form is attached to the back of the assessment roll so the clerk can complete columns f

and g. The total of the corrections is entered on page two. The clerk will then enter the totals on the current year's Statement of Assessment and Statement of Taxes.

The example below shows the information the assessor enters into the correction form.

2011
(Year)

CORRECTIONS OF ERRORS BY ASSESSORS (Sec. 70.43, Wis. Stats.)

*Note: Assessor should complete columns (a) through (e) and forward as part of the assessment roll.
Send to clerk electronically as well, if possible. The clerk will complete columns (f), (g), and totals.*

(a) Parcel/Account Number Property Location & School Code Owner's Name, Street Address, City, State, Zip ⁽¹⁾	(b) Previous Year's Assessed Value	(c) Corrected Value	(d) Real Property Amount of Adjustment (c-b)	(e) Personal Property Amount of Adjustment	(f) Previous Year's Net Mill Rate ⁽²⁾	(g) T - Tax net school credit L - Lottery credit F - First Dollar credit N - Net Tax ⁽³⁾
123-4567-89-9876543 NENE Sec 8 4567 Smith, John and Mary 987 Main Rd Anytown, WI 53555	510,000	285,000	(225,000)			

2012 assessment roll.

Book	State	Page	Year	REAL ESTATE ASSESSMENT ROLL FOR THE		Town of Anytown	COUNTY OF		Badger
No			2012						

KEY TO CODES	1.A - RESIDENTIAL 2.B - COMMERCIAL 3.C - MANUFACTURING 4.D - AGRICULTURAL	5.E - UNDEVELOPED 5m - AGRICULTURAL FOREST 6.F - PRODUCTIVE FOREST LAND 7.G - OTHER
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COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE - REG. DEEDS	TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX				
NAME & ADDRESS	SEC. TN. RANGE DESCRIPTION OF PROPERTY	C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE		
123-4567-89-9876543 4567	Sec 8 T5N R2E							
Smith, John and Mary 987 Main Rd Anytown, WI 53555	Lot 3 CSM 1459	1A	1.33	60,000	450,000 225,000	510,000 285,000		
			1.33	60,000	225,000 450,000	285,000 510,000		

Corrected 2011 assessment roll with marginal note.

Book	State No	Page	Year	REAL ESTATE ASSESSMENT ROLL FOR THE		Town of Anytown		COUNTY OF		Badger
			2011							
				KEY TO CODES		1.A – RESIDENTIAL 2.B – COMMERCIAL 3.C – MANUFACTURING 4.D – AGRICULTURAL		5.E – UNDEVELOPED 5m – AGRICULTURAL FOREST 6.F – PRODUCTIVE FOREST LAND 7.G – OTHER		
COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE – REG. DEEDS	TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX						
NAME & ADDRESS		SEC. TN. RANGE DESCRIPTION OF PROPERTY		C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE		
123-4567-89-9876543 4567		Sec 8 T5N R2E								
Smith, John and Mary 987 Main Rd Anytown, WI 53555		Lot 3 CSM 1459		1A	1.33	60,000	450,000	510,000		
							225,000	285,000		
							225,000	285,000		
					1.33	60,000	450,000	510,000		

Corrected due to sq. ft. error

Scenario 2

A property owner appears at Board of Review. The property owner did not attend the open book session because they were on vacation. The property owner contends that their property should be classified as agricultural and receive use value. As part of their testimony the property owner provides a schedule F from their income tax form and a contract from a local farmer to cut the hay from their fields. The assessor states that they did not have that information when he made the classification of the property.

In this scenario, the assessor is not able to change the classification; however, the BOR can change the classification and the assessment based on sworn oral testimony and evidence.

Scenario 3

On January 30th a business owner contacts the assessor to ask why their tax bill was so high. The property owner was on-line paying their tax bill, but thought it was much higher than previous years. During the discussion it is discovered that an additional zero was added to the furniture and fixtures total. Instead of being \$600 the amount was entered as \$6,000. The property owner was out of town and could not complete the claim for excessive assessment. Since it was too late to correct the assessment for the prior year, the assessor will correct the error on the current year's assessment roll. The property owner will pay the tax bill as prepared and wait for the adjustment to the current year's tax bill.

The assessor completes the Corrections of Errors by Assessors (sec. 70.43, Wis. Stats.) form. They enter the year the correction is for; the account number, property location, school code, and name and address of the property owner are entered in column a. The previous year's assessed value is entered in column b; the corrected value is entered in column c. Since this is a personal property error the difference of column b minus c is entered in column e. The form is placed in the back of the current year's assessment roll when it is received. A Notice

of Changed Assessment is sent to the property owner when the current year's notices are sent. The clerk completes the form, prior to the BOR. The BOR certifies the corrected value as being the actual assessment for the prior year.

Corrections of Errors by Assessors form completed by assessor.

2011
(Year)

CORRECTIONS OF ERRORS BY ASSESSORS (Sec. 70.43, Wis. Stats.)

Note: Assessor should complete columns (a) through (e) and forward as part of the assessment roll. Send to clerk electronically as well, if possible. The clerk will complete columns (f), (g), and totals.

(b) Parcel/Account Number Property Location & School Code Owner's Name, Street Address, City, State, Zip ⁽¹⁾	(b) Previous Year's Assessed Value	(c) Corrected Value	(d) Real Property Amount of Adjustment (c-b)	(e) Personal Property Amount of Adjustment	(f) Previous Year's Net Mill Rate ⁽²⁾	(g) T - Tax net school credit L - Lottery credit F - First Dollar credit N - Net Tax ⁽³⁾
105589 456 Market St 4567 Gray's Woolen Shop 456 Market St Anytown, WI 53555	17,900	12,500		(5,400)		

Scenario 4

The Town of Anytown did a revaluation for 2012. The former assessor retired so the Town hired a new firm for the revaluation. During the process of the revaluation it was discovered that an error had been made on two parcels the previous year. On one parcel a storage shed had been torn down but still listed on the parcel record card. On the other parcel, an old house with minimal value had fallen down in a wind storm two summers ago. The property owners were not aware that the improvements were still being assessed and asked if the error could be corrected. Since both were palpable errors made by the previous assessor, the current assessor did a sec. 70.43 correction.

2011
(Year)

CORRECTIONS OF ERRORS BY ASSESSORS (Sec. 70.43, Wis. Stats.)

Note: Assessor should complete columns (a) through (e) and forward as part of the assessment roll.
Send to clerk electronically as well, if possible. The clerk will complete columns (f), (g), and totals.

(c) Parcel/Account Number Property Location & School Code Owner's Name, Street Address, City, State, Zip ⁽¹⁾	(b) Previous Year's Assessed Value	(c) Corrected Value	(d) Real Property Amount of Adjustment (c-b)	(e) Personal Property Amount of Adjustment	(f) Previous Year's Net Mill Rate ⁽²⁾	(g) T - Tax net school credit L - Lottery credit F - First Dollar credit N - Net Tax ⁽³⁾
123-4668-29-3456789 4567 Olson, Jeffrey and Elisa 772 Olson Lane Anytown, WI 53555	162,500	159,700	(2,800)			
123-9876-54-3211234 4567 Black, George and Karen 669 Summit Rd Anytown WI 53555	259,800	254,800	(5,000)			

2012 assessment roll.

Book	State	Page	Year	REAL ESTATE ASSESSMENT ROLL FOR THE		Town of Anytown	COUNTY OF	Badger
No	No		2012	KEY TO CODES		1.A - RESIDENTIAL 2.B - COMMERCIAL 3.C - MANUFACTURING 4.D - AGRICULTURAL	5.E - UNDEVELOPED 5m - AGRICULTURAL FOREST 6.F - PRODUCTIVE FOREST LAND 7.G - OTHER	
COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE - REG. DEEDS	TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX				
NAME & ADDRESS	SEC. TN. RANGE DESCRIPTION OF PROPERTY	C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE		
123-4668-29-3456789 4567 Olson, Jeffrey and Elisa 772 Olson Lane Anytown, WI 53555	Sec 15 T5N R2E SE NE Sec. 15	4D 7G	38.50 1.50 40.0	9,200 75,000 84,200	96,800 96,800	9,200 171,800 181,000		
123-9876-54-3211234 4567 Black, George and Karen 669 Summit Rd Anytown WI 53555	Sec 22 T5N R2E NW SE and SW SE, except Lot 1 CSM 1590	4D 5E 5m 7G	45.5 15.0 15.5 2.0 78.0	10,900 18,750 21,700 100,000 151,350	121,700 121,700	10,900 18,750 21,700 221,700 273,050		

Corrected 2011 assessment roll with marginal notes.

Book	State No	Page	Year	REAL ESTATE ASSESSMENT ROLL FOR THE				Town of Anytown	COUNTY OF	Badger
			2011							
				KEY TO CODES			1.A – RESIDENTIAL 2.B – COMMERCIAL 3.C – MANUFACTURING 4.D – AGRICULTURAL 5.E – UNDEVELOPED 5m – AGRICULTURAL FOREST 6.F – PRODUCTIVE FOREST LAND 7.G – OTHER			
COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE – REG. DEEDS		TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX					
NAME & ADDRESS		SEC. TN. RANGE DESCRIPTION OF PROPERTY		C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE		
123-4668-29-3456789 4567		Sec 15 T5N R2E								
Olson, Jeffrey and Elisa 772 Olson Lane Anytown, WI 53555		SE NE Sec. 15		4D 7G	38.50 1.50	9,100 67,500		9,100 153,400		
							85,900 83,100	159,700		
					40.0	76,600	85,900	162,500		
123-9876-54-3211234 4567		Sec 22 T5N R2E								
Black, George and Karen 669 Summit Rd Anytown WI 53555		NW SE and SW SE, except Lot 1 CSM 1590		4D 5E 5m 7G	45.5 15.0 15.5 2.0	10,700 18,000 20,200 90,000		10,700 18,000 20,200 210,900		
							120,900 115,900	205,900		
					78.0	138,900	115,900 120,900	254,800 259,800		

Corrected for bldg. torn down

Corrected for bldg. blown down

Scenario 5

During the annual review of the agricultural classified properties the assessor discovers that a data entry error occurred when entering the acres for a parcel the prior year. The acres should have been 25 acres but 2.5 acres was keyed.

The assessor completes the Corrections of Errors by Assessors form and files it so it can be attached to the current year's assessment roll when it is received. The assessor then corrects the prior year's assessment roll and places a marginal note on the roll.

2011
(Year)

CORRECTIONS OF ERRORS BY ASSESSORS (Sec. 70.43, Wis. Stats.)

Note: Assessor should complete columns (a) through (e) and forward as part of the assessment roll. Send to clerk electronically as well, if possible. The clerk will complete columns (f), (g), and totals.

(d) Parcel/Account Number Property Location & School Code Owner's Name, Street Address, City, State, Zip ⁽¹⁾	(b) Previous Year's Assessed Value	(c) Corrected Value	(d) Real Property Amount of Adjustment (c-b)	(e) Personal Property Amount of Adjustment	(f) Previous Year's Net Mill Rate ⁽²⁾	(g) T - Tax net school credit L - Lottery credit F - First Dollar credit N - Net Tax ⁽³⁾
123-2468-13-3216548 SW NE Sec 36 4567 Reynolds, Jacob and Arlene 1465 N Riverside Dr. Anytown, WI 53555	310,400	315,700	5,300			

Corrected 2011 assessment roll with marginal note.

Book	State No	Page	Year 2011	REAL ESTATE ASSESSMENT ROLL FOR THE		Town of Anytown		COUNTY OF		Badger
				KEY TO CODES		1.A - RESIDENTIAL 2.B - COMMERCIAL 3.C - MANUFACTURING 4.D - AGRICULTURAL	5.E - UNDEVELOPED 5m - AGRICULTURAL FOREST 6.F - PRODUCTIVE FOREST LAND 7.G - OTHER			
COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE - REG. DEEDS	TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX						
NAME & ADDRESS			SEC. TN. RANGE DESCRIPTION OF PROPERTY	C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE		
123-2468-13-3216548 SW NE Sec 36 4567		Sec 36 T5N R2E SW NE			25.0	5,900		5,900		
Reynolds, Jacob and Arlene 1465 N Riverside Dr. Anytown, WI 53555				4D	2.5	600		600		
				5E	5.0	2,000		2,000		
				5m	8.0	2,800		2,800		
				7G	2.0	90,000	215,000	305,000		
						100,700		315,700		
					40.0	95,400	215,000	310,400		

Corrected due to acreage error

Scenario 6

The Town of Anytown, Badger County hired a new assessor for 2012. As the new assessor was reviewing the records, they reviewed the letters from the Department of Natural Resources (DNR) confirming the enrollments into the Managed Forest Lands (MFL) program. As part of the review they doubled checked the confirmation letters against the 2011 assessment roll. It was discovered that 15 acres on one parcel were not classified as MFL. The assessor confirmed with the DNR that the 15 acres were enrolled in the MFL program the previous year, indicating that a palpable error had occurred in the previous year.

The assessor completed the Corrections of Errors by Assessors form, corrected the 2011 assessment roll and made a note in the margin explaining the correction. The form was placed in the 2012 assessment working file to be attached to the 2012 assessment roll when it was completed.

2011
(Year)

CORRECTIONS OF ERRORS BY ASSESSORS (Sec. 70.43, Wis. Stats.)

Note: Assessor should complete columns (a) through (e) and forward as part of the assessment roll. Send to clerk electronically as well, if possible. The clerk will complete columns (f), (g), and totals.

(e) Parcel/Account Number Property Location & School Code Owner's Name, Street Address, City, State, Zip ⁽¹⁾	(b) Previous Year's Assessed Value	(c) Corrected Value	(d) Real Property Amount of Adjustment (c-b)	(e) Personal Property Amount of Adjustment	(f) Previous Year's Net Mill Rate ⁽²⁾	(g) T - Tax net school credit L - Lottery credit F - First Dollar credit N - Net Tax ⁽³⁾
123-8523-13-2152914 SW NE, Pt. SE NE Sec 21 4567 Blake, Arnold and Jill 2358 Farmland Road Anytown, WI 53555	346,400	326,900	(19,500)			

Corrected 2011 assessment roll with marginal note.

Book	State No	Page	Year 2011	REAL ESTATE ASSESSMENT ROLL FOR THE	Town of Anytown	COUNTY OF Badger
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KEY TO CODES
1.A - RESIDENTIAL
2.B - COMMERCIAL
3.C - MANUFACTURING
4.D - AGRICULTURAL
5.E - UNDEVELOPED
5m - AGRICULTURAL FOREST
6.F - PRODUCTIVE FOREST LAND
7.G - OTHER

COMPUTER NUMBER PARCEL NUMBER	SCHOOL DIST.	VOL/PAGE - REG. DEEDS	TOTAL ACRES OF DESC.	ACREAGE & VALUE OF DESCRIPTION SUBJECT TO GENERAL PROPERTY TAX			
NAME & ADDRESS	SEC. TN. RANGE DESCRIPTION OF PROPERTY	C O D E	ACRES	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	
							123-8523-13-2152914 SW NE, Pt. SE NE Sec 21 4567 Blake, Arnold and Jill 2358 Farmland Road Anytown, WI 53555
			55.0-70.0	131,400	215,000	346,400	

Corrected 15
ac should be
MFL

1. PFC REG. ENTERED BEFORE 1/1/72
2. PFC REG. ENTERED AFTER 12/31/71
3. PFC SPECIAL CLASSIFICATION
4. COUNTY FOREST CROP
5. MFL OPEN ENTERED AFTER 2004
6. MFL CLOSED ENTERED AFTER 2004
7. MFL OPEN ENTERED BEFORE 2005
8. MFL CLOSED ENTERED BEFORE 2005

C O D E	ACRES	VALUE
6	15.0	39,000

Correction of Errors After Extension of Taxes

The options for correction of errors depend on when the error is discovered. Under no circumstance should an assessor add/subtract the amount of the assessment error from the next year's assessment.

Errors discovered after the extension of taxes but before January 31 (due date of taxes) have three options available.

Option 1: The property owner pays the taxes, and files a claim for unlawful tax under sec. 74.35, Wis. Stats. This option allows the property owner to document the problem and allows the assessor time to verify the facts. The assessor provides the municipality with a written explanation of the facts and agrees that it fits the definition of an error. The municipality approves the claim and proceeds on the recovery of the unlawful tax. This option is only available **before** January 31.

Option 2: Rescind all or part of the tax after written documentation from the assessor and a municipal resolution under sec. 74.33(1), Wis. Stats. if all conditions are met. Use this option as a last resort, after the timeframe for sec 70.43, Wis. Stats. has passed.

Option 3: The assessor creates an entry, under sec. 70.43, Wis. Stats. in the Correction of Error by Assessor section of next year's roll. This option is used when there is no agreement between the property owner and assessor that an error exists or the dollar impact of the error. This option allows for review by the BOR.

Errors discovered between January 31 and the signing of the assessment roll affidavit have 2 options available.

Option 1: Rescind or refund all or part of taxes under sec. 74.33(1), Wis. Stats. if all conditions are met.

Option 2: The assessor creates an entry, under sec. 70.43, Wis. Stats., in the Correction of Error by Assessor section in the current year's roll. The prior year's net tax rate (Net Mill Rate) is used to calculate the taxes to be refunded or additional taxes due. The refund/additional taxes are refunded/paid at the same time as the current year's taxes. This option allows for review by the BOR.

Errors discovered between the assessor signing the assessment roll affidavit and the close of the BOR.

The BOR could exercise its authority and ask the assessor to invoke sec. 70.43, Wis. Stats. (sec. 70.47(6) and (10), Wis. Stats.) The BOR should have the assessor and property owner provide sworn oral testimony to provide a basis for their decision.

In all cases, the municipal clerk should file a claim for refund of illegal tax under sec. 74.41, Wis. Stats. The [form](#) is located on the DOR website.

[Correction of Error-70.43 form](#) is located on the DOR website.

Personal Property Forms and Record Systems

Locating, identifying, and valuing personal property can be difficult. Personal property valuation procedures have been discussed in Chapter 19. As described in that chapter, the assessor must be aware of who owns personal property, where it is kept, and what its current cash value is. The assessor can keep track of personal property cash values by attending auctions and checking private sales. There is also a set of forms which the assessor can use to help determine personal property value.

Income and Expense Questionnaire

The collection of income and expenses is collected on form PR-323. Property owners are required to provide the assessor with this information under sec. 70.47(7)(af), Wis. Stats.

Statement of Personal Property

The personal property collection form is the statement of personal property (PA-003). This form combines the information previously contained on the merchants' professions' statement of property (obsolete) and the fixed asset schedule.

Fixed Asset Schedule

The fixed asset schedule (PE-106) has been developed to accommodate larger firms who have purchased many assets over the years. The schedule provides space for reporting the original costs of assets by year of acquisition for the past twenty years, additions or deletions during the past year, and net original costs. The conversion factors are not preprinted on this form. Instead, there are blank spaces where the assessor enters the appropriate factors. Space is also provided for the market value calculations by the assessor.

Occupational Tax Forms

There are three occupational tax forms which are filled out by the owner, agent, bailee, or consignee and returned to the assessor by February 1 every year. The forms are for iron ore concentrates, coal, and petroleum. Failure to file these forms or falsifying the information can result in fine not exceeding \$1,000.

Notice of Personal Property Assessment

This form (PR-299) is sent out by the assessor to notify taxpayers of their personal property assessments. The form provides space for indicating whether the assessment is on a new account or is a doomsday assessment, the municipality, location of the personal property, total assessed value, board of review date, and the assessor's telephone number.

Miscellaneous Forms

The assessor must be familiar with the following forms.

Board of Review Member Training Affidavit

This affidavit (PA-107) must be electronically filed each year with DOR prior to Board of Review under sec. 70.46(4) Wis. Stats.

Objection Form for Real and Personal Property Assessment

Taxpayers who wish to appeal their assessments are required to complete a written objection form which is filed with the Board of Review clerk prior to appearing before the Board.

The Objection Form for Real Property Assessment (PA-115A) provides space for the assessment, legal description, opinion of value, pertinent property information, and owner's or agent's name, address, and signature.

The Objection Form for Personal Property Assessment (PA-115B) provides space for the assessment, opinion of value, and owner's or agent's name, address, and signature.

Summary of Board of Review Proceedings

This summary (PA-800) is prepared by the Board of Review clerk after the Board has completed all of its determinations. The summary provides space for the taxpayer's name, property description or designation, amount of assessment that the taxpayer objected to, names of any witnesses, and the Board's determination. Once completed, this summary is filed with the Board of Review proceedings.

Notice of Board of Review Determination

This notice (PR-302) is sent from the Board of Review to the objector or the agent thereof. This form indicates the amount of the assessment as finalized by the Board of Review and an explanation of the taxpayer's further appeal rights and procedures.

Statement of Assessments

This form (PA-521) is filled out by the clerk and sent to the Supervisor of Equalization on or before the 2nd Monday in June. This form reflects the aggregate assessed value of all personal and real property in the municipality and reflects any changes made at the Board of Review.

Use Value Conversion Charge Calculation Worksheet

The Bureau of Equalization developed a worksheet to assist in calculating the conversion charge prior to 2003. The worksheet is available on DOR's website. County treasurers are responsible for collecting the charge.

Agricultural Land Conversion Charge

This form, PR-298, should be sent with the Notice of Changed Assessment when lands formerly classified as agricultural have been converted to another use. The intention of the form is to notify property owners of the potential land conversion charge.

Summary of Open Book Actions

The Summary of Open Book Actions, PR-130, is a mandatory form. The form can be used by the municipal clerk to ensure that all of the open book changes have been entered onto the assessment roll prior to Board of Review, it will also be a record of the changes in assessment of an individual property, and will aid the assessor in the future when valuing the property. Provide the original to the municipal clerk.

Electronic Filing

Electronic submission and signatures are generally allowable unless specified otherwise. [Secs. 137.11 - 26, Wis. Stats.](#), codify general regulation of electronic transactions and records.

The WPAM mandates the following forms be filed electronically:

1. Real Estate Transfer Return
2. PA-107: Board of Review Member Training Affidavit
3. Municipal Assessment Report
4. PA-521C: Statement of Assessment
5. Pa-5/632a: Statement of Taxes

The WPAM specifically provides the following may be submitted electronically:

1. PA-500: Property Record Card
2. Electronic Assessment Roll (DOR standard platform acceptance and access to this data is XML)
3. Personal Property Roll

Form Index

Samples of the forms are provided in WPAM Forms Chapter and on the DOR website.

Form Number	Title	Purpose	Who Completes	Who to Send To
Subject				
PA-002 Occupational Tax	Operators of Iron Ore Concentrates	One of the three occupational tax forms which are filled out by the owner, agent, bailee, or consignee every year.	Property Owner/Agent	Local Assessor
PA-003 Personal Property	Statement of Personal Property	Lists & summarizes all personal property items by an individual property owner includes property schedules.	Property Owner/Agent	Local Assessor
PA-006 Occupational Tax	Operators of Coal Docks	One of the three occupational tax forms which are filled out by the owner, agent, bailee, or consignee every year.	Property Owner/Agent	Local Assessor
PA-014	Petroleum Products	One of the three occupational tax forms which are filled out by the	Property Owner/Agent	Local Assessor

Form Number	Title	Purpose	Who Completes	Who to Send To
Subject				
Occupational Tax		owner, agent, bailee, or consignee every year.		
PA-105 Appeal	Agent Authorization – Property Assessment	Provide written documentation to assessor or BOR Clerk that the person appearing is authorized to represent the property owner.	Property owner	Local assessor or BOR Clerk
PA-115A Appeal	Objection Form for Real Property Assessment	Written objection form to appeal their assessments to the BOR prior to appearing before the Board.	Property Owner/Agent	Local Clerk
PA-115B Appeal	Objection Form for Personal Property Assessment	Written objection form to appeal their assessments to the BOR prior to appearing before the BOR.	Property Owner/Agent	Local Clerk
PA-117 Manufactured & Mobile Home	Manufactured & Mobile Home Valuation Worksheet	Lists and values manufactured & mobile homes by the cost approach and the market approach including the final value estimate, a sketch of the mobile home, and other data.	Local Assessor	Local Clerk
PA-118 Manufactured & Mobile Home	Monthly Municipal Permit Fee	Computes the monthly parking permit fee in municipalities with a mobile home ordinance under sec. 66.0435, Wis. Stats.	Park Operator/ Owner/ Assessor	Local Clerk
PA-205 Assessed Value	Extension Request – Property Assessment	Request an extension of time to become compliant with the electronic assessment data.	Assessor/ municipality	Office of Technical & Assessment Services
PA-500 Assessed Value	Property Record Card	Provides an itemization of information including values for residential & agricultural properties.	Local Assessor	Local Clerk
PA-521C Assessed Value	Statement of Assessment	Records the aggregate assessed value of all personal and real property.	Local Assessor	Local Clerk
PA-533 Assessed Value	Assessor's Affidavit	Sworn statement to finalize valuation of entire tax district.	Local Assessor	Local Clerk
PA-539-2 Assessed Value	Real Estate Assessment Roll	Official assessment record.	Local Assessor	Local Clerk
PA-5/661 Assessed Value	Sec.70.43, Wis. Stats Correction of Errors by Assessors	Records the correction of palpable assessment errors made on the previous year's roll.	Local Assessor	Local Clerk/ Treasurer.

Form Number	Title	Purpose	Who Completes	Who to Send To
Subject				
PA-703 Assessed Value	Agricultural Work Card	Supplementary insert for PA-500 form.	Local Assessor	Local Clerk
PA-800 Appeal	Summary of Board of Review Proceedings	A summary report prepared after all of the Board of Review determinations are completed.	Local Clerk BOR Clerk	District Supervisor of Equalization
PC-220 Exemption	Tax Exemption Report	Used to report various attributes of an individual exempt property.	Property Owner/Agent	Local Clerk
PC-220A Exemption	Multi-Parcel Tax Exemption Report	Used to report various attributes of multi-parcel exempt properties. Some exempt properties are not required to report.	Property Owner/Agent	Local Clerk
PC-226 Exemption	Taxation District Exemption Summary Report	Records the total number of exempt properties by purpose and value from a compilation of forms PC-220 & PC-220A.	Local Clerk	DOR- LGS
PC-227 Exemption	Unrelated Business Income Report	Report property exempt under sec. 70.11 Wis. Stats. that was used in the previous year in a trade or business for which the owner was subject to tax under IRS Code 511 or 515.	Property Owner/Agent	Local Clerk
PE-106 Personal Property	Fixed Asset Schedule	Reports original costs of assets by year of acquisition for the past 20 years, adding or deleting during past year, and net original costs.	Local Assessor	Local Clerk
PR-130 Real Property and Personal Property	Summary of Open Book Actions	Form is used to report and explain changes made by the assessor at Open Book	Local Assessor	Local Clerk
PR-230 Exemption	Property Tax Exemption Request	Form used for requesting an exemption from property taxes for real and personal property.	Property Owner/Agent	Local Assessor
PR-231 Exemption	Low Income Property Owner's Certification of Occupancy	Used to determine property tax exemption as low-income housing (Sec. 70.11(4a)(g)1, Wis. Stats.) March 1 deadline.	Property Owner/Agent	Local Assessor

Form Number	Title	Purpose	Who Completes	Who to Send To
Subject				
PR-297 Assessed Value and Real Property	Notice of Amended Assessment at Open Book and Waiver of Amended Assessment Notification	Used when changes are made at the Open Book. Property owner agrees to waive the right to receive an Amended Notice of Assessment 15 days in advance of the BOR, except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR. Owner may appeal the assessment to the BOR.	Local Assessor	Property Owner
PR-298 Assessed Value and Real Property	Agricultural Land Conversion Charge	Notifies property owners of classification change for converting agricultural land to another use resulting in a conversion charge.	Local Assessor	Property Owner
PR-299 Assessed Value	Notice of Personal Property Assessment	Notifies property owners of their personal property assessments.	Local Assessor	Property Owner
PR-300 View Notice	Request to View Property Notice	Notifies property owners of their rights, options, and responsibilities with regard to view of the property.	Local Assessor	Property Owner
PR-301 Assessed Value	Notice of Assessment	Document sent when valuation of taxable real property changed from the valuation placed on it from the previous year. Not required for agricultural land assessment changes of \$500 or less.	Local Assessor	Property Owner
PR-302 Appeal	Notice of BOR Determination	Form indicates the amount of the assessment as finalized by the Board of Review.	Local Clerk BOR Clerk	Property Owner/Agent
PR-303 Exemption	Request for Exemption of Renewable Energy	Used to request an exemption for a renewable energy system under sec. 70.111(18), Wis. Stats., Solar and Wind Energy Systems.	Property Owner	Local Assessor
PR-323 Personal Property	Income & Expense Questionnaire	Form provides income information to the assessor are required by sec. 70.47(7) (af), Wis. Stats.	Property Owner/Agent	Local Assessor
PR-324 Assessed Value	Agricultural Use-Value Information Request	Assists the local assessor in determining the proper classification of agricultural land for assessment purposes.	Property Owner/Agent	Local Assessor
PR-800 Assessed Value	Annual Assessment Report	The form provides a consistent format the assessor may provide information to the municipality.	Assessor	Municipality/ OTAS

Form Subject Index

Appeal	Assessed value	Exemption	Mobile home	Occupational tax	Personal property	Real property
PA-105	PA-100	PC-220	PA-117	PA-002	PA-003	PR-130
PA-107	PA-205	PC-220A	PA-118	PA-006	PA-016	PR-297
PA-115A	PA-500	PC-226		PA-014	PE-106	PR-298
PA-115B	PA-521C	PC-227			PR-130	PR-300
PA-800	PA-533	PR-230			PR-299	
PR-302	PA-539-2	PR-231			PR-323	
	PA-5/661	PR-303				
	PA-703					
	PR-297					
	PR-298					
	PR-299					
	PR-300					
	PR-301					
	PR-324					
	PR-800					

The forms listed in the charts above are on the [DOR website](#). The forms can be found under different headings:

- Under Government – Property Tax Forms
- Under Government – Property Tax Exemptions
- Under Government – Property Assessment Forms
- Under Government – State Prescribed Forms
- Under Utility Tax – Occupational Tax

Forms can also be found on the [DOR website](#).

Chapter 9

Part 1: Real Estate Concepts

Part I of this chapter provides a background in real estate terms and concepts that every assessor must know in order to accurately identify what is being valued.

The assessor will frequently encounter the terms “real estate” and “real property.” In appraisal terms, real estate refers to the physical items; the land and any structures and improvements located on the land while real property is the rights, privileges, and benefits of owning the real estate. Sec. 70.03, Wis. Stats., states “The terms ‘real property’, ‘real estate’ ... shall include not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto.” Thus, for assessment purposes in the State of Wisconsin, the terms ‘real property’ and ‘real estate’ are synonymous

Bundle of Rights

In sec. 70.03, Wis. Stats. the definition of real property includes “all fixtures and rights and privileges appertaining thereto.” This means the assessor must not consider only the physical attributes of the land and improvements but the intangible benefits that are associated with them. These intangibles are collectively called the bundle of rights and include the following:

- The right to sell an interest
- The right to lease an interest and to occupy the property
- The right to mortgage an interest
- The right to give an interest away
- The right to do none or all of these things

It is possible to own all or just some of these rights. The extent of ownership of these rights determines what kind of estate, or interest, one has in the property.

When a property owner possesses all the bundle of rights, they have a fee simple ownership interest (or a fee simple estate) in the property. A fee simple ownership interest is the fullest form of private ownership subject only to certain government limitations. The estate has no time limit on its existence, is inheritable, and is freely transferable during the owner’s life by gift or sale.

Public Restrictions on Real Property

The bundle of rights is subject to certain governmental limitations which may or may not affect the market value of property. These limitations include:

- Taxation - the power to tax property to raise revenues to support government. Any unpaid property taxes represent a lien on property. That is, the property itself becomes security for the payment of the debt. Tax liens have priority over all other liens.
- Police Power - the right to regulate the use of property for the public welfare. Examples of police power include zoning ordinances, housing and building codes, and subdivision controls.
- Escheat - the power to take title to property if the owner dies without an heir.

- Eminent Domain - the power to take property for public use provided the property owner receives just compensation. An example of eminent domain would be the condemnation of property for redevelopment. When the government takes or uses property without providing compensation, it is considered police power rather than eminent domain.

Private Restrictions on Real Property

A property owner's bundle of rights may also be subject to private limitations. These limitations may be created either voluntarily (by deed or contract) or involuntarily. They may end at the time of transfer or go with land, in which case the sale of the property does not cancel these limitations. These may, or may not, affect the value of the property. Private restrictions can be divided into two major types: liens and encumbrances.

Liens

Liens are typically cases where another party holds a legal financial interest in the property. A lien may entitle the creditor to have the property sold to satisfy the debt. When this occurs, any liens on a property are paid off in the same sequence in which they are recorded, except for tax liens which have priority over all other liens. Examples of other liens include mortgages, home equity loans, and mechanics liens.

Encumbrances

- Deed Restrictions – Deed restrictions are limitations incorporated into deeds. They are a form of private zoning and limit land use. Deed restrictions can include minimum lot size, setback requirements, minimum building value, building type or size, etc.
- Easements – An easement is an interest in real property that transfers use, but not ownership, of a portion of the owner's property. In most cases the easement designates a specific use and/or a specific portion of the property. An easement may be in the form of a surface, subsurface, or overhead easement. An example of a surface easement is a shared driveway; an easement for mineral rights is a subsurface easement; air rights are an example of an overhead easement. In the United States, most properties have utility easements granting utility companies access to the property for the purpose of running gas, electric, and other utility lines.
- Life Estate – A life estate is an ownership interest in property that is not inheritable. It expires upon the death of the person against whose life it is measured. At that time it reverts to the owner who granted the estate (or the owner's heirs). An individual who is granted a life estate receives all rights to the property for his/her life, including the right to sell the property; however, the life estate would still expire upon the death of the individual to whom it was originally granted.
- Leases – A lease is a contract between the property owner and tenant which transfers a portion of the bundle of rights in exchange for rent. When a property is sold, the rights of the tenant are usually not extinguished. The existing leases remain intact and must be honored by the new property owner.
- Encroachments – An encroachment is the unauthorized use of the property by an individual who does not own it, such as a neighbor's fence or driveway extending over the property line. An encroachment can make the title to a property unmarketable unless this restriction on the title is clearly stated in the sales contract.

Ownership Interests

Under most circumstances, the notion of fee simple ownership is hypothetical. The Appraisal of Real Estate, 13th Ed., ©2008 Appraisal Institute states, “The complexity of real property ownership in the United States today suggests that a true fee simple interest seldom exists because nearly all properties are encumbered to some degree by easements, reservations, or private restrictions. Although most appraisers define the interest being appraised as a fee simple interest, once a partial interest is created by a lease, a mortgage, or by any other restriction, the fee simple interest becomes largely theoretical”.

So what is the assessor actually valuing? The short answer is that *the assessor values only those rights in the bundle that the owner is able to convey*, and only inasmuch as those rights have market value.

The assessor must consider what effects public restrictions (e.g. zoning) might have on the value of the property. When the title to a property has an encumbrance against it (easements, life estates, leases, encroachments, etc.), the assessor must consider how the encumbrance(s) affects market value and adjust the value accordingly. The assessor does not evaluate liens as these do not normally affect the market value of a property.

Real Estate Instruments

While a deed is the only legal instrument that transfers title (ownership) to property, contracts can be used to contract for the transfer of real estate. Title to the property does not pass, however, until the contract is fulfilled and a deed has been delivered to the buyer. The two main contracts that are used in regard to the sale of property are land contracts and option contracts.

A land contract is a contract between a seller and buyer in which the seller promises to convey the property to the buyer at a specified time in the future and the buyer is obligated to make installment payments to the seller. The seller retains title to the property until all of the terms of purchase have been met. The buyer receives title to the property upon satisfaction of the land contract.

With an option contract the property owner gives a prospective purchaser the right to buy a property at a specified price within a given period of time. An option contract binds the owner of the property for the period of the option; however, the prospective purchaser is not bound to purchase the property. If the option is accepted by the prospective purchaser during the option period, that person becomes the buyer and the option becomes a binding contract.

Deeds

A deed is used to transfer title from the seller to the buyer. The seller of real estate executes the deed and is called the grantor. The buyer, or recipient of the deed, is the grantee. All deeds are recorded in the office of the Register of Deeds.

There are numerous types of deeds used to transfer title. A warranty deed is the one preferred by buyers since it contains certain guarantees that the title has no defects. Other deeds, while not as desirable as a warranty deed, are commonly used and will be briefly discussed.

- **Warranty Deed:** under a warranty deed, the seller guarantees to the buyer that the title is free and clear of encumbrances except those mentioned expressly in the deed. The guarantees or warranties included in a warranty deed are the following:
 1. The covenant of seizin – this guarantees that the seller owns the property and has the right to transfer title.
 2. The covenant of quiet enjoyment – the seller guarantees that the buyer will not be disturbed by other persons claiming to have a right to the property.
 3. Covenant against encumbrances – this is a promise that there are no encumbrances on the property which have not been mentioned in the deed.
 4. Covenant of further assurance – the seller promises to obtain any further documentation as necessary to perfect the title.
 5. Covenant of warranty forever – the seller promises to defend the title against claims of persons contesting title even if it occurs after title is transferred to the buyer.
- **Special warranty deed:** similar to a warranty deed in that it too, contains certain promises or covenants that the title is free of defects. The difference is that with a special warranty deed the seller guarantees the title only against defects occurring during the time that the seller held title to the property.
- **Quit-claim deed:** does not guarantee or imply the existence, quantity, or quality of the seller's interest in the property. It simply passes all of the interest in the land that the grantor might have and can lawfully convey. Quit-claim deeds are typically used to clear up flaws in the title.
- **Correction deed:** corrects a previously recorded deed that may contain an error, such as an incorrect legal description, or a misspelled name.
- **Sheriff's deed:** used in cases where the sheriff acts as the grantor for the benefit of the public. A sheriff's deed may be used in cases of mortgage foreclosure, partition, or execution. A sheriff's deed contains no warranties on the title.
- **Trustee's Deed:** used when the property is sold that is held in a trust. The trustees of the trust need to sign the deed and guarantees the title only against acts by the trustees.
- **Personal Representative's deed:** used when property of an estate is sold, with the executor of the estate acting as the grantor. A Personal Representative's deed guarantees the title only against acts by the Personal Representative.

Involuntary Transfer

An involuntary transfer is one in which the title (ownership) to real estate is transferred without the consent of the property owner. Types of involuntary transfer include:

- **Condemnation** – the government, through its power of eminent domain, takes title to property for a public purpose in exchange for just compensation by this process.
- **Adverse Possession** – a person takes possession of another's land without that person's permission and acquires title to the land. The person seeking to gain title must actually take possession of the land, and that possession must be hostile (without the owner's consent), open and notorious, and continuous for twenty years. A title based on adverse possession is not marketable in Wisconsin unless the adverse possessor takes legal action

to “quiet the title.” This is the process of having the court enter a judgment showing the title of record to be in the adverse possessor.

- Foreclosure Sale – this is an involuntary sale of a debtor’s property with the proceeds used to pay unpaid obligations. When property is used as security for a debt, foreclosure is the creditor’s means of collecting the debt if the financial obligations are not met.
- Partition Sale – a person having an interest in real property jointly or in common with others (as in the case of a tenancy in common or joint tenancy), may petition the court to partition or separate the various interests. If the property cannot be physically divided, the court may order a sale of the property and division of the proceeds among the joint owners.
- Accretion – a person may acquire title to a portion of another person’s land when accretion occurs. Accretion is the gradual adding of soil to land by natural deposits. This can occur by either reliction or alluvion. Reliction is the gradual uncovering of land caused by the recession of a body of water. Alluvion is the process by which the washing of a body of water causes sand or soil to be deposited upon land, forming additional land.
- Escheat – The state acquires title to property when the owner dies without a will or heirs.

Voluntary Transfer

When a property owner transfers the title to property of his or her own accord the transfer is voluntary. Methods of transfer which are considered voluntary include:

- Sale – the right to sell property is part of the bundle of rights. Any property owner may voluntarily sell his or her property, limited by only governmental requirements for transfer of ownership.
- Gift – a property owner may give away a property title to an individual or to the government. When given to the government as a gift, it is referred to as a dedication.
- Will – title to property may be passed to a property owner’s heir(s) by will. The process of transferring title by will is known as devise.
- Descent – when a person dies “intestate” (without leaving a will) he or she has voluntarily agreed to allow the state to distribute the estate to the heir(s) according to the statute of descent and distribution. State laws prescribe the person(s) to inherit title to property when an individual dies intestate.
- Patents – an individual may voluntarily take title to public lands by patent. A patent is the legal document used to transfer title to public (state owned) lands and is only issued upon full payment of the purchase money, and any taxes and interest due on the property.
- Transfer-in-Effect – while not a legal term, this applies to situations where a lease arrangement provides the lessee with control of the real estate to the point where the lessee becomes the ‘beneficial owner’.
- Deferred Like-Kind Exchange – the sale of investment real estate is usually a taxable event. To postpone paying a capital gains tax due to an investment property sale; many property owners structure the sale as a deferred like-kind exchange. Section 1031 of the Internal Revenue Code contains detailed instructions about deferred like-kind exchanges. Essentially the owner sells one property (relinquished property) and purchases another one (replacement property) within certain time periods. To adhere to the IRS Code and postpone the gain, the transactions must follow strict rules and occur within inflexible time frames.

Generally, both the sale of the relinquished property and the purchase of the replacement property are separately negotiated transactions between different parties.

Data Validation

The real estate transfer return is the vehicle for collecting information about the transfer of real property in the State of Wisconsin. Not all of the transfers captured are valid for use in assessment functions. Validation is the process of examining each transaction to determine whether it's an arm's-length sale useable for modeling, appraisal, assessment, or ratio analysis. The assessor must review each transaction recorded in the real estate transfer return system and identify those that are valid sales. For each transaction that does not meet validation criteria, the assessor enters the appropriate rejection code into DOR's Provide Assessment Data (PAD) system. Typical reasons for rejecting sales, both arm's-length and non-arm's-length, are identified in the Rejection Criteria section of Chapter 10.

Part 2: Concepts of Value

In simplest terms, an assessment is an opinion of value. This does not imply however, that one opinion is as good as another. There are valid and accurate assessments and there are invalid and inaccurate assessments. The validity of an assessment can be measured against the supporting evidence from which it was derived, and its accuracy against the very thing it is supposed to predict, the actual behavior of the market. Each is contingent upon the ability of the assessor to document adequate data and to interpret that data in developing an opinion of value.

Assessing real property, like the solving of any problem, is an exercise in reasoning. It is a discipline founded on fundamental economic and social principles. From these principles evolve certain techniques or approaches which, when applied to the valuation of property, serve to explain the interaction of the marketplace. This chapter concerns itself with those concepts, principles, and techniques basic to the evaluation process.

Standards of Value

The term 'value' can have different meanings depending on context and usage. Because the number associated with different standards of values can fluctuate, the assessor must know which value standard applies to the specific class of property, and the criteria for developing it.

At one time, statutes required all general property to be assessed using the same standard of value. The value standard was referred to as full cash value when applied to personal property and as market value when applied to real property. Full cash value and market value are considered one and the same.

In recent years, the state developed additional value standards in order to provide incentives to protect and preserve the state's agricultural lands and natural resources such as wetlands. The legislature has established value standards for each classification of property. They are:

Classification	Value Standard
Residential	market value
Commercial	market value
Manufacturing	market value
Agricultural	use value
Undeveloped Lands	50% of market value
Agricultural Forest	50% of market value
Productive Forest	market value
Other	market value
Personal Property	full cash value (same as market value)

- Market value –The definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 1. Buyer and seller are typically motivated;
 2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
 3. A reasonable time is allowed for exposure in the open market;
 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale

The following definitions, except full value, are taken from *The Dictionary of Real Estate Appraisal*, fifth edition by the Appraisal Institute.

- Use Value in real estate appraisal is the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal.
- Value in Use is the value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually.
- Investment Value is the value of a property interest to a particular investor or class of investors based on the investor's specific requirements Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. Investment value reflects that subjective relationship between a particular investor and a given investment. However, if the investor's investment requirements are similar to the markets, investment value will equal market value.
- Going Concern Value 1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern. 2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognized.

- Business Enterprise Value (BEV) is the value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements.
- Insurable Value is a type of value for insurance purposes.
- Full Value Throughout this manual this term means the value at 100% of the value standard. This is the value that should be applied in assessing the property per Wisconsin statutes.

Use Value

Wisconsin's standard for valuing agricultural lands is use-value. Use-value is based on the probable income that can be generated through use of the land. The process for valuing agricultural lands is discussed extensively in Chapter 14 and its appendices.

Market Value

The definition of market value is 'the most probable price paid by a willing buyer to a willing seller in an arm's-length transaction'.

The basis for the assessor's valuation of real property is found in sec. 70.32(1), Wis. Stats.:

“Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual under Section 73.03(2a), Wis. Stats., from actual view or from the best information that the assessor can practicably obtain at the full value which could ordinarily be obtained therefore 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 accepted 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.”

The scope of the assessor's valuation is defined in sec. 70.03 Wis. Stats. which states “Real property...includes not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto...”.

The goal of the assessor is to estimate the current market value of the bundle of rights for a particular property, considering only those rights and privileges that the owner, or beneficial owner, can transfer to a willing buyer in an arm's-length transaction.

Wisconsin Courts have declared that, when applying the market value standard, the assessor must base the value of a property on the arm's-length sale price of the subject property or the sales of reasonably comparable properties, if available. Therefore, the assessment of any property should reflect the arm's-length sale price of the subject, or its probable selling price if no sale has occurred.

Uniformity

Section 1, Article 8 of the Wisconsin Constitution states that “The rule of taxation shall be uniform...”. This directive is woven throughout chapters 70 and 73 of Wisconsin Statutes in the structuring of the laws for the assessment and taxation of real property. Uniformity in taxation ensures equity among taxpayers and, through the equalization process, equity among jurisdictions across the state.

Uniformity occurs when all property is assessed at full value or when all classes of property are assessed at the same percentage of full value. Because appraising is not an exact science and is based on the ‘typical buyer and typical seller’ there will always be variances in individual properties. The ideal of every single property being valued at exactly 100% of its value, no more, no less, is a practical impossibility. The statutes have acknowledged this by allowing assessments to range from 90% to 110% of full value.

At a broader level, there is uniformity as applied across municipalities. This ensures that each community bears its fair share of the tax burden. This becomes uniformity at the state level. Equalization is the method used to achieve a high degree of uniformity (equity) across communities at the state level.

The primary source for the concept of uniformity in the Wisconsin assessment process comes to us directly from the Wisconsin Constitution. Section 1 of Article 8 reads as follows:

Article VIII. Finance.

“Section 1. [Rule of taxation uniform; income, privilege and occupation taxes.] The rule of taxation shall be uniform but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxation of agricultural land and undeveloped land, both as defined by law, need not be uniform with the taxation of each other nor with the taxation of other real property. Taxation of merchants' stock-in-trade, manufacturers' materials and finished products, and livestock need not be uniform with the taxation of real property and other personal property, but the taxation of all such merchants' stock-in-trade, manufacturers' materials and finished products and livestock shall be uniform, except that the legislature may provide that the value thereof shall be determined on an average basis. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive and reasonable exemptions may be provided.”

This has become to be known as the Uniformity Clause. There are three basic principles of uniformity which apply to each constitutional class of taxable property:

1. All property within the class must be taxed on the basis of equality so far as practicable and all property must bear its burden equally on the full value basis of the value standard for that statutory class (market value for personal property, residential, commercial, manufacturing, productive forest, and other; use value

- for agricultural; and 50% of market value for undeveloped and agricultural forest).
2. While there can be no classification of property for different rules or rates of property taxation, the legislature can classify as between property that is to be taxed and that which is to be wholly exempt, and the test of such classification is reasonableness.
 3. There can be variations in the mechanics of the property assessment or tax imposition so long as the resulting taxation shall be borne with as nearly as practicable equality on a full value basis of the value standard for that statutory class with other taxable property.

Uniformity does not mean that the assessments must be at the full value of the statutory value standard. It does require that assessments be at the same percent or fraction of the full value upon which the statutory class is based. Uniformity is required for all property in a constitutional class, which includes all taxable property.

Uniformity does not require that the identical method or approach be used in determining what the assessed value should be. The ultimate goal is equality between the tax burden of each of the property owners, and that is achieved by using the most appropriate and effective approach or methodology for calculating the assessed value using the value standard for that statutory class. For example, it is incorrect to presume that all items classified as personal property should be valued using the year of acquisition times the annual factor shown in the schedules DOR provides. The assessor must recognize that in some instances the sales comparison method, or some other methodology, may yield a more reliable indicator of true cash (i.e. market) value. What is critical for uniformity is not the methodology used, but that the tax burden of each dollar's worth of one sort of property is liable for exactly the same tax as a dollar's worth of any other property in that statutory class.

There are circumstances where the assessment process has resulted in non-uniform treatment of properties on the roll. The uniformity clause is violated where the assessor has significant differences between assessment to full value ratios of statutory classes (residential as compared to commercial or personal property, for example), or strata within a statutory class (on water vs. off water residential; newer vs. older homes). Changing the values of properties in certain neighborhoods while not adjusting the values in other neighborhoods, particularly when sales activity shows relative values are changing, fails the uniformity test. Singling out specific properties as a result of a sale of the subject, while not addressing all properties, would be another arbitrary method of assessment resulting in non-uniform assessments.

Valuation Principles

Appraisal and assessment theory identify various principles to explain the actions of the real estate market. The interaction of these principles produces the actions of the real estate market. The application of these principles forms the basis of the techniques used by the assessor to arrive at the market value of a given property.

Assessors need skills in both mass appraisal and single-property appraisal. Both appraisal methods are based on the valuation principles discussed in this section.

Supply and Demand

Market value is determined by the interaction of the forces of supply and demand. Demand is represented by buyers with similar desires and resources. Supply is represented by all of the properties that are similar in the eyes of those buyers. The greater the supply of a commodity, the lower its value; and conversely, if there is a scarcity of a commodity, its value will be greater. For example, if the population of an area increases without a corresponding increase in housing, the value of residential space would increase. On the other hand, if there were an increase in residential construction while the population remains stable or decreases, the market value of residential property would probably decrease. The assessor must be knowledgeable of the supply and demand factors and be able to analyze the effect of changes in either factor on market value.

Highest and Best Use

The Dictionary of Real Estate Appraisal, sixth edition by the Appraisal Institute, defines highest and best use as the reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The possible uses of a property have a significant influence on its value. Because most properties could be put to a number of different uses, it is necessary to determine which of the possible uses is the highest and best use. There are a number of factors that influence the highest and best use of a property.

The contemplated use must be legal. That is, it must not violate any government regulations. This would include such items as zoning, building codes, health codes, criminal laws, and other regulations. For example, an office building may represent the greatest net return on a parcel of real estate; however, if this use is prohibited by zoning laws, it does not represent the highest and best use.

The use must be complementary. It must be in balance with the uses of the property around it. This is explained in the principle of conformity.

The highest and best use should not be a highly speculative use. The use should produce the greatest net return over a reasonable time period. An income stream of high return over a short time may not be as valuable as that use which generates a smaller income but over a longer period of time.

The highest and best use of a property can change over time. Changes in the economy, society, and neighborhood can result in new uses of properties. Therefore, the assessor should be periodically reviewing the data on highest and best use and change the conclusions if necessary.

Assessors should start with the assumption that the current use is the highest and best use. However, it is important to recognize that the current use of a particular property does not necessarily represent the highest and best use or the full market value of the property. All of the available uses of the property should be considered.

Substitution

Assuming that a property is replaceable, the market value is usually set by the cost of acquiring an equally desirable property. The premise of the principle of substitution is that a prudent purchaser will pay no more for a property than the cost of building an equivalent structure, or purchasing an existing property with similar utility or income generating capacity. This principle is the basis for the cost, income, and sales comparison approaches to value, which will be discussed later in this chapter.

While the principle of substitution is the basis for the three approaches to value, the terms “cost” and “sale price” may not always be synonymous with market value. Cost and sale price represent a historical figure for a specific property at a specific time. Cost and/or sale price is not always indicative of market value. For example, a buyer may be willing to pay more for an existing house than the cost of building it new because the new house would require waiting 4-6 months for construction to occur.

Contribution

This principle states that the value of an element or a component of a property is worth only what the element or component adds to, or subtracts from, the whole property value. The principle of contribution is the basis for the adjustment process of the comparable sales approach. In this approach, adjustments are made based on how much the presence or absence of an element affects the market value of a property. For example, a property owner may spend \$5000 to add a half-bath to his or her home; however, the value of the home may only increase by \$4000. Thus, the contribution of the half-bath to the overall value is \$4000.

Increasing and Decreasing Returns

This principle says that value increases as investment increases until a certain point is reached, at which point additional expenditures will result in decreasing returns. This principle can be likened to a farmer’s use of fertilizer. As fertilizer is added, crop production increases to a point; after this point, the addition of fertilizer increases production at a decreasing rate until successive additions begin to decrease production by killing the crop.

An example of increasing and decreasing returns is a residential attached garage. If most homes in a neighborhood have a two car garage and sell for \$5,000 more than a house with no garage, then the owner can expect to increase the value of his residence \$5,000 if he builds a two car garage. This amounts to a return of \$2,500 per stall. If he builds a three stall garage, he will likely get \$2,500 each for the first two stalls but a lesser amount for the third stall. The typical buyer is happy with this additional amenity but it is more than he expects so he’s not willing to pay as much for it as for the first two stalls. If the owner builds a 6 car garage the added investment may actually decrease the value of his property because the garage does not conform to the typical neighborhood house.

Anticipation

One definition of value is the present worth of anticipated future benefits. These future benefits can be the amenities of home ownership, the receipt of an income, a place to run a business, or any other benefits that may be projected. It is the conversion of anticipated future benefits into a present value that is the basis of the valuation of property in the income approach.

Change

The factors that affect market value are constantly changing. Not only are economic, social and government forces constantly changing, but the property itself is subject to change. Because change is constant, every opinion of value is meaningful only in the context of the date to which it applies. In Wisconsin, assessment values are always as of January 1. Any changes to the property, economy, or any other financial factors affecting value that occur after that date, are not considered until the following assessment cycle.

Conformity and Balance

The value of a property tends to increase when it conforms to the standards of the neighborhood. Conversely, value may decrease due to the presence of inharmonious use or conditions. For example, a residential property is likely to be at its highest value when it conforms to neighboring properties in age, size, condition, and construction quality. Zoning and land use planning are based on the principles of conformity and balance.

When a residential neighborhood has the necessary support facilities such as stores, schools, churches, and recreational area, it is said to be in balance, and barring any outside factors, values will probably be stable or increase. If a non-conforming use, such as a heavy industrial plant or truck terminal, were located in a residential neighborhood, values of residential property would probably decline.

The principle of conformity is one of the reasons for the growth of industrial parks. The plants can be separated from residential areas and, by being grouped in the same area, they lend support and uniformity to each other.

Another aspect of this principle concerns competition. A neighborhood or municipality can support only a certain number of restaurants, supermarkets, shopping centers, theaters, and so forth. When there is a greater number of one type of property than the area can support, this tends to depress the value of most, if not all, similar properties.

Valuation Considerations

This section describes how to apply the previously discussed valuation principles and concepts to the valuation of real property. Application of the principles requires the assessor to understand the trends and factors that affect value in general and hence affect the value of an individual property. These valuation considerations apply to both individual appraisal and to mass assessment.

Market Conditions

Real property valuation does not exist in a vacuum. It is not enough for the assessor to apply the principles of valuation to a specific property. The assessor must also be aware of the trends and factors that occur on the international, national, and regional levels as well as those factors which have an influence at the neighborhood and municipal levels.

International, national, and regional forces affect the value of property indirectly. At this time, conditions are such that the world has become more interdependent. National and international events influence almost every municipality. The value of currencies, the price of oil, the rate of inflation, the unemployment level, changes in population, and shifts in demographics may all have an influence on property values.

Neighborhood Analysis

The assessor should consider those factors that have a direct and immediate impact on value in a neighborhood. The first step is to identify neighborhood boundaries. There are basically three types of boundaries: man-made, geographical, and political. Man-made boundaries include freeways, highways, railroad tracks, streets, and property use. Lakes, hills, rivers, swamps, and similar features are all examples of geographical boundaries. Political boundaries can be city limits, school districts, zoning areas, and aldermanic wards. Once the assessor has defined the various neighborhoods in the municipality, it is then possible to analyze each neighborhood in terms of the physical, economic, governmental, and social forces that affect it.

Physical Factors

- **Location:** the most important physical factor is typically location. All real estate derives its value from its location.
- **Appearance:** the physical appearance of a neighborhood affects all types of property. Well-maintained residential areas are more desirable than those that are dilapidated. This is also true of other property. Commercial areas of run-down buildings, inadequate parking, poor lighting, and poor snow removal are not as desirable as those that are well-maintained.
- **Traffic:** in residential areas curved streets, cul-de-sacs, and dead ends are desirable to keep out heavy traffic and to keep speeds down; however, in industrial and commercial areas the opposite is true. In such areas, roads capable of carrying heavy traffic are needed to facilitate the movement of customers and trucks.
- **Soil and Subsoil Conditions:** this can determine the use of a property. For agricultural properties, soil conditions determine what crops can be grown. The supporting capabilities of the subsoil can also determine the size and type of structure that can be built.

Economic Factors

- **Population:** any growth, decline, or shift in the population can have an effect on value. People moving into an area increases the demand for housing and services.

- **Property Use:** when the uses of property in a neighborhood are in balance, value is enhanced. Balance is achieved when the mix of property uses, generally achieved through zoning, results in property uses that support each other. Examples are adequate commercial, retail, parks, schools, and other amenities to support residential neighborhoods and easy access to highways to transport goods from industrial facilities.
- **Assessment:** assessments should be uniform not only within a neighborhood, but also between neighborhoods. If a neighborhood is not assessed uniformly, it can create an artificial competitive advantage or disadvantage.

Governmental Factors

- **Municipal Services:** the availability and adequacy of such services as schools and fire and police protection will influence the desirability of a neighborhood.
- **Planning and Zoning:** good planning and zoning create a balance in a neighborhood (See economic factors above)
- **Building Codes:** building code requirements affect the cost of construction and remodeling.

Social Factors

Social factors include population trends, family size, education trends, crime rates, and age distribution. They also include the availability of recreational, social, and cultural facilities.

Property Considerations

The assessor must derive a land value for each parcel and, if improvements exist, the assessor must place a separate value on all improvements. These values are listed separately on the assessment roll according to sec. 70.32 (2a), Wis. Stats. If a property has sold, the assessor must apportion the sales prices between land value and improvement value. This section discusses the various factors which affect land and improvement value.

Conservation Easements

Limitations or restrictions on use may be incorporated into deeds. Restrictive covenants or deed restrictions typically run with the land, regardless of the owner and may regulate land use, minimum lot areas, building setbacks, minimum building value and maximum building size. These types of private use restrictions on property may, or may not, affect the value of a parcel.

Conservation easements represent private land use restrictions and may be more or less stringent than zoning by the local government. However, sec. 70.32(1g), Wis. Stats. states in part, "... 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 ."

Sec. 700.40(1)(a), Wis. Stats., defines conservation easements as "... a holder's non-possessory interest in real property imposing any limitation or affirmative obligation the purpose of

which includes retaining or protecting natural, scenic or open space values of real property, assuring the availability of real property for agricultural, forest, recreational or open space use, protecting natural resources, maintaining or enhancing air or water quality, preserving a burial site, as defined in s. 157.70 (1) (b) , or preserving the historical, architectural, archaeological or cultural aspects of real property.”

Conservation easements are usually established by a grant from the owner to a qualified government or charitable organization “holder.” Section 700.40(1)(b), Wis. Stats. restricts holders of conservation easements to: “1. Any governmental body empowered to hold an interest in real property under the laws of this state or the United States. 2. Any charitable corporation, charitable association or charitable trust, the purposes or powers of which include retaining or protecting the natural, scenic or open space values of real property, assuring the availability of real property for agricultural, forest, recreational or open space use, protecting natural resources, maintaining or enhancing air or water quality, or preserving the historical, architectural, archaeological or cultural aspects of real property.”

The holder may pay the landowner for the value of the conservation easement, or accept the interest as a donation. Conservation easements may only be obtained by qualified government bodies and charitable organizations and only in a recorded document. In order to qualify as a conservation easement, the recorded grant must include restrictions or obligations whose purpose is to protect one or more of the conservation objectives listed in sec. 700.40(1)(a), Wis. Stats.

Government agencies including Wisconsin Department of Natural Resources (DNR) and some local government bodies and the U.S. Departments of Agriculture and Interior all purchase conservation easements under the Knowles-Nelson Stewardship Program, the Federal Farmland Protection and Forest Legacy and other programs. Whether donated or purchased, a full narrative appraisal is often prepared to determine the value of these conservation easements. Determining the assessed value of property affected by conservation easements is a complex appraisal project. If an appraisal is available, the assessor may find the information helpful in determining the assessed value of the parcel.

Assessors should review each situation independently to determine the “bundle of rights” to be valued while considering:

- restrictions established by the easement
- potential uses
- duration of the recorded easement
- the property’s location; and the boundary of the restricted land and its effect on the parcel and appurtenant parcels.

The restrictions of a conservation easement may result in a redistribution of value on the entire affected parcel. The impact of property restrictions on value is referenced in the “Private Limitations On Property” section at the beginning of this chapter. The restrictions on the affected land may result in a change in value, either increased or decreased. The adjoining or adjacent property or portions of the subject parcel may also have a change in value due to the restrictions.

An assessor may not be aware of conservation easements since they are not separately indexed by the Register of Deeds and are not recorded with a Real Estate Transfer Tax Return. Assessors are not required to search public records to identify property within the jurisdiction that are subject to conservation easements. However, if the assessor has knowledge of a recorded conservation easement, the effect on the value on the affected property shall be considered.

It is in the property owner's best interest to provide the assessor of the municipality information regarding the conservation easement and a qualified appraisal (if available) by January 1st of the assessment year. The assessor shall consider the information when determining the assessed value. Assessors should review and analyze the information contained in the appraisal. The appraisal will become part of the property record card file. The appraisal will provide information and an opinion regarding the impact of the conservation easement on the value of the property. When a conservation easement is discovered, the assessor should check to see if other parcels are subject to conservation easements. Other possible sources of information are the DNR and the Real Property Lister.

The valuation of parcels subject to conservation easements should be valued at market value based upon the best information available to the assessor. The best evidence of market value is sale of the subject property or sale of a similar property. When sales data is available, the assessor can determine the impact on value based on the sales comparison approach. The impact on value can be found by comparing the sales price of properties with conservation easements with similar properties not subject to easements. Please see Chapter 13 for more information on the Sales Comparison Approach to value.

Zoning

Local zoning ordinances, and how strictly they are enforced, can greatly influence value. Zoning ordinances limit the permissible uses of the land. If land use is limited, the value may be affected by zoning unless the purchaser can easily get the zoning changed to permit other uses.

Limitations or restrictions on use may be incorporated into deeds. These restrictions represent "private" zoning or restrictive covenants and may be more or less stringent than zoning by government. Restrictive covenants, which are also referred to as deed restrictions, go with the land, regardless of the owner, and may control such things as minimum lot size, set back requirements, minimum building value, maximum building size, etc.

Special Zoning Restrictions

Section 70.32(1g), Wis. Stats. requires the assessor to "consider the effect on the value of the property of any zoning ordinance under Section 59.971, 61.351 or 62.231, any conservation easement under Section 700.40, any conservation restriction under an agreement with the federal government and any restrictions under Chapter 91."

The assessor should work closely with county and municipal zoning authorities to ensure that property subject to the above conditions is properly identified. The assessor should also consult the Soil Conservation Service, the Department of Natural Resources, and the

Department of Agriculture, Trade and Consumer Protection. They may have maps and other information that identifies property subject to the above conditions.

Sections 59.971, 61.351, and 62.231, Wis. Stats. refer to county, village, and city zoning of wetlands and shorelands. The purpose of the zoning is the efficient use, conservation, development and protection of the state's water resources. The assessor must check with appropriate zoning authority to find out the provisions of the specific zoning ordinance. The zoning ordinance will also specify the permitted and prohibited uses of the wetlands.

In general the ordinance prohibits the development of the wetlands for any use that alters the existing condition of the wetlands. For example, residential, commercial, or industrial development is not permitted without receiving a variance from the zoning authority. However, although zoning ordinances change the way property can be used, they usually allow the continuation of an existing use. For example, if the property is being used as a residence, this conforming use may continue. An enforced zoning ordinance can change a property's highest and best use. The assessor must monitor the zoning ordinances to be aware of any changes that affect the highest and best use and thus the value of the property.

Chapter 91, Wis. Stats. relates to Farmland Preservation. Farmland preservation agreements or transition area agreements are restrictive covenants running with the land, for a term of years, whereby the owner and the state agree to hold jointly the right to develop the land except as may be expressly reserved in the instrument.

Location

Location is a primary factor in the value of any particular property, though the factors associated with location may vary based its use. For example, most retail establishments place greater value on locations with visibility and access while residential property value may be influenced by proximity to parks or schools.

Land Factors

- **Topography:** topography can determine the type of construction, the location of improvements, and the potential uses of a property. It can also influence the cost of developing improvements. For example, if a property is lower than surrounding properties it may need fill to make it conform to the neighborhood, adding additional cost to building a residence.
- **Soil Condition:** the condition of the soil and subsoil can influence what can be built on a site or what additional costs may be necessary to build. For example, swampy conditions may require heavier and deeper foundations, or permit only light construction. The soil type and condition also help to determine the productivity of agricultural land.
- **Natural Features:** the natural features of a property can have a significant effect on its value. Woods, water frontage, and views are just a few of the features which can affect value. For example, a buyer may pay more for a site with an attractive view of a lake. The assessor should be aware of what natural features may affect value, both positively and negatively, when deriving the assessment. See Chapter 15 for a more detailed discussion of riparian property.

- **Size:** the size or area of a parcel can influence value. The assessor must be aware of the useable area of a property. If a property includes a gully, ravine, or other disadvantage that would prohibit building or cultivation on that portion, the assessor should take that into consideration when deriving the assessment.
- **Shape:** the shape of a parcel must be considered influences its utility which can significantly affect value. The shape, together with the area of the parcel, will affect what uses are possible and permissible under local zoning and private use restrictions.
- **Frontage:** the distance which a property fronts a roadway, street, or body of water, will also have an effect on its value. Frontage is usually expressed in front feet, and generally in terms of a standard depth.
- **Depth:** this is the distance from the front to the rear of the parcel. When a parcel is not of rectangular shape usually the two distances from the front to the corners are averaged to give an average depth. Depth has an influence on value.
- **Water Influence:** buyers frequently place greater value on property that has a water view or water frontage. The quality of beach, the extent and desirability of the view, the availability of access to the water, and the type of water (lake, stream, pond, etc.) all affect the value of a property.

Improvement Factors

To value property correctly, assessors must gather detailed information on the utility, condition, desirability, and thus the marketability of the improvements. This information is best obtained through an on-site viewing. An on-site viewing allows the assessor to gather and record detailed data on any new construction, remodeling and other characteristics. This ensures that each parcel has an accurate and up to date property record card.

Physical Characteristics

Physical characteristics such as age, condition, design, layout, quality of construction materials and workmanship all have an effect on the value of improvements. Again, the important characteristics vary between property types. For single family homes, the number of bedrooms or bathrooms may matter. For office space, handicap accessibility features, fenestration, and modularity may affect the value.

- **Size:** the size of a building often influences value with smaller properties tending toward lower values when compared to larger properties. However, when comparing the property value per square foot, smaller properties may have higher per square foot values when compared to larger properties.
- **Age:** the age of the building can have an impact on the value of the property. Typically, a property loses value as it gets older. This loss in value can be attributable to several factors including: the aging of the building components (e.g. furnace, roof, wiring) or the lack of up-to-date amenities. Historic properties may not lose as much value due to their unique property characteristics. Remodeling and regular maintenance can reduce the effects of actual age on value.
- **Condition:** the condition of the building can have an impact on the value of the property. A property in excellent condition generally has a higher value than a similar property in poorer condition. Condition may be correlated with the age of the property. However, there can be newer properties in poor condition and older properties in excellent condition.

- **Special Features:** the property's special features can have an impact on the value of the property. Special features can include fireplaces in residential buildings, or off-street parking in a commercial or industrial building.

Economic Characteristics

The property's economic characteristics can have an impact on the value of commercial property because they have an effect on income. Characteristics which affect income include: operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses.

This is not an exhaustive list of the factors that can influence property value. The factors that influence value can also vary by property type.

Part 3: Overview of Appraisal Practices

Single-property appraisal is the valuation of a particular property as of a given date; mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing. Both mass and single-property appraisals apply economic analysis. Both have logical, systematic methods for collecting, analyzing, and processing data to produce credible and reliable value estimates. Part III of this chapter provides an overview for appraising an individual property. An overview of mass appraisal can be found in Part IV.

Scope

The appraisal process consists of determining what property rights are to be appraised; collecting and validating data related to the property, the neighborhood, the market, and to comparable properties and sales; developing preliminary values based on the three approaches to value; then reconciling the results to determine the most probable market value. Each of these steps is briefly described below.

Market Value of Bundle of Rights

The goal of the assessor is to estimate the current market value of the bundle of rights for a particular property, considering only those rights and privileges that the owner or beneficial owner can transfer to a willing buyer in an arm's-length transaction. The first step in the appraisal process is to identify the bundle of rights associated with the individual property. All future steps in the process will require the assessor to keep these in mind when selecting sales and analyzing data to be sure that an apples-to-apples comparison is being made. In this way, equity among assessments (property owners) is enhanced.

Effective Date of Assessment

Sec. 70.10, Wis. Stats., sets the statutory assessment date as the close of January 1 of each year. The assessment is based on the status of the property as of the close of that day.

In the case of partially completed improvements as of the statutory assessment date, the assessor must value those improvements as they exist on that date.

For example, assume a property is worth \$90,000 and the property owner has begun an addition. However, as of January 1, only the foundation has been laid. The property should be appraised at the \$90,000 plus the value of the foundation as of January 1. Having a single valuation date for all property throughout the state is one of the steps that assist in ensuring equitable assessments.

Data Collection

Assessors need to follow state law, sec. 70.32, Wis. Stats., and develop assessments at full value based upon actual view of the property or the best information available. An interior and exterior view provides the most accurate information for developing assessments. However, an interior and/or exterior view may not always be possible. If a written request for an interior and/or exterior view is refused (see Chapter 5-10 Notification Process), the assessor generally should not enter the property. The assessor should base the assessment on the best information available. The following explains the process to collect information and the best sources of information.

Proceed with the standard assessment discovery, listing and valuation processes as described by state law and the WPAM. The following lists the sources of information the assessor can consider with the best sources listed first:

1. Request a view of the property (see Chapter 5-10 Notification Process)
2. View the property from a public area such as a road
3. Request data from the property owner, e.g. construction contracts, leases, operating expenses, receipts, blueprints, video and/or photographs of the improvements, etc.
4. Obtain other information, e.g. sales listing information and building permits

If these sources of information do not allow the assessor to develop a value, an interior view is required. As an example, if the property has no prior improvement inspection, there is no view of the property from a public area and the property owner has provided no information. With this type of unique situation, the assessor may request a special inspection warrant under [sec. 66.0119, Wis. Stats.](#) This option should be used only when necessary.

Obtaining a special inspection warrant requires three forms:

- An affidavit detailing the facts giving rise to the need for a warrant
- The special inspection warrant itself. The warrant will also advise the homeowner of the lawful basis for the inspection of his home and describe the search's proper limits including identification of the assessor as one with the authority to search.
- Return of Officer

The completed affidavit and warrant should be brought to a local magistrate. Contact the local clerk of courts to determine hours when a magistrate is available. The local magistrate will determine whether or not facts exist to support the issuance of the warrant. If so, the warrant will be signed by the magistrate. The assessor and peace officer or sheriff may then execute the search. After completion of the search, the official paper work (endorsement on warrant and return of officer) should be completed and filed by the assessor. Please see the Appendix for sample special inspection warrant documents.

Real Estate Transfer Return (RETR)

The RETR serves as the primary source of sales data for the assessor. The RETR contains the name and address of the grantor and grantee, the date of the transaction, the legal description of the property, and the amount of consideration:

- The assessor should collect and verify data from other sources such as real estate brokers, appraisers, lenders, newspapers, and multiple listing services. The assessor should be aware of asking prices, listing prices, and typical market exposure time for the area as these may indicate trends in the market.
- When appropriate, information on leases, operating expenses, terms of sale, financing considerations, and other particulars related to the characteristics, condition, or sale of the property should be collected and verified.

Valuation Techniques: Overview of the 3 Approaches to Value

Having gathered data about the property, the neighborhood, and market conditions, the assessor analyzes the data and develops an opinion of value. There are three traditional approaches to developing the opinion of value: the sales comparison approach, the cost approach, and the income approach. Each is based on a different valuation model.

The **sales comparison approach**, sometimes referred to as the market comparison approach, is predicated on the principle of substitution; that the typical buyer will pay no more for a property than it would cost to buy a reasonably comparable property. The sales approach relies on recent market sales of similar properties to predict the probable market price of the subject. Where sales differ from the subject, they are adjusted up or down in an attempt to reflect how the market responds to the various differences. Examples of items that may be adjusted are differences in age, condition, construction quality, the date of sale, financing terms, amenities (number of bedrooms and baths, fireplaces, garages), and any other factors to which the typical buyer would assign a dollar value. The amount of adjustment must be reflected in sales data and not just a 'guess' on the part of the assessor. The adjustment process is discussed further in the Sales Comparison section of this chapter and more extensively in Chapter 12.

The **income approach** to value is based on the principle of anticipation. It is the calculation of present value based on anticipated future benefits. Typically these benefits are in terms of rents and other income that the property may produce either directly or indirectly. These are compared to the typical rents and expenses of similar property types in developing an opinion of value. The income approach relies on estimating the net rent that the subject property could generate, then capitalizing the rent by an appropriate rate.

The **cost approach** relies on determining either the reproduction or replacement cost of the improvements, subtracting all depreciation, then adding the value of the land.

Board of Review and court cases often decide if the assessor used the most appropriate approach. The assessor should carefully consider how the courts have ruled in specific cases described in Chapter 22.

Reconciliation

Reconciliation is the process of evaluating and selecting from the alternative approaches to value. Keep in mind that the three approaches to value are designed to be economically “independent.” That is, the foundation for each reflects independent methods and data, though all three methods require some correlation with sales data. For the sales comparison approach, all analysis is based on sales data. For the cost approach, it is cost of construction material, cost of labor, and depreciation data are emphasized. For the income approach, lease information, operating expenses, and other financial considerations are emphasized.

The appraiser should consider all three approaches when estimating the value of a property. However, whether an approach is developed or not will depend on the availability of reliable data. For example, in most neighborhoods, single family dwellings are habited by the owners so there is little rental data available for developing the income approach. In some cases, the particular approach may not fit the characteristics of the property. For example, if the property is a private zoo, there may be no sales of private zoos with which to compare the subject.

Historically, the cost approach has not been a reliable indicator of value in older homes or in homes with excess depreciation. The cost approach might not be developed in these situations unless the sales comparison and income approaches also lacked sufficient reliable data.

The assessor can employ only those approaches to value for which there is adequate data to develop an opinion of value. If more than one approach is developed in the appraisal, the individual value estimates must be reconciled into one final value estimate for the property giving greatest weight to the value derived by the approach that is most appropriate for the type of property, best reflects conditions in the market place, and has the greatest degree of reliability based on the quality of data.

The above discussion applies to the general concepts of valuation used by appraisers. Assessors, and appraisers valuing property for assessment purposes, must use the “Markarian hierarchy” in valuing real property. The Markarian hierarchy requires assessors to first use a recent arm's length sale of the subject property. If there is no such sale, the next step is to use recent comparable sales of other properties. Only if there are no recent comparable sales of other properties should the assessor proceed to other indicators of value that include the income and cost approaches to value. See *Markarian v City of Cudahy*, 45 Wis.2d 683 (1970), ¶ 686 173 N.W.2d 627.

Appraisers typically use the sales comparison approach in markets where adequate sales exist. They typically use the cost approach in cases of new or special purpose structures or where limited sales or rental data activity exist. Appraisers typically use the income approach for income-producing properties and when an active rental market exists. It is also important to understand which valuation approach buyers and sellers rely on when they interact in the marketplace. For example, buyers and sellers of income-producing property may place the most reliance on the income approach because it explicitly considers the net income of the property. Usually, more than one – and often all three – of the approaches apply to a given property. The only limiting factor: whether available and appropriate data exists to develop any and all approaches.

Given the data used and the type of property appraised, the appraiser must consider how well each method employed estimates the market value of the property. How does the appraiser determine which approach or approaches are most reliable? The best guidance that can be offered is to review market activity for the subject and determine the attributes by which the market uses to evaluate alternative real estate decisions. Generally, the greatest weight should be placed on the approach for which the greatest amount of reliable and appropriate data is available that will yield the highest degree of confidence.

The final value estimate may be the value estimate derived from one of the approaches or may be a careful reconciliation of the applicable approaches.

The remainder of Part III will examine the three approaches to value in greater detail.

Sales Comparison Approach

This approach is based on the premise that similar properties will sell for similar prices on the open market. Moreover, this approach embraces the principle of substitution that states a buyer will pay no more for a property than the cost of acquiring a substitute property of equal desirability and utility.

Wisconsin court cases have declared that the assessor must base the value of a property on the arm's-length sale price of the subject property (the property being valued) or the sales of reasonably comparable properties, if available per sec. 70.32(1), Wis. Stats., which states "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; and all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed."

Comparable sales refer to properties that are similar to the subject property in age, condition, use, type of construction, location, design, physical features and economic characteristics. The more similar the sold property is to the subject, the more reliable is the sale price as an indicator of the value of the subject property.

Wisconsin Statutes require that assessors base market value based on comparable sales, if available. In order to be considered comparable, the sale must be an arm's-length transaction. Do not develop market value assessments with sales that fail to meet the definition of an arm's-length transaction. Transactions are considered to be arm's length if between two parties (freely and independently of each other) with no special relationship. Examples of special relationships that may impact qualification as an arm's length transaction includes, but is not limited to: members of a family, a grantor and a fiduciary of a trust, a fiduciary of a trust and a beneficiary of such trust, or an individual and a corporation where more than 50 percent is value of the outstanding stock of which is owned, directly or indirectly, by or for such individual.

After the assessor eliminates those sales that are not valid arm's-length transactions or not valid for other reasons, the remaining sales are available for use in the sales comparison approach. The number of sales used should be sufficient to establish a defensible estimate of value. The important criterion is not the number of sales, but how comparable the sales are to the subject. One sale of a property that is almost identical to the subject and needs no

adjustments is more valuable than 7 or 8 sales that are totally dissimilar to the subject and would require numerous adjustments to arrive at an estimate of value that would be suspect. Appraisers usually select 3 to 5 reasonably comparable sales for their estimate; more than that usually causes confusion and adds little to the strength of the value estimate.

This approach compares the subject property to recent sales of similar properties. Adjustments are made to the sale prices to reflect the differences between them and the subject to arrive at indicators of value for the subject property. The adjustments are made on the basis of what buyers in the marketplace consider when purchasing land parcels. Such factors could include time of sale, location, availability of sewer and water, the productivity of the soil for agricultural land, the number of bedrooms and bathrooms, or any number of other factors that influence the amount a typical buyer will pay for a property.

The sales comparison approach is the most commonly used method of estimating value for land as well as for improvements. In some cases, however, there will not be a sufficient number of sales to use this method and the assessor will be forced to rely upon other methods.

Assessors are not limited to sales that occur in the municipality they are currently assessing. Assessors should search for comparable property sales in the surrounding municipalities also. An adjustment for location may have to be made; however, this should not deter the assessor from looking outside of the municipality for comparable property sales. Independent appraisers and taxpayers do not limit themselves to sales which occur just inside the municipality so assessors should not limit themselves either.

Searching for sales in surrounding municipalities is very easy. There are several options the assessor has available for searching for sales information. The assessor can use the eRETR system to search for sales. After you are in the eRETR system, you can access electronic transfer returns by: date recorded, date of posting, county document ID, or by county/municipality. You will be able to search for sales in any municipality statewide. This is especially helpful if you have a specialized or unique property. To search for sales:

1. Open the DOR website
2. Click on the Government Tab
3. Assessors in the municipality section
4. eRETR Log-in
5. All users – Log-in to eRETR
6. Enter WAMS ID and password
7. I Agree
8. Under Access electronic transfer returns by selecting one of the following categories:
 - a. Date recorded
 - b. Date of posting
 - c. County document ID
 - d. County/municipality
 - e. Download county wide assessment data

Assessors are able to access the database to obtain limited parcel attributes also. Follow the above steps one through six to access the database using your WAMS ID. You will be on the same page as you are in step seven above; however, under Assessor Sales Data you should choose Download sales data. Click on the county you wish to view, then on the next screen click on the municipality. Choose to download sales by date loaded or date of conveyance.

When you click download, the next pop-up screen will ask you to save the zip file. Once you save the file, you will be able to open it and access the parcel attributes.

DOR has a website that can be accessed to obtain [sales information](#). When the website is accessed, you have a choice of “Go to Real Estate Transfer Return Search” or downloading a ZIP file to your computer. You will need a software program, like WinZip or PKzip, to extract the files.

Another search option, if you do not have a WAMS ID, is to search the [sales database](#). This website will take you to the same search page as the “Go to Real Estate Transfer Search” choice from the website in the paragraph above this one.

Searching for comparable property sales in surrounding municipalities will help ensure that you are prepared if the taxpayer or independent appraiser presents a sale from an adjoining municipality.

Elements of Comparison

In deciding what elements should be used for comparison the assessor should look to the actions of the marketplace. The items that the assessor uses for comparison should be the same ones that buyers consider when purchasing a property. The elements of comparison can differ depending on property type.

The following basic elements of comparison should be considered in the sales comparison approach. Examples in applying adjustments are illustrated. For a detailed discussion of important elements of comparison, refer to The Appraisal Institute’s *The Appraisal of Real Estate*.

1. Real property rights conveyed
 2. Financing terms
 3. Time (market conditions)
 4. Location
 5. Physical characteristics (e.g. size, construction quality, age, condition, features)
 6. Economic characteristics (e.g. operating expenses, lease terms, management, and tenant mix).
- **Real Property Rights Conveyed:** a transaction price is always predicated on the real property rights conveyed. The assessor must identify the real property rights available to be conveyed in the subject as well as property rights actually conveyed in each sales transaction selected for analysis. Many types of real estate, especially income producing property, are sold subject to existing leases. The revenue generating potential is often fixed or limited by the terms of existing leases. Leases are part of the bundle of rights. The effect of long-term leases on the bundle of rights, inasmuch as the leases affect market value, should be reflected in the valuation of the property. The transaction price of a property sold subject to existing leases reflects the contract rent it will generate during the term of each lease and the market rent that will likely be achieved thereafter.
 - **Financing Terms:** financing terms and conditions may influence the sale price of a property. If a sale involves the assumption of a below market interest rate mortgage, the sale price may need to be adjusted. Other financial terms and conditions that may need adjustment include: seller’s points, blended mortgages, wrap-around mortgages,

subsidized down payment, land contracts, and interest only mortgage payments. If the sale price includes personal property (e.g. boats, furniture, stocks, bonds, etc.), it must be adjusted to remove the value of these items.

- Some financing terms and conditions do not require price adjustments. These include: typical financing, closing costs, real estate commissions, income tax considerations, title insurance, and transfer fees. These items are discussed in detail in the Appendix under Cash Equivalent Financing.
- Time: because the real estate market is constantly changing, the value of real estate tends to vary over time. For example, inflation or a shortage of available housing due to rapid population growth, will generally result in a trend toward rising property values. The assessor can evaluate the extent of these changes by looking at sales data. Ideally, the assessor would extract compare the sale price of properties that have sold multiple times over the desired time period where there were no changes in the condition, amenities, or features of the property between the first and second time it sold.

Sale of property (present)	\$ 55,000
Sale (1 year ago)	<u>\$ 50,000</u>
Increase over 12 months	\$ 5,000
$\$5,000 \div \$50,000 = 10\%$ increase for one year.	

- The assessor should be aware that the adjustment for economic changes over time can vary by neighborhood. One part of a municipality may have a greater change in value than other areas due to changes in demand for properties in that area. For example, the building of a new plant hiring hundreds of employees may increase the demand (and prices) for housing in subdivisions closest to the new factory.
- Location: adjustments should be made to reflect differences in value resulting from the location of property. For example, the price of a home in one area may be higher than that of a similar home in another area because buyers view one location as more desirable than another.

Sale 1 (better location)	\$ 100,000
Sale 2 (poorer location)	- <u>\$ 95,000</u>
Difference due to location	\$ 5,000
$\$5,000 \div \$100,000 = 5\%$	

- If Sale 1 were going to be used as a comparable for a property with a location similar to Sale 2, then a -5% adjustment would be made to Sale 1.
- Physical features: this is the area in which most adjustments are made. This would include plus or minus adjustments for differences in number of bedrooms, number of bathrooms, size of garage, fireplaces, pools, layout of building, age, and any other physical features that would have an effect on the value as judged by the marketplace. An example of this would be the presence of a fireplace in one of two otherwise similar properties.

Sale 1 (with fireplace)	\$ 61,000
Sale 2 (without fireplace)	- <u>\$ 59,500</u>
Difference	\$ 1,500

- In this situation, if the subject has a fireplace \$1,500 would be added to Sale 2 to make it comparable to a subject property with a fireplace.

- **Economic Characteristics:** economic characteristics include income attributes of the property which are reflected in sales price. Sales comparison adjustment factors include such things as operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses.

Adjustment Process

Adjustments are based on the principle of contribution. That is, how much more or less a purchaser would typically pay for a property with or without a certain feature. For example, the adjustment for the presence of a fireplace is the additional amount that purchasers are paying for a home with a fireplace as opposed to a similar home without one. It is important to remember that the cost of an item does not necessarily indicate the amount of the adjustment to be made for the presence or lack of that item. It is the value added to the sales price by the presence of the item, or the loss in value caused by the lack of the item, that determines the adjustment, not the cost to install or remove the item.

When making adjustments, the assessor should remember that the value to be arrived at is the value of the subject. Therefore, all adjustments are made to the sale price of the comparable to indicate the value of the subject. For example, assume the subject property has a two-car garage and that the property sold has a one-car garage. Furthermore, buyers in the marketplace are paying more for a property with a two-car garage than a property with a one-car garage. The procedure for the assessor is to increase the value of the property that sold to reflect the fact that the subject is better than the comparable in the eyes of purchasers.

The last step in the use of the direct sales comparison approach is applying the adjustment procedure to the comparable sales in order to arrive at an indicated value for the subject property. It is in this step that the assessor puts together all of the market information that has been gathered and applies it to the subject property to arrive at a value estimate. This step will be outlined in detail in WPAM Chapters 12 and 13. By using similar properties, sales prices need fewer adjustments to arrive at an estimate of value for the subject property.

Land Valuation Methods

Abstraction Method

This method can be used when there is a lack of vacant land sales. Under this method, the assessor estimates the value of vacant land through the use of sales of improved property. From the sale price, the assessor subtracts the estimated market value of the improvements to arrive at a market value for the land. The problem with this method is determining the value of the improvements. Usually this is done by estimating the cost new of the improvements and deducting the accrued depreciation. Due to the difficulty in estimating accrued depreciation, this method is best utilized on newer properties with little or no depreciation. This method is most reliable when the building's contribution to the total property value is small and relatively easy to identify.

In developed areas, a building may be sold and subsequently demolished. The value of the land can be estimated by adding the demolition costs to the sale price.

Allocation Method

This method is also known as the land ratio method. It is useful if there is a consistent overall relationship between land and improvement values. If there are few vacant land sales in a given area, the appraiser can look to comparable areas that have a sufficient number of land sales, determine the typical ratio of land value to total value, and apply the ratio to sales of improved parcels in the area in question.

Development Method

This method can be used to value land when there is limited sales data available or when a large tract of land is being developed for residential or commercial use, or as an industrial park. Using this method, the assessor estimates the number of lots that can be developed from a tract of land, and multiplies that number by the price at which the lots can be expected to sell. From this figure is subtracted the estimated costs of development. Development costs could include the installation of utilities and streets, sales expense, profit, interest, and any other costs incurred to develop and sell the sites. The result after subtracting the development costs from the sales price is the value of the land in its present state.

Examples of the application of these methods can be found in Chapter 12-Residential Valuation.

Residual Method

This method can be used to arrive at a land value in heavily built up areas where sales of vacant land cannot be found or in situations where the property type is unique. When using the residual method a projection is made of the potential net income that a new building suited to the same use could produce. The income required by the building investment is deducted, leaving a residual income that is attributable to the land. This income is capitalized at the current market rate into an estimate of land value. The method is explained in more detail later in Chapter 13.

Capitalization of Ground Lease

This method assumes the gross rental under a ground lease is the fair or economic rental for the property given current market conditions. Net rental after deduction of the owner's expenses (property tax, insurance, and management) is capitalized at an appropriate rate into an estimate of land value. An example is given in Chapter 13 in the section dealing with land value techniques.

Cost Approach

The cost approach is based on the principle of substitution. That is, that a well-informed buyer will pay no more for a property than the cost of constructing an equally desirable substitute property with like utility. The basic steps in the cost approach are:

1. Estimate the land value.
2. Estimate reproduction or replacement cost new of the structure.
3. Estimate accrued depreciation.

4. Subtract accrued depreciation from the estimated cost new to arrive at a present value for the improvements.
5. Add the present value of the improvements to the estimated land value to get total property value.

Reproduction Cost vs. Replacement Cost

Step 2 above is to estimate either reproduction or replacement cost. Reproduction cost represents the cost of an exact replica of the structure using the same materials, design, and quality of workmanship. Replacement cost is the cost of a structure having the same utility but using current materials, design, and methods.

The major difference between reproduction and replacement cost is that reproduction cost can include replicating obsolete items such as high ceilings, ineffective layouts, and other functionally obsolete items or materials. When using reproduction cost, the assessor must remember to deduct the market value of functional obsolescence caused by these items when estimating depreciation. This is not necessary when using replacement cost because the functional obsolescence is eliminated by using current materials, design, and workmanship. Replacement cost is most often used for those structures that it would not be physically or economically feasible to reproduce today. An example is a barn with a fieldstone foundation. Reproduction of a fieldstone foundation would be cost prohibitive today. The same is true when materials are available but the craftsmanship for construction is no longer readily available. Using replacement costs allows utilization of modern materials and construction techniques at lower costs yet resulting in equal utility.

NOTE: The cost tables in WPAM Volume 2 provide for replacement of a structure with current materials. The method of estimating depreciation using Condition, Desirability and Usefulness (CDU) rating system against the costs provided in WPAM Volume 2 is further discussed in WPAM Volume 2 Chapter 6.

Estimating Cost

There are many methods that may be employed to arrive at an estimate of the cost of a structure. The two most commonly used methods are unit-in-place and the model method.

Unit-in-Place Method

This method is used by estimating the installed cost of each unit of material or component section. This cost includes labor, material, overhead, and profit. These unit and component costs are added together to produce a cost estimate.

Model Method

This method is an extension of the unit-in-place method. It involves developing the unit-in-place cost into a square foot cost for representative structures or models. The assessor selects the model most appropriate for the subject and then makes additions or deductions to the base cost of the model to arrive at a base cost for the property being valued.

Depreciation is defined as the decline in improvement value from all causes. To effectively estimate depreciation, the assessor must have an understanding of the terms of physical life, useful life, economic life, actual age, effective age, and remaining economic life.

Physical life is the length of time that an improvement can be expected to physically exist. Useful life is the length of time that a structure can be expected to perform the function for which it was intended. The useful life of an improvement may be lengthened through remodeling or renovation. Economic life is the length of time which an improvement can be expected to provide a positive contribution to the total property value, or the time period over which a prudent purchaser could be expected to receive a competitive net return from an improvement. The economic life of a structure is the time period over which its utility is measured.

The **actual age** of an improvement is the number of years from when the improvement was built until the date of valuation. Effective age is the age of the improvement with respect to its condition and utility compared to typical properties of that type. Effective age can be greater than, equal to, or less than the actual age of a structure. Above average maintenance and remodeling decrease the effective age of a structure, while properties that are poorly maintained will have an increased effective age.

Remaining economic life is the difference between the economic life and the effective age of a structure. Depreciation has the effect of reducing the remaining economic life of a structure through loss in utility.

Types of Depreciation

There are three types of depreciation: physical, functional, and economic.

Physical Depreciation

Physical depreciation is the loss in value due to deterioration through wear and tear, time, negligence, and the effects of nature or the elements. Physical depreciation is divided into two kinds: curable and incurable.

Curable. Curable items are those which are economically feasible to correct. The cost to cure the item is no greater than the value added to the property by the correction. Examples include broken windows, leaky faucets, for painting, or repairing a door.

Incurable. These are items which are not economically feasible to correct as of the date of valuation. This is further divided into short-lived and long-lived. Short-lived items are those items for which the cost to cure is greater than the addition in value at this time, even though the item will have to be replaced before the end of the structure's economic life. An example of this would be the roof on a 5-year-old home with a remaining economic life of 45 years. The roof will probably have to be replaced sometime before the end of the economic life of the structure even though it is not economically feasible to do so now. Long-lived items are those that cannot be replaced and last the life of the structure, including the foundation, framing, and subfloors.

Functional Obsolescence

Functional obsolescence is the loss in value, due to a lack of or excessive utility. Functional obsolescence occurs over time because of changing needs, technology, design, promotion/marketing, and cost/construction. Functional obsolescence occurs with all types/classes of improved property. Functional obsolescence can also be divided into two types: curable and incurable.

Curable. Curable items are those which are economically feasible to correct. As with physically curable, the determinant is whether the cost to cure is at least equal to the value added by the correction. An example of this would be old-fashioned plumbing fixtures.

Incurable. Incurable items are those which are not physically or economically feasible to correct. Examples of this include poor room layout, excessive ceiling heights, and undesirable building shape.

Research on residential property obsolescence indicates that houses built in each period in the past had special characteristics, as do the homes of today. Comparing some of the features of today's homes with older homes illustrates the functional obsolescence that occurs over time in the market place.

The large farm house and urban home common in prior years, sheltered families, in-laws, cousins, aunts, and other relatives - as well as family employees and many visitors. The family home was almost the equivalent of a boarding house. By contrast, the modern house is almost exclusively a two-generation dwelling. Today's homes typically house only the immediate family. It rarely includes grandparents and other relatives.

Today's houses differ from those of prior years in other ways. The many rooms in older houses are not practical for today's living; they are functionally obsolete. Older houses had cellars and pantries for food storage; today's homes have refrigerators, freezers, and storage cabinets. In the past, people had front porches; now there may be a patio or deck on the back of the house for leisure use. The porch was usually adjacent to a parlor, the patio or deck is usually built in common with a sun room, family room, or recreational room. These changes created functional losses in value brought on by obsolescence of external (declining value of large porches) and internal (diminished value of food storage areas and parlors) components of homes. Most early houses were divided into specialized rooms such as dining room, kitchen, parlor, library, and music room. The modern house is more likely to have open space and multi-purpose rooms. For example, dining area, living area, and kitchen, may be one large open space (Great room).

Other indications of residential functional obsolescence are story heights greater than two or bathrooms only on the upper floor. The modern home is more likely to be on one level or split-levels. If two-storied, it usually has some sleeping space and bathroom(s) on the first floor.

Over time, the size of houses has decreased. However, the cost of housing has not been reduced because much more equipment is included in the homes of today. Homes now include upgraded electrical service to handle a large variety of equipment, i.e., from dishwashers, air conditioning, to garage door openers. A house without adequate electrical service is not fully functional, it has obsolescence.

Even the placement and the type of windows and doors can cause obsolescence. Glass is one of the features of construction of the modern home. Recently constructed homes have large areas of glass which may open to the outside; glass doors to patios and decks are common. This results in a close relationship between outdoor and indoor space.

Comparing older homes with modern homes shows the following examples of functional obsolescence:

<u>Curable</u>	<u>Corrective action</u>
Patio Or Deck	Build
Sliding Patio Doors	Add
Electrical	Upgrade
1st Floor Bath	Remodel/Build
<u>Incurable</u>	
Excessive Size	*
Cellar	*
Pantry	*
Large Porch	*
Parlor	*
Story Height Greater Than Two	*

* Not feasible to correct.

These types of relationships illustrate how functional obsolescence affects residential property. As previously mentioned, functional obsolescence occurs with all types and classes of improved property. Changing needs, technology, design, promotion and marketing, and cost and construction determine functional obsolescence in commercial property as well.

Research on commercial property establishes where curable and incurable obsolescence occurs.

Curable obsolescence in business and income producing property may be corrected with remodeling or modern equipment. However, obsolescence is not always curable. In cases where physical limitations or prohibitive cost prevent curing obsolescence, these buildings have incurable functional obsolescence.

Incurable obsolescence occurs because of limited convenient parking, marginal delivery access, and minimal frontage. These buildings have minimal standards for floor loads and bay sizes (column spacing). Building partitions may be permanent or load bearing, and the floor levels may be too high, too low, or uneven. In many cases multiple floor construction has also caused obsolescence.

Buildings with maximum functional utility, use modern components and building material advancements; such as lightweight materials for equipment, e.g., air conditioning and heating systems.

These buildings are also built with lighter weight and quickly fabricated components, e.g., prefabricated alloys and pre-stressed concrete used in framing and roof support.

As in residential construction, to calculate functional obsolescence - compare the subject building with modern functional buildings.

Economic Obsolescence

Economic obsolescence is a loss in value due to factors outside the property. This would include changes in population and economic trends, encroachment of inharmonious uses, and inadequate government services. These factors are almost always beyond the owner's power to correct. This is also called locational obsolescence because the loss in value is a result of the property location.

Estimating Depreciation

There are several methods that may be used to estimate depreciation. They are the age-life method, the engineering breakdown method, the comparative sales method, and the observed condition method.

Age-Life Method

In utilizing this method the assessor estimates the effective age of a structure (economic life minus remaining economic life) which is expressed as a percentage of the total economic life of the structure. This percentage is then multiplied by the replacement cost new to obtain a figure that represents the total accrued depreciation of the structure.

Cost New	\$100,000		
Effective Age	20 years		
Economic Life	50 years		
Ratio	$20 \div 50 = .40$	or	40%
Depreciation	$\$100,000 \times .40 =$		\$40,000

It should be remembered that the effective age of a structure may not equal its actual age because factors such as maintenance, remodeling, and location may increase or decrease the effective age.

Engineering Breakdown Method

This is a more detailed version of the age-life method. Using this method, the assessor estimates the percent of remaining life for each building component. This percent is then multiplied by the cost of each component. The results are then added together to produce an estimate of the depreciated cost of the building.

Comparative Sales Method

This method provides the assessor with a way of estimating depreciation from sales in the marketplace. The assessor estimates the cost new and site value of a property which has recently sold and is comparable to the subject. The site value should be based on comparable vacant land sales and is deducted from the sale price to give a depreciated value of the improvement. This figure is then deducted from the estimated cost new to give the accrued

depreciation. The final step is to divide the accrued depreciation by the estimated cost new of the sale property. This percentage can then be applied to the estimated cost new of the subject.

Estimated replacement cost new of comparable	\$60,000	
Sale price of comparable		\$50,000
Less land value		- <u>\$20,000</u>
Depreciated improvement value		\$30,000
Accrued depreciation (replacement cost new less depreciated improvement value)		\$30,000
% Depreciation		\$30,000 ÷ 60,000 = 50%

The percent of depreciation can then be applied to the cost new of the subject. This method requires the sales used be truly comparable to the subject property and requires an accurate estimate of the cost new. Its main advantage is that it provides a depreciation estimate based on the market and measures all forms of depreciation existing in the comparable.

Observed Condition Method

Under this method, assessors estimate the amount of physical, functional, and economical depreciation. In addition, each type is further broken down into its various subcategories as follows.

- **Physical Curable:** the amount of depreciation is the cost to cure the defect. If, for example, a house needs to be repainted at a cost of \$800, then \$800 is the amount of physical curable depreciation.
- **Physical Incurable:** in estimating physical incurable depreciation the first step is to divide the items into short-lived and long-lived. In valuing each short-lived item the assessor multiplies each component cost times the percent of actual age to expected physical life for that component. For example, the roof on a 5-year-old home has an expected physical life of 20 years and costs \$2,000. The depreciation calculation would be \$2,000 x 25% = \$500.
 - Since long-lived items are expected to last as long as the building, the costs of the components can be added together and then multiplied by the percent of actual age to physical life for the structure.
- **Functional Curable:** as in physical curable, the amount of curable functional obsolescence is the cost to cure the defect. Assume a home has old-fashioned plumbing fixtures that are undesirable in the eyes of potential buyers and that it would cost \$700 to replace the fixtures. The amount of curable functional obsolescence is the \$700 cost to replace the fixtures.
- **Functional Incurable:** this type of obsolescence can be measured through an analysis. If, for example, a commercial building has excessive ceiling heights, through the analysis of comparable sales, the assessor may discover that properties of this type bring \$1,000 less than those without this defect. The amount of functional incurable obsolescence is then \$1,000.
- **Economic:** this type of depreciation can be measured through the sales comparison approach by comparing sales similar to the subject, some of which are subject to the

negative influence, and others which are not. The difference in the sales prices of the properties with the negative influence and those without it represents the amount of economic depreciation. Economic depreciation can also be measured through the application of gross rent multipliers. For example, a two-family residential building rents for \$1000 per month. Another similar property, due to a poorer location rents for \$950 per month. The assessor through an analysis of the market determines the monthly gross rent multiplier for these types of properties is 100. The amount of economic depreciation is calculated as follows:

Good location (monthly rental)	\$ 1,000
Poorer location (monthly rental)	- \$ 950
Rental difference	\$ 50
Times monthly G.R.M.	x 100
Economic obsolescence	\$ 5,000

- o Because the entire property is affected by economic obsolescence the assessor must allocate this type of depreciation between the land and building. The amount of economic depreciation that is attributable to the building can be determined through the use of the land to building ratio. Using the above example, if the building represents 80% of the total property value, then the economic obsolescence of the building is \$5,000 x 80% or \$4,000. If the land has been properly valued, it will not change since it will already reflect this obsolescence.

Depreciation Tables

To make estimating depreciation easier and more consistent, tables have been developed to provide the average depreciation or residual (percent good) for different structure types. There are several factors the assessor should be aware of when using depreciation tables. First, most tables do not reflect all types of depreciation. The depreciation tables in Volume II reflect physical depreciation and functional obsolescence due to out-of-date materials and workmanship. The assessor must still estimate economic obsolescence and functional obsolescence due to such factors as design, style, or layout. Secondly, most depreciation tables represent average depreciation for the structure types. If the property being valued is in better or worse condition than average, the assessor must adjust the depreciation estimate to reflect this.

Income Approach

A fee simple interest in real property can be divided into partial interests. A lease for rented space is a common situation in which a partial estate is created. If a property encumbered by leases is sold, only the owner's interest in the property (leased fee interest) is actually transferred to the buyer. The Dictionary of Real Estate Appraisal, fifth edition by the Appraisal Institute, defines leased fee interest as a free hold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e. a lease).

The market value of a leased fee interest in a rental property generally depends on how the contract rent relates to the market rent. If the contract rent is at the same level as the market, the leased fee interest has the same value as a fee simple interest. In this case, the leasehold interest has no value.

A leasehold interest may acquire value if the lease rate is below market. In this case, the leasehold interest has value due to the below market lease. Whenever a leasehold interest has value, the leased fee interest is reduced below that of the fee simple interest. Conversely, when the lease rate is above market rates, the leased fee interest may be more valuable than the fee simple interest.

Gross Rent Multiplier

The gross rent multiplier (GRM) is used to provide a direct estimate of value based on the relationship between the gross income and sale prices of similar properties. This method can also be considered a type of income approach. The GRM is simply the sale price divided by the annual or monthly gross income. For example, if the sale price of a property is \$400,000 and the gross annual income is \$50,000 the annual GRM is the following:

$$\frac{\text{Sale Price}}{\text{Annual Income}} = \frac{\$ 400,000}{\$ 50,000} = 8 \text{ (GRM)}$$

After calculating the gross rent multipliers for a number of similar properties the assessor can determine which GRM is most appropriate for the subject. It is important for the assessor to use properties of a similar nature. By using comparable properties the assessor should be able to derive gross rent multipliers which fall into a narrow range (see Figure 9-1).

Figure 9-1

Sale	Sale price	Annual income	GRM
1	\$500,000	\$70,400	7.1
2	\$475,000	\$69,900	6.8
3	\$525,000	\$76,100	6.9
4	\$450,000	\$62,500	7.2

In the above example, after analyzing the sales and comparing them with the subject the assessor may decide that the appropriate GRM is 7. If the gross income is \$65,000 then the value of the subject is \$65,000 x 7 = \$455,000.

The gross rent multiplier can also be applied to monthly rentals. The only difference is that the monthly GRM is 12 times the annual GRM. The advantage is that when an assessor is working with monthly rental figures it is easier to use a monthly GRM than to multiply the monthly figures by 12. The gross rent multiplier is often used as the income approach in valuing residential property and some apartment buildings. This is because properties of this type are not usually sold on the basis of the income generated from rentals, and thus, the usual income approach is not applicable.

Capitalization

Earlier in this chapter one definition of value was given as “the present worth of anticipated future benefits.” The income approach is the conversion of anticipated future benefits (income) into an estimate of the present worth of a property. This process is called capitalization. The income approach can be useful in that it represents the way investors think when they buy and sell income property in the market. The gross rent multiplier (GRM)

method can be considered a type of income approach. This method was discussed previously under the Sales Comparison Approach.

In applying the income approach there is one basic formula that is used to arrive at an estimate of market value. In this formula V = value, I = net income, and R = capitalization rate.

$$\frac{I}{R} = V$$

For example, if the net income from an apartment building is \$70,000, and the capitalization rate is 14% the value of the property is then the following:

$$\frac{\$70,000}{.14} = \$500,000$$

In using this method the assessor has to calculate two estimates. One is to arrive at an estimate of net income by deducting the appropriate expenses from an estimate of the market rent of the property. The other is the derivation of the capitalization rate.

To arrive at an estimate of net operating income, only typical operating expenses reflecting stabilized property operations should be subtracted from the property's revenues. Typical operating expenses can include management, repairs and maintenance, utilities, and building insurance. Property operating expenses should not include capital expenses, depreciation, mortgage interest or debt service. Other property expenses that may be considered are leasing commissions, replacement reserves and tenant improvements. A more detailed discussion of these items can be found in Chapter 9.

In addition to building rents, the estimated gross revenues may include income generated from parking or vending. If a vacancy rate is applied to the gross revenues, a stabilized rate should be used.

The capitalization rate is composed of a number of elements:

Discount Rate: the rate of return required by investors to compensate for the risk assumed, the non-liquidity of their investment, and the use of their money. Non-liquidity means that the investment cannot be as quickly converted into cash as can bonds, stocks, or savings accounts.

Recapture Rate: the annual rate of return that will provide the investor with a return of the depreciable portion of the investment over the remaining economic life of the asset.

Effective Tax Rate: the tax rate of a municipality is expressed as a percentage of each dollar of the market value of the property. The most appropriate effective tax rate to use is the current year's average net tax rate for all property in the municipality.

The process of arriving at these estimates can involve a great deal of time and effort. There are a number of procedures that the assessor can use to arrive at market value estimate utilizing this approach. Since the income approach is most often used in the valuation of

commercial and manufacturing property, a more detailed explanation of the procedures will be given in the chapter on commercial valuation.

Part 4: Overview of Mass Appraisal

Definition: **en masse**: adv. In one group or body; all together.

Definition: **mass**: noun. 1. Done on a large scale; involving great numbers or large amounts. 2. Total; complete.

Mass appraisal is the systematic appraisal of groups of properties, as of a given date, using standardized procedures and statistical testing. In sharp contrast, single property or “fee” appraisal is the valuation of one particular property as of a given date. As noted earlier in this chapter, both approaches are similar, but market analysis, valuation, and quality control are handled differently.

The purpose of mass appraisal is the equitable and efficient appraisal of all property, in a jurisdiction, for ad valorem tax purposes. Mass appraisal is the underlying principle that Wisconsin assessors should be using to value properties in their respective jurisdictions. Wisconsin assessors must also consider sec. 70.32, Wis. Stats.

The assessor needs mass appraisal skills for producing initial values, whether during a reappraisal year or not, and single property appraisal skills to defend specific property values or to value special purpose properties that do not lend themselves to mass appraisal techniques.

Principles and Concepts

Mass appraisal, unlike single property appraisal, requires the development of a valuation model capable of replicating the forces of supply and demand over a large area. Simply put, “the model” recreates mathematically, the changes in value and real estate activity happening in the particular town, village, or city being assessed. Appraisal judgments relate to groups of properties rather than single properties. The assessor must be able to develop, support, and explain standardized adjustments in a valuation model among use classes, construction types, neighborhoods, and other property groups.

Quality control is handled differently in mass appraisal. Statistical methods are used to gauge the accuracy and consistency of valuations. These statistical methods are mathematical equations applied to the “models” used to replicate the local market activity. Specific guidelines exist that allow assessors to compare their statistical measures against industry established standards. Statistical measures falling in line with prescribed guidelines reflect good assessment uniformity and practices. When values fall outside the guidelines, this should alert the assessor that review of values and adjustments may be necessary within the tax district in the near future. Wildly fluctuating statistical measures may be indicating that a jurisdiction wide valuation adjustment is necessary.

Managing a mass appraisal system is both a challenge and an opportunity. Effective mass appraisal requires an adequate staff, budget, and resources. While it is possible to practice

mass appraisal techniques using a manual method, most assessors are assisted by modern technology, in the form of computers and Computer Assisted Mass Appraisal (CAMA) software systems. CAMA systems provide an opportunity to increase the efficiency and technical capabilities of the assessor's office. These systems also allow the assessor to produce more accurate and equitable valuations. Uniformity and equity is the force behind ad valorem taxation. The "assessment process" is used to distribute the tax burden fairly and equitably amongst all taxpayers in the jurisdiction. Also bear in mind that properly executed mass appraisal techniques allow the local assessor to satisfy all taxpayers that assessments are fair and equitable, as well as, all taxing bodies and regulatory agencies that assessments are at the legal level.

A mass appraisal system is comprised of four interdependent subsystems which are discussed briefly here and in detail in Chapter 10:

- Data management system
- Sales analysis system
- Valuation system
- Administrative system

Data Management System

The data management system has components for collection, entry, editing, organization, conversion, and storage and security of property and ownership data. The data management system is the heart of the mass appraisal system, and as such, should be carefully planned and designed. Quality control is vital since the accuracy of values depends on the reliability of the data from which they are generated.

Property characteristics are used in the valuation system to conduct research and generate values, in the sales analysis system to stratify properties for ratio studies and to identify and list comparable sales. The property characteristics are also used in the administrative system.

System designers, and the assessor, need to decide what data elements need to be collected and maintained. Since data is expensive to collect and process the jurisdiction/assessor should capture those property characteristics that are important in the estimation of property values. Care should be taken to minimize redundant or insignificant data. However, certain data, seemingly insignificant, is sometimes captured and maintained because it helps the assessor explain values to taxpayers; e.g. number of bedrooms.

Sales Analysis System

The sales analysis system has components for sales data collection, sales screening and processing, ratio studies, and sales reporting. Ratio studies, the primary product of this system, generally provide the best available measures of appraisal performance. They are a valuable tool for monitoring appraisal results, identifying reappraisal priorities, adjusting valuations for the market conditions, and assisting management in planning and scheduling. For a more detailed discussion of ratio studies and analysis please refer to Chapter 10.

Valuation System

The valuation system consists of mass appraisal applications of the sales comparison, cost, and income approaches to value.

Sales comparison applications include: multiple regression analysis, adaptive estimation procedure (AEP or feedback), and automated comparable sales analysis.

Cost approach requires maintenance of computerized cost schedules and equations, depreciation schedules derived from market analysis, and reconciliation of cost generated values with the market.

Income approach includes the development and use of income multipliers and overall rates.

Values produced by these three approaches should be reviewed and reconciled to select an appropriate value that most reflects the market, for assessment purposes.

The valuation system uses property characteristics from the data management system, and sales data and ratio study results from the sales system. Values produced by the valuation system are used in both the sales analysis and administrative system.

Administrative System

The administrative system uses data from all three of the previously described systems to produce products that are helpful to the assessor. Some of those products include the assessment roll, assessment notices, tax bills, final reports, appeal processing and tracking, sales reports, ratio studies, and a wide variety of other useful reports.

Functions of Mass Appraisal

There are three basic functions of a mass appraisal system: reappraisal, data maintenance, and value updates.

Reappraisal or revaluations are discussed in greater detail in Chapter 6 of this Manual.

Data maintenance is the process of keeping and updating data in the system. A good maintenance program has two components. The first element is new construction data from permit activity, new lots from subdivision plats and other land divisions are part of the first element. The second element revolves around periodic re-viewing of all properties in order to keep data up to date and accurate. Therefore, good data maintenance information comes from new sources, as the community grows and verification of existing data from existing properties.

Value updates are annual adjustments applied to properties between appraisals. Ratio studies and other market analyses can be used to assist the assessor in adjusting properties between jurisdiction wide reappraisals.

Summary

A good mass appraisal system uses market data to build models that replicate the market in order to value all properties in the jurisdiction at market, for ad valorem tax purposes. Accurately maintained property characteristics, verified sales, and the use of ratio studies and other reports for analysis purposes make a mass appraisal system a powerful tool in the hands of the assessor.

While the assessment process is relatively simple in theory, it is extraordinarily difficult in its application. A good mass appraisal system assists the assessor with this difficult, but important, task.

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Chapter 10

Assessment/Sales Ratio Analysis

This chapter discusses the use of assessment/sales ratios as a tool for measuring and improving real estate assessment. A major objective of assessment/sales ratio studies is to determine the degree of assessment uniformity. The ratios also assist in measuring the degree to which assessments conform to the statutory mandate of market value assessments.

The first half of this chapter discusses the selection of appropriate sales to be used in analysis. The second half of this chapter discusses development of the assessment/sales ratio and various statistical analyses that can be performed to evaluate the quality of assessments for a given municipality.

Introduction

Sec. 70.32, Wis. Stats., requires that assessments be based on market value. Market value assessments ensure that the property tax burden will be equitably distributed according to state law. Typically, the best indicator of market value is the price for which a property recently sold. Comparing the current assessed value of a parcel with the sale price for that same parcel provides a good measure of whether the goal of market value assessment has been met. When this process is applied to multiple sales in a municipality, an assessment-to-sales ratio emerges that provides important information on whether the municipality is meeting the statutory requirement of market value assessments.

Assessors must be cognizant of the market conditions and the market cycle when analyzing sales. Market condition can be defined as the in-balance between supply and demand in the market. Market cycle is the predictable, recurring stages of activity, and can be long-term or short-term. Market cycles have definite phases – expansion, peak/downturn, contraction, and upturn. Each phase has its' own characteristics, but is linked to the previous and following phase.

Assessors should be familiar with the “bubble” market. A bubble market occurs when the market experiences dramatic price spikes for a long period of time. Bubble markets are not based on real estate fundamentals. They are a response to unique situations or motivations.

There are several indicators of a bubble market. *Market Analysis for Real Estate*, by Stephen F. Fanning, MAI, lists the following as indicators of a bubble market:

- Rents are not rising at the same rate as prices.
- Buyer is likely an investor looking for a quick re-sell.
- Market indicators, particularly jobs, are not increasing at the same rate as the product being added to the market.
- Hyper-appreciation markets are moving in waves across the country based on quick profit expectations, not changing market fundamentals. For example, some buyers base their judgments primarily on the observation that investors made a lot of money in a particular market last year and they think they should be able to do the same in the local market.
- Multiple [unit or parcel] buyers are active in the market. For example, in the condo market of 2004, the same entity would buy multiple units.

- Extreme spikes in building permits.
- Sale prices at or above replacement cost.
- High real estate appreciation rates. This is the final, and probably the most conclusive, test. When the newspaper reports how much some real estate appreciated last year and readers say, “That doesn’t make sense,” the market is probably experiencing a bubble. If the numbers look crazy, they probably are.

Declining markets offer another challenge to the assessor. Assessors need to be aware that not all foreclosure sales should be automatically rejected. It is up to the assessor to do due diligence in the investigation of the sale. If a significant portion of the sales in a municipality are foreclosure sales, the assessor should investigate to see if this is affecting market values.

In a declining market, factors such as higher interest rates, large supply of properties for sale, economic conditions and lower asking prices may have an impact on the values of properties. The assessor should be in touch with what is occurring in the municipality they are assessing.

As sales are analyzed and the assessment/sales ratio is developed, the assessor should be mindful of the need to stratify the sales. Stratification of sales is indicated if there is a reasonably high percentage of value in a group of properties, or a single property, which may be changing at a different rate than other properties in the class and has the potential to project an inaccurate estimate for the entire class. An example of this would be lakefront properties. Traditionally lakefront properties have changed value at a different rate than non-lakefront properties.

Stratification of sales helps insure that a more accurate estimate of the value of the class can be obtained. Stratification of sales should be a normal part of your analysis of the sales.

When the stratification of sales is completed, the results should be sent to the District Equalization Office. The stratification information is helpful to Equalization in determining the economics for the municipality. Equalization determines the economics during the month of May, so the stratification information needs to be sent to them by the end of April.

Ideally, each and every sale would be compared to assessed value, thereby contributing to the assessment/sales ratio. However, not all sales meet the criteria of arm’s-length transactions. As discussed in Chapter 9, those sales that don’t reflect market value should not be used in the sales comparison method, nor should they be used in developing the assessment/sales ratio. The following section discusses how to evaluate sales data to ensure that only those sales most reflective of market value are selected for assessment analysis.

Sales Data

A good source of sales data is the Real Estate Transfer Return (RETR), which is filed electronically and recorded at the County Register of Deeds office. The Supervisor of Equalization is provided with electronic data from these returns. The local assessors can then access the information through the e-RETR and Provide Assessment Data (PAD) systems. Assessors are asked to provide specific data for each sale. In addition, assessors are asked to identify those sales that do not meet the criteria of an arm’s-length transaction and sales

that, for any other reason, may not be representative of market value. See WPAM Chapter 8 for further information on the electronic RETR.

In using sales data to determine assessment levels, it is essential that the sales meet certain requirements. Each sale included must arise from a situation in which the buyer has alternatives available and the seller is not dependent upon a single purchaser for the disposal of the property; transfers in which there is any element of compulsion on the buyer or the seller must be eliminated.

In general, sales conveyed through warranty deed or land contract are most likely to yield market values. Experience indicates that in many areas quitclaim and other types of deeds are largely used for involuntary and convenience transfers and those in which the consideration is indeterminate.

The information collected through the electronic transfer return system will enable the assessor to evaluate many of the sales; however, additional information will frequently be required. The assessor should contact sales agents, lenders, buyers, sellers, and any other relevant parties, to ascertain whatever additional information may be required to determine whether or not a market value transfer occurred. A sample letter is included in this section to assist assessors in gathering additional data for recent sales.

The following two sections discuss the types of transactions presumed to be unsuitable for use in an assessment-sales ratio study. Sales may be unusable because they fail to meet the definition of arm's-length transaction or they may be rejected because the terms of the sale make it difficult or impossible to accurately isolate the value of the land and improvements. The reasons for rejecting recent sales are summarized in the grid 'Reasons to Reject Sales for Market Comparable and/or Ratio Purposes' found later in this chapter. *Note: When valuing agricultural land please refer to WPAM Chapter 14.*

Unusable Sales Data

Transfers Involving Duress

Buyers are most commonly under compulsion when it is necessary for them to acquire a particular parcel of real estate for which no substitute is available. Sellers are most commonly under compulsion when they have a very short time frame in which they must dispose of the property or face significant economic consequences.

Transfers to the federal, state, county, or local governments and to public utilities generally should be excluded. The exclusion of all transfers to any government for the purpose of a right-of-way is generally advisable. Although condemnation proceedings are supposed to establish the fair market value of property taken under the right of eminent domain, such transfers of title are frequently complicated by extraneous considerations and hence are excluded.

Transfers made to avoid the foreclosure of a mortgage or to effect the payment of some other debt to the grantee are deemed to be under compulsion. Deeds given by an administrator, executor, or trustee of a decedent's estate also are not usable.

Compulsion ordinarily characterizes the sale of real estate by judicial order, decree, or proceeding. Foremost in this category are sales in foreclosure of mortgage and trust deeds, and sales by receivers, commissioners, masters in chancery, bailiffs, or other court officers. In the past sales by banks, insurance companies, building and loan associations, mortgage companies, and the like, that were acquired through foreclosure proceedings were traditionally considered non-market sales; however, these should be considered in light of other market activity. If these sales represent the predominant activity in a given neighborhood, they may well represent current market value and should therefore *not* be excluded.

Transfers Between Related Parties

Transfers involving duress are not the only types that fail to meet the tests of a fair and voluntary sale. Transfers between relatives and corporate affiliates also are not acceptable because of the close connection between the buyer and seller. The presumption is strong, for example, that transactions between relatives do not result in an objective consideration of the value of the property such as is attained when unrelated buyers and sellers are involved. It is frequently true that deeds between relatives will mention a consideration, but the intangible elements associated with such a transaction are too difficult to evaluate to permit translating the entire consideration into monetary terms. Obviously when the deed states that part of the consideration is “love and affection” it is impossible to derive from it the cash value of the transferred property.

Sales between relatives are ordinarily detected by the correspondence of surnames of the grantor and grantee. In smaller counties, the acquaintance of field workers and county officials with residents is useful in uncovering instances in which relatives have different surnames. It is impossible to detect all such transfers except through contact with the individuals involved in the transaction. There are cases in which people with identical surnames are not related and, in some sections of the country, where there are large numbers of people only remotely related but with the same surname. The rejection of all transfers having this characteristic has been known to eliminate a large portion of truly usable sales.

Similarly, a sale from one corporation to another when the two are in relationship of parent and subsidiary will often involve business transactions in which the consideration for the transfer is an item of purely incidental concern. For example, it may be designed simply to effect some adjustment in the books of account. On the same order are sales to insurance companies, universities, etc., when the property is leased back to the seller. In such cases the sale price is not ordinarily a reliable evidence of market value because the price received is tied up with the amount of rental provided for by the lease. The assessor must investigate the sale to determine if the leaseback has an impact on the usability of the sale.

Transfers between related parties need special scrutiny. Where the objective of a transfer between related parties is other than a transfer at market value those sales should be rejected. When a transfer reflects recent arm's-length sales of reasonably comparable properties at market value, these sales can be used. Sales between related parties need to be analyzed to determine if the sale conforms to recent arm's-length sales of reasonably comparable property. Some sales between related parties that involve tax or estate planning often have appraisals completed prior to the transfer of property to establish market value

so that the sale price conforms to recent arm's-length sales of reasonably comparable property. Similarly, sales between a parent corporation and a subsidiary often have appraisals to establish market value in order to satisfy Securities and Exchange Commission (SEC) rules or accounting standards set by the Financial Accounting Standards Board (FASB) so that the transfers are made at market value. FASB 141 specifically requires such transfers to be made at "fair value" where they define fair value as: "*The amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.*" The same requirement applies in group or portfolio sales.

The Real Estate Transfer Return (RETR) filed by corporate related parties and the amounts that have been allocated by experts in their related fields often reflect market value of the real estate transferred. When other corporate interests are included in a reported sales price the RETR has to be analyzed to determine what amount applies only to real property. When RETRs of portfolio sales are analyzed and it is determined that the transfer of the real estate was at market values as reflected by recent arm's-length sales of comparable properties those sales can be used in a sales comparable analysis or in a sales ratio study.

Detection of a relationship between corporations rests largely on the familiarity of the assessment staff with companies doing business in the community. There are relatively few such sales and they can usually be checked through questionnaires or other means.

Sales to Nonprofit Institutions

Sales to charitable, educational, and religious institutions are subject to question because they are often made at less than market price. The grantors in some of these transactions are donors, their gift being in the form of a low price for real estate.

Transfers of Convenience

The most common transfers of convenience relate to technical changes in the character of the title. For instance, a husband and wife change their title from tenancy in common to joint tenancy; to accomplish this the property is transferred to a third party who immediately conveys to the husband and wife in joint tenancy. Another typical case occurs when a property owner deeds the real estate to a third party to avoid a financial judgment.

The greatest difficulty is in identifying that a convenience transfer has occurred. One way is to sort transfers by legal description and examine those parcels that have transferred multiple times during the year. Transfers to avoid a judgment can be located by a search of the judgment record under the name of the grantor.

Transfers of Doubtful Titles

When transfer of title is made without a warranty there is a serious doubt that the title is good and not open to question. If the deed specifies that the grantor warrants or "will forever defend" the title, then the transfer presumably gives good marketable title. Under certain conditions, other forms of deeds may also be taken as evidence of the transfer of good title. A trustee's deed very often does not give a warranty because the trustee insists on limiting

personal liability to the period of the trusteeship. In these cases it is usual that the deed is accompanied by an abstract and opinion of title, or by a title guarantee insurance policy. Furthermore, the deed usually is given in fulfillment of a contract for sale wherein it has been specified that a good title be transferred by the deed.

In many instances, where the grantor wishes to avoid personal liability of any sort, good title is transferred by a quitclaim deed. The marketability of such title is established by means other than the deed itself. This evidence is usually difficult to discover. However, if the existence of a title guarantee policy can be established, the transfer can be accepted. Often large and valuable properties are transferred by a deed without complete warranty or by quitclaim. Such transfers, if they meet all other requirements, should be included in the sample. For the class of property typically transferred by quitclaim deeds, selecting sales exclusive from warranty deed transfers would often result in a sample too small to be used with confidence. The procedure generally should be to examine only those quitclaim transfers having large considerations and then obtain by interview or questionnaire the evidence necessary to determine whether or not the particular transfer should be included in the sample. Whenever a contract for deed has been filed the necessary information is available from that document.

Other Exclusions

- Trades – an exchange of property between the same parties.
- Convenience transfers – transfer and reconveyance of the same property.
- Transfers where re-recording or correction of errors has occurred.
- Transfers of cemetery lots.

Date

Name and Address

Dear _____;

You have recently been involved in the sale/purchase of the property indicated below. Please assist the Assessor’s Office by completing the data requested in this correspondence. Your information along with other sales will be used to develop valuation models of similar properties in the municipality.

The information listed below was obtained from the Real Estate Transfer Return that was recently filed with our office under sec. 77.21, Wis. Stats. Please correct any of the information by crossing out the incorrect item (s) and writing the correct information next to it.

Any information you can provide will be appreciated. If a pro forma or operating statement is available, please submit them also. If you have any questions concerning the information requested, please contact me.

Parcel Number:

Situs:

Grantor:

Grantee:

Sales Price (real estate only):

Sale Date:

Please answer the following additional questions:

1. Do you consider this to be a fair market sale? ___Yes ___No If no, why not?

2. Are the buyer and seller related in any manner? ___Yes ___No If yes, how?

3. Was this sale an Arm’s-Length Transaction¹? ___Yes ___No

4. Was this sale part of a 1031 exchange? ___Yes ___No

5. Do you anticipate additional expenses to bring the property in compliance with State, Federal and Local code requirements? ___Yes ___No If yes, please elaborate and state anticipated costs.

6. State any other unusual circumstances concerning the sale.

7. Reason for transaction _____

8. How was this property advertised? _____

ANY INFORMATION YOU SUBMIT WILL BE USED FOR ASSESSMENT PURPOSES ONLY AND KEPT CONFIDENTIAL TO THE FULL EXTENT ALLOWED BY LAW

Yours truly,

Assessor

Phone number

Email address

❖ An arm’s-length transaction is a sale between two parties neither of whom is related to or under abnormal pressure from the other.

Determination of Sale Price

After it has been ascertained with reasonable certainty that a particular transfer represents a usable transaction with a good marketable title, it is necessary to determine the amount of the consideration or sale price. In many transactions the considerations involved are definitely stated in the deed, parties to the transfer are unrelated, and intangible factors involved in the transaction do not seriously distort the stated price. However, there are numerous instances in which it is impractical to determine the consideration.

Sales Where Rights Are Reserved

Where sales are subject to long-term leases or when the deed reserves essential rights, such as a life estate, it may be impractical to convert the value of the reservation into dollars and add it to the stated consideration.

Sales Including Chattel

There are numerous cases where chattels (machinery, household goods, furnishings, equipment, stock crops, etc.) are included in the sale: conversion of these into monetary terms presents serious difficulties. Hence, if the chattels are given as part of the purchase price, the transfer will ordinarily be omitted. An attempt may be made to evaluate these considerations through interview or questionnaire when the transfer is in a locality or a type of property inadequately represented in the sample. Thus, sales of hotels and multi-story apartments typically include furnishings and fixtures; the exclusion of all transactions involving these elements would preclude the use of most of the available evidence of the value of such property.

Exchange of Properties

Another type of transfer in which determination of the consideration is impractical is the exchange of properties. The transaction may meet the necessary requirements, but since no conversion of the consideration to monetary terms is made, except for state transfer tax purposes, transfers involving trades are usually excluded. The consideration might be used when the sale is needed to expand the sample; in such instances, it should be checked by questionnaire or interview with one of the parties.

Sales of Partial Interests

Transactions involving partial interests in real estate present several complications in the determination of the consideration. It is necessary to assume, of course, that the value of the entire interest is in proportion to the fractional part being sold. Fractional interests aggregating the entire equity in the property are often conveyed at approximately the same time; a memorandum record of such sales permits their consolidation to obtain the consideration for the entire property. As a working rule, interests of less than one-fourth of the whole should be excluded from the sample and the transfer of interests of one-fourth or more carefully examined to make sure that no element of compulsion was involved and that the price for the fractional interest may be imputed to the whole.

Liens Against the Property

The determination of the selling price in each transaction from the official document on file in the recorder's office requires that the fair cash value of liens against the property be ascertained and, for those transfers where the instrument does not explicitly state the consideration, the amount of transfer fee be employed to fix a sale price within reasonably accurate limits. The consideration in a real estate transaction typically consists of cash or cash and the amount of outstanding encumbrances and liens against the property which existed prior to the sale but were not removed. A portion of the consideration may also consist in the present worth of all liens and encumbrances on the property at date of sale which are not removed by sale. Usually the deed is given subject to such liens and encumbrances or states that the grantee "assumes and agrees to pay" such obligations when due. These liens and encumbrances may consist of a mortgage or mortgages against the property which were not removed by the sale, delinquent taxes, and all delinquent and unmatured special assessments together with interest penalties and costs. A purchaser of real estate must eventually pay such obligations to obtain clear title, free of all liens and encumbrances. Thus, the consideration for a property in a hypothetical case might consist of the following items:

Cash	\$ 82,500
Outstanding mortgage at sale but not removed	52,107
Taxes and penalties	2,518
Unpaid special assessments and penalties	<u>1,725</u>
Total sale price	\$138,850

The breakdown of the purchase price is not needed in itself, but it is essential that none of the above elements be overlooked in determining the total sale price. Often the largest item is an outstanding mortgage, for which the amount remaining due on the sale date is stated in the deed or in the contract. When this amount is not specified, it is necessary to examine the mortgage itself to determine the terms of payment so that the indebtedness on the sale date may be computed. When a warranty deed is given subject to a mortgage and the amount involved is not expressly stated, a careful scrutiny must be made of the transaction to determine the amount that should be added to the consideration for the encumbrance on the property. If the warranty deed is given subject to a mortgage the final payment of which, according to its terms, is not due until after the date of the transfer, the amount of the outstanding indebtedness should be calculated on the presumption that all payments have been made according to schedule, provided that:

- a. No chancery bill to foreclose the mortgage is of record in the tract book,
- b. No release has been filed which would indicate that the mortgage was removed by the sale, whether in payment of the debt, i.e., in lieu of foreclosure, or otherwise.
- c. The record of tax payment does not show the property to be tax delinquent and hence does not suggest that the mortgage is in default.

If a warranty deed is given subject to a mortgage, final payment of which was due before the date of transfer, the tract book or other records should be checked for a release or extension of the mortgage. If the mortgage has been released, it may be presumed that the transfer was in lieu of foreclosure and that the grantor limited the warranty to protect against any possible liability in connection with the payment of the mortgage. If a record of extension is found, the amount of the outstanding balance should be determined according to the terms of the extension and treated as part of the consideration.

If neither a release nor an extension is of record, it is presumed that the mortgage is still in effect, but the amount of outstanding indebtedness is indeterminate unless information by questionnaire or interview from the grantor or grantee supplies a basis for definite determination.

It is also important at the same time to make certain that no release of the mortgage has been filed at or near the sale date. The phrase “subject to all mortgages, liens, and encumbrances of record” often is inserted in the deed as a formal protection for the grantor where, in fact, no outstanding liens or encumbrances exist. On the other hand, there are a few instances in which the deed fails to refer to an outstanding mortgage though such a mortgage exists and may or may not properly be part of the consideration. These cases require special study of the tract index or mortgage records and the pertinent documents therein referred to. In many instances no satisfactory conclusion can be drawn except on the basis of information obtained from a party to the transaction. Deeds frequently are given subject to the lien of taxes when taxes for all prior years have been paid and only those for the current year are involved. Typically, current taxes are less than 2 1/2 to 3% of the sale price and it is common practice to divide the taxes for the current year between the grantor and grantee by prorating them on the basis of the date of sale. Where there is an accumulation of delinquent taxes together with penalties and costs, this obligation may represent an important part of the purchase price. In determining this amount, particular attention must be given to the current practice, if any, with respect to the abatement of penalties. In certain communities, some purchasers have acquired property with a very large amount of accumulated taxes and penalties which they expect will be reduced through some sort of legal proceedings which will result in a compromise settlement.

The determination of the amount of special assessment obligations presents similar problems. Not only should all delinquent installments plus interest costs and penalties be included but also the present worth of all future payments to be made on existing warrants. In many localities, the face value of special assessment installments cannot be accepted as the amount required to liquidate them. Under some circumstances, bonds outstanding against those installments can be purchased at a fraction of their face value and used in payment of the installments at face value. Unless someone with a thorough knowledge of the condition can appraise the actual liability imposed by the assumption of these liens, the transfer must be discharged.

Plottage

To accommodate a development or to expand an existing commercial, agricultural, or industrial operation it may be necessary to assemble adjoining smaller plots, often from different owners. This procedure may well create extra costs. Key parcels may command more than their independent values. For the whole to be worth more than the sum of its parts a higher and better use must be created. These sales require special study and if plottage has increased the prices paid for the individual parcels without creating a higher and better use, they should be rejected.

Irregular Assessments

Transfers that must be rejected because of an irregular assessment are as follows:

- Transfers of property for which no assessment can be found.

- Transfers of part of a description (parcel) for which there is no separate assessment.
- Transfers of property where additions have been made to the improvements or the improvements removed between the time of assessment and the time of the sale.
- Transfers of property where additions will be made to the improvements after the time of sale and after the date of assessment when the value of the yet to be completed additions have been included in the total consideration.

NOTE: Transfers should not be rejected in cases where the assessment can be accurately divided or prorated to cover the identical property sold or where the sale price is so prorated in the deed that the price can be determined for the identical property assessed.

Portfolio Sales

Portfolio sales are defined as the sale of multiple properties (units) sold together in a single transaction. Portfolio sales are becoming more commonplace. The aggregate of values may or may not represent the value of each of the units as sold individually in separate transactions.

The Real Estate Transfer Return (RETR) is assumed correct, but needs verification. Assessors process portfolio sales like all other sales. Attempts should be made to contact buyers, sellers and brokers to determine the validity of the sale as well as how the property values were allocated. Sometimes brokers involved in the sale will have information as to how the allocations were determined.

Allocations may be based on appraisals of the individual properties. Sometimes individual appraisals are completed to provide the necessary information for lending purposes. By allocating values, parts of a portfolio can be separated and re-sold without having to go through a more lengthy and expensive refinancing of the entire portfolio. Appraisal information alone should not be the only reason to accept or reject portfolio sales.

The RETR may reflect market value of the real estate transferred when multiple parcels are included in the sales price. Appraisals or closing documents may indicate allocations are different than the RETR. It is up to the property owner to prove a sale is not arm's length.

Sometimes transactions include parcels in different municipalities. Assessors need to make an effort to communicate with others in municipalities where the remaining parcels reside. Some states have non-disclosure laws that do not allow the assessor to determine the transaction values. Should this happen, the assessor needs to make a judgment to determine if the sale comports to similar properties.

When RETRs of portfolio sales are analyzed and it is determined that the transfer of real estate was at market values as reflected by recent arm's-length sales of reasonably comparable properties, those sales can be used in a sales comparable analysis or in a ratio study.

Provide Assessment Data (PAD)

Analyzing a sale in the "Provide Assessment Data" (PAD) system is a 2-step process:

1. The assessor must determine if the sale is an arm's-length (market) transaction.

2. The assessor must determine if the sale is usable for ratio purposes.
 - If the sale is rejected as an arm's-length sale, it is always rejected for ratio purposes.
 - If the sale is usable as an arm's-length sale, the sale and corresponding assessment must then be reviewed for ratio comparison. If the January 1 assessment is not representative of the property that sold, the sale should be rejected for ratio purposes.

DOR conducts an automated review of RETRs. The result is a list of sales that are potentially either arm's-length or non-arm's-length sales. The list is termed potential as the assessor is responsible for determining whether a sale is arm's-length. Sales that are initially identified as arm's-length require action by the assessor in PAD. Sales initially marked as non-arm's-length need to be reviewed by the assessor and confirm that they are indeed non-arm's-length sales. The "reject" sales can be viewed using the eRETR system. (The same eRETR system the assessor uses to search for sales on a statewide basis.)

A PAD Manual is on the web: <https://www.revenue.wi.gov/Pages/ERETR/training-home.aspx>. If an assessor determines that a "reject" sale is actually an arm's-length sale, they should contact the Equalization District Office.

Rejection Criteria

Not all real estate transactions are arm's-length sales and usable as comparable sales. Not all real estate transactions that are usable arm's-length sales for comparative market analysis are appropriate for use in ratio analysis. Therefore, DOR has established criteria for analyzing sales. These guidelines will assist the assessor in determining which sales are arm's-length (usable market sales) and which sales are usable for ratio purposes.

Analyzing a sale involves determining if the sale price represents market value. The definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Sales may be rejected for use as an arm's-length sale and for ratio purposes if a component of the "bundle of rights" is not present or the circumstances of the transaction produce a "sale price" which is not indicative of the full market value of the property.

Chapter 22 contains a section that addresses arm's-length sales. Assessors should review this section when they have questions about whether a sale is arm's-length or not.

Reject Codes

The following description of reject codes reflects categories of real estate transfers which are typically non-market sales (i.e. rejected for arm's-length). These descriptions are not rigid rules used to always reject sales. The assessor, during the sale verification process, needs to determine whether the specific sale is, in fact, a market or non-market transaction. If the assessor determines the sale is non-market, the most appropriate reject code should be used. If a sale has initially been rejected, but upon further verification is determined to meet reasonable market criteria, the assessor should notify the appropriate Equalization District Office of their change in opinion, along with the basis for that change.

Note: In the expanded explanation section after the chart, the rejection code shown in parenthesis after each reason corresponds to the rejection codes assigned by DOR to identify the reason a sale is not being used in the assessment process. These codes are entered into the automated PAD system by local assessors and DOR in order to identify the reason that a sale submitted through the property transfer return system is not appropriate for use in valuation.

The assessor should select the most appropriate reject code. The assessor should keep in mind that sales are used for two reasons – comparable sales and ratio purposes.

The “9” codes should rarely be used. When they are used, a comment must be made explaining why it was used. Based on information contained in the comments, DOR may change the reject code on the PAD System to more closely reflect the reason for rejecting the sale.

Reject Code Chart

10 Insufficient Market Exposure		
11	Fulfillment of Land Contract	Original land contract was established in a prior year.
12	Gift	Transfer of title made without compensation whether total or partial.
13	To an Exempt Organization or Government (i.e. churches, town, village, city, state, federal)	DOR considers sales from an exempt organization or government to be a market sale.
14	Exempt from Fee	See sec. 77.25 Wis. Stats. for specifics
15	Family, Inheritance, Will, Sales for nominal or no consideration.	May be valid arm's-length, need to investigate.
16	Inter-corporate/Shareholder	Sale is transferring title to another party under the same company umbrella.
17	Convenience, Joint Tenancy or Trust	Sale is transfer of property to change or create title. No consideration involved.

19	Other	Use of this code requires an explanation in the "Comments" area.
20 Insufficient Knowledge of Buyer/Seller		
21	About Real Estate in General	Buyer or seller is un-informed of the Real Estate Market.
22	About the specific Property	Buyer or seller is uninformed of property defects.
29	Knowledge – Other	Use of this code requires an explanation in the "Comments" area.
30 Compulsion		
31	Plottage/Assemblage	Plottage is two or more sites combined to produce greater utility and assemblage is combining two or more parcels usually but not necessarily contiguous, into one ownership or use.
32	Tax, Sheriff or Judicial	Implies transfer of title involuntarily of the owner. Would include foreclosures.
33	To a Relocation Company	Indicates grantor is under duress to sell to move to a new location.
39	Other	Use of this code requires an explanation in the "Comments area.
40 Non-Typical Financing		
41	Exchange	Trading of property, no money involved.
42	Excess Liens	Selling price may include value of liens such as delinquent taxes or special assessments.
49	Other	Use of this code requires an explanation in the "Comments area.
50 Incomplete Bundle of Rights		
51	Correction Deed	Correct error of a prior deed
52	Life Estate	A life estate in the property is retained by someone other than the grantee.
53	Partial Interests	Divided or undivided rights that represent less than the whole parcel.

54	Time Share	Limited ownership interests in, or the rights of use and occupancy of property.
55	Business Value	An enhancement from intangible personal property such as marketing, management skill, trade names, etc.
56	Personal Property	Identifiable portable and tangible objects that are “personal” and not part of the real estate, but are included in the sale.
59	Other	Use of this code requires an explanation in the “Comments” area.
Use these reject codes for market value sales, but not usable for ratio purposes		
71	Split Parcels	There is no separate assessment on the current assessment roll for the parcel that sold.
72	Multiple Districts	Sale has parcels in more than 1 county/municipality.
73	Classes 4, 5, 5m, 6 or 7	Assessment includes lands assessed as classes 4, 5, 5m, 6, or 7
74	Exempt Classes: MFL, PFC	The sale includes lands in Managed Forest Land or Private Forest Crop
75	New construction/remodeling or demolition after Jan. 1	The sale property was changed between the January 1 assessment date and the date of sale.
76	Mixed Classes	See detailed explanation and chart at the end of this chapter for use/reject rules of more than one class of property is assessed.
78	Prior year’s sale	A sale that was conveyed prior to the current year.
79	Other	Use of this code requires an explanation in the “Comments” area.

Insufficient Market Exposure (Reject Series 10)

Fulfillment of land contract (Reject code 11)

If the original land contract was established in a prior year, the deed in satisfaction should be rejected. If the original land contract and the deed in satisfaction are occurring in the same year, the original land contract should be used if it is an arm's-length sale in other regards.

Gift (Reject code 12)

A transfer of this type is not a sale at all but a transfer of title made without compensation. It may be a total or partial gift, but if the transfer is made without full consideration, the sale should be rejected.

To an exempt organization or government (Reject code 13)

This type of transfer is more likely to be a reject if the exempt (charitable/non-profit) organization or government body is purchasing the property. Many times the "sale" to such an organization is part gift due to a donated value. Transfers to a government agency may be forced sales, such as condemnation or tax deeds. If the government is acquiring the property for specific purposes the sale price may include other compensation such as damages.

Exempt from fee (Reject code 14)

Transfers that are exempt from the Real Estate Transfer Fee are by definition not arm's-length transactions. The exemptions are found in sec. 77.25, Wis. Stats. Some transfers that are exempt from the payment of fee are more clearly defined in other reject codes on this list (such as correction deeds, foreclosure, etc.). Those types of transactions should be coded to the reject code which more clearly defines the reason for rejection.

Family, inheritance, will (Reject code 15)

Sales between family members must be verified to determine whether they should be rejected or whether they are acceptable as comparables. Sales between some family members for nominal or no consideration are exempt from the transfer fee (reject code 14, sec. 77.25(8) and (8m), Wis. Stats.) and should be identified with this reject code. A family sale should be considered an arm's-length sale if the consideration is consistent with other sales or is based on appraisal value.

Sales in which the estate is the grantor must be verified to determine whether the transfer of title is due to the will/inheritance or if there is duress involved to satisfy the debts of the deceased. If the grantee is an executor or trustee, the sale may not be an arm's-length sale with nominal consideration.

Note that conveyances "By will, descent or survivorship" are exempt from the real estate transfer fee (sec. 77.25(11), Wis. Stats.) and are also exempt from even filing the RETR so the change in ownership may not be readily evident.

Inter-corporate/Shareholder (Reject code 16)

The sale is transferring title to another party under the same company umbrella. Sales to shareholders are not arm's-length sales. Both types of transfers are usually made at prices favorable to the buyer or may indicate a value assigned for accounting purposes. The presence of corporate names as grantors and grantees does not by itself indicate rejection as an arm's-length sale but indicates that further investigation may be necessary.

Convenience, joint tenancy or trust (Reject code 17)

Transfers of property to simply change the legally titled ownership such as joint tenancy for marital property or trust for estate planning are not actual sales of the property. There is usually an indication on the deed or RETR when a transaction occurs to create joint tenancy. A transfer from an individual to a trust they created may be easy to identify if the trust name includes the names of the individuals. If a trust is the grantee and it is not evident that the grantor(s) are trustees, some investigation is necessary to determine if it is simply a transfer of title or if it is truly an arm's-length sale. If the trust existed prior to the sale, any property purchased by the trustees could be titled to the trust rather than the trustees individually.

Insufficient market exposure – other (Reject code 19)

If a sale is not an arm's-length transaction because of insufficient market exposure for reasons other than those above, it should be rejected.

Insufficient Knowledge of Buyers/Sellers (Reject Series 20)**About real estate in general (Reject code 21)**

While it may be rare to find grantor or grantee so ill informed about the value of real estate that the sale is deemed to be a reject, it is a possibility. Verification of the knowledge of the buyer or seller will probably only be discovered by questioning the parties involved and most likely both the buyer and seller need to be questioned in this situation. In the event of a low selling price, the grantee may not admit that the seller was uninformed and the grantee "got a good deal".

About the specific property (Reject code 22)

This situation may arise if there are conditions that affect the value of the sale property whether the conditions are physically located on the property or not. The conditions would not normally be readily evident, for example, contamination, hidden defects, economic factors, etc. For a sale to be rejected as a non-market sale, either the buyer or seller needs to be unaware of the condition and therefore, unaware of its effect on the value of the property.

Insufficient knowledge – other (Reject code 29)

If a sale is not an arm's-length transaction because of an uninformed buyer or seller and that reason is not identified by codes 21 or 22, use reject code 29 and explain the reason for rejection.

Compulsion (Reject Series 30)**Plottage/Assemblage (Reject code 31)**

Plottage is the combining of two or more sites under a single ownership in order to develop one site having greater utility and unit value in the aggregate than when each is separately considered. Assemblage is simply the merging of adjacent properties into one common ownership or use.

Tax, sheriff or judicial (Reject code 32)

Tax deeds, sheriffs' sales or judicial sales all imply transfer of title without the consent of the owner. The tax deed referenced here is the transfer of property to the county because

of delinquent property taxes. This transfer is exempt from the real estate transfer fee and also exempt from filing the transfer, sec. 77.25(4), Wis. Stats. Counties selling the property may convey the title with a quit claim deed issued to the highest bidder on sealed bids. These re-sales usually indicate the market value of the property.

Sheriff or judicial sales usually result from a foreclosure action by the party who holds the mortgage to the property. If the property was used as security for a debt, foreclosure is the creditor's means of recouping an investment when the financial obligations have not been met. The consideration for this type of sale may have no relationship to the value of the property itself and more likely indicates the financial interest of the mortgager.

To a relocation company (Reject code 33)

A relocation company facilitates the relocation of individuals and families for employment-related moves. The relocation company handles the sale of the employee's home and purchase of a new home. Some companies buy the employees' property directly without the relocation company. These sales should be investigated to determine whether the sale should be rejected.

Compulsion – other (Reject code 39)

If a sale is not an arm's-length transaction due to compulsion by either the buyer or the seller for a reason other than those identified above, it is not an arm's-length transaction.

Non-Typical Financing (Reject Series 40)

Exchange (Reject code 41)

"Exchange" on the RETR may be indicated for various types of property transfers or sales. One could be the simple swap of properties with or without additional consideration. It is important to verify the type of exchange that took place and the total value of the real estate involved. If the consideration shown on the RETR is only the additional consideration above and beyond the value of the property involved in the exchange, the sale should be rejected.

Another type of exchange is the Deferred Like-Kind Exchange described in Section 1031 of the Internal Revenue Code. This exchange is essentially the sale of one investment property and the purchase of another within certain time periods. The transactions must follow the strict rules contained in Section 1031 including the types of property and allowable time frames. The advantage of this "exchange" is that the payment of the capital gains tax due is postponed. Generally, both the sale of the relinquished property and the purchase of the replacement property are separately negotiated transactions. These transactions should not be rejected.

Excess liens (Reject code 42)

A lien is a claim against a property where the property itself is security for payment of the debt. It is an encumbrance on the title. It may be voluntary (with the consent of the owner) as with a mortgage, or involuntary, such as a mechanic's lien.

A lien may entitle the creditor to have the property sold to satisfy the debt. In this situation the sale should be rejected as a non-arm's-length sale.

Non-typical financing – other (Reject code 49)

Any other factors related to the financing of sale property that render the sale non-arm's-length.

Incomplete Bundle of Rights (Reject Series 50)

There are additional reasons an assessor may choose to reject a transaction even when it doesn't violate the conditions of an arm's-length transactions. For example, correction deeds are not sales and no transfer of property actually occurs. Below are some of the types of transfers that the assessor should not consider in the evaluation of market sales.

Correction deed (Reject code 51)

Correction deeds are used to correct errors in a prior deed. The correction may be in the legal description, names, consideration or other areas of the original document. It is important to check the original sale, if possible, and determine whether the original sale's use or reject status has changed with the corrected information. If the original sale is a current year's sale and has not yet been processed in the PAD (Provide Assessment Data), the corrections should be noted in the Comments section as the sale is processed. If the sale has already been processed, the DOR should be notified of the correction and any change in the assessment and the use/reject status of the sale. The correction deed should be rejected.

Life estate (Reject code 52)

A life estate is defined as the total rights of use, occupancy, and control, limited to the lifetime of a designated party (*The Appraisal of Real Estate*, Eleventh Edition, page 137). This type of partial interest is usually, but certainly not always, indicated on the RETR. A sale that has a life estate retained by a party other than the grantee should be rejected.

Partial interest (Reject code 53)

A partial interest sale is the conveyance of a fractional share of a property by the named grantor. It may be all of the interest of the named grantor such as a one-half interest or a conveyance of some specific ownership interest such as timber, mineral or air rights. This does not include an original land contract which sometimes indicates "land contract interest" because a warranty deed in satisfaction has not yet been filed.

Transferable Development Right (TDR) is a development right that is separated from a landowner's bundle of rights and transferred to another landowner. (*The Appraisal of Real Estate*, Eleventh Edition, page 137). Perhaps the most common current use of TDRs is for preservation of agricultural production or open space.

The sale of the TDR itself would be rejected as a partial interest sale. The existence or absence of the TDR on any particular piece of property is not a reason to reject the sale of that property for partial interest.

A *conservation easement* is a voluntary, legally binding agreement that limits certain types of uses or prevents development from taking place on a piece of property now and in the future, while protecting the property's ecological or open-space values. The grantee of the easement conveyance is typically a conservation group or trust or a government agency. The "sale" of the easement may be a partial or complete gift with income tax

benefits for the grantor. The conveyance of the easement itself should be rejected under code 53 (partial interest). Sales of property with existing easements are likely arm's-length transactions and should not be rejected simply because of the existing easement.

Time share (Reject code 54)

Timesharing involves the sale of either limited ownership interests in, or rights to use and occupy residential apartments or hotel rooms. Any time share transfer should be rejected with this reject code.

Business value (Reject code 55)

Business value is sometimes referred to as business enterprise value, going-concern value, blue sky or goodwill. It is a value enhancement that results from items of intangible personal property, such as marketing and management skill, an assembled work force, working capital, trade names, non-realty related contracts or leases, and some operating agreements. In summary, it is the value created by an established operation.

It is important to note that this value may or may not be included in the total value of the real estate listed on the RETR. For the purpose of determining whether the sale is a usable, arm's-length sale for real estate valuation, it is important to separate any non-real estate components of the sale, such as the "business value" which may be included in the sale price.

If this "business value" is included in the consideration on the RETR and cannot be determined and separated from the value of the real estate the sale should be rejected.

Personal property (Reject code 56)

Personal property, as defined by sec. 70.04, Wis. Stats., includes all goods, wares, merchandise, chattels, and effects, of any nature or description, having any real or marketable value, and not included in the term "real property". For the purpose of determining whether the sale is a usable, arm's-length sale for real estate valuation, it is important to separate any non-real estate components of the sale, including any personal property or inventory which may be included in the sale price.

If the value of these items is included in the consideration on the RETR and cannot be determined and separated from the value of the real estate the sale should be rejected.

Incomplete bundle of rights – other (Reject code 59)

If there is a component of the bundle of rights that is not present in the sale and is not addressed in reject codes 51 through 56 the sale should be rejected using code 59.

Assessment/Sale Ratio Rejection Codes (Reject Series 70)**Parcel split (Reject code 71)**

A sale that involves a parcel that is not separately described in the assessment roll should be rejected with code 71. This would be a sale of a portion of a parcel described in the assessment roll. The legal description should be reviewed to be sure of a valid comparison rather than relying simply on the parcel number supplied on the Real Estate Transfer. The assessment should NOT be prorated to use for comparison in the assessment/sales

ratio. This would include a condominium sale that does not have a separate land assessment.

Multiple districts (Reject code 72)

If the sale contains property in two or more municipalities, there is not a usable assessment/sales ratio and the sale must be rejected using reject code 72.

Non-market class of 4 or 5 or 5m (Reject code 73)

The law dictates that classes 4, 5 and 5m are not assessed at market value. Therefore, there is no valid assessment/sales ratio of these classes and the sale of properties that contain Class 4, 5 or 5m property should be rejected using reject code 73.

Exempt classes: MFL, PFC, or other exempt (Reject code 74)

A sale that includes any land taxed under the Forest Crop Law (entered into the program prior to January 1, 1986) or Managed Forest Law has no assessment to compare for ratio purposes. Even though a value is listed in the assessment roll the assessment is not valid for ratio purposes.

Any other property that is exempt from general property tax (Federal, State, County or Other) that does not have an assessed value should be reject under code 74 for ratio purposes.

New construction/Remodel after January 1 (Reject code 75)

If the improvements on the sale property have been changed between January 1 and the sale date, the sale should be rejected for ratio purposes. This reject code is for sales which include changes to the improvements after January 1 of the current year. This includes new construction, remodeling, or demolition. Verification of the change in the improvement status is necessary before rejecting a sale for reason 75. Changes to the property prior to January 1 of the year of sale are not a basis for rejecting a sale.

Mixed classes (Reject code 76)

Sales of property with more than one property class are usually rejected. Any sale containing classes 4, 5 and 5m should be rejected (see Reject Code 73.)

There is an exception to this rule. Improved sales totaling less than 20 acres that are a combination of either Classes 1 and 6, or Classes 2 and 6 should not be rejected as a mixed class sale. Please refer to the follow chart for specific examples.

# of Acres	Vac/Imp	Property Classes	Use/Reject
Any	Vacant	All combinations	Reject
0-19	Improved	1 & 6 or 2 & 6	Predominant class must be 1 or 2
0-19	Improved	All other combinations	Reject
20+	Improved	All	Reject

Prior year sale (Reject code 78)

Includes sales that were conveyed prior to the current year.

Other (Reject code 79)

Includes any other reason not identified in codes 71 through 78 that an assessment does not correspond to the property sold in a Market Value sale. Comments must be made when using this reject code. This code should not be used solely because the ratio is out of line with other ratios in the municipality.

Assessment/Sales Ratio

An assessment/sales ratio is the result of two estimates of value – the assessor’s and the buyer/seller’s. Through the proper interpretation and use of the information found on the RETR the assessor should be able to refine the buyer/seller’s estimate of value. This is done by using only valid or arm’s-length sales. It should be pointed out that just because a sale fits one of the rejection criteria it is not necessarily totally invalid. Sometimes sales, such as those between relatives, do reflect the market. The assessor must use professional judgment in making this determination.

When sales data has been adjusted (or removed) to reflect market conditions, any error remaining is attributable to the assessment. Evaluating assessment performance is a major goal of assessment sales ratio studies.

Market – Market Imperfections = Assessment Judgment

An assessment/sales ratio can be defined as the percentage derived by dividing the assessed value of a property by the selling price of the same property. The ratio is therefore the result of two estimates of market value, the assessor’s and the buyer/seller’s.

$$\text{Assessment sales ratio} = \frac{\text{Assessor's estimate of market value}}{\text{Buyer/Seller estimate of market value}}$$

A group of individual assessment/sales ratios forms the basis for an assessment/sales ratio analysis. Take the example of the nine sales (hence nine ratios) for a tax district shown in Figure 10-1. The assessor, in keeping with sec .70.32, Wis. Stats., is attempting to assess at 100% of market value. Even if the assessor achieves an overall average of 100%, not every ratio will be at 100%. In this example, the assessment meets the average of 100% however the individual assessments range from 70% to 130%.

Figure 10-1

Property	Assessments	Sales price	Ratio
1	\$250,800	\$228,000	110
2	235,000	235,000	100
3	239,400	266,000	90
4	221,000	221,000	100
5	184,450	217,000	85
6	161,350	230,500	70
7	260,000	200,000	130
8	256,450	223,000	115
9	260,000	260,000	<u>100</u>
		Total	900

Average = 100%

Later in this section we will see how the ratio can be refined by using only sales that were not rejected as invalid or compulsive. The DOR has established formal criteria for the rejection of sales.

The assessment process is not an exact science. A specific assessment can be low, average, or high with respect to the average level assessment just as a sale can be low, average, or high within the open market.

Figure 10-2

Case	Assessment	Sale	Ratio
1	Average	Low	High
2	Average	Average	Average
3	Average	High	Low
4	Low	Low	Average
5	Low	Average	Low
6	Low	High	Very low
7	High	Low	Very high
8	High	Average	High
9	High	High	Average

This is a starting point for discussing ratios because “low,” “average,” or “high” have not been defined in a meaningful way. However, an important message comes through. Ratios are expected to differ (sometimes substantially) from the average. Estimation errors by both the assessor and buyer/seller contribute to these variations.

The crucial question arises: Should low and/or high ratios be discarded as being non-representative? Without further information on the sale, the answer is no. Sales should not be rejected solely on the basis of having a “low” or “high” ratio.

The possible results of two sources of value estimates when each source can have a low, average, or high opinion of value is shown in Figure 10-3. The ratios ranged from 83% to 121% depending on the assessor's and buyer/seller's estimate of value.

Figure 10-3

Value estimates:	\$166,000 - Low
	\$220,000 - Average
	\$260,150 - High

Case	Assessment	Sale	Ratio
1	\$250,800	\$228,000	110
2	220,000	220,000	100
3	239,400	266,000	90
4	220,000	220,000	100
5	198,000	220,000	90
6	166,000	200,000	83
7	260,150	215,000	121
8	220,000	200,000	110
9	260,000	260,000	100

Can the sales ratios be directly used to determine the uniformity of assessment? If the sales were perfect indicators of market value, and market value was a single concrete value, the answer would be yes. The problem becomes more difficult because the sale price of an individual property is only an estimate of market value within a range of values from low to high just as assessment is an estimate of value for a specific property within a range of low to high.

To isolate assessment error, the first step is to remove raw sales determined to be poor or questionable estimates of market value. For this review it is crucial that the assessor apply established formal criteria for the rejection of sales.

DOR has established formal criteria for the rejection of sales in its Sales Analysis System (SAS) and Provide Assessment Data (PAD) system. These criteria should be used for ratio development. When the assessor is doing market analysis to establish an assessment for an individual property, all the rejection criteria may not apply. For example, a sale of property located in two municipalities would be rejected from a ratio study because of the separate assessments, but the sale may still be valid when doing comparative market analysis.

The primary principle is that a sale should not be rejected arbitrarily or because the assessor 'feels' it isn't indicative of market value. This amounts to accepting sales which justify (rationalize) the assessor's own beliefs. The worst possible procedure is to reject sales solely on the basis of the ratio. Obviously, any kind of assessment can be made to look uniform if all (or most) sales with "unwanted" ratios are rejected.

If all sales that are not indicative of market value are rejected by the formal criteria then the variations in ratios for the remaining sales are largely due to errors in assessment. The assessment/sales ratios can then be used as direct measures of assessment performance.

Use of Assessment/Sales Ratio Studies

The Wisconsin property tax system operates on two levels: state and municipal. Assessment/sales ratio studies are used at both levels. At the state level the studies are used for equalization of value among local jurisdictions, creating a base for fiscal distribution. The state also uses the results of ratio studies to reveal uniformly assessed values among and within municipalities.

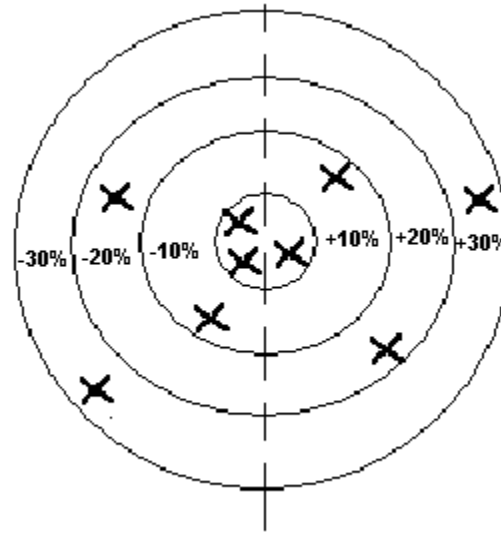
The use of assessment/sales ratio studies can be beneficial to the municipal assessor in a number of ways. The studies can be used as a general appraisal tool to indicate the need for a particular neighborhood, specific class of property, or whole municipality to be reassessed. In conjunction with the reassessment uses, the studies can be used to evaluate mass appraisal methods and budget needs such as manpower and training. Assessment/sale ratios can be used to project the total market value of a specific class of real property or all the real property in a municipality. The use of ratio studies to make annual market equalizations is discussed in depth later in this section. This use, sometimes referred to as trending, helps to maintain uniformity between properties by adjusting the properties not currently reassessed to the level of the most recent appraisals.

A major objective of assessment/sales ratio studies is to determine the degree of assessment uniformity. This measure of assessment performance is gauged by looking at the level of assessment and the degree to which individual assessments differ from that level. This can be more easily understood by thinking of the assessor as a marksman shooting at a target. The bull's-eye represents market value assessments; the concentric rings represent percentages away from the bull's-eye. Each shot represents an individual assessment. The target diagram for Figure 10-1 is shown in Figure 10-4.

NOTE: Assessors should determine the level of assessment annually. The general level of assessment, as determined, should be applied to the personal property. Assessors should not use the level of assessment as determined annually by DOR or the level of assessment indicated on the major class comparison report.

Consider the 9 attempts to hit the bull's-eye in Figure 10-4. The ratios range from 70% to 130% with an average of 100%. If the assessment is uniform, it is expected that most of the ratios would be close to 100%, the average. Although there are extreme ratios, the assessment will be uniform if most of the ratios are near the average. In this example, 7 out of 9 ratios are between 85% and 115% of the bull's-eye; or within $\pm 15\%$ of the bull's-eye. Up to this point, the bull's-eye has only been defined as market value assessments. The assessment would be non-uniform if most of the ratios are far from the bull's-eye.

Figure 10-4



The effect of non-uniform assessments can be seen by looking at properties A and B from Figure 10-5. If both properties are assessed at the sale price (\$20,000), then the tax with a mill rate of .034 is \$680 for each property owner. The total tax for both properties is \$1,360. In this case, one property is assessed at 70% of the sale price and the other property is assessed at 130% of the sale price. The distribution of the tax burden is shown in Figure 10-5.

Figure 10-5

	Sale price	Assessed value	Ratio	Mill rate	Tax
Property A	\$20,000	\$14,000	70%	.034	\$476
Property B	20,000	26,000	130%	.034	884
	\$40,000	\$40,000	100%	.034	\$1,360

The total tax collection for the two properties when one is assessed at 70% and the other at 130% is the same as before, \$1,360. The issue is not total tax collection but rather inequity. The over assessed property owner is paying \$408 more in taxes for the same priced home as the under assessed property owner. This inequity can only be corrected when each property is assessed in relation to market value (sale price in this example).

Statistical Methods

A series of ratios by itself does not tell much about assessment performance. A basic understanding of statistics is needed to successfully interpret the ratios. Statistics provides a method to understand data by the use of numbers. There are three steps in the studying of statistical data:

1. Collecting
2. Describing
3. Interpreting

This discussion deals with describing and interpreting the data from ratio studies. The following information, provides a basic introduction to statistics. These statistics are meant

to aid the assessor in understanding the information available from ratio studies. Additional information on the topics in this section can be found in any introductory statistics text such as the following: Moore, David S., *Statistics: Concepts and Controversies*, W.H. Freeman and Company, San Francisco, 1979.

Graphic Statistics

Many times the easiest understanding of statistics comes when the numbers are graphically displayed. The first step in displaying the numbers is to make a Frequency Distribution Chart. In making this chart intervals are chosen into which the data can be divided, then the number of occurrences in each interval are recorded and counted. A frequency distribution chart for Figure 10-1 could look like this:

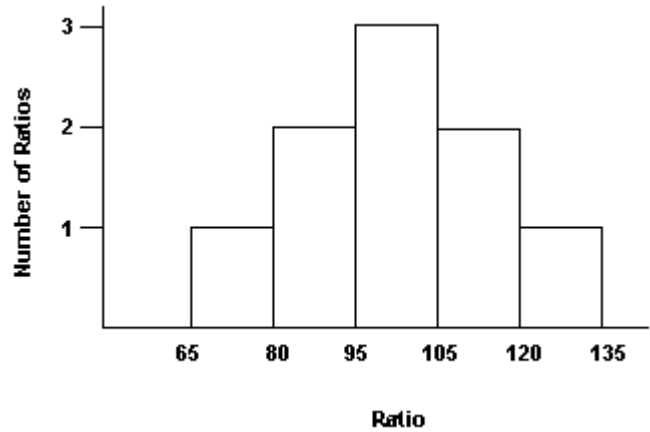
Ratio	Frequency
65 - 80%	1
81 - 95%	2
96 - 105%	3
106 - 120%	2
121 - 135%	1

A frequency distribution chart indicates the most common level of assessment. A symmetrical distribution that included every ratio would indicate that the same number of properties is over assessed as under assessed. The uniformity of assessments can be determined by looking at the degree and nature of the spread near the most common level. If there is a higher concentration of occurrences near the common level then the assessment is more nearly uniform and vice versa. A histogram is another type of graphic representation. Using the same information as in the above frequency distribution chart, the histogram for Figure 10-1 is shown in Figure 10-6.

Two things should be remembered when using a histogram. One, the class intervals on the horizontal axis must be of equal length (e.g., the distance between 65 and 80 must be the same as the distance between 120 and 135). If the distances are not the same, the results will appear distorted. Two, class intervals that do not contain any ratios must not be deleted from the histogram. To do so would make the assessment/sales ratios appear more concentrated than they are. Frequency charts and histograms can help the assessor get an initial feeling for the uniformity of the assessment in the municipality. Assume that the assessor has calculated the following assessment/sales ratios and arranged them from lowest to highest:

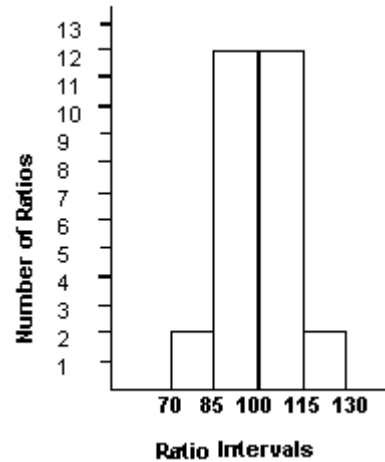
Figure 10-6

78	98	109
85	99	111
87	101	112
88	102	114
89	103	116
91	103	125
92	104	
92	105	
93	106	
95	107	
96		
97		



The assessor then constructs the following frequency chart and histogram:

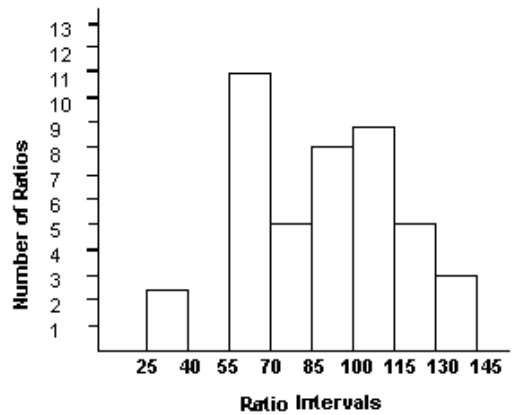
Ratio Interval	Frequency
71 - 85%	2
86 -100%	12
101 -115%	12
116 -130%	2



From looking at the frequency chart and the histogram, it can be seen that most of the assessment/sales ratios cluster around 100% and that the assessment is quite uniform.

Contrast that with these assessment/sales ratios from another municipality:

33%	71%	102%	122%
38	75	103	129
56	78	103	132
56	82	105	134
57	84	107	137
58	86	109	
59	87	110	
61	90	111	
63	91	112	
64	93	117	
65	94	119	
66	96	121	
68	98		



The frequency chart and histogram for these ratios is:

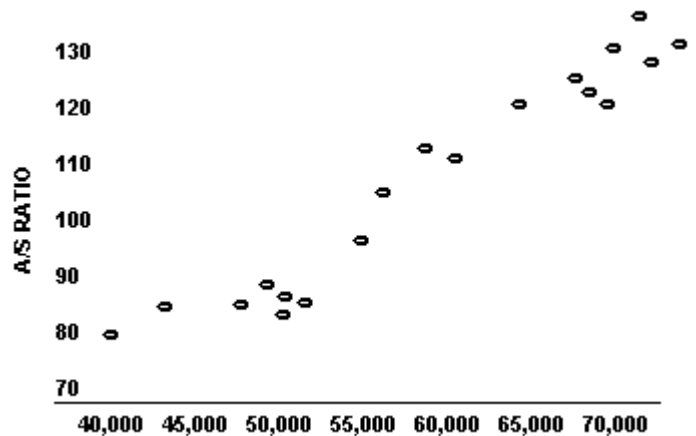
Ratio Interval	Frequency
26 - 40%	2
41 - 55%	0
56 - 70%	11
71 - 85%	5
86 - 100%	8
101 - 115%	9
116 - 130%	5
131 - 145%	3

The assessor can look at the frequency chart and the histogram and see that the ratios do not cluster around 100% as they did in the previous example. The wide range of ratios, from 33 to 137% indicates a lack of uniformity in the assessments. The large hump in the interval between 55-70% could indicate that a particular class or type of property is being assessed at a level other than the general level of assessment.

Another type of graphic representation that the assessor can use to measure uniformity is a scatterplot. A scatterplot is a graph consisting of a dot or point indicating the relationship between a sales price and the assessment for each sale. The scatterplot also gives an indication of inequities in the assessment.

Assume that the assessor has gathered the following information (The scatter plot is to the right):

Assessment		
Sale No.	Sales Price	Ratio
1	\$140,000	80%
2	145,000	82%
3	147,800	83%
4	149,500	85%
5	150,000	75%
6	150,000	82%
7	150,500	80%
8	151,000	90%
9	155,000	95%
10	156,000	100%
11	159,000	107%
12	160,000	105%
13	163,000	110%
14	164,500	120%
15	164,900	119%
16	165,000	117%
17	165,000	123%
18	166,000	125%
19	166,500	118%
20	166,900	120%



By displaying this data on a scatter plot (graph), it is noticeable that lower priced property tends to be under assessed and higher priced property tends to be over assessed. This gives the assessor an indication that there are inequities in the assessment.

While the assessor can get an initial feel for the uniformity of assessment in the municipality through the use of frequency charts, histograms, and other graphic presentations, there is much more information that can be obtained from the assessment/sales ratios. The next section deals with the statistical methods and procedures recommended to further interpret these ratios.

Statistical Testing of Sales Samples

While the assessor can gain a great deal of insight by examining histograms and frequency charts and comparing assessment/sales ratios of various classes and types of properties, there are limits to these analyses. The assessor must remember that an assessment/sales ratio is only a sample of the entire population of the properties in the municipality. While the assessor can, and often must, make assumptions about the entire population based on assessment/sales ratios from a sample, the assessor can never be completely sure that the ratio is representative of the entire population. For the assessor to be completely sure that the assessment/sales ratio truly represents the population, all properties would have to be involved in arm's-length sales. The assessment/sales ratio would then be the ratio of the entire population. Even if 95 percent of the properties sold, the assessor could still not be completely sure that the assessment/sales ratio is truly representative of the entire population since the sale of the remaining five percent could potentially cause some change in the ratio. Of course if 95 percent of the properties sold, the assessor would feel much more confident of the ratio than if only 5 percent of the properties sold.

The assessor is usually working with a small percentage of the total properties in the municipality and this sample is rarely representative of the entire population. Generally, the types of properties that have sold make up a somewhat disproportionate share of the sales sample than they do of the entire population. For example, three bedroom homes may make up 40 percent of the sample, but be only 30 percent of the entire population; one or two neighborhoods may have a great deal of sales activity with the other neighborhoods having little activity; lower value properties may sell more frequently than higher value properties. The assessor can think of many other situations that may affect the ratio. Even though there may be difficulties associated with the use of the assessment/sales ratio from such samples, since ordinary market value is the statutory standard, the assessor would be unwise not to use it to evaluate the assessment level of the municipality and to compare different groups of properties. There are various statistical tests that the assessor can use in conjunction with assessment/sales ratios to aid in making these evaluations. This section explains how the assessor sets up, performs, and uses these tests to evaluate the representativeness of the derived assessment/sales ratio.

Hypothesis Testing

A hypothesis is a supposition tentatively accepted to explain certain facts or to provide a basis for further investigation.

In order to make use of the statistical tests, the assessor states a hypothesis to be tested. For example, the assessor could state the hypothesis that residential and commercial properties are assessed at the same level of assessment.

The assessor would then follow these steps in testing the hypothesis:

Steps in Hypothesis Testing

1. **State the Hypothesis.** The hypothesis is the statement that the assessor will choose to accept unless the test produces contrary evidence. For this example, the hypothesis will be: “There is *no difference* between the assessment levels of the residential and commercial classes.” This is called a *null hypothesis* because it will be accepted unless the test provides contrary evidence.
2. **State the Alternative Hypothesis.** The alternative hypothesis is simply the opposite of the null hypothesis. In the example (in step 1) the alternative hypothesis is: “The residential and commercial classes of property are assessed at different levels of assessment.” The statistical test will provide the evidence to accept one or the other hypothesis.
3. **Select the Statistical Test.** There are various statistical tests that can be used depending on the type of hypothesis to be tested. This section explains the various tests that can be used.
4. **Specify a Confidence Level.** As mentioned previously, the assessor can never say with 100 percent confidence that an assessment/sales ratio from a sample is the ratio of the entire population. In the same manner, the assessor can never say with complete certainty that one or the other stated hypothesis is true. To control for this, a desired level of confidence must be selected. The most commonly used confidence levels are 90, 95, 98, and 99 percent. The one most frequently used is the 95 percent confidence level.
5. **Perform the Statistical Test.** Make the calculation associated with the selected test.
6. **Determine from the table whether the calculated number or inferential statistic lies within the desired Confidence Interval.** The confidence level selected in step 4 establishes a range. If the calculated number lies within the range, then the assessor cannot reject the null hypothesis. If the calculated number lies outside of this range, then the assessor must reject the null hypothesis and accept the alternative hypothesis. Assume that the assessor selects the 95 percent confidence level and the calculated number lies within the established range. The assessor can then accept the null hypothesis; there is a 95 percent chance that the null hypothesis is true. When the calculated number lies within the acceptable range at the 95 percent confidence level, there is still a 5 percent chance that the assessor has accepted the null hypothesis as true when it is not. As long as the assessor uses a sample of the population, there is always some chance that the sample is not totally representative of the entire population.

Nonparametric Statistics

There are two branches of statistics: parametric and nonparametric. The tests used in this

section will utilize nonparametric statistics. Parametric statistics are based on the mean ratio and assume a “normal” distribution. Nonparametric statistics are based on the median ratio. The differences between the mean and median ratio are discussed in the section on Measures of Central Tendency in this chapter. Nonparametric statistics are easy to calculate and understand. They involve ranking, sorting, counting, and relatively straightforward mathematics.

Testing the Level of Assessment

Each municipality is assessed at some level of market value. Sec. 70.32, Wis. Stats., requires that all property be assessed “at the full value which could ordinarily be obtained therefor at private sale” or 100 percent.

The purpose of this statistical test is to determine, at a specified confidence level, whether the calculated assessment/sales ratio from a sample meets the statutory overall level of assessment.

When the sample of sales is 25 or less, the assessor can simply count the number of ratios that are below the desired level of assessment and the number that are above. The assessor can then refer to Table A.

Example:

An assessor attempting to assess property at 100 percent of market value has a sample of 21 ratios; 5 are below 100 percent and 16 are above. The assessor wishes to determine, at the 95 percent confidence level, what the probability is of obtaining this type of a distribution when the desired assessment level is 100 percent. Table A indicates that the probability of obtaining this type of distribution is .013. The .013 indicates that there is only 1.3 percent chance that the distribution is normally distributed around the median. Therefore, the assessor can reject the hypothesis that the desired level of assessment is 100 percent. To not reject the hypothesis at the 95 percent confidence level, the Table would have to yield a probability of .05 or higher. (See note at bottom of table).

Table A
Probabilities Associated with Binomial Test

N	x												
	0	1	2	3	4	5	6	7	8	9	10	11	12
5	.031	.188	.500										
6	.016	.109	.344										
7	.008	.062	.227	.500									
8	.004	.035	.145	.363									
9	.002	.020	.090	.254	.500								
10	.001	.011	.055	.172	.377								
11		.006	.033	.113	.274	.500							
12		.003	.019	.073	.194	.387							
13		.002	.011	.046	.133	.291	.500						
14		.001	.006	.029	.090	.212	.395						
15			.004	.018	.059	.151	.304	.500					
16			.002	.011	.038	.105	.227	.402					
17			.001	.006	.025	.072	.166	.315	.500				
18			.001	.004	.015	.048	.119	.240	.407				
19				.002	.010	.032	.084	.180	.324	.500			
20				.001	.006	.021	.058	.132	.252	.412			
21				.001	.004	.013	.039	.095	.192	.332	.500		
22					.002	.008	.026	.067	.143	.262	.416		
23					.001	.005	.017	.047	.105	.202	.339	.500	
24					.001	.003	.011	.032	.076	.154	.271	.419	
25						.002	.007	.022	.054	.115	.212	.345	.500

Note. - n = total number of observations and x = number of observations occurring in the smaller group. Table entries are the probabilities of obtaining a value of x as small as or smaller than the indicated value under the assumption that H_0 is true. Probabilities are for a two-tailed test. Probabilities for a one-tailed test are found by multiplying by 0.50, with H_0 accepted whenever one-half or more of the observations do not fall in the direction indicated in H_1 .

When the sample size is greater than 25, the assessor should use the following formula:

$$z = \frac{0.5(n - 1) - x}{\sqrt{(0.25n)}}$$

- n = the total number of ratios in the sample
- x = the number of ratios in the smaller group
- $\sqrt{\quad}$ = the square root of the number

Assume that the assessor has 35 ratios, 13 of which are below the target median ratio of 100 percent. The assessor again selects the 95 percent confidence level. The use of the formula gives the following result:

$$z = \frac{0.5(34) - 13}{\sqrt{[(.25)(35)]}} = 1.36$$

To interpret this number, the assessor must refer to Table B. In a normal distribution, 50 percent of the ratios lie above the target median ratio and 50 percent below. To allow for this, divide the desired confidence level by 2.

In the example, the assessor would divide .95 by 2 = .475. The assessor would find .475 in Table B and note that this gives a value for z of 1.96. This z value is for half the ratios. To

account for all of the ratios, establish a range of +1.96 to -1.96. When the calculated value of z lies within this range, the assessor cannot reject the hypothesis. If the calculated value of z lies outside of this range, then the assessor can reject the hypothesis. In this case, the z value, 1.36, lies within the acceptance range. Therefore, the assessor can, at the 95 percent confidence level, accept the hypothesis that the level of assessment is 100 percent.

NOTE: Observe from Table B that the critical values for the 90 percent confidence level are ± 1.65 and at the 99 percent level are ± 2.58 . e.g.: $.90 \div 2 = .45$, $.99 \div 2 = .495$

Table B
Critical Values of z

Second Decimal Place of z										
z	.00	.01	.02	.03	.04	.05	.06	.07	.08	.09
.0	.0000	.0040	.0080	.0120	.0160	.0199	.0239	.0279	.0319	.0359
.1	.0398	.0438	.0478	.0517	.0557	.0596	.0636	.0675	.0714	.0753
.2	.0793	.0832	.0871	.0910	.0948	.0987	.1026	.1064	.1103	.1141
.3	.1179	.1217	.1255	.1293	.1331	.1368	.1406	.1443	.1480	.1517
.4	.1554	.1591	.1628	.1664	.1700	.1736	.1772	.1808	.1844	.1879
.5	.1915	.1950	.1985	.2019	.2054	.2088	.2123	.2157	.2190	.2224
.6	.2257	.2291	.2324	.2357	.2389	.2422	.2454	.2486	.2517	.2549
.7	.2580	.2611	.2642	.2673	.2703	.2734	.2764	.2794	.2823	.2852
.8	.2881	.2910	.2939	.2967	.2995	.3023	.3051	.3078	.3106	.3133
.9	.3159	.3186	.3212	.3238	.3264	.3289	.3315	.3340	.3365	.3389
1.0	.3438	.3461	.3485	.3508	.3531	.3554	.3577	.3599	.3621	.3643
1.1	.3665	.3686	.3708	.3729	.3749	.3770	.3790	.3810	.3830	.3849
1.2	.3869	.3888	.3907	.3925	.3944	.3962	.3980	.3997	.4015	.4032
1.3	.4049	.4066	.4082	.4099	.4115	.4131	.4147	.4162	.4177	.4192
1.4	.4207	.4222	.4236	.4251	.4265	.4279	.4292	.4306	.4319	.4332
1.5	.4345	.4357	.4370	.4382	.4394	.4406	.4418	.4429	.4441	.4452
1.6	.4463	.4474	.4484	.4495	.4505	.4515	.4525	.4535	.4545	.4554
1.7	.4564	.4573	.4582	.4591	.4599	.4608	.4616	.4625	.4633	.4641
1.8	.4649	.4656	.4664	.4671	.4678	.4686	.4693	.4699	.4706	.4713
1.9	.4719	.4726	.4732	.4738	.4744	.4750	.4756	.4761	.4767	.4772
2.0	.4778	.4783	.4788	.4793	.4798	.4803	.4808	.4812	.4817	.4821
2.1	.4826	.4830	.4834	.4838	.4842	.4846	.4850	.4854	.4857	.4861
2.2	.4864	.4868	.4871	.4875	.4878	.4881	.4884	.4887	.4890	.4893
2.3	.4896	.4898	.4901	.4904	.4906	.4909	.4911	.4913	.4916	.4918
2.4	.4920	.4922	.4925	.4927	.4929	.4931	.4932	.4934	.4936	.4938
2.5	.4940	.4941	.4943	.4945	.4946	.4948	.4949	.4951	.4952	.4953
2.6	.4955	.4956	.4957	.4959	.4960	.4961	.4962	.4963	.4964	.4965
2.7	.4966	.4967	.4968	.4969	.4970	.4971	.4972	.4973	.4974	.4974
2.8	.4975	.4976	.4977	.4977	.4978	.4979	.4979	.4980	.4981	.4981
2.9	.4981	.4982	.4982	.4983	.4984	.4984	.4985	.4985	.4986	.4986
3.0	.4987	.4987	.4987	.4988	.4988	.4989	.4989	.4989	.4990	.4990

Note. – Entries in the table give the area under the normal probability curve for positive values of z . Areas for negative values of z are obtained by symmetry. Thus, for example, the probability of observing $0 \leq z < 1.41$ is 0.4207. Similarly, the probability of observing $-1.41 < z \leq 0$ is also 0.4207.

Testing for Differences in the Level of Assessment Between Property Groups

One goal of the assessor is to achieve the statutory level of assessment. The principal goal is to assure that there is equity within and between the various classes of property. The assessor can calculate assessment/sales ratios for various classes and types of properties and by looking at the ratios the assessor can get some idea of the equity between the various classes. However, this does not tell the assessor whether the differences between ratios is due simply to sampling chance and is acceptable or whether the difference is due to a difference in the assessment of the various groups. There are two statistical tests that the assessor can use to evaluate the differences between property groups. The *Mann Whitney Test* is used when evaluating *two* groups. The *Kruskal Wallis Test* is used when evaluating *three or more* groups.

Mann-Whitney Test

This test is used when evaluating two property groups. It involves sorting the assessment ratios into two groups, ranking the ratios, and then calculating several straightforward formulas. In this example, the assessor wants to determine whether vacant properties are assessed at a different level of assessments than improved properties. The assessor first states the hypothesis: "Vacant and improved properties are assessed at the same level of assessment." This is the null hypothesis that will be accepted unless the test indicates that it should be rejected. The assessor then calculates and sorts the ratios:

Group 1 Vacant: .517, .528, .531, .539, .548, .549, .555, .574, .581, .588, .594, .600, .608, .613

Group 2 Improved: .495, .503, .524, .529, .536, .542, .550, .556, .561, .569, .573, .577, .584, .595, .597, .603, .610

Next, rank each ratios with 1 being the lowest. Then sum the rankings in each group:

Vacant		Improved	
A/S Ratio	Rank	A/S Ratio	Rank
.517	3	.495	1
.528	5	.503	2
.531	7	.524	4
.539	9	.529	6
.548	11	.536	8
.549	12	.542	10
.555	14	.550	13
.574	19	.556	15
.581	21	.561	16
.588	23	.569	17
.594	24	.573	18
.600	27	.577	20
.608	29	.584	22
.613	31	.595	25
	235	.597	26
		.603	28
		.610	30
			261

The assessor can then use either of the following formulas:

$$U_1 = n_1 n_2 + \frac{n_1(n_1+1)}{2} - R_1 \quad \text{or}$$

$$U_2 = n_1 n_2 + \frac{n_2(n_2+1)}{2} - R_2$$

n_1 = The number of ratios in group 1.

n_2 = The number of ratios in group 2.

R_1 = The sum of the ranks in group 1.

R_2 = The sum of the ranks in group 2.

Using the numbers from the example for the equation.

$$U_1 = (14)(17) + \frac{(14)(15)}{2} - 235 = 108$$

$$U_2 = (14)(17) + \frac{(17)(18)}{2} - 261 = 130$$

The assessor can now calculate the z value using the following formula:

$$z = \frac{U - n_1 n_2 / 2}{\sqrt{[n_1 n_2 (n_1 + n_2 + 1) / 12]}}$$

Using U_1 , the z value is:

$$z = \frac{108 - (14)(17)/2}{\sqrt{[(14)(17)(14 + 17 + 1)/12]}} = -.437$$

Using U_2 , the z value is:

$$z = \frac{130 - (14)(17)/2}{\sqrt{[(14)(17)(14 + 17 + 1)/12]}} = .437$$

Notice the z value is the same regardless of which equation is used. The only difference is the sign. Consult Table B to determine the critical value of z. The assessor uses the 95 percent confidence level, so the critical value of z is ± 1.96 . Since our calculated value of z is either + or - .436, and lies within the range of ± 1.96 , the assessor cannot reject the null hypothesis: “vacant and improved properties are assessed at the same level of assessment.” To use this test either (1) both n_1 and n_2 must contain at least 8 ratios or (2) the larger of the two groups n_2 must contain at least 20 ratios.

This test can also be used to evaluate the levels of assessment between two classes of property. Assume that the assessor wished to determine if there is a significant difference between the levels of assessment for the two classes and had calculated and ranked the following ratios:

Residential		Commercial	
A/S Ratio	Rank	A/S Ratio	Rank
.857	16	.756	1
.862	17	.761	2
.864	18	.764	3
.913	24	.768	4
.921	25	.772	5
.926	27	.781	6
.933	28	.785	7
.938	30	.793	8
.945	31	.801	9
.949	32	.804	10
.961	33	.809	11
.968	34	.812	12
.975	35	.817	13
.981	36	.825	14
.984	37	.831	15
.988	38	.865	19
.991	39	.871	20
.997	<u>40</u>	.893	21
	540	.897	22
		.901	23
		.924	26
		.936	<u>29</u>
			280

The assessor can now calculate the value of U, in this case we will use the formula for U₁:

$$U_1 = (18)(22) + \frac{(18)(19)}{2} - 540 = 27$$

The value of z would then be:

$$z = \frac{27 - (18)(22)/2}{\sqrt{[(18)(22)(18 + 22 + 1)/12]}} = .465$$

Assume that the assessor wants to use the 95 percent confidence level with a z value of ± 1.96 . Since the calculated z value lies outside the acceptance range, the assessor would reject the hypothesis that the residential and commercial classes are assessed at the same level of assessment.

Kruskal-Wallis Test

This test is used to check the level of assessment between three or more groups. This test is similar to the previous test in that the assessor sorts the individual ratio, ranks them, and then applies a formula.

The assessor wants to determine at the 95 percent confidence level whether residential, commercial, and forest properties are assessed at the same level of assessment. The assessor would state the null hypothesis: “Residential, commercial, and forest properties are assessed at the same percentage of market value.” The assessor then sorts and ranks the following 36 ratios:

Residential		Commercial		Forest	
A/S Ratio	Rank	A/S Ratio	Rank	A/S Ratio	Rank
.874	3	.892	10	.858	1
.883	6	.898	14	.867	2
.886	7	.901	15	.876	4
.889	9	.914	20	.881	5
.895	11	.919	22	.888	8
.897	13	.924	24	.896	12
.905	17	.930	27	.903	16
.917	21	.933	29	.909	18
.925	25	.939	31	.913	19
.929	26	.950	34	.920	23
.936	30	.956	35	.932	28
.947	33	.959	36	.940	32
	201		297		168

The assessor then uses the following formula:

$$H = \frac{12}{N(N+1)} \left[\frac{(R_1)^2}{N_1} + \frac{(R_2)^2}{N_2} + \frac{(R_3)^2}{N_3} \right] - 3(N+1)$$

NOTE: If there are additional groups, the assessor would add the total rank of that group, square that number, divide it by the number of observations in that group and add it to the groups in the brackets. For example, if there were 5 groups the part of the formula in the brackets would be the following:

$$\frac{(R_1)^2}{N_1} + \frac{(R_2)^2}{N_2} + \frac{(R_3)^2}{N_3} + \frac{(R_4)^2}{N_4} + \frac{(R_5)^2}{N_5}$$

Substituting the numbers in the example gives these results:

$$H = \frac{12}{(36)(37)} \left[\frac{(201)^2}{12} + \frac{(297)^2}{12} + \frac{(168)^2}{12} \right] - 3(37) = 6.74$$

Refer to Table C to determine the critical value for the 95 percent confidence level. The “d.f.” on the table represents the “degrees of freedom” of the sample and is the number of property groups minus 1. In this case, the d.f. is 2. Then look across the table from 2 under the 95 percent confidence level to get the critical value of 5.99. Since the calculated value of 6.63 is greater than the critical value of 5.99, the assessor can, at the 95 percent confidence level, reject the hypothesis that residential, commercial, and forest properties are assessed at the same percentage of market value. **NOTE:** There must be at least 5 observations in each property group to use this test.

Table C
Critical Values of Chi Square

	.90	.95	.975	.99	.995	.9995
Confidence Level for Two-tailed Test						
d.f.	.80	.90	.95	.98	.99	.999
1	1.64	2.71	3.84	5.41	6.64	10.83
2	3.22	4.60	5.99	7.82	9.21	13.82
3	4.64	6.25	7.82	9.84	11.34	16.27
4	5.99	7.78	9.49	11.67	13.28	18.46
5	7.29	9.24	11.07	13.39	15.09	20.52
6	8.56	10.64	12.59	15.03	16.81	22.46
7	9.80	12.02	14.07	16.62	18.48	24.32
8	11.03	13.36	15.51	18.17	20.09	26.12
9	12.24	14.68	16.92	19.68	21.67	27.88
10	13.44	15.99	18.31	21.16	23.21	29.59
11	14.63	17.28	19.68	22.62	24.72	31.26
12	15.81	18.55	21.03	24.05	26.22	32.91
13	16.98	19.81	22.36	25.47	27.69	34.53
14	18.15	21.06	23.68	26.87	29.14	36.12
15	19.31	22.31	25.00	28.26	30.58	37.70
16	20.46	23.54	26.30	29.63	32.00	39.29
17	21.62	24.77	27.59	31.00	33.41	40.75
18	22.76	25.99	28.87	32.35	34.80	42.31
19	23.90	27.20	30.14	33.69	36.19	43.82
20	25.04	28.41	31.41	35.02	37.57	45.32
21	26.17	29.62	32.67	36.34	38.93	46.80
22	27.30	30.81	33.92	37.66	40.29	48.27
23	28.43	32.01	35.17	38.97	41.64	49.73
24	29.55	33.20	36.42	40.27	42.98	51.18
25	30.68	34.38	37.65	41.57	44.31	52.62
26	31.80	35.56	38.88	42.86	45.64	54.05
27	32.91	36.74	40.11	44.14	46.96	55.48
28	34.03	37.92	41.34	45.42	48.28	56.89
29	35.14	39.09	42.56	46.69	49.59	58.30
30	36.25	40.26	43.77	47.96	50.89	59.70

Note.—The region of rejection consists of all values greater than the indicated values.

Measures of Central Tendency

Suppose you were to ask someone to summarize the information in a ratio study by use of a single number. Most people would provide you with an average (a measure of central tendency) of some kind. **CAUTION:** Averages can be misleading. Take the example of the player heights in the two basketball teams below:

Team 1	Team 2
72"	71"
71"	71"
70"	78"
72"	70"
75"	70"
360"	360"
$360" \div 5 = 72"$	$360" \div 5 = 72"$

The average height for both teams is 72", the heights of each player vary by as much as 8".

The three most common measures of central tendency are: the simple mean, the weighted mean, and the median.

The simple mean (average) is computed by adding up the ratios in the sample and dividing by the number of ratios. All sales regardless of dollar amounts are given equal weight. For example, a \$10,000 sale counts as much as a \$200,000 sale when a simple average is used. The simple mean for Figure 10-7 is: $42 + 48 + 50 + 53 + 58 + 63 + 400 = 714$ divided by 7 equals a simple mean of 102%.

Some of the characteristics of the simple mean are the following:

1. It is an easily calculated average using every ratio in the sample.
2. It is easily understood and is the most widely known measure of central tendency.
3. It can be treated algebraically. For example, if two simple means have been calculated for subgroups of the same size, then the overall mean is the simple average of the two-subgroup means.
4. It is sensitive to extreme ratios and thus may not be typical. The simple mean of Figure 10-7 is 102%, which is clearly not a typical ratio in the sample. The extreme ratio of 400% has caused this.

The weighted mean, as the name suggests, is related to the simple mean. The weighted mean when used by the DOR is known as the aggregate ratio. It is calculated by dividing the total of all the individual assessments in a sample by the total of all the individual sale prices in the sample. The weighted mean or aggregate ratio for Figure 10-7 is 277%.

$$\frac{4,200 + 9,600 + 5,000 + 15,900 + 11,600 + 12,600 + 800,000}{10,000 + 20,000 + 10,000 + 30,000 + 20,000 + 20,000 + 200,000} = \frac{858,900}{310,000}$$

$$\frac{858,900}{310,000} = 2.77$$

In calculating the aggregate ratio, large dollar value sales count more heavily than small dollar value sales. For example, a \$200,000 sale counts ten times as much as a \$20,000 sale. Some characteristics of the weighted mean are the following:

1. It is an easily calculated ratio using every sale in the sample.
2. It is not as easily understood or widely known as the simple mean.
3. It can be treated algebraically.
4. It is sensitive to extreme ratios, thus may not be typical. It can be more sensitive than the simple mean.

The aggregate ratio (weighted mean) is an appropriate measure of central tendency for estimating the market value of all property (the universe) when given a sufficient sample of sales. It is also appropriate for measuring the relative tax liability of individual taxpayers. This relative tax liability may be computed by dividing the specific assessment/sales ratio by the aggregate ratio. The aggregate ratio measures the level of assessment on a dollar by dollar basis, while the median and simple mean measure on a property by property basis.

It is reasonable that the aggregate ratio of the sample be used to estimate the aggregate ratio of the universe. Therefore, when sales are adequate in number, the DOR uses the sample aggregate ratio to project full market value for equalization purposes.

For the ratios in Figure 10-7 the aggregate ratio is 277% while the simple mean ratio is 102%. The aggregate ratio in this case is even less typical of the sample than is the simple mean. The aggregate ratio is very sensitive to extreme ratios if the extreme sales are large value properties. Conversely, the aggregate ratio is not very sensitive to extreme sales of small dollar value.

The median is quite different from the simple mean and the aggregate ratio (weighted mean). To calculate the median, arrange the ratios in ascending order (from lowest to highest). The median is the ratio located in the middle. If there are an odd number of ratios, the median is an actual ratio. If there are an even number of ratios, the median is the simple average of the two centrally located ratios.

Since there are an odd number of ratios in Figure 10-7, the median is the middle ratio when the ratios are arranged from lowest to highest.

42	48	50	53	58	63	400
			↑			
			Median			

If the total number of ratios had been an even number, the median is the average of the two central numbers. For example, the median of the following ratios is 54.

42	48	50	58	63	400
			↑		
			Median		

$$\frac{50 + 58}{2} = 54$$

Some of the characteristics of the median are:

1. It is easy to calculate as long as the ratios can be readily arranged in order by size.
2. It is easily understood although not as widely known as the simple mean.
3. It cannot be treated algebraically which limits its use for further statistical calculations.
4. Being an average of position, it is not sensitive to extreme ratios and in this sense tends to be typical. The median is affected by the number of ratios, not by the size of ratios. The extreme ratio of 400% does not distort the median of 53%.

The median is a commonly used measure of central tendency for assessment/sales uniformity studies. To measure uniformity, specific assessment/sales ratios should be compared to an

average ratio that is typical of all sales ratios in the sample. As previously discussed, the median tends to be typical because it is not sensitive to extreme ratios. Uniformity studies are discussed in detail under the heading of Dispersion.

Three measures of central tendency have been defined:

Simple mean of	102%
Weighted mean of	277%
Median of	53%

For the small sample size used in Figure 10-7, the three measures of central tendency that were used were not very close. When the simple and weighted means are larger than the median, there are more high ratios than low ratios or as in the example, one extremely high ratio. When the weighted mean is larger than the simple mean, there are large dollar values associated with high ratios. For a large number of sales the three measures will generally be close. Where the ratios are expected to vary, the choice as to the single “best” ratio hinges on what the problem is and how the ratios are to be used. The previously discussed definitions and uses of each measure should aid in the choice. The DOR computes and uses all three.

Figure 10-7

Ratio	42%	48%	50%	53%	58%	63%	400%
Assessment	\$4,200	\$9,600	\$5,000	\$15,900	\$11,600	\$12,600	\$800,000
Sale price	\$10,000	\$20,000	\$10,000	\$30,000	\$20,000	\$20,000	\$200,000
	Simple Mean = 102%						
	Weighted Mean = 277%						
	Median = 53%						

Dispersion

The major goal of the assessment/sales analysis is to measure assessment performance. The goal of equity dictates that assessments be uniform. Does the measure of central tendency, whether it is the mean or median, indicate the degree of uniformity? Evidently not. A statistical measure of the dispersion (the variation of specific assessment/sales ratios around the average ratio) is needed. Referring back to the target diagram, dispersion measures how far away from the bull’s-eye the assessments are. Perhaps the easiest display of variation is the previously discussed frequency chart and histogram. The procedure used by the DOR is outlined and detailed below.

First, arrange the assessment/sales ratios in ascending order; the median is used as the measure of central tendency. If the median ratio is 90%, the objective is to determine whether the individual ratios are generally close to the 90% ratio. Closeness is the degree to which the ratios lie within intervals of ± 15% of the median. Since 90 (the median) x .85 (- 15% of the median) = 76.5 and 90 x 1.15 (+ 15% of the median) = 103.5, ratios to be considered close would have to be within the two intervals:

- 76.5% to 90.0%
- 90.0% to 103.5%

In this example, assume these intervals contain 5 and 10 sales respectively.

The concept of dispersion can be extended to define further intervals. For example, how many sales lie in the intervals defined by $\pm 15\%$ to 30% of the median? Since $90 \times 1.30 = 117$ and $90 \times .70 = 63.0\%$, the two additional intervals are:

63.0% to 76.5%
103.5% to 117.0%

In the sample, assume that there are 7 and 3 ratios within these intervals respectively.

In this case, all 25 ratios fall within $\pm 30\%$ so it is not necessary to define further intervals (30% to 45%, etc.).

Summarizing

Interval	Number of sales (Frequency)
63.0% - 76.5%	7
76.5% - 90.0%	5
90.0% - 103.5%	10
103.5% - 117.0%	3
	25

It is useful to graph this frequency table as shown in Figure 10-8. Let the horizontal axis designate the ratio intervals and let the vertical axis designate the number of sales (frequency) within the intervals. Draw a bar to indicate the frequency of sales in each interval. If the assessment is uniform, the bar chart (histogram) will be tall and narrow. If the assessment is not uniform, the bar chart will be short and wide.

To show the contrast between uniform and non-uniform assessment, two hypothetical frequency charts are illustrated in Figures 10-9 and 10-10. The median (90%) and the number of sales (25) is the same for both samples.

For the uniform assessment, Figure 10-9, a unimodal frequency distribution is formed. The chart is unimodal because the two intervals bracketing the median (76.5% to 90.0% and 90.0% to 103.5%) contain a large percentage of the total sales. In simplest terms, a frequency chart is unimodal when a single major “hump” is observed. If the “hump” is in the middle, many properties are being assessed properly.

A more technical reason for the desirability of unimodal frequency charts (centered in the middle) relates to statistical theory. For such statistical determination as that of “adequate” sample size, it is usually assumed that an assessment is “well behaved,” that is, the ratios in the universe are normally distributed. (See a basic statistics text for description of the normal curve). The normal curve is bell-shaped and illustrated in Figure 10-11.

Since the normal curve is unimodal, it is encouraging when the frequency charts are found to be similarly shaped. When properties are assessed uniformly, a bell-shaped frequency chart is expected.

The assessment performance shown in Figure 10-10 is undesirable because many assessment sales ratios fall in an interval which does not bracket the median. This indicates that many properties are inequitably assessed.

Figure 10-12 is a skewed frequency chart. A frequency chart is skewed when there is a major hump (concentration of frequency) on one side or the other of the median. This would again indicate that many properties are inequitably assessed. A certain neighborhood or class of property may be dramatically over or under assessed when compared to the other property in the municipality.

In previous frequency charts the intervals have been specified by the end most ratios. From now on the intervals are denoted by percentage distance from the median. The first plus interval is 0 to + 15% while the first negative interval is 0 to -15%, etc.

Figure 10-08

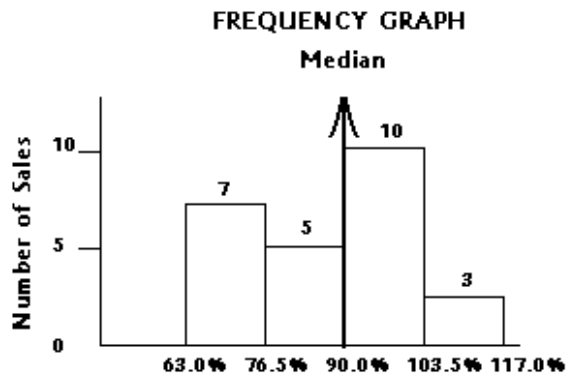


Figure 10-10

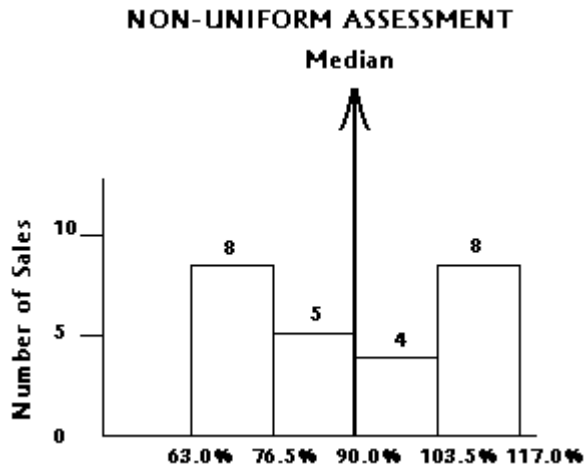


Figure 10-09

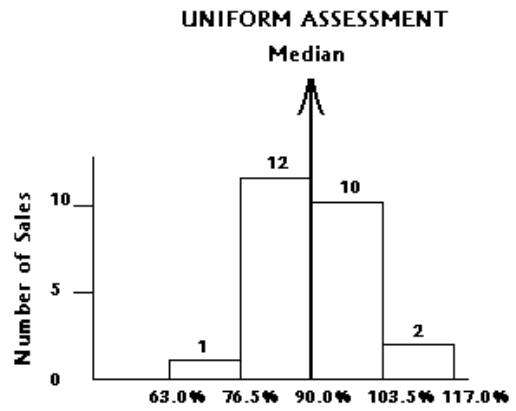


Figure 10-11

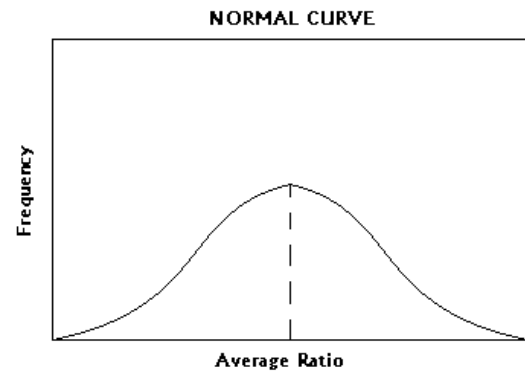


Figure 10-12

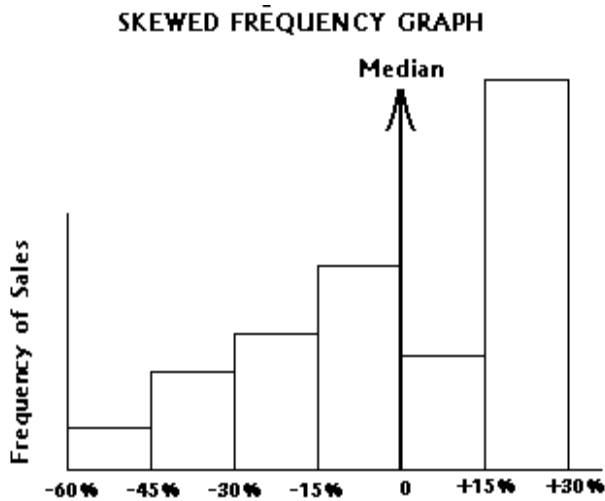


Figure 10-14

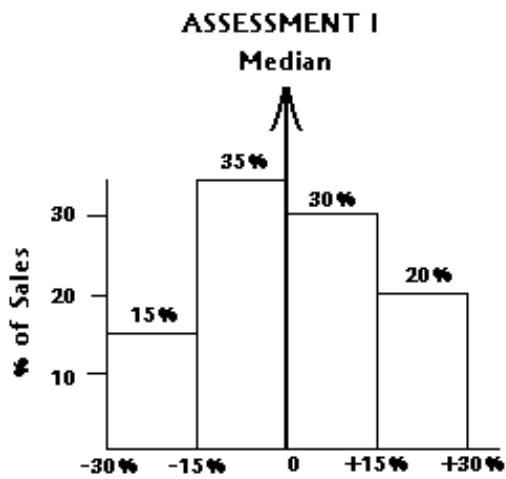


Figure 10-13

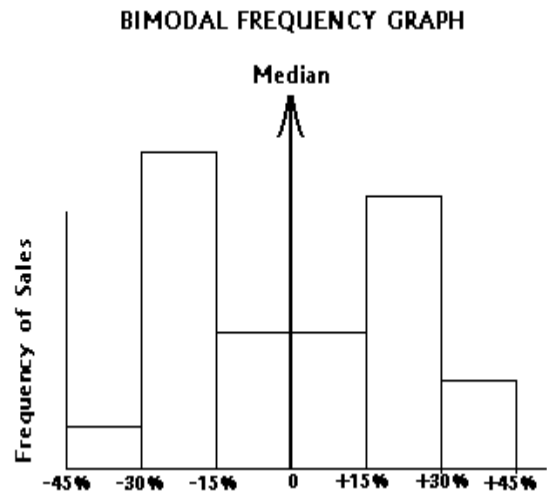
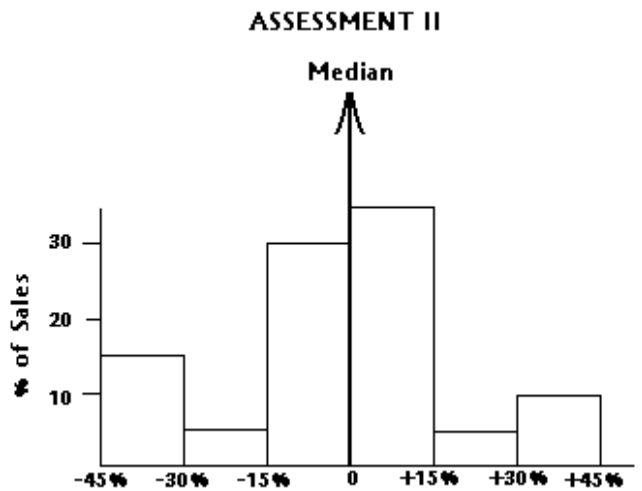


Figure 10-15



A bimodal frequency distribution is illustrated in Figure 10-15. A frequency chart is bimodal when there are two major humps. The term bimodal refers to a measure of central tendency not previously discussed: the mode. The mode is the ratio that occurs most frequently. The mode is not normally used by the DOR since it records only the most frequent ratio, and this ratio may be far from the center of distribution.

Such a bimodal frequency chart indicates poor assessment. This poor assessment may come from several causes. First, the assessor may just be “all over the map” in the assessments. Second, there may be systematic bias in the assessment of different kinds of property. For example, if all classes of property are included in the sales sample, then the tall bar to the left of the median may correspond to commercial property being under assessed. The tall bar to the right of the median may correspond to over assessed residential property.

Alternatively, the two property classes might be reversed. As a further example, suppose the sales sample is solely residential; then perhaps old property is systematically under assessed while new property is systematically over assessed. Third, assessor turnover may have occurred and the two assessors may have vastly different perceptions of market value. Assessor 1 may be responsible for the “hump” to the left whereas Assessor 2 may be responsible for the “hump” to the right.

Such non-uniformity can arise when a local roll is copied from one year to the next and/or when only those properties which have sold are reassessed.

Obviously, much can be learned from the frequency chart, which visually displays the information in a sales sample. The DOR commonly uses the coefficient of concentration and relative coefficient of dispersion to summarize the degree of assessment uniformity to a single number.

The simplest and easiest way to measure uniformity is the coefficient of concentration. This measure is expressed as the percentage of ratios, which lie within $\pm 15\%$ of the median. Return to the example in Figure 10-10. There were 25 total sales; 5 ratios were within 15% below the median and 10 ratios were within 15% above. The frequency in percentage terms is the following:

$$\begin{aligned} 5/25 &= 20\% \text{ within } - 15\% \text{ of median} \\ 10/25 &= 40\% \text{ within } + 15\% \text{ of median} \\ 60\% &= \text{coefficient of concentration} \end{aligned}$$

Therefore, 60% of the ratios are within $\pm 15\%$ of the median.

In another example, using the information from Figure 10-1, the coefficient of concentration is 78%, that is, 7 out of 9 of the ratios are within $\pm 15\%$ of the median.

If the goal is to assess property at no greater than $\pm 15\%$ from the average assessment level, then the coefficient of concentration tells the extent to which the goal is met.

Note that the coefficient of concentration is related to the discussion on the desirability of unimodal frequency distributions centered around the median. The coefficient of concentration is a single statistic that summarizes the degree to which assessment/sales ratios bracket the median.

The coefficient of concentration does not use all of the information in the frequency chart because it is not concerned with the other intervals (+ 15% to + 30%, + 30% to + 45%, etc.)

To illustrate how the lack of concern for intervals other than -15% to +15% can result in misleading coefficients of concentration, plot two hypothetical frequency charts but change the vertical axis to percentage of sales rather than number of sales and also add another interval on each end. The basic interpretation of the frequency chart remains the same.

The coefficient of concentration for Assessments I and II are both 65%, but it can be seen that Assessment I is superior in overall dispersion. Since the coefficient of concentration loses some dispersion information, one should also examine another measure, the coefficient of dispersion.

The relative coefficient of dispersion measures the average distance (in relative terms) that individual ratios lie from the median. It is calculated by taking each ratio below the median and subtracting it from the median, then taking each ratio above the median and subtracting the median from it. The result is a series of positive differences (deviations). Total these differences and divide by the total number of sales to obtain the absolute coefficient of dispersion. The absolute coefficient is divided by the median to obtain the relative coefficient of dispersion. This calculation for Figure 10-1 with a median of 100% is the following:

100	-	70	=	30
100	-	85	=	15
100	-	90	=	10
100	-	100	=	0
130	-	100	=	30
115	-	100	=	15
110	-	100	=	10
100	-	100	=	0
100	-	100	=	<u>0</u>
Total Deviation			=	110

Absolute coefficient of dispersion is $110/9 = 12.22$ Relative coefficient of dispersion is $12.22/100 = .122 \times 100 = 12\%$

The relative coefficient of dispersion is a percentage variable, in this case 12%. Is 12% good or bad? The answer to this question doesn't come easily. It is always possible to make relative comparisons of two assessment performances.

Assessment I (Figure 10-14) can be said to be more uniform than Assessment II (Figure 10-15) if Assessment I has a smaller relative coefficient of dispersion.

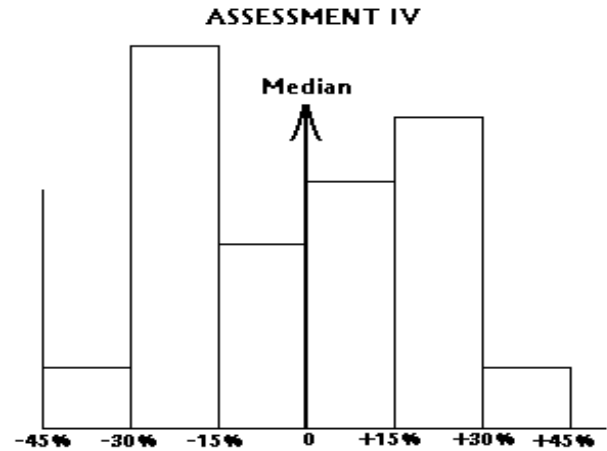
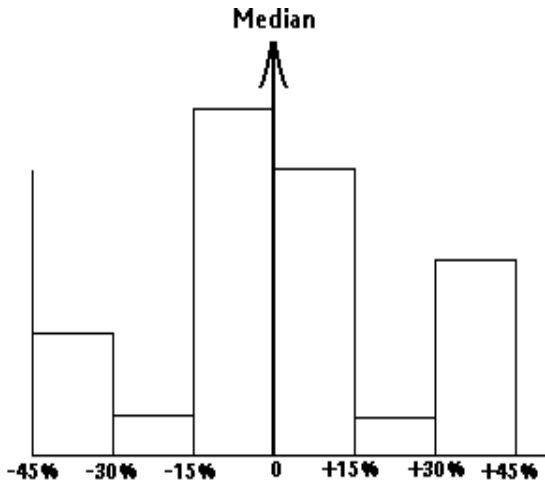
But an absolute criterion is desirable. Extensive assessment/sales ratios studies for the State of Wisconsin show that a reasonable degree of uniformity corresponds to a coefficient of dispersion between 10% and 15%. A coefficient of dispersion less than 10% indicates good assessment uniformity.

Although the coefficient of dispersion is a summary of all the variations in the sample, this does not mean that the coefficient of concentration should be ignored. To see this, consider Figures 10-16 and 10-17.

Figure 10-16

Figure 10-17

Assessment III Assessment IV



The coefficient of dispersion can be identical for Assessments III and IV. Even so, one might argue that Assessment III is superior. This follows because Assessment III has more closely met the particular objective of being within $\pm 15\%$ of the median; this assessor's coefficient of concentration is higher. On the other hand, Assessment IV might be considered better because fewer ratios are far from the median (that is within the third intervals away). The question as to which assessment is superior is, therefore, one of assessment performance goals. To sum up, it is useful to employ both the coefficient of concentration and the relative coefficient of dispersion in conjunction with the frequency chart.

Relative coefficients of dispersion can be compared across tax districts, property classes, or years. They have the tremendous advantage of overcoming the difficulty created by different medians from different universes. Figure 10-18 reflects the DOR's evaluation of coefficients of dispersion.

Figure 10-18

General Property Class	Jurisdiction Size/Profile/Market Activity	COD Range
Residential Improved (single family dwellings, condominiums, manufactured housing, 2-4 family units)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 – 10.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 – 10.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 – 20.0
Income-Producing (commercial, industrial, apartments)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 – 10.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 – 10.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 – 25.0
Residential Vacant Land	Very large jurisdictions/rapid development/active markets	5.0 – 15.0
	Large to mid-sized jurisdictions/slower development/less active markets	5.0 – 20.0
	Rural or small jurisdictions/little development/depressed markets	5.0 – 25.0
Other Vacant Land (non-agricultural)	Very large jurisdictions/rapid development/active markets	5.0 – 20.0
	Large to mid-sized jurisdictions/slower development/less active markets	5.0 – 25.0
	Rural or small jurisdictions/little development/depressed markets	5.0 – 30.0

*The COD performance recommendations are based upon representative and adequate sample sizes, with outliers trimmed and a 95% level of confidence.

*Appraisal level recommendation for each type of property shown should be between 0.90 and 1.10.

*PRD's for each type of property should be between 0.98 and 1.03 to demonstrate vertical equity. However, PRD standards are not absolute and may be less meaningful when samples are small or when wide variation in prices exist. In such cases, statistical tests of vertical equity hypotheses should be substituted.

*Alternatively, assessing officials can rely on the PRB, which is less sensitive to atypical prices and ratios. PRB coefficients should generally fall between -.05 and .05. PRBs that are statistically significant and less than -.10 or greater than 0.10 indicate unacceptable vertical inequities.

*CODs lower than 5.0 may indicate sales chasing or non-representative samples.

Source: IAAO [Standard on Ratio Studies](#)

Price Related Differential

Sales data can also be used to indicate the degree to which assessments are regressive or progressive. An assessment is defined to be regressive if low dollar value property is generally over assessed while high dollar value property is generally under assessed. Progressivity is the reverse situation. A useful statistical measure of regressivity/progressivity is the price related differential. The calculation is simple: Divide the simple mean ratio by the aggregate ratio. If the answer is greater than 1, the assessment is regressive. Conversely, an answer below 1 indicates progressive assessment.

Looking at the information in Figure 10-7, the simple mean is 102% and the aggregate ratio is 277%. The price related differential is $102/277 = .37$. The result is less than 1 which indicates a progressive assessment. The high dollar values are over assessed and the low dollar values are under assessed. This can be seen by looking at the \$200,000 sale that is assessed for \$800,000.

The intuition behind this statistic can be developed based on the discussion of central tendency measures. The simple mean counts each sale the same regardless of dollar magnitude. The aggregate ratio places greater weight on sales of large dollar value. If assessments are regressive, the larger value properties are being under assessed. Consequently, the aggregate ratio will be below the simple mean. The price related differential will in turn be greater than 1.

Assumptions

The statistical methods discussed above do not yield accurate conclusions unless some assumptions are met:

1. The sales in the sample are selected on a purely random basis (no bias) from the larger universe of all real property.

It is known that not all properties in a given class have an equal chance to be selected (to sell). Consider, for example, residential property in a tax district that has a lake. If there is a great demand for recreational property, lakeshore property has a greater chance to sell. A second example is the mercantile class in which some types of real estate such as bank property turn over slowly, if at all. Hence, we are making a strong assumption when we assume random sampling.

2. The universe from which the sample is selected is fairly homogeneous (the properties are similar).

Homogeneity of the universe (all the real property) refers primarily to the way in which property is assessed. If vacant and improved properties are assessed differently, there are two universes in a class rather than one. In such cases it may become necessary to stratify the sales sample into subsamples that are homogeneous. Though such stratification is ideal in theory, it breaks down in actual practice where we usually have at best a moderate volume of sales. It can be bad practice to stratify to the point that each subsample contains few sales. In the face of a limited number of sales, one is generally forced to make the assumption of a homogeneous universe and proceed.

Summary

The purpose of the procedure outlined in this section is to provide a comprehensive analysis of an assessment ratio series.

The graphical profile provides a universal comparative picture of any assessment/ratio distribution, since the vertical axis is stated in terms of relative deviation from the median.

The coefficient of concentration is an added refinement, which permits one to look more closely at the inner core of the distribution.

It may be said that any distribution, with a higher coefficient of concentration, regardless of the overall coefficient of dispersion is superior to one with a lower coefficient of concentration.

If it is assumed that the median is the best approximation to the common level of assessments in the primary assessment district under analysis, it follows in our example that since 52% of the properties are within $\pm 15\%$ of the median, that 48% of the properties are paying in excess of 15% too much or too little of their fair share of the tax burden.

The purpose of the frequency chart is to provide a meaningful profile of the various assessment ratios, thus permitting a more refined and sensitive analysis of assessment conditions than would a single figure such as the coefficient of dispersion. On the following pages are found four frequency charts (profiles) of various dispersions. The charts are constructed based on a symmetrical distribution of the area under the “normal curve.”

Figures 10-19, 10-20, 10-21, and 10-22 represent theoretical symmetrical distributions having a coefficient of dispersion of 10, 15, 25, and 35 respectively. While actual assessment/sales ratios will not, in most cases, present such symmetrical profiles, they will tend to approximate them. Gross variations from the theoretical distributions shown may also indicate further imperfections in either the assessment or the sales sample that was used.

Use of Assessment/Sales Ratios

We have looked at how assessment/sales ratios are developed and how statistical methods can be used to add meaning and understanding to these ratios. Next we will look at how the assessor can use these ratios and statistical methods to achieve better assessment uniformity within the municipality.

Assume that the assessor has calculated the following assessment/sales ratio analysis of the municipality:

Figure 10-19

Class	Total assessed value	Total sales value	Assessment/sales ratio	Coefficient of Dispersion
Residential	2,450,000	3,000,000	81.7%	21%
Commercial	1,395,000	1,415,000	98.6%	8%
Undeveloped	254,750	249,625	102.1%	7%

If the goal of the assessor is to assess all property at 100% of market value, the assessor would conclude from the analysis that this goal has been met for the Commercial and Swamp/Waste classes; the assessment/sales ratios for the two classes are quite close to 100% and the coefficients of dispersion are excellent. However, the Residential class stands out as not meeting the goal; the assessment/sales ratio is not close to 100% and the coefficient of dispersion is poor. The assessor should further analyze the sales of the Residential class to determine why it is poorly assessed. Assuming that there are an adequate number of sales, the assessor should stratify the sales by neighborhood, by style, by age, and other features to determine whether just one or two types or locations of residential property are under assessed or if it is the entire class that is under assessed. Care must be taken to assure that each substrata contains more than just a few sales. The assessor may find it necessary to use prior years' sales in order to have an adequate number of sales for analysis. The prior years' sales would have to be adjusted for time as required.

Assume that the assessor calculates the following assessment/sales ratios for the various residential neighborhoods:

Figure 10-20

Neighborhood	Assessed Value	Sales value	Ratio	Dispersion
A	405,000	400,000	101.3%	8%
B	445,000	450,000	98.9%	3%
C	245,000	475,000	51.6%	26%
D	515,000	525,000	98.1%	7%
E	540,000	550,000	98.2%	4%
F	300,000	600,000	50.0%	32%

From looking at the various ratios, the assessor could conclude that neighborhoods A, B, D, and E are quite close to 100% and the coefficient of dispersion is excellent. However, neighborhoods C and F are both under assessed and have poor coefficients of dispersion. The assessor can now concentrate on revaluing these two neighborhoods to bring them and thus the entire Residential class up to 100%.

The assessor could also stratify the sales by style, age, or other features to determine if there is any particular type of property that is poorly assessed. Again, care must be taken to assure that there is an adequate number of sales for each substrata for meaningful analysis. The more substrata that the assessor can identify and analyze, the easier it will be for the assessor to correct assessment problems. If, in our previous example, the assessor can also stratify the sales within the neighborhoods by style, age, and other features, the assessor may further narrow the properties that need attention. For example, if analysis of neighborhood C shows that all property meets the market value goal except for property built within the last two years, the assessor's efforts can be concentrated on that substrata. Efforts by the assessor to define and analyze various substrata can focus the attention of the assessor on those substrata that are in need of revaluation and prevent the assessor from spending time and effort on those areas that already meet the criteria of market value assessment.

The assessor can also use the assessment/sales ratio analysis to show the need for a

revaluation of the entire municipality. Assume the assessor calculates the following assessment/sales ratios for the municipality:

Figure 10-21

Class	Total Assessed Value	Total Sales Value	Assessment/Sales Ratio	Coefficient of Dispersion
Residential	2,987,000	4,754,000	62.87%	23%
Commercial	1,348,000	1,500,000	89.9%	18%
Undeveloped	322,000	655,000	49.2%	25%

The assessment/sales ratios are far apart and the coefficient of dispersion is fair to poor. Unlike the previous example, the assessor cannot concentrate on just one class or type of property. All classes and types of property will have to be reviewed by the assessor. A complete revaluation of the municipality may be the best way to provide the necessary resources to complete this overall review in a timely manner.

In a similar manner, the DOR uses assessment/sales ratios to ensure equity between municipalities. Assume that County “K” has only three assessment districts: Town “T,” Village “V,” and City “C.” County “K” wishes to levy a property tax in the amount of \$40,000. Since the county has no assessment roll of its own, it will allocate or apportion the total levy among the three districts. The following chart shows the county tax being apportioned based on the assessed values of the municipalities:

Figure 10-22

	Assessed Value	% of Total County Assessed Value	County Tax Levy	Municipal Portion of County Levy
Town “T”	\$ 800,000	19.5% x	\$40,000	= 7,800
Village “V”	300,000	7.3% x	\$40,000	= 2,920
City “C”	<u>3,000,000</u>	73.2% x	\$40,000	= 29,280
County “K”	\$4,100,000	100%		\$40,000

If all three municipalities are assessing property at 100% of market value, then this is a fair allocation of the county levy and equity is achieved. However, not all municipalities assess at full market value. Assume that the DOR through analysis of the sales in the three municipalities has calculated the following assessment/sales ratios: Town “T”: 40%, Village “V”:30%, City “C”:60%. The full or equalized value for each of the municipalities can be determined by dividing the assessed value by the assessment/sales ratio:

Figure 10-23

	Assessed Value	Assessment/Sales Ratio	Full or Equalized Value
Town “T”	800,000	40%	\$2,000,000
Village “V”	300,000	30%	1,000,000
City “C”	3,000,000	60%	5,000,000
County “K”	\$4,100,000		\$8,000,000

The county levy can then be calculated based on the full or equalized value:

Figure 10-24

	Equalized Value	% of Total County Equalized Value		County Tax Levy		Municipal Portion of County Levy
Town "T"	\$2,000,000	25%	X	\$40,000	=	\$10,000
Village "V"	1,000,000	12.5%	X	\$40,000	=	5,000
City "C"	<u>5,000,000</u>	<u>62.5%</u>	X	\$40,000	=	<u>25,000</u>
County "K"	\$8,000,000	100%				\$40,000

It can be seen that by using the assessed values to apportion the county levy, the municipality that assesses at a lower level of assessment pays a smaller share of the county levy and, conversely, the municipality that assesses at a higher level of assessment pays a higher share of the county levy. However, by using the full or equalized value, each municipality bears its fair share of the county levy. The apportionment of school tax, sanitary districts, and other apportionments would be done in a similar manner.

Annual Assessment Requirement

Assessments should be set annually in order that property tax burdens may be distributed equitably. This annual assessment requirement implies a conscious reevaluation of all appraisal factors used and, when one or more factors have changed, a recalculation of the assessment.

Actual View

Assessors need to follow state law, sec. 70.32, Wis. Stats., and develop assessments at full value based upon actual view of the property or the best information available. An interior and exterior view provides the most accurate information for developing assessments. However, an interior and/or exterior view may not always be possible. If a written request for an interior and/or exterior view is refused (see Chapter 5-10 Notification Process), the assessor generally should not enter the property. The assessor should base the assessment on the best information available. The following explains the process to collect information and the best sources of information.

Proceed with the standard assessment discovery, listing and valuation processes as described by state law and the Wisconsin Property Assessment Manual. The following lists the sources of information the assessor can consider with the best sources listed first:

1. Request a view of the property (see Chapter 5-10 Notification Process)
2. View the property from a public area such as a road
3. Request data from the property owner, e.g. construction contracts, leases, operating expenses, receipts, blueprints, video and/or photographs of the improvements, etc.
4. Obtain other information, e.g. sales listing information and building permits

If these sources of information do not allow the assessor to develop a value, an interior view is required. As an example, if the property has no prior improvement inspection, there is no view of the property from a public area and the property owner has provided no information. With this type of unique situation, the assessor may request a special inspection warrant under [sec. 66.0119, Wis. Stats.](#) This option should be used only when necessary.

Obtaining a special inspection warrant requires three forms:

- An affidavit detailing the facts giving rise to the need for a warrant
- The special inspection warrant itself. The warrant will also advise the homeowner of the lawful basis for the inspection of his home and describe the search's proper limits including identification of the assessor as one with the authority to search.
- Return of Officer

The completed affidavit and warrant should be brought to a local magistrate. Contact the local clerk of courts to determine hours when a magistrate is available. The local magistrate will determine whether or not facts exist to support the issuance of the warrant. If so, the warrant will be signed by the magistrate. The assessor and peace officer or sheriff may then execute the search. After completion of the search, the official paper work (endorsement on warrant and return of officer) should be completed and filed by the assessor. Please see the Appendix for sample special inspection warrant documents.

Trending Factors

The IAAO *Standard on Mass Appraisal of Real Property*, April 2013, defines trending as adjusting the values of a variable for the effects of time. Usually used to refer to adjustments of assessments intended to reflect the effects of inflation and deflation and sometimes also, but not necessarily, the effect of changes in the demand for micro-locational goods and services. A trending factor is defined as a figure representing the increase in cost or sale price over a period of time. Wisconsin case law holds that the application of an across-the-board percentage factor to all property of a class in a county does not satisfy the annual reassessment requirement. (See: *State ex rel. Kaskin v. Bd. of Review of Kenosha Co.*, 91 Wis. 2d 272, 282 N.W.2d 620 (Ct. App. 1979)). The annual reassessment requirement does not demand that all properties must be revisited or that an on-site re-viewing be performed annually, although the more frequent the re-viewings the better. For manufacturing property a five-year cycle is required; for counties under a county assessor system, a four-year cycle is mandated.

The application of assessment trending factors has been accepted by the court as long as different factors are applied to different subsets of properties and encompass the same factors that were considered in establishing the initial assessment. Use of comparable sales requires more than determining arm's length transactions in an entire class throughout a county, such other factors as location, improvements, size or use, and date of sale are appropriate to consider when evaluating comparable sales. (See: *Rosen v. City of Milwaukee*, 72 Wis. 2d 653, 242 N.W.2d 681 (1976); *State ex rel. Kaskin v. Bd. of Review of Kenosha Co.*, 91 Wis. 2d 272, 282 N.W.2d 620 (Ct. App. 1979)).

Glossary

Coefficient of Concentration: Percentage of ratios which lie within $\pm 15\%$ of the median; measures assessment uniformity.

Coefficient of Dispersion (relative): Take each ratio below the median and subtract it from the median, then take each ratio above the median and subtract the median from it. Sum the differences and divide by the total number of ratios. Then divide this result by the median; measures the average distance (in relative terms) that individual ratios lie from median.

Coefficient of Variation: Standard deviation divided by the mean times 100; indicates the degree of concentration or spread in the distribution of assessment ratios.

(95%) Confidence Interval: 1.96 times the standard error of the mean; establishes interval in which the assessor can be 95% confident that population mean ratio will be included.

Mean, simple: Add the ratios in the sample and divide by the number of ratios; measure of central tendency (average).

Mean, weighted (aggregate ratio): The total of all individual assessments divided by the total of all individual sales; measure of central tendency (average).

Median: Arrange ratios in ascending order; if there are an odd number of ratios the median is the ratio located in the middle, if there are an even number of ratios the median is the average of the two; a measure of central tendency for uniformity.

Mode: Ratio that occurs most frequently.

Price related differential: The simple mean divided by the aggregate ratio; indicates the degree that assessments are regressive (if greater than 1) or progressive (if less than 1).

Standard deviation: The square root of the variance; measures dispersion and variability of normally distributed data.

Variance: Take the difference of each ratio from the mean, square each of the differences and total the squares, then divide the sum by the number of ratios (n); needed to arrive at the standard deviation and to measure spread or variability. In some situations, n-1 is used as the divisor to provide a more unbiased estimator of the population variance.

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Chapter 11

Computer-Assisted Assessment

Using Computer-Assisted Assessment Systems

Computers have been used to assess properties for several decades. The early systems were difficult to use and required special skill, knowledge, and ability. Today's systems are much easier to use because of sophisticated hardware and improved programming.

Although there have been important new connections between narrative and graphical data, the objectives of computer-assisted assessments remain the same.

Computer-assisted assessments/appraisals allow the following to occur:

- Full inventory of property characteristics
- Current listings of sales, cost, and income
- Error-free calculations throughout the assessment process
- On-time filing of reports
- Annual full market value assessments of all jurisdictional properties

Computer Valuation System Features

Although computer-assisted assessment systems vary, most systems provide a mix of the following features:

Cost Approach

Income Approach

- Building Residual
- Land Residual
- Property Residual
- Mortgage-Equity/Ellwood
- Discounted Cash Flow

Sales Approach

- Multiple Linear Regression
- Non-linear Regression
- Constrained Regression
- Adaptive Estimation Procedure (Feedback)
- Automated Selection of Comparable Sales

Miscellaneous

- Property Record Cards
- Municipal Assessment Report
- Sales Ratio Study
- Amortization
- Storage/Retrieval
- Documentation

Automated Assessment Systems Computers

Computer Hardware

The capability of computers to perform large numbers of calculations in a small period makes them useful assessment tools. Computers quickly perform sales comparison reports, ratio studies, and various statistical computations. Using computers can help assessors in market analysis and help improve the level of equity in municipal assessments. The three main classes of computers are mainframe computers, minicomputers, and microcomputers.

Mainframe computers are room-sized machines requiring a controlled (air conditioned, dust-free) environment, an operational staff, and a programming staff. While some assessors have access to a municipal mainframe computer, other assessors use these machines through a service bureau. A terminal in the assessor's office provides access to the mainframe. Service bureaus charge for the computer time used with off-hour use (overnight and weekend) being less expensive than peak-time use. This rate difference may impose a restriction on use of the mainframe computer during normal office hours.

Minicomputers started as special purpose machines. They were often used to perform specific tasks-such as data maintenance-for a mainframe computer. Minicomputers do not require a controlled environment and have been adapted for many uses. Minicomputers continue to become more powerful and less expensive. Minicomputers are often purchased or leased directly by a municipality with all municipal officials having access to the machine. Microcomputers-like minicomputers-are desk top machines that have become very powerful and less expensive in the last few years. Microcomputers (called personal computers) provide assessors the opportunity to use computers in their assessment work. Many personal computers are designed to be ready to operate immediately right out-of-the-box. Even the novice can, within a reasonable amount of time, take advantage of the capabilities offered by personal computers.

Personal computers consist of a Central Processing Unit (CPU), memory, input devices, and output devices. The CPU contains electronic circuitry that is the "nuts-and-bolts" of the computer. The CPU executes the arithmetic and logical operations designated in computer programs. Main memory contains programmed instructions awaiting execution by the CPU. Secondary memory includes storage devices such as disks or magnetic tape. Personal computer programs are usually distributed on floppy disks. Disks (fixed or floppy) and magnetic tapes are used to backup data from personal computers. The keyboard, mouse, and optical scanners are input devices. The user enters data and interacts with the microcomputer via input devices. Monitors, printers, and plotters are output devices. The monitor is the computer's video display device while printers and plotters produce paper output.

Computer Software

Software is a computer program that controls the computer, manipulates data, and produce output. Operational software controls the functional aspects of the computer. Application software is designed to do specific tasks. Application software designed for assessing would perform tasks such as the following operations: data maintenance, parcel valuation, sales analysis, statistical calculations, and report writing.

Dedicated application software (referred to as hard-coded or canned software) has a predetermined data format. This software performs particular procedures and produces predefined output and reports. Several canned assessment software packages are available on the market and many are fast and efficient. However, users should compare their specific needs to the software design to determine if the software meets their needs. Because the revision of canned software is an expensive undertaking, the previous software users should also be contacted regarding program execution and vendor support.

General-purpose software allows the user to define and customize the data format, prescribe mathematical routines, and layout individual report formats. Generic software is written in a general form allowing the user to adapt it to a variety of data. It is unlike dedicated programs that are designed to perform specialized functions such as listing and valuing residential, agricultural, or commercial properties. Generic software is designed for maximum adaptability and user control.

Horizontal general-purpose packages include word processors, spreadsheets, and statistical packages because their functions are applicable to many vocations. Vertical general-purpose packages include assessment packages because their functions are applicable to a specific line of work. The following material discusses several broad categories of generic software that may be useful in the assessor's office.

Spreadsheets

This software processes information in terms of rows and columns, similar to an accountant's columnar pad. A completed application using a spreadsheet is called a template. Data is entered in rows and columns and each intersection is called a "cell." Data is usually "memory resident," which means that the entire file is contained in the active computer memory during use. Processing of the data is completed as a single entity and it is very fast. Memory resident programs may be a problem if the computer is turned off, if the computer "crashes" or is "locked up" (unable to function because of a systems error) or if the computer loses its active memory. In addition, very large data sets or files require additional memory, which increases the cost of the computer equipment. The standard for random access memory on most personal computers is a minimum of 256 million bytes (256 MB) with 512 million bytes (512 MB) being preferred. The more memory the computer has the more efficiently the new generation of operating systems will function.

The data entered into a cell location may be either numeric or literal (alpha or numeric combinations). However, the real power of the computerized spreadsheet lies in the built-in functions provided for data manipulation.

A “function” is a preprogrammed process that can be performed to a specified range of numbers. Typically, a spreadsheet program will provide mathematical, statistical, data base, logical, financial, and string (alpha) manipulation functions. For example, mathematical functions let the assessor add, subtract, multiply or divide data from a cell. Information can be manipulated and placed in other locations of the template for later use. An example of this would be an assessment/sales ratio where the assessment value in one cell is divided by the sales price in a second cell and the result stored in a third cell.

A template can be used to create an assessment/sales ratio report. The assessor would enter the parcel identification number, sales price, and assessed value, along with any other desirable characteristics. The template could then be constructed to divide the assessed value by the sales price to determine the sales ratio. The statistics necessary to determine the aggregate and mean ratio and the coefficients of dispersion and variance could also be calculated. An assessment/sale template example is included later in this chapter.

Spreadsheets provide routines to store, retrieve, and print the data in a variety of formats. The more complicated templates provide additional features such as the ability to perform multiple sorts of the data, advanced mathematical and statistical functions, and operational routines called macros. The adaptability and usefulness of the spreadsheets also come from the ability to make quick changes to the data and analyze the results; for example, sorting the previously entered sales information by neighborhood and then recalculating a sales ratio for each neighborhood. Once data is entered, the speed of the computer and the adaptability of the software allows multiple analyses in the time required to generate only one manual report.

Database

The database, another general class of software, is a collection of related information organized and presented to serve a specific purpose. A typical database organizes information into fields, records, and files. Each record contains different fields. For example, a property record card will contain areas on it for the parcel identification number, the property owner’s name, and so forth; those areas can be called “fields.” Each file contains different records; for example, a property record file would contain different property record cards for a particular neighborhood.

Databases contain traditional “flat” files or the more dynamic “relational” files. The database normally uses files from a disk or storage medium and processes them sequentially, that is, one record at a time. In contrast, the spreadsheet loads all records into the primary memory and processes them as a single entity.

An advantage of a database approach is that file processing is not limited to the available computer memory. Files are limited only by the capacity of the disk drive. This can be a major consideration when working with very large data files such as property records. Another traditional strength of the database is its ability to combine selected information from a file and generate a standardized letter for selected individuals or parcels on the file using the mail merge function.

Databases provide the following functions:

- Entering, displaying, verifying or editing data
- Formatting and printing reports
- Querying and finding information based on user specified criteria

The ability to search and extract fields for individual records or groups of records has been the primary use of this software. Today's advanced database software will perform most mathematical functions contained in spreadsheet software.

The assessment roll is an example of a typical "flat" database file. The assessment roll contains selected information fields, such as parcel number, owner's name, acres, and assessed value on individual parcels (records) that is accessed and displayed by an identification number or an address sequence (key fields). This type of assessment roll is not physically related or linked to other files.

A relational database is more than a database that links multiple files for processing. It is a relational model that emphasizes a disciplined approach to data management based on a sophisticated set of mathematical rules and on an enforcement of accuracy and integrity of the information stored in a database. The principles were first developed by mathematician, Edgar F. Codd, and identified as data-integrity rules. The relational database efficiency is gained by its structured use of multiple files and the elimination of redundant data. Once data is defined for one file it does not have to be repeated in other files. Updating and changing data is more efficient. Queries can also be made on data in multiple files that cannot be done in the normal flat file thereby increasing the adaptability of the system for the user.

The five types of integrity are entity, referential, column, domain, and user-defined. For example, a "declarative integrity" rule can be declared to the database and it is automatically enforced globally (for the entire file). These mechanisms provide security, accuracy, and synchronization of data between the multiple files used by the system. Cascading (referential actions) is also a primary feature that allows the user to add or delete a record from one data set. The relational database automatically updates all associated tables or files in one operation.

Word Processing

Word processing software deals with the manipulation of written and graphic information. It provides the ability to enter, store, and retrieve written materials. Also, word processing allows the editing of memorandums, letters, reports, and other written materials. The significant difference between typing and word processing is the ability to edit material once entered in the system by retrieving the material, and by combining text and graphic information from other files into the material.

Word processing includes the following capabilities:

- Inserting words and phrases in the document
- Reformatting using global commands
- Moving, copying, or replacing words or blocks of text

Advanced functions that deal with the printed output (document) are also incorporated in the software: underlining, bold printing, subscripting, superscripting, compress printing, and so forth. Most word processing software also includes a spelling checker process that matches the document's words with a file dictionary. Mismatched words are identified and spelling changes can be quickly made.

More sophisticated programs can interact directly with database files and spreadsheet files. Moving a graph or table from a spreadsheet into a work-processing program can be as easy as naming the graph or table in the spreadsheet and "retrieving" it by file and range name in the word processor. More adept and sophisticated word processing software called "desk top publishing" packages provide almost unlimited formatting and graphic printing options.

Graphic Packages

This software provides visual charts, graphs and typical table reporting of data. The input can either be by the graphic package or transferred from other compatible programs. The visual display of data is an extremely useful tool in the analysis of large files or complex data because trends and variation in the data can be more easily recognized than interpreting pages of statistics and detail. Most graphics' software will create, display, refine and print simple graphic illustrations. These illustrations normally include line, bar, and pie charts, as well as XY and scatter diagrams. When working with taxpayers or local officials, presenting valuation issues and other changes can be more effective with charts and visual displays.

Computer-Aided Design (CAD)

CAD software requires large amounts of computer memory and faster central processing units because of the complexity of the graphics' functions. These programs are designed to allow the assessor to enter coordinate information (grid) for the lot or improvements and it will generate scale drawings and sketches. The capability of this software is measured by the quality of its "primitive entities." Primitive entities are basic geometric figures such as straight lines, regular polygons, parallel lines, smooth curves, multiple point curves, and wide lines. Most programs also provide routines for freeform sketching.

The usefulness of the software is the ability to add or modify the existing parcels without completely redrawing the sketch manually. Once the file is created, it may be manipulated and modified at will. These packages are complex and more difficult to learn. File building may also require an extensive amount of time if the current property records are not complete or accurate. CAD programs generally require a drawing device, such as a mouse or a graphic tablet.

Geographic Information Systems (GIS)

According to the publication, *Implementation of Land Information Systems In Local Government*, the definition of a geographic information system is a "system of hardware, software, data, people, organizations and institutional arrangements for collecting, storing, and disseminating information about areas of the earth." Besides including CAD software as explained above for drawing and mapping, the GIS focus is on "spatial analysis." This software provides methods for creating, editing, linking, analyzing, and displaying data from

maps and spatial oriented files and other text or property records.

GIS can be seen as a series of multi-layered databases and files linked to a common spatial framework. The independent layers can include soils, land cover, wetlands, flood plains, zoning areas, parcels, or governmental districts such as schools, townships, villages, cities, and so forth. Each system layer may be “owned” and maintained by a different institution, agency, or department; for example, parcel layer by the assessor, water & sewer mains by municipal utilities, or highways by the Department of Transportation (DOT). Once linked, all users could find and incorporate information from all other layers. This idea minimizes data duplication and emphasizes distributed responsibility (separate agencies/ custodians) for the distinct layers. Access to the data will be less expensive for all users and more accurate.

Every County in the State has established or designated a Land Information Office at the county level as suggested by the Wisconsin Land Information Board. Many counties are developing GIS systems, but accurate base coordinates need to be established first because all attribute files (like the property record database) will be linked to this system. The property record database is a major part of the graphic information system. The incorporation and definition of each GIS layer is very important. The assessor should be actively involved in this process to insure the assessment records and functions will have access to, and be supported by, the other GIS layers in this system.

Communications

This software class deals with the exchange of information between computers. Information exchange is especially important to the assessor in instances where data is kept on several different systems or at different locations where disks cannot be easily shared.

The most common programs in this area relate to the use of telephone modems. A modem is an electronic device that converts computer files and processes to a form that can be sent to another computer. The “modulator/demodulator” converts the digital language of the computer to a series of high and low pitched tones for transmission over standard (analog) telephone lines or cable. A communication package with appropriate modem equipment will allow the transfer of standard text files and data between computers, including computers not usually compatible. However, though “data and files” may be exchanged, the specific programs that are designed for one computer may not run on other computers.

The exchange or sharing of data within a municipality can ensure that all departments have access to the most current data and provide other users, such as the planning or engineering departments, access to valuable information. The electronic data exchange can also be important if a community is considering a change in valuation systems. Using some current files may be possible when building a new system’s database.

Networks and Workgroup Software

The new network communication technology is also allowing people to share information with greater ease within and among organizations. The increased use of local area networks (LAN) and wide area networks (WAN) is causing a re-engineering of the traditional office. A local area network is a collection of personal computers (PC's) or servers and minicomputers that allow each user access to any resource on the network usually within a building or agency. A WAN is typically more expansive and includes the connection of mainframe, minicomputers and PC's including long distance use of telephone lines to reach remote or distant sites.

Workgroup or Groupware software is an evolving software class designed to function over a network and optimized to allow several people to work together on documents and files. Groupware is more than just electronic mail (E-mail) and distributing files among employees. It is a variety of programs that are specifically designed to allow individuals to work together on separate documents and files.

Workgroup software is also a specialized type of spreadsheet software that allows multiple users to update particular ranges over a network and it automatically tracks who, when, and why the changes were made.

Besides networking the assessment/appraisal staff, an assessment office may be networked with the treasurer, clerk, engineering and planning department. All could get to, and work with, the data from the others' files if given clearance to do so.

Increasingly, communication technology is moving towards wireless information distribution networks by linking with cellular telephones, notebook computers, and other hand-held devices. Staff members may call up and use the central assessment files while in the field doing viewings and listings. They could update new construction records, modify sketches, value parcels, select comparables, review values, and print property record cards from outside their office and have the output waiting for them when they return to their office.

Elements of an Automated Assessment System

From a process stand point, computer assessment systems typically contain specific functions or processes: data management, sales analysis, valuation, and administration. Users must match their specific needs with available software and hardware to decide if it will meet their needs at a reasonable cost.

Data Management

Data collection and maintenance are the most important elements for a successful automated assessment system. The first step in data collection is to not mass-load parcel information into the computer. The old computer axiom of "garbage in, garbage out" is very applicable in an automated assessment system. Whatever "bells and whistles" are included in the assessment software become ineffective if the database is incomplete or inaccurate.

Data collection should begin with an analysis of a cross section of properties. The assessor should consider the following questions:

- What data is needed to predict parcel value?
- What data is necessary to satisfy statutory requirements?
- What information is useful to apprise property owners of the completeness or accuracy of the data file?

All components of the assessment software are tested with this representative sample of properties. Actual data collection and computer entry can then occur with a high degree of confidence that the information was properly formatted.

Data management, whether in an automated or manual environment, involves certain elements:

- All parcels need to be accounted for in the mapping system and data file.
- All maps need to be current and maintained.
- All property record cards (PRC) need to be current and maintained.
- All PRC accessibility needs to be controlled.

Many automated computer assessment systems verify data upon entry. The data's validity is checked before being added to the file. Data failing hard edit checks (edit checks written into the program itself) are rejected. Checking parcel identification numbers for valid characters is a typical "hard edit" (that is, edits that include all alpha characters, alpha and numeric characters with or without a required format). Data failing "soft edit" checks are not rejected, but the field is marked and possibly a warning is displayed regarding possible data error. Other edits may be "range checks" (above or below a lower or upper limit). For example, an entry of a year that a structure was built before an established period flags that record for review. Edits can also involve "cross checks" between fields; for example, if coded colonial, the structure must have a second story.

Canned software allows little user involvement in establishing edit limits. In pre-written programs data checks are usually defined along with the file format. Some assessment programs allow the user to establish limits in tables referenced by the data entry routine. User input, when setting edit limits, is an important consideration in evaluating a dedicated application or canned program. Sufficient edits should be available to insure the accuracy and integrity of the data.

Stratification is an important aspect of data maintenance. An automated assessment system simplifies working with subsets of records in data maintenance and analytical routines. An automated system allows the user to designate or manipulate the desired records.

Examples of data subsets the assessor might work with are the following:

- A list of colonial style properties within a designated neighborhood.
- Land values on all corner lots that need to be adjusted.
- The last two year's vacant land sales that need to be analyzed.

Many systems allow the importing and exporting of data to other software like spreadsheets or statistical packages where additional analysis can be performed. This feature is important since it allows the user to migrate to other programs as other generic programs become more powerful and easier to use. It is also very important to be able to retrieve or move data from an existing system to a new system depending on the user's choice to update or change the specific software being used.

Sales Analysis

Assessment software uses the computer's number crunching capabilities to help the assessor in statistical analysis, ratio studies, and comparable sales reports. The goal for using statistical techniques is to value property. We can use statistics to summarize, confirm, discover, inform, test, and explain value. Most statistics can be broken into two categories: descriptive statistics and inferential statistics.

Descriptive statistics describe, measure and display numeric information about a sample or population. Its purpose is to reduce the collection of data to a simpler form without distorting or losing much of the available information. Descriptive statistics includes graphics such as histograms, scatter plots, numeric raw data lists, tables, and summarized averages and percentages. Descriptive statistics focus on measures of central tendency (mean, median and mode) and measures of dispersion (range, variance, standard deviation, coefficient of variance, and coefficient of dispersion).

Inferential statistics are mathematical processes used to estimate or predict information about a population based on a sample taken from that population. Typical estimates can be "point" estimates or "interval" estimates. A multiple regression analysis is an example of inferential statistics. It uses samples of parcels that have sold to predict the value of parcels that have not sold based on the characteristics of the parcels.

Ratio analysis compares the assessed value to the market value of parcels that have sold. According the *Uniform Standards of Professional Appraisal Practice*, the definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Chapter 22 contains a section that addresses arm's-length sales. Assessors should review this section when they have questions about whether a sale is arm's-length or not.

For mass appraisal purposes, the sale price is the market value. The sale price may be adjusted for time of sale, financing, personal property or other considerations.

Ratio studies measure assessment performance in terms of level (central tendency) and uniformity (dispersion). Computer based analysis can compare the uniformity within similar groups (within a neighborhood, but based on value). Also, computer based analysis can compare the uniformity between property groups (neighborhoods, size, age, and so forth). These measures of horizontal inequities and vertical inequities can be seen in statistics such as the price-related differential (PRD). The price-related differential shows vertical inequities.

The following table shows an assessment/sales ratio report generated on a personal computer using a generic spreadsheet program. It is created as a “template” which can be used repeatedly simply by inputting various sales groups. Stratification is the sorting of parcels into homogeneous groups based on location or other characteristics. This process can be effectively used in the annual market equalization process discussed in WPAM Chapter 10. The sales ratio study can also be used to establish reappraisal priorities, to help in planning and budgeting, and to adjust cost tables to market value.

Assessment/Sales Ratio Worksheet

Sample Community (2002) Sales

Price Related Differential	=	0.9945	14.20	Standard Deviation – biased
Aggregate Ratio	=	0.6772	14.03	Coefficient of dispersion
Mean Ratio	=	0.6735	21.08	Coefficient of variation – biased
Median Ratio	=	0.7050	22.11	Coefficient of variation: n-1 unbiased method
Coefficient of Concentration	=	72.73%		

No	Parcel ID	Assessed Value	Sales Price	A/S Ratio	Ab Val Median A/S	Sq of A/S Mean
		\$395,987	\$584,700	7.4089	1.0881	0.2217
1	600208	13,173	33,000	0.3992	0.3059	0.0753
2	639013	19,473	46,500	0.4188	0.2863	0.0649
3	600207	67,993	106,000	0.6414	0.0636	0.0010
4	605186	62,153	95,000	0.6542	0.0508	0.0004
5	615546	18,537	26,700	0.6943	0.0108	0.0004
6	608299	31,727	45,000	0.7050	0.0000	0.0010
7	613057	27,002	38,000	0.7106	0.0055	0.0014
8	613058	29,069	40,000	0.7267	0.0217	0.0028
9	630050	29,225	38,000	0.7691	0.0640	0.0091
10	605187	51,136	65,000	0.7867	0.0817	0.0128
11	613059	46,499	51,500	0.9029	0.1978	0.0526

Comparable Sales Reports are used to estimate and support parcel valuation in the mass appraisal environment. The computer allows the easy selection and adjustment of sale

parcels. The Courts have said that the sale of a parcel is the best evidence of its market value. However, if a particular parcel (subject parcel) has not sold, then the sale of a comparable property is also considered good evidence of value for that subject parcel. Comparable properties are selected based on the similarity to the subject property and then adjusted for differences.

Valuation (Model Building)

A valuation model is a mathematical representation or simulation of economic forces in the real estate market. Models can be very basic or complex and are used in the problem-solving process.

In research there are typically seven steps in the problem-solving process:

1. Defining the problem
2. Collecting data
3. Analyzing the data
4. Building a model by setting specifications
5. Testing and validating
6. Calibrating and refining the model
7. Applying the model

In the assessment environment, the difficulty is to assess all parcels at full market value in a fair and equitable manner from the best information available using professionally accepted appraisal practices.

The traditional models we use are the cost, sales, and income approaches to value. A good model structure for the assessor is developed from the following:

- Understand how the market works: psychology of buyers and sellers, social trends and attitudes
- Know fundamental economics: competition, supply and demand, surplus/marginal utility
- Know valuation principles: consistent use, substitution, contribution, progressive, regressive, and so forth

A good model's result is accurate, rational, decomposable, and explainable. A rational model is one that is sensible, is useful over time, and is used for a variety of properties. A decomposable model is one built on analytical methods; each component can be broken down and verified through analysis and observations; it can be updated and has repeatable characteristics.

Computers now allow users to test, refine and calibrate our traditional models as well as develop custom models from available sales data. Computers provide a great opportunity to localize general models. However, this opportunity is offset by the requirement that users fully understand the relationships within the model before making changes.

Cost Approach

In mass appraisal a cost approach can provide stable and consistent values. The cost approach works best on newer buildings and can be applied to all property types. A cost

manual, such as *Wisconsin Property Assessment Manual Volume II*, represents a cost model in a look-up table format. Most cost manuals are based on actual construction costs and are easy to update and use. Most manuals contain a standardized depreciation table and mechanisms to adjust for physical, functional, and economic obsolescence. All cost manuals must be adjusted to the local market. This can be done by comparing the cost tables to local new construction or by adjusting for local labor and material costs in the base model itself. Most manuals provide a time and location modifier.

Cost trend factors may work for several years, but cost manuals should be periodically updated item by item. New construction techniques and new materials need to be included. In addition, adjustments need to be made for labor and material costs that change at different rates. A good computer assessment system should provide a mechanism for updating the basic cost model and calibrating it to the local market.

Sales Comparison Approach

The sales comparison model determines market value by comparing the subject parcel to recent sold parcels based on similar characteristics of the parcels. The sold parcels are then adjusted for the differences between the subject parcel and the sale parcel. The adjusted sales price is then used to estimate the market value of the subject parcel. The sales comparison method is influenced by the type of data available, the comparable selection method used, and the individual adjustment mechanisms used.

In a manual system this process can be as simple as printing and reviewing a list of sold properties with significant characteristics for a specified neighborhood. In a computer environment the process uses sophisticated mathematical functions. The two most popular similarity functions are the “Euclidean distance” metric and the “Minkowski” metric. These functions measure the difference between the subject parcel and sale parcel for selected characteristics and applies a user-specified weight to determine a numeric similarity measure.

Three to five parcels that are the most similar to the subject parcel are then adjusted and used to set the subject parcel’s market value.

Property characteristics typically used for similarity selection are age, square feet, grade, condition, neighborhood, and so forth. Selecting the units for comparison and the attributes to be adjusted is called model specification. Selecting the weights for adjustment is model calibration. Changing the adjustment weights changes the relative importance assigned to that characteristic. The selection routine is an iterative process where each sale is compared to the subject parcel until the parcels with the highest similarity are selected.

The power of an automated comparable selection process is the speed with which the computer can select, adjust and display the selected comparables. In addition, the computer allows the assessor to quickly modify the selection criteria, the adjustment characteristics, and the characteristic weights to fit a particular parcel. To effectively perform comparable selections a computer-assisted mass appraisal (CAMA) system must provide a method to store and use sales information. At the very least, the sale and its characteristics must be saved at the time of sale. Mechanisms to time adjust these sales should also be provided in order to use multiple year sales when analyzing.

Income Approach

The income approach provides for the analysis of income and expense data and the calculation of rates of return and income multipliers. This approach is based on the idea that the value of a property is directly related to the income it produces. It uses the ideas of the present value of future income to establish an estimate of value. The model uses the capitalization process where Value equals Income divided by Rate of return ($V=I/R$).

The determination of net operating income to be used in the capitalization process requires several steps; some of them could be the following:

- Estimating potential gross rents
- Estimating collection loss and vacancies
- Adding miscellaneous income

From this effective gross income deduct operating expenses to arrive at the net operating income. The capitalization rate is composed of three different rates:

1. Discount rate (return on investment)
2. Recapture rate (return of investment)
3. Effective tax rate (expressed as a percentage of market value)

Using a computer is only natural given the number of variables in the income approach procedure. A generic spreadsheet program can be used to set a model and each variable can be manipulated to determine the potential property value. Hand calculations would be very time consuming compared to the quick and accurate computer calculations.

Administration Report Generation

Computerized reports can be used to summarize and inform taxpayers, Boards of Review, and public officials of the status and equity of assessments in a jurisdiction. Simple listing of properties within neighborhoods with selected characteristics can be persuasive in educating the public about value changes within their area. This flexible sorting and selection of properties, which is not available in a manual records system, is a major advantage of a computerized database. Access to formatting and printing alternatives also improves the quality and usefulness of typical assessment reports.

The computer also allows access to names, addresses, and parcel information that can be combined with standard documents for taxpayer notification, verification of property characteristics, and so forth. The mail capability combined with the database selection and sorting make administrative functions much easier.

Property assessment change notices and tax bills can be prepared on most computers with access to current name, address and property record files using standard mail merge techniques. However, typically the tax roll and payment collection is handled in the clerk's office or at the county level on forms prescribed by the Department of Revenue (DOR).

Selection of a CAMA System

A municipality has two options when it decides to set up a computer-assisted mass appraisal

system (CAMA): Buy a system or develop its own. Both processes are time consuming and difficult. Both processes may or may not also involve the purchase of computers, peripheral equipment, furniture, and the completion of a field review of all properties. The field review and valuation change may also involve statutory compliance dates and deadlines; therefore, careful planning is mandatory.

We recommend that any municipality considering the acquisition of an assessment computer system should review the published standards in the field. The International Association of Assessing Officers (IAAO) has many standards that provide useful information and guidance. *The Standard on Facilities, Computers, Equipment and Supplies*, January 1989, and the *Standard on Mass Appraisal of Real Property*, March 1984, will be particularly useful. (Note the current address in the bibliography). Whether the municipality develops a CAMA system or purchases a CAMA system, both processes should start with a detailed needs analysis. During this planning stage focus should be on the conceptual framework of the system and the detailed requirement analysis. If the assessor's office does not have the time or the specific skills needed to complete this detailed planning, then hiring a consultant with expertise in the field should be considered.

Needs Analysis

The problem definition and needs analysis is very important. This stage defines the system limits including the goals and ideas that will be used to judge whether any system satisfies the communities' needs. All projected and wished for information needs should be included in the analysis. In addition, provisions must be made for expansion and enhancement. As Yogi Berra is reported to have said, "If you don't know where you're going, you will wind up somewhere else."

The needs analysis includes four major steps:

1. Reviewing the existing documentation
2. Observing the existing operation environment
3. Creating a need questionnaire
4. Interviewing the organization's key people

The needs assessment should start with a detailed review of the current process. It should identify the sequence of tasks currently performed and any existing data processing capabilities. The strength and weaknesses of any current process should be noted as well as any changes that staff may wish to make. Turning the attention to the current system may result in redesigning the process to meet important needs.

Data flow charts and structural analysis are useful tools in a requirement analysis. The analyst should be aware of the system's logical design where similar functions should be grouped. Identifying detailed data must also be accomplished. Data should also be organized to minimize redundancy. The volume of data and reports generated will have an impact on the speed with which a system functions. A "data dictionary" should be compiled. The dictionary should contain all forms, reports, tables, and definitions of all fields and data used in the current system.

A questionnaire or an individual interview process may be necessary to understand the

assessment data uses of people other than assessment staff. Data needed by the assessment office that originates in another department should be noted; for example, building permits, planning and zoning changes, utility data, and engineering data. Access and coordination of data is becoming much more important especially if a local area network is being considered. This process also allows you to evaluate the potential training and support needs of the current staff. Support and training offered by a vendor may be a major consideration when purchasing a system.

A preliminary review of available software and hardware should be made once the analyst has defined the current needs and future desires from a system's standpoint. This will eliminate impractical alternatives. It will also provide insight into whether a system should be purchased or developed in-house. This study phase may also include a cost/benefit analysis of alternatives. The current system costs should be reviewed and estimates should be made of the potential system enhancements. This information can be used as the benchmark for comparing alternatives. The cost estimates should include all current costs, proposed costs, and identified benefits of the new system.

Alternatives (Purchase or Develop)

The planning stage should also consider alternatives to the setting up of the system. Should the full system be changed at once or is a phased implementation possible or desirable? Consideration of any statutory deadlines (sec. 70.05, Wis. Stats.) related to maintaining values is also an important factor. Attention could be focused to doing the residential, commercial, and personal property areas in different sequences depending on the needs of the municipality.

Purchasing an available commercial system typically allows for quick implementation because the system is already developed, tested, and reliable. It also allows the municipality to investigate current installations and ask about performance and reliability. Although the initial cost may be significant, it will be identified when the proposal is received and annual maintenance, updates, and system enhancements can be determined. When developing a computer system, the exact cost may be unknown because of the difficulty estimating the duration of the programming and development phases.

If the system being purchased is a new untested program, a pilot project should be considered. Using test data helps insure the software operates properly. Alternatives and options within the system should be explored. Deficiencies should be noted and comparisons to the current process and other systems can be made. Running parallel systems is time consuming and may more than double the work of staff employees.

A community may wish to develop its own system if it has unique needs that cannot be satisfied by using existing software. The development of a complete system using programming languages requires extensive data processing that drains staff resources. Developing a complete system should not be undertaken without a long-term commitment and an understanding that the assessment data files are moderately large and complicated. Some essential things to know are assessment data requirements, valuation methods, and report requirements. Many municipal data processing departments, because of their heavy workload, do not have the time or expertise to complete a major CAMA system.

An alternative to “writing” a new system is to adapt generic software to fit office needs. Modern database programs, sophisticated spreadsheets, and statistical software can perform many of the functions needed in an assessment office. These software packages are becoming easier to use and easier for developing customized applications. The generic applications development phase requires a knowledgeable staff with sufficient time to spend on the project. Just as the data processing staff workers must possess an extensive programming language background to run a complete CAMA system, so must the assessment office personnel possess an extensive background in the chosen software (with accompanying data) to run a generic software package. Understanding the complexity of designing a system for multiple users on a computer network is also important.

Developing a generic system offers the municipality the potential to program exactly what features are necessary and the flexibility to easily modify the features in the future. Many generic software packages are reasonably priced and regularly updated. Typically, the more sophisticated and capable the software, the longer the learning curve necessary to become proficient at operating the software. Computer program documentation is generally written well and usually contains examples for training purposes that can be modified. Although detailed support rests with the development staff, “user groups” may also be available to provide general support and assistance. Documentation of the local process also rests with the development staff.

Requests for Proposals (RFP)

Requests for proposals need to be developed after the systems and hardware needs analyses are completed. Each RFP must be customized to the individual needs of the community. The purpose of the RFP is to solicit proposals for system components that meet the design and needs requirement of the assessment office. The RFP should provide the vendors with all of the information necessary to evaluate user’s needs and what is required. The IAAO, *Standard on Contracting for Assessment Services*, December 2008, may be useful for vendors. (Note the current address in the bibliography).

The RFP should provide the vendor with suitable information to respond to the request. The reasons for considering a new system should be identified. Present methods and systems should be fully explained. These systems should provide sufficient detailed reports and the extensive data volume necessary to allow the vendor to make adequate estimates of the resources required. (The needs analysis and data dictionary may be useful as supplemental material). Any constraints or mandatory requirements should be identified and clearly marked in the RFP. Specific contact staff should be identified and these individuals should have adequate detailed knowledge of the system to answer questions.

The RFP vendor response format should request sufficient detailed information about the vendor along with their solution to the problem. This format will allow the different vendors to be compared. The vendor’s organizational structure and staff experience should be fully described in the RFP. Any hardware equipment features needed to implement their solution should be described. Performance standards for any computer and needed peripheral equipment should be clearly identified. Any computer language requirements or utility programs required to run the solution software should be identified and be available to the municipality. Costs of any equipment or software needed should be included for the

municipalities' review.

A RFP section should be provided for the discussion of the vendors' specific software solution. Any special functions for data base management, parcel sketching, parcel or land valuation methods, management information and report features, or programming aids should be detailed. Systems security and backup procedures should be noted and evaluated. The delivery dates of product or software modules should be specified.

If possible, a test data file should be used to evaluate all vendors' proposals. These tests should be compared with the current system as a benchmark. Valuation capabilities and ease of use should be evaluated. Any requirements for the new system to interact with existing programs or equipment should be fully explored.

The RFP should identify any vendor support requirements. Response times for the correction of system errors and warranties on the system and equipment should be clearly stated. Staff training on the system and its software should be provided. Provisions should be made for additional training and support if necessary. Any annual training and its costs should be evaluated.

The vendors' proposals should first be evaluated on their technical merits. Cost should be a lessor issue. If a system doesn't meet the municipalities' needs, then the fact the system is affordable is not relevant. The municipality may wish to hire a local consultant to evaluate the vendors' proposals if internal staff skills are limited. All vendor references should be checked to verify the vendors' reputation and service support history.

Summary

As computer hardware and software becomes more capable, affordable, and easier to use, the typical assessment office will benefit from the technology. As a rule of thumb, computer capacities will double every eighteen months. With this emerging capability, assessment offices need to be adaptable. When considering any computer system, the resourceful assessment office will plan for change and growth.

The computer system must also have analytical and statistical power. It should have the ability to perform regression analysis, non-linear regression, constrained regression, adaptive estimation, and other advanced forms of analysis. These methods should be available with the computer system whether they are used for all parcels or not. The advanced analytical and valuation methods should be available for unique properties or problem analyses. The computer system should be easy to use regardless of the training, research, or production process currently being used by the municipality. The computer system should have the ability and capacity to allow growth into the more advanced valuation methods. The system should remain independent of specific hardware requirements and be able to be used on new and updated equipment.

Whether purchasing or developing a computer-assisted assessment system, the assessment office has to learn to incorporate this new technology. Care must be taken with the selection and implementation of any system; therefore, by adapting and planning for the certain changes in computer technology, the successful assessment office will know where they're

going and will wind up where they want to be: not somewhere else.

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Chapter 12

Residential Property Valuation

According to sec. 70.32(c)(3), Wis. Stats., “Residential” includes any parcel or part of a parcel of untilled land that is not suitable for the production of row crops, on which a dwelling or other form of human abode is located and which is not otherwise classified under this subsection”.

The assessor should consider the following guidelines to determine whether vacant should be classified as residential:

- Are the actions of the owner(s) consistent with an intent for residential use?
- Is the size of the parcel typical of residential or developing residential parcels in the area?
- Is the parcel zoned residential or is residential zoning likely to be allowed?
- Is the parcel located in a residential plat, subdivision, CSM or near other residential development?
- Does the parcel’s topography or physical features allow for residential use?
- Is the parcel located in an urban or rapidly changing to urban area, as contrasted with a location distant from much residential activity
- Are there any other factors affecting the parcel which would indicate residential use is reasonably likely or imminent

In addition to certain vacant lands and parcels with traditional dwellings, the following are also considered residential (class 1) properties:

- Mobile homes not in mobile home parks or courts
- Apartments with three or fewer units
- Condominiums and time-share units used for residential purposes

Apartment buildings of four or more units, hotels, motels, summer resorts, and mobile home courts should be classified as commercial property. Farm homes as part of an operating farm operation are classified as “Other.” See WPAM Chapter 14 for the administrative rule definition of “Other.”

The basic appraisal principles discussed in WPAM Chapter 9 apply when developing an opinion of the fair market value of residential property. This chapter will explore those principles in greater depth; discussing techniques for collecting data about the subject property and comparable sales, conducting property viewings, analyzing data, and utilizing the three approaches to value as they apply to properties in the residential class.

Part I. Valuing Land

In performing the assessments, the assessor must separate the value of the land and improvements for each parcel. If the land is an improved site, although the land and improvements are valued separately, their combined value must reflect the value of the property as a whole. Site differs from raw land in that a site is considered to be improved to the extent that it is ready to be used for the purpose for which it is intended, that is, as if it were cleared, filled, equipped with utilities, etc.

Site and Use Analysis

Before residential land can be valued, its significant features must be identified and their effect on the market value of the property determined. In analyzing the site, the assessor must properly identify the property location and size. This is accomplished through the use of maps and legal descriptions. Once this information is known, it is possible to analyze the property and determine its highest and best use.

There are four basic factors to be considered in site analysis: physical, economic, social, and legal-governmental:

- Physical factors include location, size, frontage, width, depth, natural features, shape, topography, and soil condition to name a few.
- Economic factors to be considered are the prices of comparable sites in the area, level of assessment, taxes, special assessments, and the cost of services in the area.
- Social factors include population trends, family size, education trends, crime rates, and age distribution.
- Legal-governmental factors can affect the use of a site and include zoning, municipal services, tax and assessment policies, and title data such as deed restrictions, liens, interest held, etc.

Highest and Best Use

In determining the highest and best use of a property, the assessor must consider those uses which are physically possible for the site, those uses which are allowable according to zoning or other local ordinances, and feasible uses which will provide a net return to the owner. The use providing the highest net return to the owner is generally considered the highest and best use for the site.

A site is valued as if vacant and available to be put to its highest and best use, even if the property has improvements on it. The current improvements are not relevant when estimating the site value. However, the total property value (site and improvements) must take into consideration any existing improvements on the site.

Non-Conforming Use

If a property has improvements that are not consistent with the sites highest and best use, the property is considered under-improved, over-improved, or non-conforming. If a current property use represents a non-conforming use, the difference between the total property value and the site value is assigned to the value of the improvements. Therefore, if the current improvements are not the highest and best use (if they represent a non-conforming use), it is the improvements that are assumed to suffer the loss in value, not the site.

For example, assume a site in a commercially developed and zoned area has a house on it. This current property use represents a non-conforming use in the sense that the residential usage does not represent the highest and best use of the site. The value of the site in such a case is not derived from the current use, but rather from the highest and best use.

In highest and best use analysis, it is necessary to determine to what use the typical informed

purchaser would put the property. It is assumed that in this particular case, the highest and best use is commercial, therefore, the site would be valued at a rate similar to the rate determined for adjacent commercial sites. In this case, the residential use does not represent the optimum use of the site, and the improvement on the site, therefore, exhibits economic (or locational) obsolescence and will suffer any loss in value.

To estimate the value of this type of property, two separate value estimates must be made: a total property value and a site value. The total property value would take into account the current property characteristics and locational attributes. The site value would reflect the highest and best use of the site. The difference between the site value and the total property value is assigned to the improvements. In this case, the improvements may have little value.

Sales Comparison Approach

The sales comparison method is generally the most appropriate method for the valuation of residential vacant land. There are certain conditions that must be met in order to use this method. There must be sufficient verified sales data available, the sales used must be truly comparable to the subject, there must be an active market for sites such as the subject, and the assessor must have a complete and detailed site description for not only the subject property, but each of the comparables as well.

Assessors must investigate and analyze all sales and prepare a sales analysis. The analysis should show the relevant physical features of each sale property such as shape, size, frontage, natural features, width, depth, topography, and utilities. Other significant factors may affect the sale price including location, zoning, market and economic conditions, and date and terms of each sale. Do not include sales that fail to meet the definition of an arm's-length transaction.

To use the information from properties that have sold to make the assessment of another property, it is important that a system of comparing one parcel with another be used. The residential property record card (PRC) contains a checklist of the most common elements which have been found to affect the value of residential land. Location, size, depth, topography, natural features, neighborhood, zoning, and utilities available are some of the key elements. It is important that each of these factors should be considered in making comparisons, and that the assessor notes these elements on the PRC when viewing each parcel.

Units of Comparison

When comparing sales data, it is desirable to reduce the sales price of each site to a per unit basis. This is particularly appropriate where there are minor variations between the sites being compared and where the sites are irregularly shaped. Common units used in analyzing residential land sales are the front foot, square foot, standard lot, and acre. The market will generally dictate the appropriate units to be used.

The **front foot** is generally used for lots with water frontage, and in built up areas where the lots are relatively small. A front foot is a strip of land one-foot wide with frontage on a street or body of water and extending to the rear of the parcel. Front footage is generally measured

in terms of a standard depth, and it is therefore necessary to make adjustments for variances in lot depth using depth factor tables. The premise behind depth factors is that portion of the lot nearest the street, lake, river, or road is more valuable than the land which is in the rear of the lot and should be taken into consideration when the assessment is placed on the property. Examples of depth factor tables are found in the Appendix to Volume 2.

The **square foot** is an appropriate unit of comparison in areas where the lots are irregularly shaped and where frontage is not the primary factor contributing to the value of the site. This method is used where lots are found to be selling for an average price per square foot.

In analyzing sales, the assessor should determine the square foot values for the minimum square footage necessary for building, and for any excess land. This is done because when a lot is excessively large, the excess amount of land (the amount beyond the standard sized lot) will generally sell for less per square foot than the rest of the lot. For example, assume the minimum lot size required by zoning is 12,000 square feet. Sales indicate that lots in a specific area are selling for \$2.00 for the first 12,000 square feet and \$1.00 per square foot for the excess land. If the assessor is determining the value of a lot with 16,000 square feet, the first 12,000 square feet would be valued at \$2.00 per square foot ($12,000 \times \$2.00 = \$24,000$), and the excess 4,000 square feet would be valued at \$1.00 per square foot ($4,000 \times \$1.00 = \$4,000$) for a total value of \$28,000 for the lot.

A **standard lot** value is appropriate in areas where land use is less intense and minor differences in lot sizes do not significantly affect value. This is likely to occur in suburban or rural areas and is becoming more common in subdivisions. An example of this would be in a subdivision where all lots are similar in size and shape and enjoy the same amenities. If lots are all selling for nearly the same amount with only slight variations, the standard lot value is the simplest unit of comparison when determining the value of a site in that subdivision. Local zoning will generally dictate the minimum size of the standard lot.

The **acre** is more commonly used as a unit of comparison in valuing raw land rather than a site; however, it may be used in the valuation of residential land in rural areas and on the fringe of a village or city. Such tracts of land are generally purchased on a per acre basis and are appropriately valued as such. Small residential sites will sell for more per acre than large acreage agricultural land, so the assessor must be certain that the sales used in determining the per acre value of a rural residential parcel are in fact comparable to the subject, i.e., the land sold must have been purchased for residential purposes, not for farming. Units of comparison allow the assessor to account for differences in size when comparing competitive properties; however, not all differences in size can be compensated for through the use of units of comparison. The differences must be relatively small, otherwise, the properties may not be truly comparable.

Developing Standard Unit Values

When estimating the value of land, assessors may want to develop standard unit values for a given area or property type. The most common way to do this is by either using the base lot method or the comparative unit method. These methods establish land value “benchmarks” which can then be used to estimate the value of individual land parcels.

Base Lot Method

Using the base lot method, the assessor selects a typical, centrally located lot and adjusts all of the sales in that neighborhood so the sale prices reflect the characteristics of the selected base lot. By establishing a standard unit value for the base lot, the assessor has a physical benchmark to use when appraising other land parcels in the area. It is easier to determine if a certain property should be assessed higher or lower than the standard unit value when there is actually a physical lot representing the standard against which other lots to be appraised can be compared.

Comparative (Average) Unit Value

The average unit value method can be used in areas where the lots are very similar in size, shape, location, and other factors. Using this approach, the assessor determines an average value for each land unit (square foot, front foot, or standard lot) using the time adjusted unit sale prices. This method is easy to use since the only adjustments to the sale prices are for time; however, because it does not take into consideration variances in lot attributes, it is very important that the parcels be truly similar.

Land sale prices are stratified into categories by primary value factors (location, property use, etc.). The typical per unit value can be estimated by analyzing the available sales data for each land category. The typical per unit value could be the median or mean sale price per unit in a given category.

The assessor should be cautious deriving a median or mean per unit value if there are only a few sales to analyze in a given category or if the sale prices per unit vary considerably. If the sale prices per unit vary considerably in a given category, the assessor should check to see if the appropriate unit of comparison is being used. For example, when analyzing small apartment land sales, the sales prices per square foot may vary considerably while the sales prices per dwelling unit may be more consistent.

Benchmark Value Applications

Once standard unit value ranges have been developed for neighborhoods, it is possible to determine unit values by block. When determining the various block unit values, it will be necessary for the assessor to evaluate each block in terms of its desirability in relation to the rest of the neighborhood. This is where the map that has been prepared, showing the sales and their unit values will be particularly helpful to the assessor. By reviewing the map, it will be possible for the assessor to detect value patterns throughout the neighborhood. In some cases, the same unit value may be appropriate for many of the individual blocks; however, there may be some blocks that are more or less desirable than others, warranting higher or lower unit values.

After the unit values have been established for each block, the assessor can determine land values for each individual parcel by multiplying the unit value by the number of units in each parcel. Further adjustment of the unit values may be required for individual parcels depending on shape, size, access, utilities, topography, or other factors which have been previously discussed.

Adjustment Process

Since no two properties are exactly alike, the assessor must make adjustments to account for differences between the subject and comparable sales. By modifying the sale prices of comparable properties to reflect the characteristics of the subject, the assessor can estimate the value of the subject property. It is important that each sale be adequately described so the assessor can readily identify major characteristics and compare them to the property being appraised. The assessor should consider only the pertinent characteristics of each sale, making adjustments which are based on the market.

The principle of contribution is the underlying principle in the adjustment process. The assessor must determine what a particular feature contributes to the value of the property as a whole, i.e., how much more or less would a purchaser typically pay for a property with or without a certain characteristic.

Any adjustments must be supported by the available market evidence. The assessor must determine the reaction of typical buyers to the lack of or presence of certain factors. Market reactions can be measured by comparing the sale prices of properties which are the same in every respect except for the presence or lack of the one factor in question. The difference in the sale prices indicates the amount of adjustment required to compensate for the particular factor under consideration.

When making adjustments, the subject property is the standard and all adjustments are made to the comparable sales, not the subject. In general, sales are first adjusted for time to reflect the sale price as of the appraisal date. All other adjustments are made to the time adjusted sale price. If the sale property is superior to the subject in some respect, a minus adjustment is made to the sale price of that property; or conversely, if the sale property is inferior to the subject, a positive adjustment is made. It is possible that the presence or absence of some factors will have no effect on the sale price of a property. In such cases, no adjustments should be made for those features.

Generally, at least three good comparables should be used. A sale must be truly comparable to the subject property if it is to provide a reliable indication of value. Adjustments to sales are typically expressed by a percentage of the total sale price. The lower the percent adjustment of the total sale price, the more comparable the sale is to the subject property. The net adjustment is typically a less reliable indicator of accuracy since positive and negative adjustments can offset. See the Appraisal Institute's *Appraisal of Real Estate*, Thirteenth edition, for additional discussion.

Characteristics for which adjustments are typically made include time of sale, location, and physical factors. Other adjustments may be warranted based upon analysis of the economic and legal-governmental factors affecting the subject and the comparable sales. One of the most common adjustments made to land is for size or depth. Larger parcels typically sell for less per unit than smaller parcels.

Depth Tables

Depth tables provide a means for adjusting front-foot values for parcels of non-standard

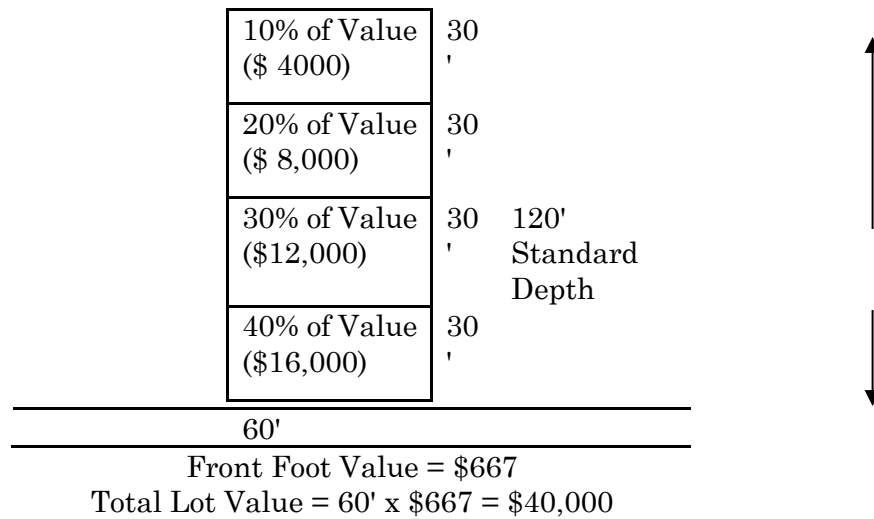
depth. Depth tables apply the principle of contribution, which states that the value of a characteristic is measured by its contribution to the value of the whole.

Depth tables can be used to assist in the measurement of changes in value caused by lot depth. The most easily understood basis for computing depth tables is the “4-3-2-1 rule.” According to this rule the first 25 percent of a lot’s depth is 40 percent of the total lot value, the second 25 percent equals 30 percent of value, the third 25 percent of depth represents 20 percent of value, and the fourth 25 percent of depth equals the remaining 10 percent of value. Figure 12-1 illustrates this principle.

The total estimate of value for the lot is \$40,000. The 4-3-2-1 rule allocates 40 percent of the total value or \$16,000 to the first 30 feet of the depth; the second 30 feet represents 30 percent of the value or \$12,000; the third 30 feet is 20 percent of the value or \$8,000; and the remaining 30 feet is worth the final 10 percent of value or \$4,000.

In order to make the calculation of the effect of depth on the value of a lot easier, depth tables have been developed. The tables can be found in the Appendix to Volume 2.

Figure 12-1
4-3-2-1- Rule



Valuation Case Study

The following example illustrates how adjustments can be made. The same technique can be used in any market comparison for all types of property. A rating grid is utilized, listing the comparable sales vertically. The units of comparison can be any factors that are found to have an effect on price. This displaying of data allows information to be categorized, viewed, and analyzed.

The adjustments in the following example are made in lump sum dollar amounts. Adjustments, however, can be applied in several ways:

- by adding/subtracting dollar amounts
- by adding/subtracting percentages

- by multiplying factors

To illustrate the difference between adding/subtracting and multiplying factors, say a property which sold for \$50,000 requires two adjustments: one for location (+10%) and one for access (-5%).

- If these adjustments are summed, the net adjustment is +5%: $0.10 + (-.05) = +.05$
- The \$50,000 sale price is adjusted to \$52,500 ($\$50,000 * 1.05$)
- If the adjustments are multiplied, the net adjustment is +4.5%: $(1 + .10) * (1 - .05) = 1.045$
- The \$50,000 sale price is adjusted to \$52,250: ($\$50,000 * 1.045$).

Example: The parcel of land to be valued is Lot 7, Block 12 of Peaceful Acres Subdivision. School and playground areas are 2 blocks north of the subject lot with a shopping area ½ mile down Major Boulevard. Recent sales in the area are shown in Figure 12-2.

Figure 12-2

Market Comparison Data				
Sale No. 1	Lot 10	Block 7	\$37,000	Current Sale-W.D.
Sale No. 2	Lot 18	Block 11	\$27,000	One year ago-W.D.
Sale No. 3	Lot 6	Block 12	\$29,000	Current Sale-W.D.
Sale No. 4	Lot 13	Block 6	\$26,000	Two years ago-W.D.
Sale No. 5	Lot 1	Block 13	\$36,000	Two years ago-W.D.

When the market comparison chart (Figure 12-3) is viewed, it becomes apparent that Sales 1 and 5 are not comparable to the subject property. Sale 1 is located on a hillside corner lot in an area of more expensive homes. Sale 5, although in an area of average homes, is not comparable because of lot size, shape, and corner location. Therefore, Sales 2, 3, and 4 are the most comparable physically. When the sale prices of these lots are viewed, they are seen to be appreciating at \$2,000 per year. The prices for the sales, which were not current, were adjusted on the chart accordingly.

Figure 12-3

Market Comparison Chart

	Subject	No. 1	No. 2	No. 3	No. 4	No. 5
Sale Price	-----	\$37,000	\$27,000	\$29,000	\$26,000	\$36,000
Time Adj.	Now	Current	1 yr. +2,000	Current	2 yrs. +4,000	2 yrs. +4,000
Site Imp.	Curb, gutter sidewalks	Same	None +5,000	Same	None +5,000	Same
Lot Size	6,000 SF	12,000 SF	6,000 SF	6,000 SF	6,000 SF	15,000 SF
Location	Middle of block	Hillside corner lot	Middle of block	Middle of block	Middle of block	Corner lot
Neighbor- hood	Class C homes	Class B homes	Class C homes	Class C homes	Class C homes	Class C homes
Adj. Price	---	\$37,000	\$34,000	\$29,000	\$35,000	\$40,000

When the values of all the comparable lots are viewed, a value range of \$29,000 to \$35,000 is indicated for lots comparable to the subject. The assessor must determine which of the sales is actually the most comparable to the subject property. Those sales requiring the least adjustment are generally the most reliable indicators of value provided proper adjustments have been made. Based on the information given in the example, the assessor would probably select sale 3 as the most comparable sale, since it has the most comparable location, is the most current sale, and requires no adjustments. Using sale 3, a value estimate of \$29,000 is indicated for the subject lot.

Land Valuation With Insufficient Sales

When there are not enough vacant land sales to reliably use the sales comparison approach, the appraiser must rely on other methods. These methods include abstraction, allocation, capitalization of ground rents and the development cost method. These methods tend to be less reliable than the sales comparison approach because they may not adequately reflect the actions of market participants. These methods also require analysis that is more complex and therefore require very careful research and judgment.

Abstraction Method

Often, there will not be enough unimproved lot sales to determine residential land values. In such cases the assessor may have to rely upon sales of improved properties. Under this method the assessor arrives at a land value by subtracting the estimated market value of the improvements from the total sale price. To determine the amount of the total sale price that is attributable to the improvements, the assessor must estimate the replacement cost new, less accrued depreciation, for the improvements. The abstraction method (also known as the land residual method) relies upon the cost approach for the determination of the replacement cost new of improvements, and requires an accurate estimate of depreciation by the assessor. Because of the difficulty in estimating accrued depreciation on older improvements, this method is best used on newer properties with little depreciation.

The following example illustrates how this method works:

Sale Price of Property	\$150,000
Estimated reproduction cost new of improvement as of sale date	\$122,000
Estimated Accrued Depreciation of All Type	- \$ 2,000
Estimated Depreciated Cost of Improvement	<u>\$120,000</u>
Indicated Value of Site	\$ 30,000

Where there are several sales of improved properties in a neighborhood the assessor may begin to see a pattern in the values. For example, analysis of five different sales using this method may indicate that typical sites in a given neighborhood have a value of \$29,000 to \$31,000.

There are definite limitations to this method of land valuation since it relies heavily on accurate estimates of replacement cost new and depreciation. In addition, the sales used must be very similar to the subject under consideration. Even when these conditions can be met, the value estimate is not conclusive enough to be relied upon as the sole means of deriving value in most cases.

The abstraction method may be used in conjunction with the allocation method, described below.

Allocation Method

The allocation method (also known as the land ratio method) is premised on the notion that there may be a consistent overall relationship between land and improvement values for certain property types or in certain areas.

Where there are a sufficient number of comparable improved sales, the assessor may find it helpful to break each sale down as described in the abstraction method above, and establish land to building ratios for particular neighborhoods or for particular property types. For example, after analyzing a number of comparable sales in one neighborhood, the assessor may find that sites represent about 20 percent of the total property value in that area, or a land to building ratio of 1:4. Therefore, if a property sold for \$150,000 and it is known that sites represent approximately 20 percent of the total value, the site value would be \$30,000 ($\$150,000 \times .20 = \$30,000$). Or, if a property has not sold, but the depreciated improvement value is known to be \$120,000 and the assessor has found the land to building ratio for that area to be 1:4, the site would be valued at \$30,000 ($\$120,000 \times 1/4 = \$30,000$).

There are definite limitations to this method of land valuation since it relies heavily on accurate estimates of replacement cost new and depreciation. In addition, the sales used must be very similar to the subject under consideration. Even when these conditions can be met, the value estimate is seldom conclusive enough to be relied upon as the sole means of deriving value in most cases.

Capitalization of Ground Rents

When land is rented or leased independently of the property improvements, capitalization of the ground lease (rent) payments is a reasonable method of determining land value. This method is usually only applicable to agricultural or commercial land that is typically leased on a triple net basis (the lessee is responsible for paying the property taxes and any other land-related operating expenses). To use this method reliably, the ground lease payment should be at current market levels.

For example, say a parcel of land has been recently leased for 10 years at \$10,000 per year, triple net. The appraiser determines that the appropriate capitalization rate is 10%. In this case, the land value is derived as follows:

$$\$10,000/0.10 = \$100,000.$$

Careful market analysis should be conducted to determine an appropriate capitalization rate. If the ground lease is not triple net, the appropriate operating expenses incurred by the landowner must be subtracted from the ground lease payment before it is capitalized.

Cost of Development Method

The cost of development method can be used for land ripe for subdivision. The appraiser projects improvements to the land, estimates the total revenues and development costs, and calculates the value residual to the land after subtraction of all costs, expenses, and profit. The method is based on the principle of surplus productivity. Land value is calculated as a residual after the requirements of labor, capital, and management are satisfied.

For example, assume that the subject property is a 40-acre parcel zoned for residential use with four home sites allowed per acre. Developers are currently selling 1/4 acre lots in the area, with street improvements and utilities, for \$17,500 to \$22,000 (\$20,000 is typical). Site preparation, street improvements, and utilities will cost approximately \$1,400,000; planning, administrative, sales, and other overhead costs average 25 percent of gross sales in such projects; and a reasonable allowance for interest expenses, other holding costs, and profit is 40% of net income. The estimated value is calculated as follows:

Projected sale price of lots:	(160 * \$20,000)	\$ 3,200,000
Site development costs:		- 1,400,000
Total overhead costs	(25% of \$3,200,000)	- <u>800,000</u>
Net income before holding costs and profit:		\$ 1,000,000
Holding costs and profit:	(40% of \$1,000,000)	- <u>400,000</u>
Indicated value of undeveloped land:		\$ 600,000

This method involves considerable speculation and should be used cautiously. The projected improvements must represent the most probable use of the land. Estimated costs should include the direct costs of site preparation, utility hookups, all indirect costs, and a reasonable allowance for profit. As long as the land is not subdivided, anticipated revenues and expenses should be discounted for time. (The above section is taken from IAAO Property Appraisal and Assessment Administration)

Land Valuation – Unplatted Areas

Unplatted areas are primarily found in rural townships and on the fringes of villages and cities, and generally contain large dissimilar sized parcels. These properties often present a problem to the assessor because small residential tracts usually sell for a higher amount per acre than adjoining large acreage sold for agricultural purposes. Because land use will vary with frontage, width, depth, and overall area, these factors must be carefully considered in the valuation process. When analyzing sales in unplatted areas, the assessor must determine what adjustments may be required in the sale prices to account for variations in the relative utility value of the land due to excessive or insufficient frontage or size.

Figure 12-4 represents a typical unplatted area of residential property at the intersection of two highways and illustrates some of the factors to be considered by the assessor when valuing properties of this type.

Tracts 8 and 12 are each one-acre. It could be expected that Tract 8 would sell for more than

Tract 12 for the reason that Tract 8 could be divided into two lots one-half acre each and a building located on each, while the back portion of Tract 12 would have no access to the highway.

Tracts 10 and 2 are comparable in size, location, and contour, and could be expected to sell for the same price. While Tract 1 contains four acres and is two times as large as Tracts 10 and 2, the owner would realize very little more for Tract 1 for the reason that the rear portion of the lot does not have access to the highway, and, therefore has little utility except for garden purposes.

Tract 3 could be expected to sell for the same amount per acre as Tracts 2 and 10. However, Tract 4 has greater exposure to the highway and would be worth more than Tract 3. When valuing larger Tracts 14 and 15, the assessor must realize that while Tract 14 is 10 times larger than Tracts 10 and 2, it may not bring 10 times more money; and Tract 15 being 20 times larger would not necessarily bring 20 times the money than Tracts 10 or 2.

The north 16 rods of Tracts 14 and 15, which are shown by the broken line in Figure 12-4, would bring considerably more per acre if offered for sale than the south 64 rods because it has access to the highway. The south 64 rods would be expected to sell for the approximate value of the land of a regularly operated farm in the area.

The purpose of the above discussion is to point out that, because Tract 10 containing two acres sold for \$5000, or \$2500 per acre, does not mean that tract 15 containing 40 acres would also sell for \$2500 per acre. It is possible that the 8 acres of Tract 15 near the highway would sell for approximately the same, but the south 32 acres might not bring in excess of \$500 per acre.

The above dollar amounts are used as an example only. The assessor must study the sales in the area to establish the unit value per acre to be used for assessment purposes.

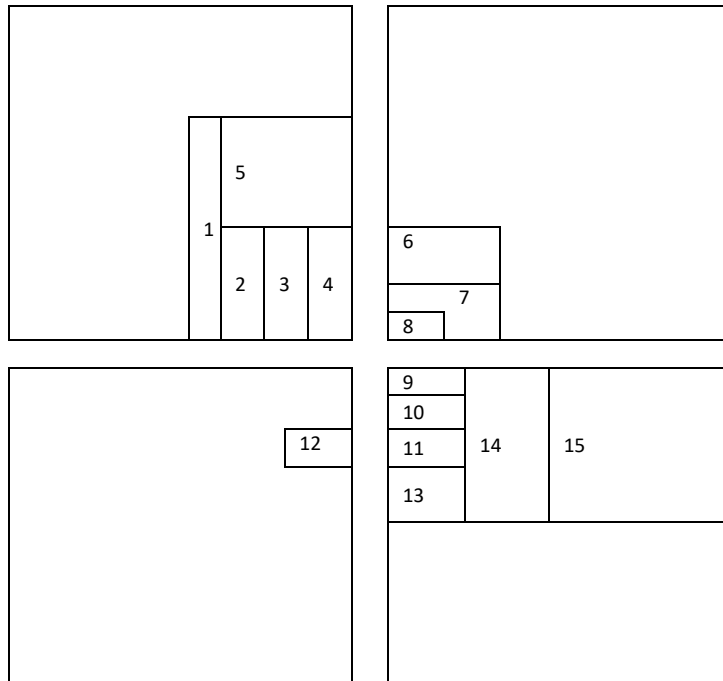
In some instances, an individual will purchase a larger tract of land, construct a residence, and use it in the same manner as those owning smaller tracts. As an example someone might purchase 80 acres of forest land on which to build a home. In cases such as this, the only portion of the land that is being used for residential purposes is that portion which the home uses. It is suggested that the assessor consider one acre or more, as the case may be, as residential land. The land used for residential purposes should be valued according to its contributory value as a site to the entire parcel. The market value of the residential portion may be the same value as other comparable small tracts of residential land, depending on specific market conditions. The remaining 79 or less acres should be assessed and classified as forest lands at a value commensurate with the amount that could be obtained for the 79 acres if placed on the market as a unit and a value established which is comparable to the assessment on other similar forest lands.

In all cases, septic tanks, wells, sidewalks, driveways, fences, retaining walls, and other land improvements should be included with the value of the residential improvements.

Figure 12-4 Unplatted Area

Parcel No. Dimension Area In Rods

1	8x80	4 Ac.
2	8x40	2 Ac.
3	16x40	4 Ac/
4	16x40	4 Ac.
5	40x40	10 Ac.
6	24x40	6 Ac.
7	8x40	3 Ac.
8	8x20	1 Ac.
9	8x40	2 Ac.
10	8x40	2 Ac.
11	24x20	6 Ac.
12	8x20	1 Ac.
13	40x40	10 Ac.
14	20x80	20 Ac.
15	80x80	40 Ac.



Land Valuation – Platted Areas

Platted parcels are usually those found in a recorded subdivision. They are characterized by orderly street layouts and are generally more densely utilized than unplatted areas. These areas are commonly found in cities and villages and along lake or river frontage. Assessors will usually value this type of property on either a standard lot size or a front foot basis. Because the lots may be of various sizes and shapes and with different amounts of frontage, good maps are essential for the assessor to accurately determine the size, shape, location, and relationship of one parcel to another.

Sales in some newly platted areas are for the bare lots without such items as septic tanks, wells, fences, etc. Through a study of the sales, the assessor can determine the value of the lots without the land improvements. The value to be added for land improvements can be determined from the study of the costs of such improvements and the study of the sale of improved lots.

If there are enough sales in each case, direct comparisons can be made with properties that have sold and those that have not. If the properties sold are not directly comparable, then the assessor must make adjustments to the selling prices in order to estimate the amount the subject property may be expected to bring if placed on the market.

In analyzing all of the sales data available, the sales prices should be adjusted to the January 1 assessment date and posted on a set of maps. This will enable the assessor to readily identify where the sales have occurred and to develop standard unit values for specific areas or neighborhoods.

Land Valuation Case Study

The following example illustrates the adjustment of basic front foot values for depth and other variations in shape and location. While the example uses lakeshore lots for illustration, the same principles are also applicable to other platted areas.

Referring to the plat along the lakeshore shown as Figure 12-6, it will be noted that a road runs along the south side of the plat. There is also a road between lots 5 and 15 which serves lots 6 to 14, and a road between lots 19 and 21 which provides access to lot 20.

Lots 1 through 3 are individually owned and are all 120 feet deep and 100 feet in width with a good beach. After making a study of the sales of other comparable lakeshore lots in the municipality, it is determined that the ordinary market value would be \$2000 per front foot for a standard 120 foot lot. Any variances from the standard depth must be adjusted through the use of depth factors. Since the standard depth is 120 feet, the 120 Feet Standard Lot Depth Table, which is found in the Appendix to Volume 2, will be used to obtain the appropriate depth factor.

In computing the value of **Lot 1** that is 100 feet wide, the assessor will multiply the width by the \$2000 front foot value which results in a value estimate of \$200,000. Since the depth of lot 1 is the standard 120 feet, no adjustment for depth is required to the \$200,000 value indication.

Lots 2 and 3 are comparable to Lot 1, and the same method is used in determining their values.

Lots 4 and 5 are owned by the town, and are used for a park. Lot 4 has a good beach for swimming, and also a public boat landing. Lots 4 and 5 are exempt; however, the assessor must determine if such public use has an effect on the value of adjacent lots.

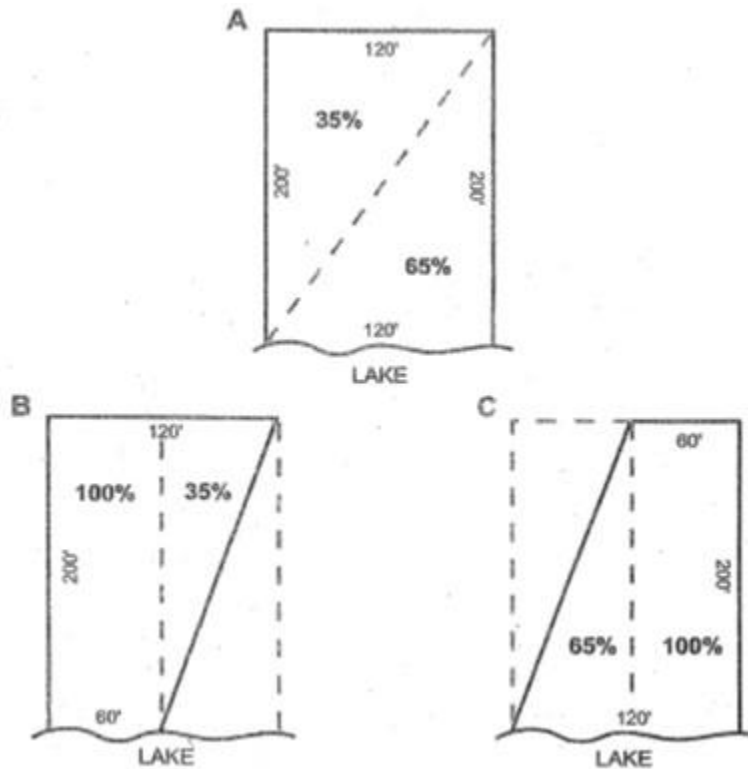
Lot 6 is 100 feet wide, 150 feet deep on the south side, and 110 feet deep on the north side. This presents a different problem. When valuing this lot, add the two sides and divide by two to obtain the average depth of 130 feet ($110' + 150' = 260'/2 = 130'$). Lots 6 through 10 have good sand beach suitable for swimming, and when these lots sell they bring \$3000 per front foot. To compute the value of lot 6 multiply the 100-foot width by the \$3000 front foot value resulting in a value of \$300,000. Since the average depth of 130 feet is not standard, it is necessary to refer to the depth factor chart in the Appendix of Volume 2 to obtain the factor to be used in modifying this value. The chart shows a factor of 104; therefore, the \$300,000 obtained above is multiplied by 104 percent to obtain a value of \$312,000 ($1.04 \times \$300,000 = \$312,000$) for lot 6.

Lot 7 is 100 feet wide and 110 feet deep. To determine the value of this lot, multiply the 100 foot width by the \$3000 front foot value for a standard lot value of \$300,000 ($100' \times \$3000 = \$300,000$). Since the lot is 110 feet deep, the assessor again refers to the depth factor tables and finds that a 110-foot lot represents 96 percent of the value of a 120-foot standard depth lot. The depth factor of 96 times \$300,000 indicates a value of \$288,000 for lot 7 ($\$300,000 \times .96 = \$288,000$).

Lot 8 is valued in the same manner as Lot 6.

Lot 9 is a triangular lot, which poses another problem. Because the lot is irregularly shaped and is not the standard depth, the front foot value must be adjusted to account for both the depth and shape of the lot, using the 65/35 rule in conjunction with the depth factor. See Figure 12-5. The 65/35 rule is based on the premise that a right angle triangular shaped lot with frontage at its base has 65 percent of the value of a rectangular lot, and that a right angle triangular shaped lot with frontage at its apex has 35 percent of the value of a rectangular lot. Lot 9 is 75 feet deep with a width of 100 feet on the lake. The 100-foot width represents the base of the triangular lot. To calculate the value of this lot, the assessor must first multiply the 100 foot width of the lot by the front foot value of \$3000 for a value of \$300,000 ($100' \times \$3000 = \$300,000$). This figure is then modified by the 75 foot depth factor, which is 79 percent for a value of \$237,000 ($\$300,000 \times .79 = \$237,000$). This value, in turn, is multiplied by 65 percent to account for the triangular shape of the lot, which results in a value indication of \$154,050 ($\$237,000 \times .65 = \$154,050$), which would be rounded to \$154,100. In this particular case we have made the assumption that the lot is not subject to flooding and that there are not stringent zoning requirements which would require minimum set-back for buildings on the lake. In practice, however, the assessor must be aware that there are many situations where it may not be appropriate to use the 65/35 rule for the valuation of triangular lots. For example, assume that every spring as the snow melts, the lake rises, flooding part of the lot. In such a case, it is possible that the lot could not be used for building since the widest part of the lot would be underwater each spring. If this were true, the lot would probably be more desirable if the water frontage were located at its apex rather than its base since it would still be possible to build a home on that portion of the lot away from the water. Set-back requirements must also be considered. For example, if local zoning required that all homes be situated at least 40 feet back from the lake, this particular lot would perhaps be less desirable than one with its apex on the lake, since the area on which a house could be built would be seriously reduced. As such, the 65/35 rule would not apply.

Figure 12-5
65/35 Rule



The 65/35 rule is based on the premise that a right angle triangular lot with frontage at its base has 65% of the value of a rectangular lot, and that a right angle triangular lot with frontage at its apex has 35% of the value of a rectangular lot, as illustrated in example A. Parcel B would, therefore, have an effective frontage of 81 feet. Parcel C would have an effective frontage of 99 feet.

Lot 10 may be valued by considering it as two triangular lots. The procedure would then be similar to that used for Lot 9. The east half of lot 10 has 85 feet of frontage on the lake, and a depth of 124 feet. To value this lot the assessor would first multiply the 85-foot frontage by the front foot value of \$3000 for a value of \$255,000. The depth factor for a 125-foot lot is 102 percent, which is applied to the \$255,000 figure for a value of \$260,100. This figure is then adjusted to account for the triangular shape of the lot. Since the base of the lot is on the lake, the \$260,100 figure is multiplied by 65 percent for an adjusted value of \$169,065, which would be rounded to \$169,100. Since the west half of Lot 10 has the same dimensions as the east half, its value would be the same, and the total estimated value of Lot 10 would be \$338,200.

Lot 10 is unique in the area since it is on the point of a large peninsula. Usually such points have a considerable amount of frontage but limited or irregular depth. The limited depth (as opposed to a rectangular lot) may interfere with the placement of buildings or development of the rear of the lot. Such lots are sometimes considered to have excess frontage. On the other hand, points are desirable because of a wide angle view and somewhat greater privacy. There can be no arbitrary rule for the valuation of such lots, and after approaching the valuation problem from all reasonable alternatives the assessor must decide which is the most applicable and the most likely to be the best estimate of market value.

The value of **Lot 11** can be estimated in the same manner as Lot 9.

Lots 12, 13, and 14 lack the sand beach, and the market value of similar lots has been found to be \$2000 per front foot. Using \$2000 as the front foot value, the same procedure that was used in valuing Lots 6, 7, and 8 would be used to value these lots. Lots 15 through 18 have a swampy shoreline. Similar lots have been found to be selling for \$1000 per front foot at a standard depth of 120 feet.

Lot 15 has only 25 feet of shoreline at \$1000 per front foot, this being the most valuable portion of the lot. The rest of the lot does not touch the lake; similar properties have been selling for \$400 per foot. The value of this lot would be calculated as follows: $25' \times \$1000 = \$25,000$; $75' \times \$400 = \$30,000$; $\$25,000 + \$30,000 = \$55,000$. Since the lot is the standard depth, no depth adjustment is required; therefore, the indicated value of Lot 15 is \$55,000.

Lots 16, 17, and 18 are similar with 100 feet of frontage and a standard depth of 120 feet. Each of these lots would be valued at \$1000 per front foot for a total value estimate of \$100,000 per lot. No adjustment is required for depth.

Lot 19 is similar to Lot 15, and would be valued in the same manner.

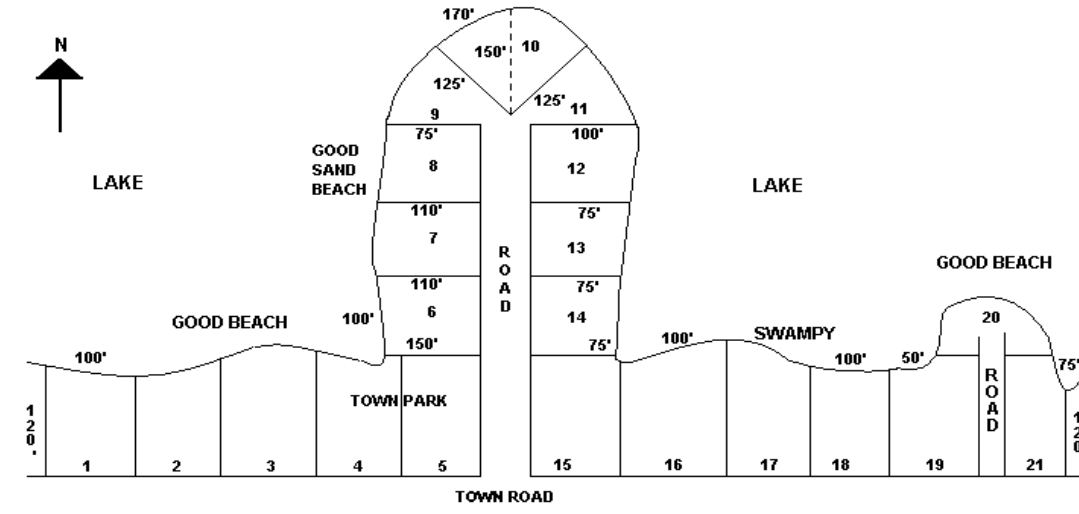
Lot 20 is a small peninsula with 225 feet of good frontage, 100 feet maximum depth due north and south, and 75 feet average width east and west. Since the most useful depth of a frontage lot is the depth measured at a right angle to the frontage, Lot 20 could be considered as the equivalent of two lots each having about $112 \frac{1}{2}$ feet of frontage and an average depth of $37 \frac{1}{2}$ feet ($\frac{1}{2}$ of 75'). Since sales indicate that this is \$2000 frontage, the calculation would be as follows: $112 \frac{1}{2} \times \$2,000 = \$225,000$. The depth factor for a $37 \frac{1}{2}$ foot lot is 56 $\frac{1}{2}$ percent, which when applied to the value estimate of \$225,000 indicates an adjusted value of \$127,125 for one half of Lot 20, or a total value of \$254,250 which would be rounded to \$254,300. However, two such lots placed back to back would appear to have more utility than is reflected by the sum of the parts and the assessor may wish to add an additional amount. The amount to be added will depend upon the total width of the peninsula and the increased freedom of locating buildings, etc., which the combined depth of 75 feet will allow. Other factors such as the unique location of the lot would also have to be taken into consideration.

Lot 21 would be valued in the same manner as Lots 19 and 15.

The above computations are based mainly on front foot of lakeshore assuming the lots are comparable except for the type of lakeshore and depth or shape. If other factors are prevalent which are likely to affect the market value of the lots, the assessor will have to make further adjustments.

The values established are for lakeshore lots without land improvements. The assessor would add an additional amount for land improvements to the improvement value.

Figure 12-6
Plat of Lake Shore Lots



Common Area/Land, Excess or Surplus Land – Subdivisions

The Dictionary of Real Estate Appraisal defines common area as “The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking, and its appurtenances, malls, sidewalks, landscaped area, recreation areas, public toilets, truck and service facilities.”

Excess land is defined as “Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately.”

Surplus land is defined as “Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.”

In subdivisions common area is also known as common land. Most often common land is used as a natural buffer or common area supporting the improved areas. Green space, retention ponds, parks or playgrounds are examples of common land in a subdivision.

The assessor must analyze the rights available, as specified in the subdivision development documents, to determine what uses are permitted or allowed. The assessor must determine if the common land has an economic or contributory value to the surrounding improved property in order for the common land to have a value.

Common Areas – Condominium

Another area that assessors may experience some difficulty is the common areas of condominiums. Generally speaking common areas of condominiums, hallways, stairways, elevators, sidewalks, etc. do not have a separate value on the roll. They may have a contributory value for each of the units, and as such the value is taken into consideration when determining the value of the individual units.

Common lands in condominiums share some of the same attributes and conditions of common, excess or surplus lands in a subdivision. The assessor must analyze the declarations of the condominium to determine how the common elements of a condominium are to be treated.

Every subdivision or condominium is unique. The assessor must read, analyze and understand the development documents or the declaration documents to understand each of them. They may have certain qualities in common, but each may have special circumstances addressed in the documents.

Outlots

The Dictionary of Real Estate Appraisal defines outlot as “A building site or pad that benefits from being part of a larger development.” There is not one answer that will tell an assessor how to handle these. Assessors must review the area in which the outlots exist. If the outlot is in a subdivision of residential units, the most likely classification of the outlot would be residential. However, the value of the outlot may be different than the standard lots. The assessor should refer to the development or declaration documents to aid in their determination of how to handle the outlots. Some of the questions may be: Is the outlot able to be improved or not? Is the outlot dedicated green space? Is the outlot common area? Each outlot should be looked at on its own. There is no one solution for all outlots.

Part II. Valuing Improvements

The objective of improvement analysis is to determine the highest and best use of the improved property and to estimate that portion of the total property value which is attributable to the improvements. In performing improvement analysis, the assessor must create a supportable valuation for each property, noting relevant characteristics as they relate to physical condition, effective age, and functional utility. This is best done through the use of the Property Record Card (form PA-500) which is prescribed by the Department of Revenue (DOR) and available from the County Designee.

The PRC is a valuable tool for the assessor. Its main use is that of a listing document. It provides space to list in detail all of the pertinent characteristics of the subject property that contribute to value. It is essential that the assessor have a detailed description of each property in order to find market comparables, establish a basis for adjustments using the market approach, to accurately estimate replacement cost new and depreciation, and to better defend the final value estimate.

Data Collection – Field Viewing

Before beginning field work, it is important that the assessor become familiar with Volume 2 of the *Wisconsin Property Assessment Manual* (WPAM) and the PRC. This will ensure that sufficient data is obtained in the field and will help to minimize errors.

The state prescribed PRC is a four-sided folder card, which is used to list residential and agricultural properties. The front side is used to enter property identification data such as the parcel number, name and address of owner, legal description, etc. The area is large enough to incorporate pre-printed labels if so desired.

The second side provides an area for a detailed listing of building characteristics, an area to sketch the building, and a pricing ladder to compute the value of the building using the cost approach to value.

Other features and additional attachments are listed on the third side of the PRC. An area is provided to list other minor buildings and apartments, and a blank space is provided to attach a photograph and make notations.

The fourth side provides space for all land listing data and computations, including a sketch of the parcel, property identifiers such as parcel number and property location, sales data, building permit records, and Municipal Assessment Report information. It is important that proper consideration be given to the various factors affecting land value and that these factors be documented. Use, depth, influence factors, topography, utilities, type of street or road, dwelling setback, fronting traffic, and zoning should all be indicated on the card. By showing these factors, differences in land assessments can be readily explained.

The PRC should be studied to determine exactly what information is needed and how it will be recorded. It is important to develop a system of recording data, which will be uniformly applied throughout the district. Because the information contained on the PRC is the basis for the final value estimate, it is essential that it is field verified and accurate.

Certain assessment districts using computerized assessment software may use a system generated data collection form to gather this information.

The quality of construction will have a significant effect on the value of a dwelling; therefore, it is important that the assessor become familiar with the various grade classifications used in the WPAM and the specifications of each grade. The four principal quality grade classifications used in Volume 2 are as follows:

Grade A	Excellent Quality
Grade B	Good Quality
Grade C	Average Quality
Grade D	Fair Quality

To cover the entire range of construction quality, two additional quality grade classifications have been established: “AA” grade, which incorporates the very best quality of materials and workmanship, and “E” grade, which incorporates the least expensive and inferior quality of materials and workmanship.

These six grades cover the entire range of dwelling construction from the least expensive to the finest of quality. Since each of the various grades have design and construction features unique to that grade, the assessor should thoroughly examine and become familiar with the specifications of each grade as outlined in Volume 2 of the WPAM.

To aid the assessor in estimating depreciation, the WPAM provides a CDU (condition, desirability, and usefulness) Rating Guide. The guide establishes eight rating classifications:

CDU RATING GUIDE

CDU RATING OF DWELLING	DEFINITION
Excellent	Building is in perfect condition; very attractive and highly desirable.
Very good	Slight evidence of deterioration; still attractive and quite desirable.
Good	Minor deterioration visible; slightly less attractive and desirable, but useful.
Average	Normal wear and tear is apparent; average attractiveness and desirability.
Fair	Marked deterioration—but quite usable; rather unattractive and undesirable.
Poor	Definite deterioration is obvious; definitely undesirable, and barely usable.
Very poor	Condition approaches unsoundness; extremely undesirable and barely usable.
Unsound	Building is definitely unsound and practically unfit for use.

A residual table (Basic Percent Good Table), which is used in conjunction with the CDU Rating Guide, is also provided. This will indicate the appropriate residual for a structure, based upon its condition, desirability, and usefulness as observed by the assessor. To properly use the tables, the assessor should study the CDU rating system with its definitions, keeping in mind that the tables are only guides and the true measure of depreciation must be obtained from market studies. However, with valuation experience, the tables can be refined to give adequate residual, or percent good estimates. When listing a large volume of properties, the assessor will find these tables extremely useful for being consistent in depreciation considerations.

After providing any required notice (please see WPAM Chapter 5-10 and 9-21) and upon entering the field, the assessor should be concerned with the following points:

1. Proper identification of the parcel
2. Property owner interview
3. Measuring improvements and interior viewing
4. Proper classification and depreciation estimates
5. Land value factors

Proper identification of each parcel is essential. The assessor should verify each legal description to ensure that it accurately describes the parcel being assessed. Any incorrect legal descriptions should be researched as necessary and corrected. The record cards should also be labeled with the property owner's name and address, the parcel number, and the size of the parcel when available.

After providing any required notice (please see WPAM Chapter 5-10 and 9-21), the property owner interview is a means of receiving additional information on a property and establishes good public relations. For many property owners, this is the primary contact with the assessor's office. The assessor should have proper identification and state the purpose of the viewing. Any questions pertaining to the assessment process should be answered and data should be collected in the most efficient manner possible. The assessor can obtain construction costs, ages of buildings, and sales information from the property owner. At this time sales can also be verified, and a check made for any changes to the improvements since the date of purchase. If the occupant is a tenant, the amount of rent paid should also be obtained. Follow-up for any unanswered questions is also very important. An important question to ask but often overlooked is "Do you know of any factors that might affect the value of your property?" These factors range from special easements to unusual soil conditions. Many times peculiar situations are overlooked until the assessed value is disputed by the owner. Before leaving the assessor should advise the owner when information relevant to the current assessment will be available. Improvement viewing and measuring pertains to collecting and recording complete data regarding the physical characteristics of the improvements to be assessed. This includes properly completing the PRC to show the style, age, size, quality of construction, condition, and other relevant physical features. To be sure that nothing is overlooked during the viewing many assessors set up a routine. For instance, the interior viewing may begin with the basement and continue on to the last level needing viewing. The lister completes the PRC while viewing the house. Upon leaving the property, the card is checked to be sure that adequate information has been collected.

Since building area serves as a basis for making comparisons using the market approach and gross rent multiplier analysis, and is important in estimating replacement cost using the cost approach, special attention should be given to the measurement and sketching of improvements. Each item requiring an area should be measured to the nearest foot. The dimensions should be written on a preliminary sketch and later transferred to the record card. This sketch should contain dimensions, story heights, and labeling.

The final sketch drawn on the record card should be neat and to scale. Dimensions should be properly placed so that areas are correctly calculated and the labeling should be legible and complete. Detached garages and miscellaneous detached sheds need not be sketched since their dimensions are listed elsewhere on the PRC.

Once the assessor has collected sufficient information, it is possible to subjectively consider the improvements and determine the proper grade. Grading the house is based on the design, planning, materials, workmanship, and aesthetic features present. As each class has varying degrees of these characteristics, a tentative grade can be chosen. A quick comparison of the information recorded on the record card with the specifications in Volume 2 of the WPAM will show if a different grade is indicated. The assessor must exercise caution not to confuse the concepts of quality and condition when selecting the proper grade. This is especially applicable to older buildings where a deteriorated condition can have a noticeable effect on physical appearance. A building will always retain its initial grade of construction regardless of its existing deteriorated condition. The grade ultimately selected must reflect that original built-in quality, and the selection of that grade cannot be influenced in any way by the physical condition of the building.

Physical condition does; however, bear a direct relationship to the desirability, usefulness, and therefore, marketability of a structure and it is important that it be carefully evaluated when estimating depreciation. In evaluating the condition of a structure, the assessor must consider age, adequacy of equipment, types of repairs needed, and types of repairs already made. Consideration must also be given to whether or not it is functionally adequate. By using information obtained from market analysis and guides such as the CDU Rating Guide and Basic Percent Good Table found in Volume 2, depreciation estimates can be made quickly and accurately.

Sales Comparison Approach

The method of valuation, which most nearly conforms to the statutory requirement of market value, is the sales comparison or market approach. This approach is based on the principle of substitution which presumes that an informed purchaser will pay no more for a property than the cost of acquiring a substitute property currently on the market with the same utility as the subject property. The general procedure using this approach is the same as was previously discussed for the valuation of land using the comparable sales approach. That is, after collecting and analyzing data on each property sold, a comparison chart is set up with the sales listed horizontally and the comparison factors listed vertically. The sale prices are then adjusted to reflect the amount that each property would have brought on the market if it had the same characteristics as the subject. The following example illustrates this technique. (The lot is also included in this comparison.)

The subject to be assessed is a one-story, three bedroom, one-bath, single-family residence which is five years old. It has an attached double garage, an average wood burning fireplace, and central air conditioning. A study of the market indicates that there are five sales in the neighborhood which are similar to the subject in age, quality of construction, and amenities.

Sale 1 is a four-bedroom, one-story, two-bath residence with an attached double garage. It has a large fireplace, central air conditioning and sold for \$150,000 one year ago.

Sale 2 is a three-bedroom, one-bath residence with no fireplace or air conditioning. It has an attached single car garage and sold for \$148,000 recently.

Sale 3 is a three-bedroom, two-bath residence with an average fireplace, attached double garage, and central air conditioning. It sold recently for \$162,500.

Sale 4 is a three-bedroom, two-bath residence with a single car garage. It has central air conditioning and a large fireplace. In addition, there is surplus land included in the sale with an estimated value of \$16,000. It recently sold for a total of \$178,000.

Sale 5 is a four-bedroom, two-bath residence with an attached double garage. It has central air conditioning and a large fireplace. The sale price included personal property worth \$3,200. It sold for a total price of \$173,500.

For purposes of this analysis, assume the following relationships as demonstrated by the market: the average wood burning fireplace has a value of \$4,000; a large, better quality fireplace has a value of \$5,600; a double garage will bring \$5,000 more than a single one; a fourth bedroom will command an additional \$4,000; and a second bath will bring an

additional \$3,000; central air conditioning is worth an additional \$2,500; and property values in this particular neighborhood are increasing at 10% per year.

Case Study

Under the column entitled “subject,” the property characteristics or factors affecting the value of the subject property are listed for ready reference. Sale price, of course, is the unknown that is being sought; therefore, that section of the comparison chart has not been completed. Since the subject property has not recently sold, the date of sale section of the chart has also been left blank. The subject has a fireplace and central air conditioning and this has been noted in Figure 12-7. The other items have been listed on the market comparison chart in the same manner.

Sale 1 also has a large fireplace while the subject has only an average one. An adjustment must be made to correct for this difference in the two properties. The specifications listed the value of a large fireplace at \$5,600 and an average wood burning fireplace at \$4,000, or a difference of \$1,600. In order to make the sale comparable to the subject, \$1,600 must be subtracted from the sale price.

This sale has central air conditioning and an attached double garage. Since the subject also has these features, there is no dollar adjustment made for these items.

There are two baths in Sale 1 while the subject has only one. The value of the extra bath is indicated at \$3,000; therefore, this amount must be subtracted from the sale price to make it comparable to the subject. Sale 1 has four bedrooms while the subject has three. The value of the extra bedroom is indicated at \$4,000.

This amount is subtracted from the sale price to compensate for the fourth bedroom.

The lots of Sale 1 and the subject are both comparable and there was no personal property included in the sale; therefore, no dollar adjustment is required for these items.

When all of the adjustments to the selling price of Sale 1 are totaled, they amount to a plus adjustment of \$6,400. This amount is added to the sale price of \$150,000 to give an indicated market value of \$156,400 for the subject property based on the adjusted sale price of comparable 1.

The same technique is used for the remaining comparable sales. Upon viewing the market comparison chart, it can be seen that Sale 3 is the most comparable to the subject property and required only one adjustment. Based upon this sale, the indicated value of the property is \$159,500.

Appraisal is not an exact science. It is not possible to estimate market value with a precision that would yield a figure in exact dollars and cents; therefore, value estimates are generally rounded to the nearest hundred dollars. In this particular example, no rounding was necessary; however, had the value estimate been \$159,485, for example, it would have been rounded to \$159,500.

It is obviously not feasible to develop a market comparison chart for every property in a municipality. Therefore, it is important that some type of sale listing be prepared for use in defending value estimates whether they are derived directly from the market, or from using the cost or gross rent multiplier approaches. In preparing the listing, sales should be stratified by primary value factors such as neighborhood, quality or grade, size, or age. This will enable the assessor to quickly locate comparable sales for a specific property. Figure 12-8 illustrates a sales listing chart with some of the main value factors that should be included to make it as useful as possible.

Figure 12-7

Market Comparison Chart

Sale	Subject	No. 1	No. 2	No. 3	No. 4	No. 5
Sale Price	?	\$150,000	\$148,000	\$162,500	\$178,000	\$173,500
Date of Sale	—	1 yr. +15,000	Recent	Recent	Recent	Recent
Fireplace	Average Wood burning	Large -1,600	None +4,000	Average Wood burning	Large -1600	Large -1600
Air Conditioning	Central	Central	None +2,500	Central	Central	Central
Garage	Attached Double	Attached Double	Attached Single +5,000	Attached Double	Attached Single +5,000	Attached Double —
Bath	One bath	Two bath -3,000	One bath —	Two bath -3,000	Two bath -3,000	Two bath -3,000
Bedrooms	Three	Four -4,000	Three —	Three —	Three —	Four -4,000
Lot	Average	Average —	Average —	Average —	Larger -16,000	Average —
Personal Property	None	None —	None —	None —	None —	Est. worth -3,200
Total Adjustment	—	+6,400	+11,500	-3,000	-15,600	-11,800
Indicated Market Value	\$159,500	\$156,400	\$159,500	\$159,500	\$162,400	\$161,700

NOTE: The above values and unit prices are for illustration purposes only and are not meant to be a standard or average value.

Figure 12-8

Sales Listing, Willow Brook Subdivision

Parcel Number	Address	Grade	Size	Year Built	Beds	Baths	Fire- place	Central A/C	Garage	Exterior Walls	Lot Size	Land- scape	Sale Price	Sale Date	Time Adj. Sale Price
75326682	201 Oak	C+	1580	1978	4	2	Yes	Yes	2 car	Frame	66x120	Good	\$159,900	7/97	\$162,900
75465437	452 Maple	C+	1600	1978	4	2	Yes	Yes	2 car	Alum.	66x120	Good	163,000	1/98	163,000
75465439	456 Maple	C+	1600	1976	3	2	Yes	Yes	2 car	Alum.	66x120	Good	157,000	6/97	159,900
75465248	911 Elm	C+	1640	1979	4	2	Yes	Yes	2 car	Frame	66x120	Good	161,000	10/97	162,000
75465298	546 Ash	C+	1760	1975	3	1	Yes	No	2 car	Brick	66x120	Ave.	154,000	4/97	157,600
75465764	995 Jackson	C+	1800	1977	4	2	Yes	Yes	2 car	Frame	80x120	Good	166,000	1/98	166,000

Cost Approach

If the highest and best use of a property is its present use and the improvement is relatively new, a valid indication of value may be derived using the cost approach. The cost approach is based on the principle of substitution, that is, that a well-informed buyer will pay no more for a property than the cost of purchasing an equally desirable substitute property with like utility. The basic steps in the cost approach are as follows:

1. Estimate the value of the site as if vacant and available to be put to its highest and best use.
2. Estimate replacement cost new of the structure.
3. Estimate accrued depreciation from all sources.
4. Subtract the accrued depreciation estimate from the estimate of cost new to arrive at a present value for the improvements.
5. Add the present value of the improvements to the estimated land value for a total property value.

At this point, it must be noted that cost is not the same as, nor does it necessarily create, value. The assessor must continually analyze sales that have occurred to determine the relationship between replacement cost and market value, and to develop sound judgment regarding observed condition, the market's reaction to the market place, and accrued depreciation.

Replacement Cost

Replacement cost is the current cost of producing an improvement of equal utility to the subject property; it may or may not be the cost of reproducing a replica property. The distinction being drawn is one between replacement cost, which refers to a substitute property of equal utility, as opposed to reproduction cost, which refers to a substitute replica property. In a particular situation the two concepts may be interchangeable, but they are not necessarily so. They both, however, have application in the cost approach to value, the difference being reconciled in the consideration of depreciation allowances.

In actual practice, developers and builders for obvious economic reasons generally replace

buildings, not reproduce them. It logically follows that if an appraiser's job is to measure the actions of knowledgeable persons in the marketplace, the use of proper replacement costs should provide an accurate point of beginning in the valuation of most improvements.

The replacement cost includes the total cost of construction incurred by the builder whether preliminary to, during the course of, or after completion of the construction of a particular building. Among these are material, labor, all subcontracts, builder's overhead and profit, architectural and engineering fees, consultation fees, survey and permit fees, legal fees, taxes, insurance, and the cost of interim financing.

There are various methods that may be employed to estimate replacement cost new. The methods widely used in the appraisal field are the unit-in-place or component part-in-place method, the model method and occasionally the quantity survey method.

The **Unit-In-Place Method** is employed by establishing in-place cost estimates (including material, labor, overhead, and profit) for various structural components. The prices established for the specified components are related to their most common units of measurement such as cost per yard of excavation, cost per linear foot of footings, and cost per square foot of floor covering.

The unit prices can then be multiplied by the respective quantities of each as they are found in the composition of the subject building to derive the whole dollar component cost, the sum of which is equal to the estimated cost of the entire building, providing of course, that due consideration is given to all other indirect costs which may be applicable. This method of using basic units can also be extended to establish prices for larger components in-place such as complete structural floors (including the finish flooring, sub-floor, joists, and framing) which are likely to re-occur repeatedly in a number of buildings.

The **Model Method** is still a further extension, in that unit-in-place costs are used to develop base unit square foot or cubic foot costs for total specified representative structures in place, which may then serve as "models" to derive the base unit cost of comparable structures to be appraised. The base unit cost of the model most representative of the subject building is applied to the subject building and appropriate tables of additions and deductions are used to adjust the base cost of the subject to account for any significant variations between it and the model.

The **Quantity-Survey Method** involves a detailed itemized estimate of the quantities of various materials used, labor and equipment requirements, architect and engineering fees, contractor's overhead and profit, and other related costs. This method is primarily used by contractors and cost estimators for bidding and budgetary purposes and is much too laborious and costly to be effective in everyday appraisal work, especially in the mass appraisal field. The method, however, does have its place, in that it is used to develop certain unit-in-place costs, which can be more readily applied to estimating for appraisal purposes.

Pricing schedules and related cost tables are included in Volume 2 of WPAM to assist the appraiser in arriving at an accurate estimate of replacement cost new. They have been developed by applying unit-in-place costs to the construction of specified hypothetical or model buildings. Application of the schedules involves the selection of the model in terms of components construction which most nearly resembles the subject building and adjusting its

price to compensate for all significant variations. The schedules and tables have been developed to be used primarily in assessment environments. As such, they have been designed to provide the assessor with an uncomplicated, fast and effective method of arriving at an accurate estimate of replacement costs. While the costs provide for replacement using modern materials, they do not account for functional obsolescence caused by design, style, layout, etc. Therefore, the assessor must still account for this in the depreciation estimate. In addition, the cost figures do not include secondary costs such as closing costs, interior decorating, final grading, landscaping, etc., which account for the difference between the new construction cost and a higher sale price.

While the cost tables, in conjunction with the local modifiers have been prepared in a manner which will reflect construction costs in the various parts of the state, actual known costs of construction should be compared with the costs as estimated by the tables whenever possible. Such comparisons will help to build the assessor's confidence in the validity of the cost tables, and provide the basis for warranted adjustments to the local modifier.

Applied properly, this cost information will assist the assessor in arriving at valid and accurate estimates of replacement cost new as of a given time. The difference between the replacement cost new and the present value of a structure is depreciation. The final step in completing the cost approach is to estimate the amount of accrued depreciation and deduct that amount from the replacement cost new.

Depreciation

Depreciation can be simply defined as "a loss in value from all causes." As applied to real estate, it represents the loss in value between market value and the sum of the replacement cost new of the improvements as of a given time. The causes for the loss in value may be divided into three broad classifications: Physical Deterioration, Functional and Economic Obsolescence.

Physical Deterioration pertains to the wearing out of the various building components, referring to both short-life and long-life items, through the action of the elements, age, and use. The condition may be considered either "curable" or "incurable," depending upon whether it may or may not be practical and economically feasible to cure the deficiency by repair and replacement.

Functional Obsolescence is a condition caused by either inadequacies or over-adequacies in design, style, composition, or arrangement inherent to the structure itself which tend to lessen its usefulness. Like physical deterioration, the condition may be considered either curable or incurable. Some of the more common examples of functional obsolescence are excessive wall and ceiling heights, excessive structural construction, surplus capacity, ineffective layouts, and inadequate building services.

Economic Obsolescence is a condition caused by factors extraneous to the property itself, such as changes in population characteristics and economic trends, encroachment of inharmonious land uses, and governmental restrictions. The condition is generally incurable in that the causes lie outside the property owner's realm of control.

Once depreciation from all causes has been estimated, that amount is deducted from the replacement cost new, yielding a final value estimate for the improvement. While it is true that a close relationship between cost of replacement and the ordinary market value concept can usually be found for the average or typical residence, the assessor must always be aware that cost less an average amount for depreciation is not necessarily equivalent to ordinary market value in every case. Each property is unique and must be given individual consideration regarding observed physical deterioration and the various types of obsolescence.

There are limitations to the use of the cost approach to valuation. Depreciation is a critical factor when using this approach. Since the value of a structure may vary substantially depending on the depreciation estimate, it is essential that the depreciation estimate be accurate. In general, when an improvement suffers a substantial loss in utility, it is more difficult to accurately estimate depreciation and, therefore, the cost approach becomes less reliable. Examples where the cost approach may not be entirely reliable are properties with very old or poorly maintained improvements and properties where the improvement does not represent the highest and best use of the site.

Gross Rent Multipliers

Residential property generally is not purchased for investment income; therefore, net income is not customarily used in estimating the value of residential property. However, residential property is often rented, and there is a method by which an indication of value can be obtained from rental information. This is through the use of the gross rent multiplier, which is a simple-to-use method of making comparisons between the subject property and comparable properties which have been sold where rents are available. The gross rent multiplier is used to express the relationship between gross rent and the value of a property and is derived by dividing the selling price of a property by the gross rental income at the time of the sale:

$$\frac{\text{Sale price}}{\text{Rental income}} = \text{Gross Rent Multiplier}$$

For example, the gross rent multiplier for a property with an annual rental income of \$7,800 and a sale price of \$82,000 would be computed as follows:

$$\frac{\$82,000}{7,800} = 10.5$$

It is also possible to compute a monthly gross rent multiplier by using the monthly rental, rather than annual rental income:

$$\frac{\text{Sale price}}{\text{Monthly rental income}} = \text{Monthly Gross Rent Multiplier}$$

Using the same example with monthly, rather than annual rental income, the monthly gross rent multiplier is calculated as follows:

$$\frac{\$82,000}{650} = 126.2$$

The gross rent multiplier, when applied to the market rental for the subject property, will

provide an estimate of value for the subject. Market rent is the amount of rental income that a property will bring on the open market. It is indicated by the rent that is currently being paid for properties comparable to the subject property. In estimating market rental for the subject, it is important that the rental properties used as comparables be in the same market as the subject and that the rents are current.

Once the market rental and the gross rent multiplier have been estimated, it is possible to estimate the value of the subject by multiplying the market rental by the gross rent multiplier (value = market rental x gross rent multiplier). For example, if the annual market rental of the subject is \$7,900 and the gross rent multiplier is determined to be 10.5, the value of the subject would be estimated as follows:

$$\$7,900 \times 10.5 = \$82,950$$

which would be rounded to \$83,000. If the sales used for gross rent multiplier analysis are truly comparable to the subject, their multipliers should be grouped within a close range. Where there are a large number of sales, sample statistics can be used to estimate the gross rent multiplier. That is, the mean, median, and mode for the multipliers can be computed for use in selecting the appropriate gross rent multiplier. If there are too few sales to rely upon the use of sample statistics, the assessor must select the multiplier based upon judgment and analysis of the data available.

For example, the assessor may have only four sales of rental properties that are truly comparable to the subject. The monthly gross rent multipliers are shown in Figure 12-9.

Figure 12-9

Monthly Gross Rent Multipliers

	Sale Price	Monthly Rentals	Monthly GRM
Sale 1	\$91,500	\$750	122.0
Sale 2	\$99,600	\$800	124.5
Sale 3	\$96,800	\$770	125.7
Sale 4	\$96,000	\$760	126.3

It is the assessor's judgment that the subject is better than Sale 2, but not quite as desirable as Sale 3. The gross rent multiplier for the subject would probably lie somewhere between 124.5 and 125.7. In this case, the assessor would probably use 125 as the gross rent multiplier.

While gross rent multipliers are simple to use in estimating value, to be effective they must be based on a sufficient number of truly comparable arm's-length sales on which verified, unfurnished rentals have been obtained. It is important that the sale properties be similar to the subject in area, number of rooms, functional utility, condition, quality of construction, value range, and neighborhood. Because gross rent multipliers will vary depending on these factors, it is not possible to establish a "standard" gross rent multiplier for use throughout a municipality; it must continually be recalculated from current sales and rental incomes for various types of properties.

Part III Special Residential Properties

High End Residences

Unique Custom Built

The recently constructed expensive home can cause some difficulty when making the assessment. Some smaller municipalities may have no comparable sales to serve as a basis for estimating the ordinary market value of this type of home. The fact that a home in a district has never sold for greater than a specified amount does not limit the value to be used for the assessment on this type of home. The homes that have sold are not comparable and, therefore, cannot be expected to control the value established on a recently constructed luxury type residence.

A home costing considerably more than the average home has a limited number of financially capable purchasers. When put up for sale, such a home will often require a longer period of time on the market before a sale occurs. Where no comparable homes have been sold to establish a market value, the assessor will necessarily have to resort to, and place considerable reliance on, the cost of construction less accrued depreciation as a guide to arrive at the ordinary market value of the property.

The fact is that the owner did purchase the materials used in construction as well as the services of laborers, contractors, and architects at the time the home was constructed, and the home was built in accordance with the owner's specifications. The assumption can be made that had an identical structure been available, the taxpayer would have been willing to pay the same amount or more, thus eliminating the trouble of overseeing its construction and the delay of occupancy. When viewing this class of residence, the assessor may find certain items that may have been of considerable importance to the original owner and excessively expensive to construct, but may not enhance the value of the property to a subsequent prospective buyer. If this is true, the assessor will have to rely on judgment to make the necessary functional obsolescence adjustments in a cost approach to arrive at the market value of the property.

Older Mansion-Type Residences

Most assessors will be faced with the problem of valuing homes constructed in an era when the materials used at the time were plentiful and labor was cheap. Usually these homes were custom built to the specifications of the owners or their architect, featuring many built-in luxuries that may have been desirable only to the property owner building the home. Even at the time the home was originally constructed it is doubtful that the luxuries considered important to the builder would have had the same appeal to another prospective purchaser.

To reproduce an early 1900's mansion to the original specifications could cost more than a home with similar utility using today's construction methods. These homes were often constructed of the best materials and usually well maintained so that even though maximum deterioration is accounted for, the reproduction cost less depreciation gives no indication of its current market value. If this is true, an obsolescence factor must be applied to obtain market value.

The original design may include factors such as high ceilings that may no longer be in demand and must be recognized as obsolescence by the assessor. The market value concept is controlling when assessing a property of this kind, the same as in all other properties. Some assessors may find a few sales in their municipality which can be used in making assessments on similar old, expensive properties; however, many assessors will not have sales to guide them in making such assessments. In these cases, they may be able to obtain some help by considering sales in nearby districts. The information obtained may serve as a guide in determining value for assessment purposes where the properties are similar and the location is comparable.

Where no sales are available, the assessor will find it helpful to give some thought to the potential use of the property as it relates to its neighborhood. It is possible in many cases, to make apartments of such properties if apartments are in demand and if zoning permits. Some of these properties are located near colleges and universities and have been converted to rooming houses and are producing a measurable income. If rent multipliers are available from the municipality or from other nearby districts, they may be used to estimate value.

Riparian Property

Riparian refers to the bank or shore of a river or lake. Riparian property is property along the bank or shore of a body of water such as a stream, river, or lake. This section will explain the special nature of riparian property, how it affects the ownership rights, and how the assessor should value this property.

In the early days of the state, the waterways provided the fastest and most efficient method of transporting goods and people. The waterways were also the principle method of moving timber from the forests to the sawmills. Land travel was slower and more difficult than travel by water. Therefore, the waterways became the “highways” of that time. If the shore owners were allowed to control the waterways, they could build barriers to travel, impose tolls, or otherwise disrupt travel upon the waterways.

To prevent the disruption of the use of the waterways the state was granted control of all navigable waters. The beginning of state control of navigable waters is expressed in Section I, Article IX of the Wisconsin Constitution which granted the state jurisdiction over the Mississippi River and all navigable waters leading to the Mississippi and St. Lawrence Rivers. The Constitution declared these waters to be “common highways and forever free to the inhabitants of the state and the citizens of the United States” and is often referred to as the Public Trust Doctrine. Based on the state constitution, this doctrine has been further defined by case law and statute. It declares that all navigable waters are "common highways and forever free", and held in trust by the Department of Natural Resources.

Sec. 30.10, Wis. Stats., and various court cases have extended the state control to all navigable lakes, streams, and rivers. This control of all navigable waters was also extended to guarantee the public's right to recreational uses such as hunting, fishing, boating, etc.

Navigable water was originally defined as any lake, stream, or river capable of floating logs to market. This definition was later expanded to include the floating of a canoe or boat as the determination of navigability. It is not necessary that the water be navigable year round. It

is sufficient if the water level is periodically high enough to permit navigation and remains so long enough to make the stream useful as a highway. The courts have been liberal in declaring waters navigable including water 2 feet deep, muddy lakes, and marshes.

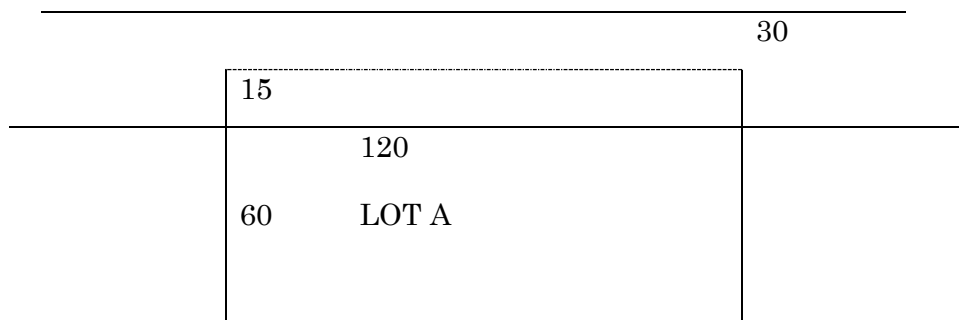
While the state has jurisdiction over all navigable waters, it does not necessarily have title to the bed, or land, underneath the water. The ownership of the bed is governed by statutes and court cases, and will vary depending on the type of body of water. The ownership is generally as follows:

- 1) **Natural Navigable Lakes** - The State owns all natural navigable lake beds to the ordinary high water mark (OHWM). The OHWM is not always at or near open water. Lake beds held in the public trust may not be navigable. Wetlands (including those shown on the Wisconsin Wetland Inventory) and floodplains can occur above and below the OHWM. Wetlands may share a boundary with the OHWM. However, wetlands should not be classified as lake bed unless documents such as deeds, legal description and maps provide evidence.

Assessors should review changes by the DNR to an OHWM, including the legal description and deed to determine any impact to the taxable acres and value.

- 2) **Navigable Rivers and Streams** - The shoreline middle of the river. See Figure 12-10. In rare cases, the shoreline owner will sell the land up to the water's edge and retain ownership of the bed of the river. Although this situation is rare, the assessor must carefully examine the legal description to ensure that the owner is assessed for the exact amount of property owned. The boundaries of the lot that establish ownership of the shoreline extend to the "thread" or center of the stream and define the portion of the bed owned by the shoreline owner. In the following example Lot A is 60 feet by 120 feet and borders on a 30 foot wide river. The amount of the bed is determined by extending the boundaries of the lot to the center of the stream. In this case, the shoreline owner owns a portion of the bed that is 15 feet (to the center of the stream) by 120 feet or 1,800 square feet.

Figure 12-10



- 3) **Artificial or Man-Made Lakes and "Flooded Lands"** – An artificial or man-made lake is usually created by a developer or other landowner who erects a dam on a stream or river causing the stream to overflow the surrounding land to create a lake. The developer plans to subdivide the surrounding land into lakefront lots and sell them for more than the land would be worth in its previous condition. The creation of an artificial

lake is a complicated process. The Department of Natural Resources (DNR) must approve the creation of an artificial lake and local or county agency approval may be required. A lake cannot be created on the lands of others without their permission.

In *Haase v. Kingston*, 212 Wis. 585, 250 N.W. 444 (1933), the court held that title to the bed of an artificial lake remains with the owner of the land on which the lake is created. If the developer owns title to all of the land on which the lake is created, then the developer retains title to this land. The developer may convey the portion of the bed along with the lots, retain the title to the bed, or convey to a third party, possibly the state. The assessor must carefully examine the legal documents creating the lake and the deeds for the lots to determine who owns title to the bed. An artificial lake may also be created by the flooding of a gravel pit. This occurs when the operator of a pit hits a stream that fills up the pit. The title to the bed of this lake will remain with the owner of the pit until the owner conveys the title.

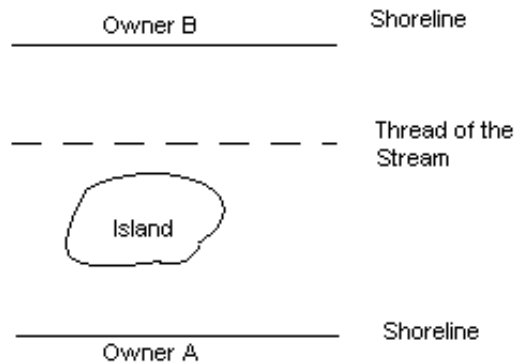
The creation of “flooded lands” is similar to the creation of artificial lakes. A power company or other concern constructs a dam on a river which causes the overflow or flooding of the banks of the river behind the dam. The owner of the shoreline property that is to be flooded retains title to the land after it is flooded. The primary purpose is the creation of the dam and the flooded lands are a result of that process. This differs from an artificial lake where the primary purpose is the creation of the artificial lake and the sale of the surrounding land.

- 4) **Meandered Lake and Streams** – On township maps, lands bordering on streams and bodies of water will be designed as government lots. In these government lots, the water line of the stream or body of water has been meandered in the original government survey and the exact acreage of the lot to the water line set down. In the meandering process, the regular section lines are run to an intersection with the mean high-water mark of such a body of water, at which intersection corners called meander corners are established. The line that is run between meander corners, approximately following the margin of a permanent body of water is called a meander line. Meander lines are not ownership boundaries. They merely determine the sinusoidal line, or the approximate line, of the stream or body of water. Lakes and streams on which these lines have been established are called meandered lakes and streams.

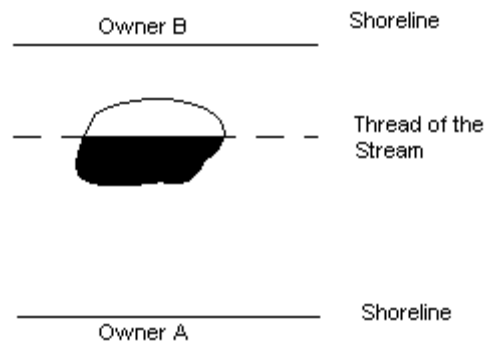
The boundary of riparian land on a meandered lake is the high water mark of the lake. The boundary of riparian land on a meandered stream is the thread or center of the stream.

- 5) **Islands** – The ownership of islands should not present a problem for the assessor. In most cases, the survey or deed will establish ownership of the island. However, there are cases where the island has not been surveyed or deeded or where the water has receded to such an extent as to expose an island. The island in these situations will be owned by the owner of the bed. In the case of a navigable lake, the ownership of the island will pass to the state since it owns the bed in trust. In the case of islands in the stream or river, the owner of the shoreline property owns the bed to the thread of the river and would own the island or portion of the island above the shoreline owner's portion of the bed.

Figure 12-11 shows an island owned by Owner A.

Figure 12-11

In Figure 12-12, the thread of the stream splits the island. Owner A owns that portion of the island that lies on Owner A's side of the stream and Owner B owns the portion of the island that lies on Owner B's side of the stream (shaded portion of island).

Figure 12-12

- 6) Accretion and Reliction** - Accretion is the gradual and imperceptible addition to the real property by the deposit of mud, sand, or sediment through the action of the water. Reliction is the recession of a body of water that leaves the land uncovered. When the water periodically rises over the land and then recedes, there is no reliction. For example, the rise in the water level as a result of spring rains and the subsequent lowering of the water level as a result of dry summer conditions that is part of an annual cycle is not reliction.

The result of the accretion and reliction processes is to increase the amount of the riparian land. The owner of the riparian property also becomes the owner of any land created by accretion or reliction. The reasoning behind this is that the main value of riparian property lies in its access to the water. If the riparian owner did not gain ownership of this land, access to the water could eventually be cut off, decreasing the value of the original shore land. Since accretion and reliction produce only gradual and imperceptible additions to the real property, there should be little, if any effect on the value of the land over the short term. However, the assessor should continue to monitor these situations since, over a longer period of time, there might be a large enough change to affect the value of the land.

Riparian Valuation

The assessment of shoreline property is to be based on the market value of the property. The best evidence of market value is the recent arm's-length sale of the subject if, according to professionally acceptable appraisal practices, the sale conforms to recent arm's-length sales of reasonably comparable property. In the absence of a sale of the subject, or when that sale is not the best evidence of market value, the assessment should be based on recent arm's-length sales of reasonably comparable property.

In estimating the value of the land abutting the water, the assessor must consider the same items as would be evaluated for all other land. These include zoning, topography, soil condition, area, natural features, shape, frontage, and depth. In addition, there are several factors unique to shoreline property that the assessor must consider. Among these are water frontage, water access, and water view which can exist in isolation or in various combinations.

- 1) **Frontage.** Quality of shoreline can significantly affect the value of a property. The assessor should first determine whether the lot has primary (direct) frontage on a lake or river or whether the lot has secondary (inferior) frontage on a creek, canal, channel or small lagoon. The value of secondary frontage can vary depending on accessibility to larger bodies of water such as rivers and lakes and can be influenced by factors such as reeds and water depth. In addition, the quality of frontage should be evaluated. For example, a shoreline lot with swampy frontage is probably worth less than a lot with a clean, sandy beach.
- 2) **Private Access.** Some properties have water frontage but no access. Examples are lots on steep terrain and rock or lots with a road right-of-way between the residence and the water. Alternately, some lots have no water view or frontage but have deed restricted private access to a lake. The existence and ease of water access normally has an effect on value which the appraiser must consider in developing an opinion of value and which should be evaluated separately from the characteristics of frontage and view.
- 3) **View.** Properties with a water view generally have a higher market than similar properties without a water view. A property may have water frontage but no view of the water because of terrain or other physical factors while a property with no frontage may have a highly desirable view of the water. The view should be valued separately from access and frontage inasmuch as it affects market value.
- 4) **Location (public access).** Lots that are adjacent to a public beach or public boat launch will usually be less valuable than a lot that is not near a public beach. Public access areas will usually be more crowded and noisy than areas that are more secluded and private.
- 5) **Flooding.** Lots that are subject to regular and/or extensive flooding are generally less valuable than lots that experience few problems with flooding
- 6) **Erosion.** A lot that is continually losing shore land due to erosion may not be worth as much as a lot that experiences little or no erosion. This problem is most severe along Lake Michigan where the rise in the water level has caused a great deal of damage to the shoreline. When dealing with land susceptible to severe erosion, the assessor may find that rocky shore land has more value than sandy shore land because the rocky shore land is less susceptible to erosion.

Because the influence of water can have a significant effect on value, the assessor is required to identify any water characteristics of the site in the eRETR/PAD system. The categories for

eRETR are:

- Lake Frontage–Primary. Parcel has direct frontage on a lake
- Lake Frontage–Secondary. Parcel has frontage providing access to a lake which is not direct or is very undesirable. Indirect frontage may include frontage to a channel, canal, or creek providing access to a lake. Very undesirable access may include frontage which provides minimal access due to poor shore (reeds, minimal water depth, etc.).
- Lake View. Parcel has no lake frontage or access but benefits from a view of the lake
- Lake Access. Parcel has no direct frontage on the water but has deeded access to a boat dock/slip that is over and above typical public access points.
- River Frontage-Primary. Parcel has direct frontage on a river.
- River Frontage-Secondary. Parcel has frontage providing access to a river which is not direct or is very undesirable. Indirect frontage may include frontage to a channel, canal, or creek providing access to a river. Very undesirable access may include frontage which provides minimal access due to poor shore (reeds, minimal water depth, etc.). This also includes smaller rivers or creeks which are not typically developed for recreational purposes (though may have canoeing, etc.)
- River View. Parcel has no river frontage nor access but benefits from a view
- River Access. Parcel has no direct frontage on the water but has deeded access to a boat dock/slip over and above typical public access points.
- Other. Parcel has a water feature which does not fit the above definitions. This may include ponds or lagoons with no access to larger rivers or lakes.

There are several methods that the assessor may use to estimate the value of lakeshore property. One of these methods is to develop a sales comparison grid and make adjustments for the differences between the subject and the comparable sales. NOTE: For further information on developing elements of comparison and the adjustment processes please refer to the Improvement Valuation section of WPAM Chapter 9.

Example: The subject property has 60 feet of shoreline and is 120 feet deep, has a good sandy beach, is subject to only rare flooding, is not near a public beach or boat launch, is zoned residential, is a level lot, and the soil condition is typical of most lots in the area.

There are 5 sales along the same shoreline:

- **Sale Number 1:** This lot sold for \$57,500 two months ago. The lot has 75 feet of frontage and is 130 feet deep. The lot is swampy, is zoned residential, and is not level.
- **Sale Number 2:** This lot sold for \$66,800 six months ago. The lot has 120 feet of frontage and is 125 feet deep, is zoned residential, is adjacent to a public beach, is subject to frequent flooding, is level, and has a rocky beach.
- **Sale Number 3:** This lot sold for \$61,500 one year ago. The lot has 55 feet of shoreline and is 120 feet deep, has a good sandy beach, is zoned residential, is not near a public access, is not subject to flooding, is level, and the soil condition is typical of most lots in the area.
- **Sale Number 4:** This lot sold for \$58,800 six months ago the lot has 60 feet of shoreline and is 125 feet deep, is zoned residential, is not near a public access, is subject to occasional flooding, and has a good sandy beach. The lot slopes slightly from the shoreline back, and the soil condition is typical of most lots in the area.
- **Sale Number 5:** This lot sold for \$63,700 two weeks ago. The lot has 65 feet of shore line and is 120 feet deep, is zoned residential, is not near a public access, is subject to

occasional flooding, and has a slightly rocky beach. The lot slopes slightly toward the shoreline, and the soil condition is slightly swampy.

Through an analysis of the market the assessor has determined the following adjustments:

- **Time:** Sales prices are increasing approximately 5 percent per year.
- **Flooding:** Occasional flooding requires a 10 percent adjustment. Frequent flooding makes the sales not comparable.
- **Beach:** A slightly rocky beach requires a 5 percent adjustment. A swampy beach makes the sales not comparable.
- **Topography:** A slight slope requires a 5 percent adjustment. A severe slope requires a 15 percent adjustment.
- **Soil Condition:** A slightly swampy soil requires a 5 percent adjustment. A very swampy soil makes the sales not comparable.

From the above conditions, the assessor can readily see that Sales Number 1 and 2 are not comparable to the subject and should not be considered in the valuation process. The assessor can then establish the following grid for the subject and the remaining 3 sales.

	Subject	Sale #3	Sale #4	Sale #5
Sale price	-	\$61,500	\$58,800	\$63,700
Time adjustment	-	+5%	+2 1/2%	-
Time adj. sales price	-	\$64,600	\$60,300	\$63,700
Flooding	Rare	Rare	Occasional +10%	Occasional +10%
Beach	Sandy	Sandy	Sandy	Slightly rocky +5%
Topography	Level	Level	Slight Slope +5%	Slight slope +5%
Soil condition	Typical	Typical	Typical	Slightly swampy +5%
Depth	120 feet	120 feet	125 feet	120 feet
Zoning	Residential	Residential	Residential	Residential
Public access	None	None	None	None
Adj. sales price		\$64,600	\$69,300	\$79,600
Frontage	60 feet	55 feet	60 feet	65 feet
Adj. sales price per front foot		\$1,175	\$1,155	\$1,225

The assessor could reason that the adjusted sales price of the three comparable sales produces a narrow range of value estimates and that because Sale Number 3 has the fewest adjustments; it provides the best estimate of market value. Therefore, the estimated market value of the subject property is: 60 feet x \$1,175/foot = \$70,500

Another method that the assessor may use to estimate the land value is the base lot method. Using the base lot method, the assessor selects a typical, centrally located lot and adjusts all of the sales to reflect the characteristics of the base lot. The assessor uses the value of the base lot to estimate the values of all the other lots. This method is more fully explained in the section on Developing Standard Unit Values.

If there are no sales or only a limited number of sales of vacant land, the assessor can use the abstraction method to value the land. The abstraction method uses sales of improved properties to estimate the vacant land values. The assessor estimates the depreciated cost of the improvements and deducts it from the total sales price to arrive at a value estimate for the land. Because of the difficulty of accurately estimating the depreciation of older buildings, this method works best with newer buildings that have experienced little or no depreciation.

Assume that the assessor has analyzed the sales of improved properties, calculated the depreciated cost of the improvements, and constructed the following chart:

Total Sales Price	(-)	Depreciated Improvement Cost	(=)	Land Value	(÷)	Front Feet	(=)	Land Value Per Front Foot
\$291,800	-	\$182,000	=	\$109,800	÷	90	=	\$1,220
\$309,000	-	\$195,000	=	\$114,000	÷	100	=	\$1,140
\$266,400	-	\$164,000	=	\$102,400	÷	80	=	\$1,280
\$289,100	-	\$177,000	=	\$112,200	÷	95	=	\$1,180
\$308,900	-	\$189,000	=	\$119,900	÷	110	=	\$1,090
\$269,900	-	\$173,000	=	\$ 96,900	÷	85	=	\$1,140

The assessor has now established a range of values from \$1,090 to \$1,280 per front foot and can proceed to use these land values in the same manner as the vacant land sales to estimate the land values for all shoreline property. The assessor can also use the abstraction method when there are only a few vacant land sales to strengthen the reliability of the value estimates.

The above methods should enable the assessor to value most shoreline property. These methods apply equally to property located on navigable lakes, streams or rivers, or man-made lakes. However, there may be some rare situations where the bed of the water may present some special problems for the assessor.

- 1) **Natural Navigable lakes.** Since the state owns title to the bed of all natural navigable lakes, there is no need for the assessor to value the bed of the lake. The assessor may use the methods illustrated above to determine the value of shoreline property.
- 2) **Streams or rivers.** The shoreline owner owns the bed of the stream to the center of the stream. Therefore, this must be included in the assessment. This should not present a significant problem for the assessor since the vacant land sales of shoreline property that are used to establish the assessments will include the value of the bed.

The only problem that the assessor may encounter is when the shoreline property does not include the bed. The assessor can detect this rare occurrence through an analysis of the legal description. As long as the shoreline property owner has access to the river, the value of the shoreline property should not differ from comparable shoreline property that includes the bed. In this case, the value of the bed would be minimal and unless there is some special value to the bed, the assessor may use a nominal or zero value to value the bed.

In those cases where the shoreline property owner is prevented by the deed from access to the river, the value of the shoreline property is established by the sale of comparable property not located on the shoreline. The value of the bed is the value of comparable shoreline

property with access minus the estimated value of the shoreline property without access. The value of the bed is then the value of access to the river.

3) Artificial or man-made lakes. The bed of an artificial or man-made lake can be subject to three ownership conditions:

- a) The ownership of the bed will run with the ownership of the shoreline property.
- b) The ownership of the bed will be conveyed to the state to be held in trust for the public.
- c) The ownership of the bed will be retained by the developer.

In situation (a), the value of the bed will be included in the sales price of the shoreline property. The assessor should value these properties based on the sales of comparable properties.

Situation (b) is the same as a navigable lake. The state owns title to the bed and the shoreline owner has access to the lake. The value of the shoreline property should be based on the sales of comparable properties,

Situation (c) can have two alternatives. In one, the developer retains title to the bed but the shoreline property owners have access to the lake. The value of the shoreline property will be established by the sales of comparable properties. In the other alternative, the shoreline property owners do not have access to the lake. The value of the shoreline property will be based on the sales of comparable properties that do not have access to the lake.

Summary of Riparian Property

This section has explained the special nature of riparian property, how it affects ownership rights, and how the assessor should value this property. This section has also discussed navigable waters and the ownership to the bed of navigable waters, including the ownership of islands and the effect of accretion and reliction on riparian property.

The valuation section emphasizes the sales comparison approach and includes examples of how to apply this approach to riparian property. This section also discusses the special factors that affect the value of riparian property, including the quality of frontage, view, and access, and the susceptibility of the property to flooding and erosion.

Contaminated Property

Identifying the Contamination

Contaminated properties present a unique valuation problem for assessors because of the difficulty in identifying contamination. The assessor can identify physical and functional factors that affect value, such as a deteriorated roof or old-fashioned plumbing fixtures, through a viewing of the property. Sec. 299.01(4), Wis. Stats., defines “environmental pollution” as “the contaminating or rendering unclean or impure the air, land or waters of the state, or making the same injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal or plant life.” Brownfield properties represent a category of industrial or commercial sites where expansion or redevelopment is adversely impacted by known environmental contamination. Contamination factors, however, such as contaminated water system or a leaking underground storage tank, are not readily apparent.

State law and appraisal principles require the assessor to consider the effect of contamination on the value of real estate. One example where contamination is specifically referenced is sec. 70.32(1m), Wis. Stats., states “In addition to the factors set out in sub.(1), the assessor shall consider the environmental impairment of the value of the property because of the presence of a solid or hazardous waste disposal facility.” Sec. 70.327, Wis. Stats., states “In determining the market value of real property with a contaminated well or water system, the assessor shall take into consideration the time and expense necessary to repair or replace the well or private water system in calculating the diminution of the market value of real property attributable to the contamination.”

The most common types of contaminants are physical substances which when introduced to the property create an environment deemed unsafe or potentially hazardous. Examples include substances such as nitrates, radon, pesticides, asbestos, and fertilizers, which adversely affect air, water, or soil quality.

Contaminants may be introduced directly onto the property, such as through the action of the property owner or the leaking of an underground storage tank. Contaminants may also be introduced indirectly through the contamination of adjacent or nearby property which in turn affects the subject. For example, a chemical on a property may seep into the water table that affects the water system or other properties. A substance must be declared a contaminant by an environmental regulatory agency, such as the Federal Environmental Protection Agency (EPA) or the Wisconsin DNR.

The assessor should monitor the activities of government pollution control agencies in the municipality to be aware of any contamination. If a property owner believes the property is contaminated, evidence should be given to the assessor. Because of the special knowledge required to identify the type and extent of contamination and associated clean-up costs, the assessor should obtain copies of reports by government agencies and environmental engineers before estimating value.

Estimating the Value

1. The best evidence of value is the sale of the property if, according to professionally acceptable appraisal practices, the sale conforms to recent arm's-length sales of reasonable comparable property. An arm's-length sale assumes both the buyer and seller are knowledgeable about the condition and future use of the property, thus, any effect of contamination on the property's value will be reflected in the arm's-length sales price. There may be some properties so severely contaminated that the government agency will not allow the property to be used until the contamination has been removed. There may be a weak market for these properties and the assessor may be justified in placing a minimal value, such as \$100, on the property.
2. If the sale of the subject does not conform to recent arm's-length sales of reasonably comparable property, or if there is no recent sale of the subject, arm's-length sales of comparable property should be considered as the basis for the assessment. These should be properties of similar size, location, and use that suffer from the same contamination as the subject property. The assessor can develop a sales comparison grid and make adjustments for differences between the subject and comparable sales. If the comparables

are exposed to similar contamination, there is no need to adjust for contamination. Determining the adjustment for contamination, however, is the subject of this section.

Determining the Adjustment for the Presence of Contamination

Example 1: To estimate the effect of contamination on property values, the assessor should compare sales of similar properties with and without the contamination. The difference between the sales prices of the properties can be attributed to the presence of contamination.

Assume the assessor has gathered the following sales information on properties that are similar except that some have a contaminated water system and some do not.

Sale 1 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot that *is not* subject to contamination. It sold for \$155,000.

Sale 2 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot that *is* subject to contamination. It sold for \$146,000.

Sale 3 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot that *is* subject to contamination. It sold for \$145,500.

Sale 4 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot that *is not* subject to contamination. It sold for \$155,000.

This data can be analyzed as follows:

Sales of Property Subject to Contamination

	# Beds	# Baths	Lot Size	Sales Price
2	3	1 ½	1 acre	\$146,000
3	3	1 ½	1 acre	\$145,500

Sales of Property Not Subject to Contamination

	# Beds	# Baths	Lot Size	Sales Price
1	3	1 ½	1 acre	\$155,500
4	3	1 ½	1 acre	\$155,000

This data shows that properties subject to contamination sell for approximately \$10,000 less than properties not subject to contamination, and the assessor can then use this adjustment in the Sales Comparison Approach.

Example 2: The subject is a 3 bedroom, 1 ½ bath ranch home on a 1 acre lot with a fireplace and a 2 car garage and *is* subject to contamination.

Sale 1 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot with a fireplace and a 1-car garage and *is not* subject to contamination. It sold last year for \$149,900.

Sale 2 is a 3 bedroom, 1 ½ bath ranch home on a 1-acre lot with a 2-car garage but without a fireplace and *is* subject to contamination. It sold 6 months ago for \$140,000.

Sale 3 is a 3 bedroom, 2-bath ranch home on a 1-acre lot with a fireplace and a 1-car garage and *is not* subject to contamination. It sold last month for \$159,000.

The market indicates that sales prices increased 5 percent in the last year; 2 bathrooms are worth \$2,500 more than 1 ½ baths; fireplaces are worth \$5,500; 2 car garages are worth \$3,500 more than 1 car garages; and the presence of contamination has a negative effect on value of \$10,000. The sales comparison grid follows:

	Subject	Sale 1	Sale 2	Sale 3
Sales price		\$149,900	\$140,000	\$159,100
Time adjustment		+5%	+2.5%	-
Time adj. sales price		\$157,400	\$143,500	\$159,100
No. of bathrooms	1 ½	1 ½	1 ½	2
Bathroom adjustment		-	-	-\$2,500
Fireplace	Yes	Yes	No	Yes
Fireplace adjustment		-	+\$5,500	-
Garage	2 car	1 car	2 car	1 car
Garage adjustment		+\$3,500	-	+\$3,500
Contamination	Yes	No	Yes	No
Contamination adjustment		-\$10,000	-	-\$10,000
Adjusted sales price		\$150,900	\$149,000	\$150,100

Since the comparable sales all fall into a narrow range around \$150,000, the selected estimate of the market value of the property is \$150,000.

3. If there is no arm's-length sale of the subject property, and there are no sales of reasonably comparable property, consider all other factors that affect market value according to professionally acceptable appraisal practices. In estimating the value of contaminated property, the primary consideration is how much will it cost to cure the contamination. Estimate what the property would sell for without the contamination and subtract the cost to cure the contamination. This is the procedure for estimating curable physical and functional depreciation when using the cost approach.

Example: A property has a contaminated well, and it will cost \$8,000 to drill a new well. The assessor has analyzed sales of comparable properties with good wells and estimates that the subject property would sell for \$164,000 without the contamination. In this example, the assessment should be reduced by \$8,000 to reflect the cost to cure. The adjustment may be higher or lower depending on the market's perception of the extent of the contamination and the effectiveness of the cleanup.

There may be some situations where the property is so severely contaminated that it may take several years to clean up the contamination. In these situations, the assessor should consider using a Discounted Cash Flow Analysis to estimate value. Using this methodology, the assessor deducts the present worth of the cost to cure the contamination from an estimate of the current uncontaminated market value of the property.

For example, a residence has a current uncontaminated market value of \$100,000. However, environmental engineers have discovered a contaminated water system that will take two years to cure at a cost of \$20,000 per year. Assuming the 16% capitalization rate used in the previous example, the assessor can determine the present worth of the cost to cure as follows:

Year 1	\$20,000	x	.862068	=	\$ 17,241
Year 2	\$20,000	x	.743163	=	<u>14,863</u>
Present Worth of the Cost to Cure				=	\$ 32,104
Current market value w/o contamination					\$ 100,000
Less present worth of cost to cure					<u>\$ 32,104</u>
Current market value					\$ 67,896
Rounded					\$ 67,900

Stigma

Even after removal of the contamination there may be a stigma attached to the property that makes it less desirable than comparable properties. The effect of stigma on market value can vary greatly depending on the type of contamination, the cost to cure, and the results of the cleanup.

The effect of stigma can best be measured by the actions of the marketplace. If sales prices, asking prices, and offers are less than comparable property that is not contaminated, this indicates the market has attached a stigma to the property and should be reflected in the assessment.

Severe Contamination

The previous guidelines and examples present more common situations where the extent of contamination and its effect on value are readily identified and measured. However, there may be some situations where the extent of contamination is unknown and thus the effect on value is difficult to measure. While it is not possible to develop specific procedures for dealing with this uncertainty, the guidelines in this section provide a framework the assessor can use to gather information to help estimate the effect of contamination on value. For example, although there may not be sales of truly comparable contaminated property, there may be sales of other contaminated property indicating a range of values or, possibly, a percentage adjustment the assessor can use to reflect the contamination. Similarly, although an environmental engineer may not be able to estimate a specific cost to cure the contamination, the engineer may be able to estimate a range of costs and what are the probabilities that the cost to cure lies on the high or low end of the range. Properties with a great deal of uncertainty should be closely monitored and reviewed each year as more information becomes available to reduce the degree of uncertainty.

Historic Property

Historic properties are important because of their associations with historically significant people or events, or because they represent significant architectural styles or are important archaeological sites.

This has led to a growing preservation movement that has resulted in various levels of historic designation, as well as property restrictions, enforced through landmark ordinances, zoning ordinances, easements, and restrictive covenants designed to identify and preserve these properties.

In valuing an historic property, assessors should first analyze the type and level of historic designation and any restrictions that may affect the use of the property. The most common types of historic designation are the following:

National Register of Historic Places and State Register of Historic Places

The National Register is a listing of historic properties which imposes no land use restrictions on property owners. Owners are free to demolish or alter their properties, unless federal or state funds or license are involved in a project, in which case the State Historical Society may have the ability to intercede. Owners are not required to open their properties to the public and may use their properties as they see fit. In limited cases, owners of National or State Register properties may claim federal income tax credits or, in rare cases, federal grants for rehabilitation of their properties. (For more information about the National Register program and its effects and restrictions, contact the Division of Historic Preservation of the State Historical Society at 608-264-6500).

Local Landmark Designation and Historic Zoning Ordinances

The effects of local landmark designation or historic zoning vary from community to community, depending on the nature of the local landmark ordinance. In some cases, local designation is purely honorific; landmarked buildings are provided with markers, but the designation does not carry any land use restrictions. In other cases, landmark designation requires that owners receive local approval before making physical changes to their properties. (For more information about the effects of any local landmark ordinance or historic zoning, contact the appropriate Wisconsin city, village, town or unit of county government).

Easements and Restrictive Covenants

Under some circumstances, owners of National Register properties may attach restrictive covenants or easements to the deeds of their properties, usually in exchange for federal funds, federal or state income tax credits, or state property tax credits that they will receive. The effects of these easements or covenants will vary, as will the length of time that they remain in effect. The most common easements or covenants for historic buildings will require owners to keep their properties in good repair and obtain State Historical Society approval for proposed alterations. The most common covenants or easements for archaeological sites require owners to leave the land undeveloped and sometimes withhold it from active

agricultural use. The terms of these easements vary from a few years to “in perpetuity.” The County Register of Deeds should be contacted for the exact terms of any easements or covenant on any subject property.

In the case of National Register or State Register designation, there will be no restrictions on the use of the property, and there will be no effect on the highest and best use. Local landmark ordinances, historic zoning, easements, and restrictive covenants may impose significant restrictions that may affect a property’s highest and best use. These may include the following:

- Inability to subdivide the property
- Inability to change physical features such as building height, size, interior floor plan, and interior and exterior finishes and decorative details
- Inability to expand or demolish the property
- Inability to change the use of the property in response to economic or market changes or the personal desires of the owner (in limited cases)

Highest and Best Use and Land Valuation

Prior to valuing the property, the assessor must determine its highest and best use. Restrictions may have a significant impact on the highest and best use of historic property. For example, an historic covenant may require that a building be limited to the existing two stories in an area of five or six story buildings. In this case, the highest and best use of the property is not the same as surrounding property and should be reflected when estimating the property’s value.

The major impact of the highest and best use will be on the land value of the property. The assessor should ensure that any comparable sales reflect the highest and best use of the subject property. In some situations, entire neighborhoods are subject to historic district regulations, and the assessor should try to locate comparable sales within the neighborhood for estimating land values. If most of the sales are of improved property, the assessor may have to use the abstraction and land residual techniques described previously in this chapter and in Chapter 13 of WPAM. If the assessor uses sales from other neighborhoods for comparables, those neighborhoods should have similar restrictions and be in a similar state of development to be comparable. For example, assume a municipality has several older residential neighborhoods that are in varying stages of rehabilitation. If the properties within the neighborhood are physically similar and in approximately the same stage of development, they may serve as comparables for the other historic neighborhoods. Caution should be used when the properties are not physically similar or the neighborhoods are in different stages of rehabilitation, unless the assessor can develop an adjustment to reflect these differences. An example of how to calculate this adjustment is shown in the Sales Comparison Approach in this section.

Improvement Valuation

The best evidence of the market value of a property that is subject to historic designation or zoning, easements, or covenants is the sale of the property if, according to professionally acceptable appraisal practices, the sale conforms to recent arm’s-length sales of reasonably comparable property. An arm’s-length sale presumes both the buyer and seller are

knowledgeable about the use of the property, and the sales price will reflect the above mentioned conditions. For example, if the property is subject to a restrictive covenant requiring the structure to be maintained in its current use, a knowledgeable buyer will pay only what the property is worth subject to the restriction.

Sales Comparison Approach

If the sale of the subject does not conform to recent arm’s-length sales of reasonable comparable property, or if there is not recent sale of the subject, arm’s-length sales or comparable property should be considered as the basis for the assessment. The conditions mentioned earlier in discussing the use of comparable sales in valuing land also apply to using comparable sales in valuing improvements. Assessors who have few sales of historic property should contact assessors in other municipalities who have sales of historic properties for use as comparables.

The assessor should also consider comparing sales of historic properties with sales of comparable non-historic property to determine if there is some consistent relationship between these properties. This could be either a lump-sum or a percentage adjustment. Assume the assessor has gathered the following sales information on properties that are similar except that some are not subject to historic designation or zoning and some are not.

- **Sale #1** is a five bedroom, three bath, 2 ½ story home with 2,500 square feet subject to historic designation or zoning. It sold for \$170,000.
- **Sale #2** is a five bedroom, three bath, 2 ½ story home with 2,400 square feet not subject to historic designation or zoning. It sold for \$210,000.
- **Sale #3** is a six bedroom, four bath, three-story home with 3,000 square feet subject to historic designation or zoning. It sold for \$250,000.
- **Sale #4** is a six bedroom, four bath, three story home with 3,000 square feet not subject to historic designation or zoning. It sold for \$315,000.
- **Sale #5** is a four bedroom, three bath, 2 story home with 2,700 square feet subject to historic designation or zoning. It sold for \$220,000.
- **Sale #6** is a four bedroom, three bath, 2-story home with 2,800 square feet not subject to historic designation or zoning. It sold for \$275,000.

The assessor notes that all six sales are similar and comparing the sales prices gives the following percent adjustment.

Sale #2	\$210,000	Sale #4	\$315,000	Sale #6	\$275,000
Sale #1	<u>\$170,000</u>	Sale #3	<u>\$250,000</u>	Sale #5	<u>\$220,000</u>
Difference	\$ 40,000		\$ 65,000		\$ 55,000
Percent of non-historic sale	19%		21%		20%

In reviewing the sales, the assessor notes that property subject to historic designation or zoning sells for approximately 20% less than property not subject to this zoning. If there are not sales of comparable historic designated or zoned property, the assessor may be justified in using comparable non-historic designated or zoned properties and adjusting them by 20% to reflect the effect of historic designation or zoning. It is possible, depending on market conditions, that historic designated or zoned properties sell for more than non-historic

designated or zoned properties, in which case the assessor would make a positive adjustment for the historic designation or zoning.

Assessors may also consider using sales price per square foot, per bedroom, or some other unit of comparison for historic residential property. Sales price per square foot is a common unit of comparison for commercial and industrial property, but is not often used for residential property. Because of the unique characteristics and features of individual historically significant residential properties, the assessor may find sales price per square foot to be a useful unit of comparison.

Cost Approach

If there are no arm's-length sales of the subject or of comparable property, the assessor must consider all other factors that, according to professionally acceptable appraisal practices, affect market value. This primarily involves the use of the cost and income approaches to value. The cost approach, however, may pose unique problems in the value of historic property if the easement, covenant, or restriction requires exact maintenance or replacement or historic materials. (Assessors should check property restrictions carefully to determine whether such a requirement exists. While many easements and covenants require a replication of materials, most historic designations do not).

Reproduction cost means the cost of producing an exact replica of the structure using the same, or nearly similar, materials, design, and quality of workmanship. While reproduction cost will give a more accurate representation of an historic property, it is difficult to estimate costs for materials and, in some cases, techniques that are no longer used. In addition, reproduction cost may contain substantial functional obsolescence because of obsolete materials and design, which can be very difficult to measure.

Replacement cost is the cost of a structure having the same utility but using current materials, designs, and methods. This eliminates much of the functional obsolescence of reproduction cost, but may also eliminate many of the features that make historic properties unique and add to their value.

This does not mean the assessor should ignore the cost approach. Although it has problems, it does provide a starting point in the valuation process and may be the only information available to the assessor. The assessor should use this approach with care, and, if there are sales available, use them to justify the use of reproduction or replacement cost.

For example, assume the assessor has sales of improved historic property and valid estimates of land value. The assessor can subtract the land value from the sales to yield improvement values. Comparing these improvement values with estimates produced by using the replacement and reproduction costs may show that one technique produces more accurate and consistent values.

Another issue with the cost approach is remodeling and rehabilitation. Frequently, historic properties are purchased in a deteriorated condition and need substantial remodeling or rehabilitation to restore them. While remodeling usually increases the value of the property, it does not necessarily increase the value by the cost of the remodeling. Reasons for this are the following: (a) there may be substantial demolition costs, and (b) the high costs of acquiring

historically accurate construction materials may make the total cost of remodeling higher than the corresponding increase in value. This may be especially true for residential property where the desire to restore an historic property to its former condition may become more important than economic considerations. In addition, the remodeling may take several years and the full value of the remodeling may not be realized until it is complete.

Income Approach

The income approach, as described in Chapter 13 of WPAM, can be used to value historic property. There are, however, a number of items unique to historic properties, which affect the income stream, the expenses, the gross rent multiplier (GRM), and the capitalization rate.

The assessor should try to use similar historic properties subject to the same restrictions when estimating market rent. For example, there may be restrictions that limit the possible uses or the ability to alter the property to meet current market demands such as adding new bathrooms or remodeling to allow more efficient uses. This may reduce the desirability, and, thus, the market rent of the property.

Restrictions on historic properties may result in higher expenses than for non-historic properties. Maintenance costs may be higher because of the need to perform maintenance more frequently, use more costly repair materials, and the prohibition on using certain cleaning methods because of their effects on the historic materials. Insurance costs may be higher because the materials used to repair this structure as an historic building may be more costly.

Assessors should consider using Gross Rent Multipliers (GRM), as discussed elsewhere in the WPAM, to value historic residential properties. GRMs may be affected by the restrictions placed on historic properties. Investors may require a lower GRM because of the higher expenses and the greater perceived risk due to the inability to convert the property to alternative uses to reflect market changes. The assessor should analyze sales of similarly restricted historic properties and talk to investors, brokers, and appraisers to ensure that the GRM is typical for this type of property.

If these properties are large, owners may divide them into apartments to provide income to help pay for the rehabilitation and maintenance for these properties. Assuming the Gross Rent Multipliers fall within a relatively narrow range, the assessor may be justified in using them to help value other historic residential properties that are rented but have not sold.

Summary

In summary, the growing interest in historically significant properties has resulted in historic designation or property restrictions designated to preserve them. In assessing historic property, assessors should not assume that any property restrictions have resulted from historic designation until they have examined the appropriate landmark ordinances, zoning ordinances, easements, or covenants. Most historic designations carry few or no property restrictions.

Earth Sheltered Housing

Interest in new forms of housing has expanded over the years. One of the alternative types of housing that became popular for a time was the earth sheltered or underground house. The past popularity of earth shelter housing can in large part be related to the greater awareness of energy conservation.

This type of home offers potential savings in energy consumption and costs. This is due to the ability of the earth to act as a moderator of temperature. This effect can be illustrated by the climate in northern Wisconsin, where the above ground temperature can range from -30°F to +100°F, while at a depth of 10 feet the ground temperature only ranges between +47°F and +51°F. In addition to this moderating of temperature, there is a delayed reaction when the soil heats up or cools off. The soil temperature at a depth of 10 feet is three months behind the surface temperature. When the surface soil is experiencing winter temperatures, the soil at a depth of 10 feet is experiencing fall temperatures and so on. Consequently, there may be a considerable reduction in energy consumption. Earth sheltered housing also provides greater durability and protection from the elements than conventional housing.

Since earth sheltered homes are relatively new concepts in housing, there are some barriers to their construction and acceptance that have to be considered. The major barrier is one of financing. Lending institutions are somewhat reluctant to make construction loans for alternative housing types because there have not been enough sales of these alternative homes to establish a market. In addition to financing, local zoning ordinances and building codes tend to restrict the construction of this type of alternate housing.

In the appraisal and assessment of earth sheltered homes, the assessor encounters problems not present with conventional homes. This housing form may not have adequate sales, resulting in a lack of sales data for use in the sales comparison approach to value. These types of structures are generally built for owner occupancy; therefore, the income approach is of little use in their valuation. This leaves the cost approach as the main appraisal method available to the assessor.

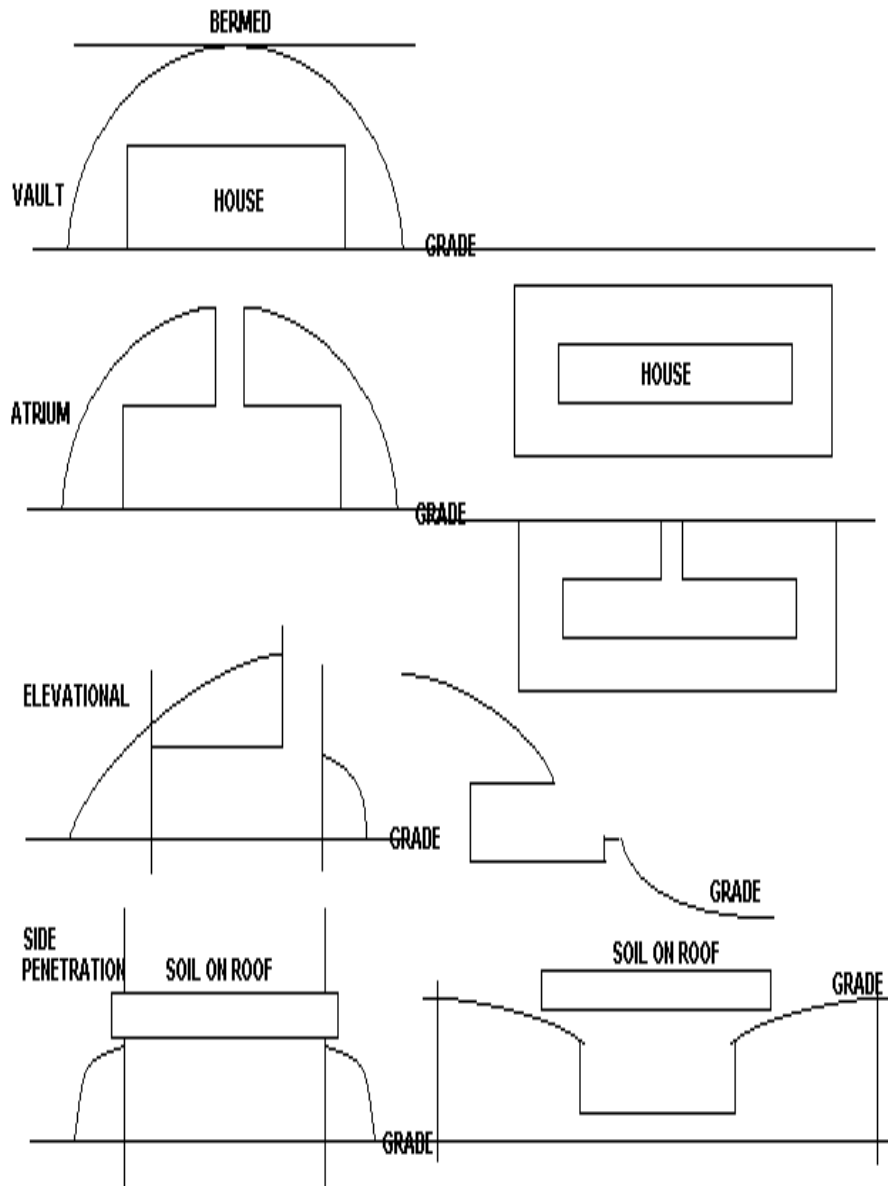
The costs can vary greatly from one earth sheltered home to another, depending on the type of construction, individual site preparation, and the cost of concrete, which is the major building component of earth shelter homes.

There are two basic types of earth sheltered home construction: 1) bermed - where the structure is built on grade and then covered with earth; and 2) chambered - where the site is excavated and the structure is built below grade. These two types of construction are built in four basic designs (See figure 12-13):

- 1) Vault - entire structure is under the surface
- 2) Atrium - sunken patio open to sky provides light, air, access
- 3) Elevational - uses southern exposure for windows, door, view, passive solar collection
- 4) Side penetration - provides light, air, access, and expansion potential

If a solar system is integrated in the building, the system may be eligible for a property tax exemption.

Figure 12-13



Property Tax Exemption for Energy Systems

Energy systems may be taxed by the state or locally. If the energy system does not qualify as a utility, or other qualified entity under secs. 76.28 or 76.48, and is locally assessed, the taxable property would be subject to Chapter 70, Wis. Stats., for determining taxability and value subject to tax. See Chapter 20 for more information on when an energy system is taxed by the state.

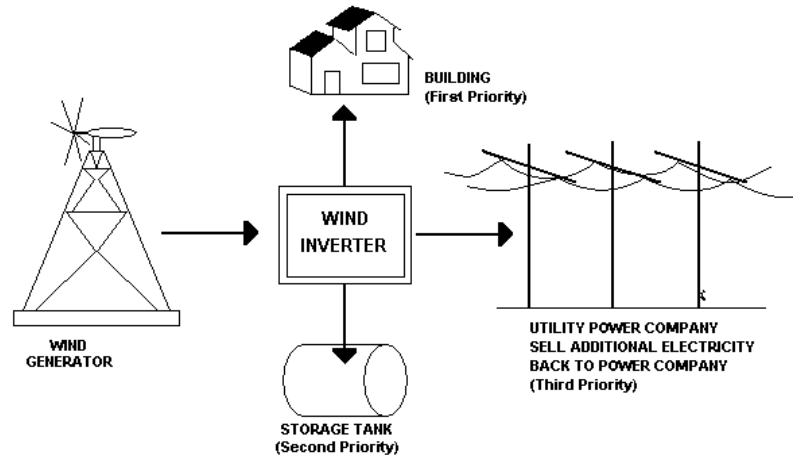
Sec. 70.111(18), Wis. Stats., provides an exemption for locally assessed energy systems. The exemption applies to biogas or synthetic gas energy systems, solar energy systems, and wind energy systems.

- Biogas or synthetic gas energy system:
 - Eligible property for exemption:
 - Equipment which directly converts biomass, as defined under section 45K (c) (3) of the Internal Revenue Code, into biogas or synthetic gas
 - Equipment which generates electricity, heat, or compressed natural gas exclusively from biogas or synthetic gas
 - Equipment which is used exclusively for the direct transfer or storage of biomass, biogas, or synthetic gas
 - Any structure used exclusively to shelter or operate such equipment, or the portion of any structure used in part to shelter or operate such equipment that is allocable to such use
 - Exemption includes: manure, substrate, and other feedstock collection and delivery systems, pumping and processing equipment, gasifiers and digester tanks, biogas and synthetic gas cleaning and compression equipment, fiber separation and drying equipment, and heat recovery equipment
 - Synthetic gas: gas that qualifies as a renewable resource under s. 196.378 (1) (h) 1. h
 - Exemption requirement: all equipment and any structure, is located at the same site
 - Exemption does not include equipment or components that are present as part of a conventional energy system
- Solar energy system:
 - Equipment which directly converts and then transfers or stores solar energy into usable forms of thermal or electrical energy
 - Exemption does not include equipment or components that would be present as part of a conventional energy system
 - Exemption does not include a system that operates without mechanical means
 - Examples: space heating or cooling, crop drying, electricity generation (photovoltaic), hot water heating
- Wind energy system:
 - Equipment which converts and then transfers or stores energy from the wind into usable forms of energy
 - Exemption does not include equipment or components that would be present as part of a conventional energy system
 - See Figure 12-14.

The Request for Exemption of Renewable Energy Systems form (PR-303) is available for an assessor to obtain more information from a property owner. The assessor should examine both the request and the system to ensure that the requirements of sec. 70.111(18), Wis. Stats., are met before granting the exemption.

Figure 12-14

Wind Power Conversion



Solar Energy Systems

There are two types of solar energy systems: active or passive. Active systems make use of mechanical hardware to collect, store, and transfer the energy. Passive systems do not involve the use of mechanical hardware; but instead, rely on the natural use of the sun's energy. An example of a passive solar system would be a home with a large, south-facing window that allows the low winter sun to help heat the interior of the house, but has enough of an overhang to prevent the higher summer sun from overheating the home.

Regardless of the type of system, one of two mediums is used for the transfer of energy. Either liquid or air is used. The use of liquid has the potential for freezing during the winter. Usually an anti-freeze is added to the liquid to prevent freezing of the liquid. Each system also requires an auxiliary or back-up conventional system which is capable of providing 100% of the heating load during cloudy overcast days when the sun is unavailable. All of the components of the conventional heating system are assessable.

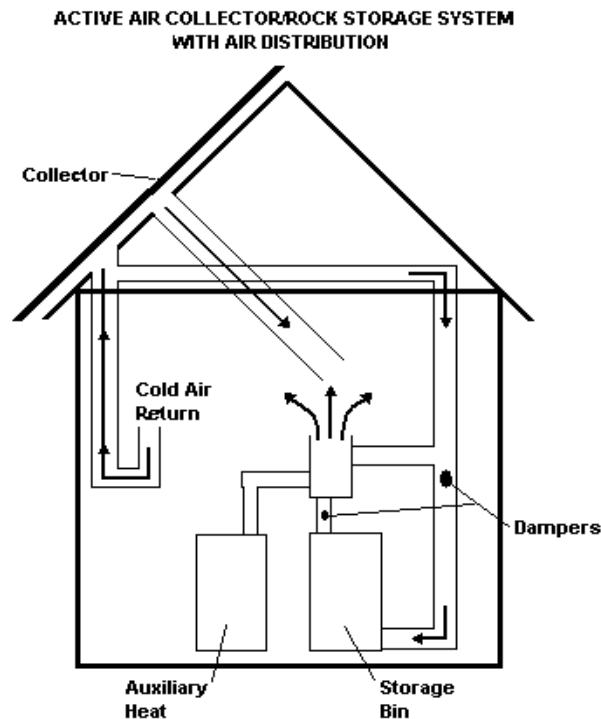
The assessor should note that while this section provides an explanation of several solar energy systems and distinguishes between active (exempt) and passive (taxable) systems, there may be situations where these distinctions are not clear. This may be due to the great variety of systems in existence, to new innovation in the field of solar energy or to individual adaptations that blend features of both systems. Therefore, the assessor should investigate each solar application to determine how the system operates and if it is exempt.

Active Air Collector/Rock Storage System With Air Distribution

(See Figure 12-15)

This system begins with the sun heating the air flowing through the collector. If the temperature in the home is below that set at the thermostat, the warm air flows right into the heating ducts. If the temperature in the living area is adequate, the heat flows into the storage bin and heats the 1 ½ - 2-inch rocks. As the temperature cools in the evening, the heat stored in the rocks flows into the heating system. Cold air is returned to the collector to be reheated. An auxiliary furnace exists to provide heat on cloudy days and when there is no heat in the storage bin. The collector, duct work and dampers to and from the collector, and the storage bin are exempt. The auxiliary heating system and all duct work associated with a normal heating system is taxable

Figure 12-15

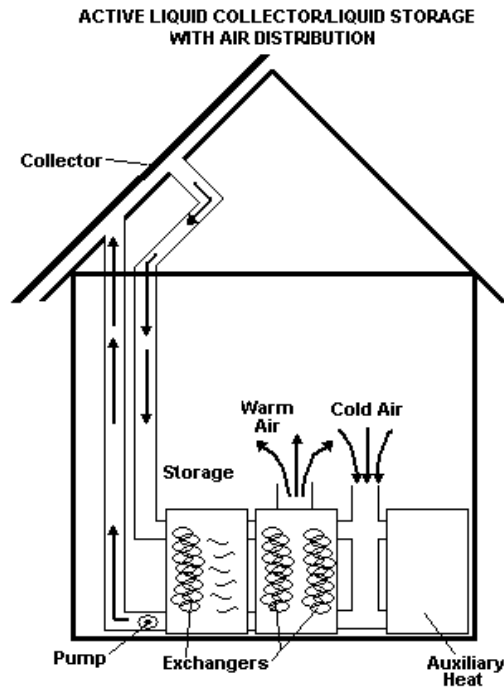


Active Liquid Collector/Liquid Storage With Air Distribution (See Figure 12-16)

This type of active system begins in the collector with a liquid (usually water with anti-freeze and anti-corrosion additives). This liquid is pumped through the collector where it absorbs heat from the sun, is then pumped through a heat exchanger coil to heat the liquid in the storage tank and back to the collector. Liquid in the storage tank is pumped through a second heat exchanger to heat the air that flows into the living area. Again an auxiliary heating system is provided for those days when there is inadequate solar energy to heat the

home. The collector, any piping to and from the collector, the storage tank, and heat exchangers are exempt. The auxiliary heating system, any usual ductwork, and any typical controls are taxable.

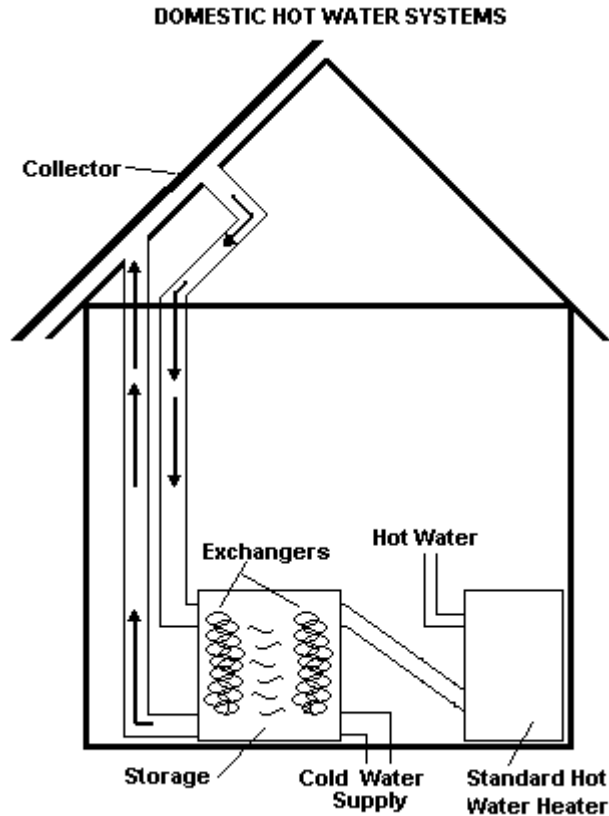
Figure 12-16



Domestic Hot Water System (See Figure 12-17)

A third application of active solar energy is for domestic hot water. The vast majority of hot water systems use liquid although it is possible to use air. The sun heats the liquid in the collector. The liquid then flows through the exchanger where it heats the liquid in the storage tank. It then flows back to the collector where it is reheated. The cold water supply passes through an exchanger in the storage tank where it is heated. This hot water flows into the hot water heater where it is stored and dispensed as needed. The collector, any pipes to and from the collector, the heat exchangers, and the storage bin are exempt. The cold water supply pipes, the standard hot water heater, and any normal water pipes used within the home are taxable.

Figure 12-17



Passive Solar Homes

Instead of using the flat plate solar collectors that are used in the active solar homes, passive solar homes use various design features to gather, store, and distribute solar energy. One is to maximize the heat gain by using south-facing windows while minimizing heat loss by the extensive use of insulation. The second feature is the use of “thermal mass.” “Thermal mass” is any building material that retains heat and cools off slowly. This would include stone, concrete, masonry, etc. Usually, rooms with large window areas experience a great deal of heat loss at night. By using a thermal mass material that slowly gives off heat during the night, the room will not experience a dramatic temperature loss. This thermal mass can be incorporated into the walls, floors, or ceilings. The third design feature is the use of the roof overhang or other shading devised to reduce summer heat. One other feature often found in solar homes is the use of special thermal drapes to prevent heat loss through the windows.

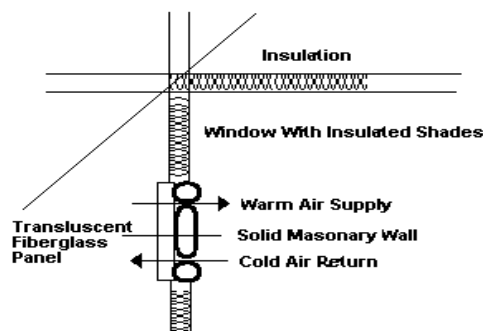
Trombe Wall System (See Figure 12-18)

The main design features of this home are large south-facing windows and a masonry wall painted a dark color to increase heat absorption. Translucent fiberglass panels are placed in front of the masonry wall to create an air space. The sun heats up the air in the air space as well as the masonry wall. The heated air may be transferred by use of ducts and fans to other areas of the house with the cold air returning to the air space. During the night, the masonry

wall radiates the stored heat into the home to maintain the temperature. Insulated shades are used on the windows at night to reduce the heat loss through the windows. The fiberglass panels can be opened during the summertime to provide air circulation. A longer overhang prevents the sun from overheating the home in the summer. As this system is a passive system and operates without mechanical means, none of it is exempt.

Figure 12-18

Trombe Wall System



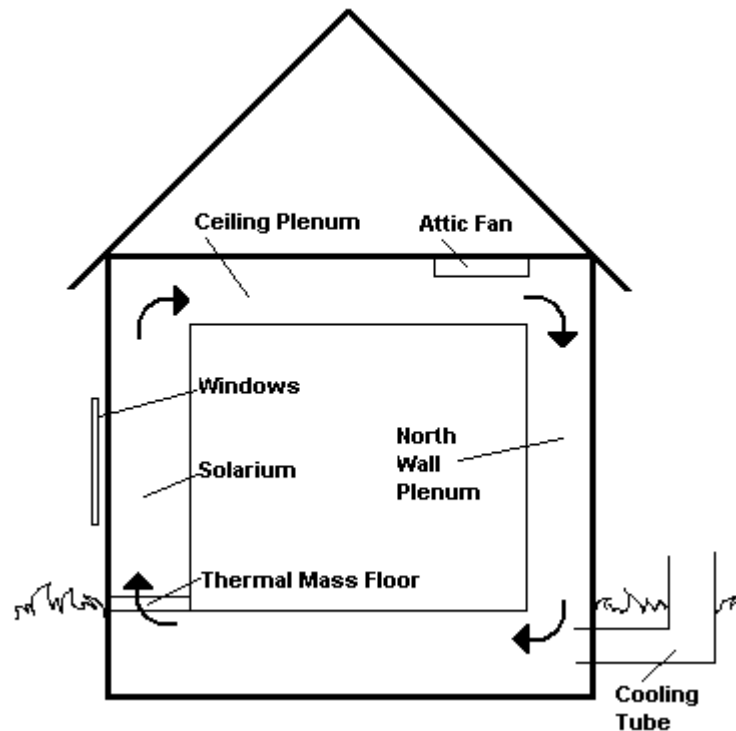
Solar Envelope Home (See Figure 12-19)

The purpose of the envelope home is to create a layer or blanket of warm air on four of the six sides of the home. This creates an envelope around the interior of the home, which insulates it from the exterior weather conditions.

Large south-facing windows allow the sun to heat the air and partial thermal mass and partial wood deck floor in the solarium. A principle of physics is that warm air rises. As the air in the solarium is heated, it rises into the ceiling plenum or chamber and passes into the north wall plenum. As the air passes through the north wall plenum, it begins to cool and drops into the basement. This is aided by the continued flow of warm air from the solarium that pushes the cooler air into the basement. This continual flow of warm air from the solarium creates an insulating blanket or envelope around the living area to protect it from the cooler exterior air.

When the sun is unavailable, the thermal mass part of the floor radiates its stored heat into the envelope. The system also uses geothermal energy to warm the home. The temperature of the earth and hence the basement is 45-55 degrees. As the air in the upper part of the envelope cools, the air in the basement will become the warmest in the system. This warmer air will rise from the basement into the solarium and the plenums or chambers to keep a warm envelope surrounding the home.

Figure 12-19
Solar Envelope Home



During the summertime, the envelope home uses the longer roof overhang to prevent the sun from overheating the air in the solarium. In addition, air enters the cooling tube and is cooled by the earth to its temperature of 45-55 degrees before entering the basement. This cooler air is drawn through the envelope by the use of an attic-ceiling fan. This fan also pulls the warm air out of the envelope and into the attic where it exits through attic vents. The solarium windows can be opened to provide additional ventilation and to push cool air rising from the basement into the living area. As this is a passive system and operates without mechanical means, none of the equipment is exempt.

Solar Energy – Appraisal Impact

When dealing with the valuation of solar energy systems, the assessor will encounter three different situations:

1. A property with a renewable energy system that was assessed in the previous assessment year but qualifies for exempt status for the current assessment year. In this case, the assessor must determine the contributory value of the active solar or wind energy system and deduct that amount from the total value of the property.
2. A property built after January 1, of the previous assessment year which includes an exempted renewable energy system, or an existing property with an exempted renewable energy system added (retrofit) after January 1 of the previous assessment year, where the taxpayer has properly applied for a property tax exemption. The property must be valued as if it were a conventional home without a solar or wind energy system.

3. A property built after January 1, of the previous assessment year which includes a renewable energy system that is not exempt, or an existing property with a nonexempt renewable energy system added (retrofit) after January 1, of the previous assessment year.

These systems would not qualify for a property tax exemption. The assessor must estimate the contributory value of the renewable energy system and include that amount in the current assessment.

When valuing properties with renewable energy systems, the three approaches used to arrive at market value are the same ones used when valuing properties with conventional energy systems. There are, however, some unique factors and elements, which must be considered when valuing a solar property.

Market Approach

The major limiting factor here is the lack of solar energy property sales. Solar lot values can be estimated by checking on the sales of properties in solar subdivisions or of lots that have attached solar covenants and easements. There are solar subdivisions where solar covenants are written into agreements and where the lots are specifically laid out for solar use.

Where there are sales of properties with solar energy systems, the following procedure can be used to determine the contributory value of the energy system:

1. Obtain sale of property(ies) with a solar energy system. The sale must include standard financing agreements and must be found to be an arm's-length transaction.
2. Locate a sufficient number of comparable properties that have sold but do not have a solar energy system. The sale terms must be investigated and an analysis of the sale must be made to determine if the sale is an arm's-length transaction.
3. Make the necessary adjustments to the comparable sales. All adjustments must be justified, based upon market information.
4. Determine the adjusted indicated market value for each of the comparable sales. This will establish an indicated market value range for the subject property.
5. Choose the comparable sale most similar to the subject property. This decision is based upon the adjustments made to each comparable (the number and type).
6. Compare the adjusted market value of the comparable to the subject's sale price. The difference should indicate the contributory value of the solar energy system to the subject property.

Comparisons should also be made of the contributory value of the solar energy system as determined from the market to the installation cost new of that type of system. This would provide an indication of the energy system's contributory value as a percentage of cost new.

Cost Approach

It is estimated that the average solar energy system has a twenty-year life. The assessor must determine the solar energy system's total depreciation. This would include physical, functional, and economic depreciation. Becoming familiar with current solar techniques will allow the assessor to evaluate a solar energy system. It is important to determine if the system is properly sized and designed. Over or under improvement would be just cause for applying functional obsolescence to a system. The assessor, in most circumstances, will not have the necessary technical knowledge to evaluate a system's design and performance. The assessor should contact a local solar engineer or the Department of Commerce, Safety and Buildings Division.

The assessor must also consider the property's access to the sun and the lot's relationship to true south. These considerations of sun access and relationship are the major differences in site analysis for a solar property versus a non-solar property. Southern exposure is required for solar energy use, and either large lot size, solar easements, or solar covenants may be required to ensure access to sunlight. The assessor must also consider the location of buildings, improvements, and trees on adjoining properties that may eventually interfere with solar access.

Income Approach

Since few solar residential properties are rented, this approach applies mainly to apartments, duplexes, and commercial buildings. The income approach on solar properties has not been used extensively since there are not many commercial solar buildings in the United States. Because this approach rewards lower operating expenses, it would tend to result in higher values for solar equipped buildings than it would for comparable non-solar buildings. The energy savings potential of solar buildings may also make them more attractive to lenders. As energy savers, the properties offer significant protection against rising fuel costs and this may result in lower capitalization rates. This, in turn, would result in higher values for solar buildings.

Regardless of the valuation approach used, the assessor must estimate the contributory value of both the solar energy unit and the conventional heating system.

Condominiums

A type of housing which has become increasingly popular is the condominium. Condominiums offer the advantages of home ownership with minimum burden of property care for the individual.

The purchaser of a condominium buys an individual unit in a condominium project together with an undivided interest in the common elements. Each unit is located within a specified air lot, and all areas in and outside of the building which are not part of the individual units are jointly owned as common elements. Common elements may include the roof, halls, lobby, stairs, basement, pool, tennis courts, recreation hall, driveways, sidewalks and the land on which the building is located. All property owners in a condominium project have mutual rights of support, access, use and enjoyment of the common elements. The owner of a

condominium receives a deed as though the unit were detached, and the title to each unit is recorded separately. A unit in a condominium may be mortgaged, leased, or sold, the same as any other property.

Condominium Declaration and Plat

Chapter 703 of the Wisconsin Statutes, which is known as the Condominium Ownership Act, regulates condominiums in Wisconsin. It provides procedures for the establishment and organization of condominiums.

A condominium may be created by recording a condominium declaration and plat with the Register of Deeds of the county in which the property is located. A condominium declaration includes such items as the name and address of the condominium, a description of the land on which the condominium is located; a description of each unit, including its perimeters, location and other data; a general description of the common elements with a designation of those portions of the common elements that are limited and the unit to which the use of each is restricted; and the allocation of percentage interests in common areas to each unit.

At the time the condominium declaration is recorded, a condominium plat must also be filed for record. The condominium plat contains the name of the condominium; a survey of the property described in the declaration showing the location of the building(s); and floor plans of all buildings on the property with the dimensions, floor area, location of each unit and all common elements shown. Every unit in the project is designated on the plat by the unit number or other appropriate designation.

Assessment Roll Listing

Each unit in a condominium must be listed in the real estate assessment roll with a legal description and separate assessment for land and improvements. Since a specific piece of land is generally not bought and sold with each condominium unit, it is generally not possible to have a legal description that describes a specific piece of land for each unit. Section 703.12, Wis. Stats., provides that individual units in a condominium be described by the letter or number or other appropriate designation of the unit as shown on the condominium plat together with reference to the condominium instruments. This is similar to the listing of lots in a recorded subdivision, where each lot is described by referencing the name of the plat, and the lot and block within that plat.

Condominiums should be entered in the assessment roll in alphabetical order by condominium plat name, and in regular order within each condominium. In general, the description will also show the percentage interest in common areas allocated to each individual unit. For example, the legal descriptions for units within the Forest Hills Condominium project would be listed in the assessment roll as follows:

Forest Hills Condominium Unit 101 and a 0.45% interest in the common areas as recorded in the Forest Hills Condominium Homes Plat, Vol. 736, P. 159.

Forest Hills Condominium Unit 102 and a 0.45% interest in the common areas as recorded in the Forest Hills Condominium Homes Plat, Vol. 736, P. 159.

In this example, Forest Hills Condominium refers to the name of the condominium plat, and it is followed by the unit number, percentage interest in the common areas, and volume and page of the recorded plat in the Register of Deeds office.

To be certain that all property in the taxation district is accounted for, it is also a good idea to list the legal description of the land on which the condominium project is located, along with the total acreage. The legal description is found in the condominium declaration. This entry would contain no assessment since the land value is prorated among the various units. A notation to that effect should be made in the assessment roll next to the legal description.

Valuation

A condominium unit, together with its undivided interest in the common elements, constitutes real property. Each unit, with its percentage interest in the common elements, is subject to separate assessment and taxation. When performing the assessments, the assessor must determine the market value of each individual unit in the condominium project, including its share of the common elements.

The assessor should look at the condominium declaration first as it will usually detail what are common elements and how these elements are allocated to each individual unit.

Complete data collection is necessary to properly assess a condominium. When collecting data, the condominium declaration and plat (available from the Register of Deeds Office) can be helpful since they contain a floor plan of the building and show all of the common elements; however, a physical viewing will still be necessary to collect additional data on items such as the quality of construction and condition of the individual units.

Some of the essential factors to be considered in the valuation of condominiums include:

1. **Location:** The assessor must consider not only the location of the condominium project, but also the location of each individual unit within the project. Just as certain areas in a municipality are more desirable than others, certain locations in a building may be more desirable than others. For example a corner unit may sell for more because it has a view and natural ventilation on two sides, or a unit on the fifth floor may be worth more than a unit on the second floor due to the added view. Analysis of the market should indicate whether certain locations within the building are more desirable than others.
2. **Design and Size:** Consideration must be given to the layout and size of the units. Is there adequate insulation from noise from other units? Is the design such that any sun decks or patios can offer privacy? Does the layout of the rooms make best use of the view? How many bedrooms and baths are there per unit? Is there adequate storage space? These are all factors that must be evaluated.
3. **Density:** It is important to have enough surrounding land to allow each unit access to light, air and a view. While condominiums make maximum use of land area, the desirability of a condominium is enhanced by “green” or open areas.
4. **Physical Condition and Maintenance/Service Fees:** When purchasing a condominium, buyers consider not only the condition of the individual unit, but also the condition and appearance of the common areas such as hallways, lobbies, exterior walls and clubhouses. The maintenance and repair of common areas and facilities are carried out as provided in the by-laws of the condominium, with unit owners jointly responsible for maintenance

costs. Funds for the common expenses are obtained by “assessments” against the unit owners. These are generally paid in the form of a monthly service fee. It is important to know the amount of the monthly fee and what services are included in it and the basis for making future increases in the fee. If the service fee is excessive, it can reduce the value of the units.

5. Association: Another factor to be considered in the valuation of condominiums is the owners’ association. The owners’ association is comprised of all unit owners and is responsible for establishing rules and policies for the operation of the condominium. The strength of the association, the rules and policies adopted and how strictly they are enforced can affect the value of the units.
6. Amenities: Condominiums may offer amenities that the typical purchaser could not otherwise afford. These often include a view of a lake or river, a swimming pool, tennis courts, a golf course, bike paths, playgrounds, a clubhouse, etc. Since condominiums generally do not have yards that are large enough to be used for recreational activities, these types of facilities are a consideration of purchasers.
7. Parking: The assessor must be aware of the availability of parking facilities. Parking can range from private garages for each unit to an open parking lot. The amount of parking available and the location of that parking are both important. It is desirable to have adequate parking near each unit, yet relatively out of sight.

It is necessary to have all of this information to make comparisons between individual units and between condominium projects.

Sales Comparison Approach

Of the three approaches to value, the sales comparison approach is the most reliable for the valuation of condominium units. When using this approach, it is desirable for the sales to be from the same building as the subject. This minimizes the number of adjustments required since the subject would have the same declaration, monthly service fee, parking, recreational facilities, and neighborhood as the sales. It is also desirable to use sales that have the same floor plan as the subject. By doing this, the only adjustments required are for the time of the sale, condition, and possibly the location within the building. If there are no sales with the same floor plan, the assessor should use sales with similar floor plans and make additional adjustments for differences in the number of rooms, size, etc. When there are no sales in the same building as the subject property, sales from comparable condominium projects should be used. When using such sales, the assessor must be aware of not only physical differences, but also differences in the condominium declaration, management, and maintenance fees that could have an effect on market value. When valuing condominiums using the sales comparison approach, the assessor should use similar types of condominiums. Apartment style condominiums may have a different market than the townhouse or standalone condominiums. The assessor should set up a market grid, as shown in following example, to compare the subject with the sales.

The assessor wishes to determine the value of the following condominium: a three-bedroom unit with one and one-half baths, indoor parking for two cars, a fireplace, and a balcony. The condominium is 5 years old.

Sale No. 1 is a four-bedroom unit with two and one-half baths, indoor parking for two cars, a balcony, but no fireplace. The condominium is 6 years old. This condominium sold for \$187,500 2 years ago.

Sale No. 2 is a three-bedroom unit with one bath, indoor parking for one car, a fireplace, and a patio. The condominium is 4 years old. This condominium sold for \$185,000 one year ago.

Sale No. 3 is a four-bedroom unit with one and one-half baths, indoor parking for two cars, a fireplace, but no balcony. The condominium is 5 years old. This property sold for \$193,000 within the last month.

The assessor must also be aware of what is included in the sales price. If items such as appliances, draperies, and other household furnishings that are exempt are included in the sale, the assessor must deduct them from the sales price to arrive at the market value of the real property.

The assessor has analyzed the condominium market to obtain the following information: An extra bedroom is worth \$4,000, a full bath is worth \$3000, a half bath is \$2000, parking for two cars is worth \$2000 more than one car parking, a fireplace is worth \$4000, a balcony or patio is worth \$3000, and the assessor estimates that sales prices have increased 2 percent over each of the last two years. The location and recreational facilities of all condominium developments are equal. From this information, the assessor can generate a grid (figure 12-20).

Figure 12-20

Sale	Subject	No. 1	No. 2	No. 3
Sale price	--	187,500	185,000	193,000
Date of sale	--	2 Years +7500	1 Year +3700	Current --\
Fireplace	Yes	No +4000	Yes --	Yes --
Balcony/Patio	Yes	Yes --	Yes --	No +3000
Parking	Double --	Double --	Single +2000	Double --
Bath	1-1/2 --	2-1/2 -3000	1 +2000	1-1/2 --
Bedroom	3 --	4 -4000	3 --	4 -4000
Total Adjustment	--	+4500	+7700	-1000
Indicated Market Value of Subject	\$192,000	\$192,000	\$192,700	\$192,000

NOTE: The above values and unit prices are for illustration purposes only and are not meant to be standards or averages.

The assessor could make the following analysis. All three sales are reasonably comparable to the subject. The adjusted sales prices of the three sales fall within a narrow range. Sale No. 3, since it is the most recent sale and has the lowest total adjustment, it could be judged the best comparable, making the estimated market value of the subject \$192,000.

Cost Approach

The cost approach for valuing condominiums presents several problems for the assessor that does not occur when valuing other types of property. One, the assessor must allocate the cost of common elements such as roofs, hallways, stairs, swimming pools, tennis courts, and land among the individual units. Two, the cost of the physical items tend to be lower than the value of the condominium units due to the additional costs to the developer for attorney fees, surveys, and administrative costs associated with establishing the individual ownership of the condominium units.

The assessor should calculate the replacement cost new of the physical items including the buildings, tennis courts, swimming pools, clubhouses, and yard and outside improvements. Next the assessor should calculate and deduct the appropriate depreciation from these physical items. The depreciation may vary depending on the age, condition, and type of improvements. For example, if the buildings were built over a long period of time, the depreciation may be different for each building. Also, some items such as tennis courts will have a faster depreciation than the buildings. Next, the assessor should determine an appropriate amount for attorney fees, surveys, and other administrative expenses necessary to create individual ownership. Then the assessor can allocate these costs to the individual condominium unit.

Assume that there is a condominium complex with five buildings, two swimming pools, five tennis courts, a clubhouse, and various landscaping and yard improvements. Each of the buildings contains 4-one bedroom units of 850 square feet and 6-two bedroom units of 950 square feet. The estimated replacement cost new for all buildings is \$2,500,000. The estimated replacement cost new of the recreational and other improvements is \$600,000. The assessor has estimated that the buildings have depreciated 10 percent and that the other improvements have depreciated 15 percent. This yields a cost less depreciation of \$2,250,000 for the buildings and \$510,000 for the other improvements. The assessor has estimated the land value to be \$200,000. The assessor, after discussion with the developer, has estimated that attorney fees and other costs of establishing separate ownership is \$300,000.

The assessor should first allocate the physical costs of the land and building to the individual units. If all of the buildings were built at the same time, the assessor can allocate the costs of all of the buildings at one time. However, if the buildings were built over a longer period of time or if there are substantial differences between buildings, the assessor should allocate the costs separately for each building. The costs should be allocated on a square foot basis.

In the example, all of the buildings were built at the same time. Thus, the assessor can allocate the costs of the entire complex at one time. The square footage calculation:

20-one bedroom units	x	850 square feet	=	17,000 S.F.
30-two bedroom units	x	950 square feet	=	<u>28,500 S.F.</u>
				45,500 S.F.

The cost of the land and buildings per square foot is: \$2,450,000 ÷ 45,500 square feet = \$53.85.
 The cost of the land and buildings for the various units is:

One bedroom unit	850 square ft.	x	\$53.85	=	\$45,773
Two bedroom unit	950 square ft.	x	\$53.85	=	\$51,158

The cost of the recreational facilities and the cost of establishing separate ownership should be divided equally between the 50 units, as stated in the condominium declaration and any addendums. For example, if each unit has an equal allocation under the declaration, each unit has an equal opportunity to use the recreation facilities and the cost of establishing separate ownership is the same for each unit. Therefore, the cost for these items is:

Recreational Elements		\$510,000			
Establishing Separate Ownership		<u>300,000</u>			
		\$810,000			
\$810,000	÷	50 units	=		\$16,200 per unit.

The values using the cost approach for the different units is:

<u>One Bedroom Condominium</u>					
Land and Building cost		\$45,773			
Common Elements and Separate Ownership	}	<u>\$16,200</u>			
		\$61,973			say \$62,000
<u>Two Bedroom Condominium</u>					
Land and Building Cost		\$51,158			
Common Elements and Separate Ownership	}	<u>\$16,200</u>			
		\$67,358			say \$67,400

This method can be used for all condominium developments. The assessor will have to make more calculations if there is a wider variety in types and quality of the condominiums. For example, if a condominium development occurs over a period of ten years, the assessor would have to calculate each building separately because of the difference in age and possibly quality.

The cost approach has one additional limitation in valuing condominiums. Some condominiums may have a higher value due to other than physical factors. For example, a condominium development built on a lake will have some units facing the lake. These units will usually sell for more than the other units. However, it is virtually impossible to determine the difference through the cost approach. The difference can usually be determined through an analysis of sales.

Income Approach

The capitalization of rental income is generally not applicable to the valuation of condominiums since individual units are not bought and sold on the basis of their ability to produce income. Condominium units are usually rented when the owner is either trying to sell the unit or has temporarily moved to another location. In either case, the owner's motive is to have some money coming in to help pay the mortgage, taxes, and utilities rather than have the unit vacant with the owner having to pay these expenses.

The assessor may be able to use Gross Rent Multipliers (G.R.M.'s) to measure the relationship between the rent paid on condominiums and their selling price. A Gross Rent Multiplier is the sales price divided by either the monthly or annual gross rent. For example, the assessor has analyzed several condominium sales and has discovered the following G.R.M.'s:

Sales price	÷	Gross monthly rent	=	G. R. M.
98,000	÷	525	=	187
110,000	÷	600	=	183
85,000	÷	450	=	189
90,000	÷	475	=	189
103,000	÷	550	=	187

The assessor would then feel justified in applying a G.R.M. of between 183 – 189 to the gross monthly rent of the subject condominium to obtain an estimate of the unit's market value. The use of Gross Rent Multipliers is limited to those condominiums that are rented. In addition, there must be an adequate number of comparable condominiums that have been rented and sold for the assessor to develop a reliable Gross Rent Multiplier estimate.

Land Valuation

Once the market value of a unit is known, it is necessary to allocate that amount between land and improvements. The land assessment should include an amount for each unit's percentage interest in the land and also any plus or minus adjustments for the location of the unit. For example, a unit with a view of a lake would probably sell for more than a unit in the same building without a view of the lake. This amount could be reflected in either the land assessment or the improvement assessment.

To arrive at a land assessment, it will be necessary to determine the percentage interest in the land held by each unit. There are basically three different methods used to prorate the percentage ownership of common areas among the various condominium units. Ownership may be prorated, based upon the value of each unit in relation to the total value of all the units, on the ratio of the area of each unit to the total area of all units, or it may be prorated equally among all units. To find the percentage interest allocated to each unit, refer to the condominium declaration recorded in the Register of Deeds Office.

The next step is to analyze sales of vacant land. Where a sale of the subject is not available, the next best evidence of value would be the sales of other land purchased for multi-unit dwellings, such as other condominium projects or apartment buildings. Because condominiums make maximum use of land area, the value of the land in relation to the total cost of the building is much lower than that of a single family dwelling. The ratio of land to building value for a condominium may only be around 1:10 compared to a ratio of 1:4 or 1:5 for single family dwellings.

Once the total land value has been estimated, that amount is prorated among the various units in the condominium, based upon each unit's location within the building and its ownership interest in the land. For example, assume that the total land value is \$1,000,000 and that the interest in the common elements is as follows:

	Interest in Common Elements		Number of Units		
3-bedroom units	1.1%	x	20	=	22%
2-bedroom units	1.0%	x	60	=	60%
1-bedroom units	.9%	x	20	=	<u>18%</u>
					100%

Further assume that 35 units (10 of the 3-bedroom units, 20 of the 2-bedroom units and 5 of the 1-bedroom units) have a view of the lake. The market has shown that units with a view of the lake are selling for \$1,000 more than units without a view.

To determine the amount of land value attributable to each unit, proceed as follows:

1. Determine the amount of the total land value that must be allocated among the 35 units for their view of the lake: $35 \times \$1,000 = \$35,000$
2. Deduct that amount from the total land value: $\$1,000,000 - \$35,000 = \$965,000$. The remaining amount is the land value to be allocated among all of the units based upon their percentage interest in the common elements.
3. Multiply the remaining land value by each unit's percent interest in the common elements.

3-bedroom	=	1.1%	x	\$965,000	=	\$ 10,615
2-bedroom	=	1.0%	x	\$965,000	=	\$ 9,650
1-bedroom	=	9%	x	\$965,000	=	\$ 8,685

These amounts represent the land value for individual units without a view of the lake.

4. Add \$1,000 to arrive at a land value for each of the units with a view of the lake.

3-bedroom	=	\$ 10,615	+	\$1,000	=	\$ 11,615
2-bedroom	=	\$ 9,650	+	\$1,000	=	\$ 10,650
1-bedroom	=	\$ 8,685	+	\$1,000	=	\$ 9,685

These results can be checked to verify that they add up to the total land value of \$1,000,000.

3-bedroom units with a view	10 units	x	\$11,615	=	\$ 116,150
2-bedroom units with a view	20 units	x	\$10,650	=	\$ 213,000
1-bedroom units with a view	5 units	x	\$ 9,685	=	\$ 48,425
3-bedroom units without a view	10 units	x	\$10,615	=	\$ 106,150
2-bedroom units without a view	40 units	x	\$ 9,650	=	\$ 386,000
1-bedroom units without a view	15 units	x	\$ 8,685	=	<u>\$ 130,275</u>
Total land value					\$1,000,000

After determining the amount of the total land value to be allocated to each unit, that amount is deducted from the value of each unit as estimated through the market approach. The remaining value is the amount of the improvement assessment.

Timeshares

Timesharing is an extension of the condominium concept. While a building may be divided into individual condominium units, each condominium unit may be further divided into timeshare units (weeks). The purchaser of a timeshare in a resort condominium buys the right to use a unit for a specified time period each year. Generally, units are available for occupancy 50 weeks out of the year, with two weeks set aside for extensive cleaning, repairs, and remodeling as necessary. Prices for a timeshare unit vary according to the season and the quality and size of the unit. For example, a unit at a timeshare resort in the high tourist season of July and August will sell for more than a week during the low tourist season such as April. The price will also vary depending on the amenities included with the timeshare development. A week at a resort that includes use of a golf course, tennis courts, swimming pool, lake access, clubhouse, restaurant, etc. will sell for more than a week at a resort which only has two or three of these features. Beyond the initial purchase price, the only extra costs involved are for property taxes (if the timeshares are purchased on a fee basis) and for annual maintenance fees which cover the expenses for such items as utilities, insurance, cleaning, and on-site management.

Ownership Interests

Ownership of a timeshare may be on a fee simple basis or on a right to use basis.

Fee simple ownership gives the purchaser a fractional interest in the real estate. That interest can be sold, exchanged, or rented, and since the duration is perpetual, it can also be passed on to the purchaser's heirs. When purchased on a fee simple basis, the various owners are responsible for the operation of the property that is handled by the timeshare owners' association. Section 70.095, Wis. Stats., makes the owners' association responsible for allocating real property taxes among its members. The assessor need make only one entry in the assessment roll for each building unit within the condominium. That entry shall include the cumulative real property value of all timeshare weeks for each building unit. The condominium association may be considered the agent of the individual timeshare owners and may file one objection and make one appearance before the Board of Review concerning all objections relating to a particular real property improvement and the land associated with it. An individual timeshare owner may file an objection before the Board of Review concerning the assessment of the building unit in which he or she owns a week.

Right To Use Ownership. When purchased on a right to use, or non-fee basis, the timeshare includes only the right to use the property for a specific week for a specified time period that generally ranges from 15 to 50 years. At the end of the time period, this right reverts back to the owner of the development. No ownership interest is included with purchase on a right to use basis. If the developer retains title to the property, as the owner, the developer will be responsible for the taxes for the entire development. If the development is on one parcel, only one entry for the entire development need be made in the assessment roll. If the development is on two or more parcels, the assessor may make two or more entries in the assessment roll with each entry including the building and land values for each parcel.

Valuation

The valuation of timeshare property presents a unique valuation problem for the assessor. Section 70.03, Wis. Stats., in defining real property states "... except that for the purpose of time-sharing property as defined in sec. 707.02(32), Wis. Stats., real property does not include recurrent exclusive use and occupancy on a periodic basis or other rights, including, but not limited to, membership rights, vacation services, and club memberships". In effect, what this says is that those attributes that differentiate a timeshare condominium from other condominiums should be disregarded in valuing the timeshare property. The value of a timeshare unit and a very comparable condominium should be the same. Thus, the assessor should value the timeshare property in the same manner as other condominiums.

Timeshare units are sold with all furnishings and accessories such as appliances, furniture, bedding, towels, kitchen utensils, and dishes. The assessor should analyze these items to determine whether they are real property under the law of fixtures or personal property. Items that are determined to be fixtures, such as carpeting or built-in appliances, should be assessed with the real property. When the items are personal property and the timeshare units are sold on the right to use basis, because the developer retains title, the personal property should be assessed to the developer. When the timeshare units are purchased on a fee basis, the personal property is exempt under sec. 70.111(1), Wis. Stats. In any case, the value of the personal property should not be included in the real property value of the timeshare unit.

Sales Comparison Approach

The courts have stated that the sales comparison approach is the best method of determining market value. The arm's-length sale of the subject property is the preferred indicator of market value, provided it is in line with sales of reasonably comparable property. The simplest way to value a timeshare unit would be to total the sales prices of the individual weeks. However, it is not that simple. As previously mentioned, the assessor must not include "recurrent exclusive use and occupancy" items such as club membership and exchange privileges, and personal property in the valuation of the timeshare unit. All of these items are included in the sales price of the unit and their value must be deducted to arrive at the residual value of the real property interest as defined in sec. 70.03, Wis. Stats.

The assessor can use sales of comparable condominium units to indicate the value of the timeshare real property interest per unit. The condominium units are very similar in concept to the timeshare units and because they do not include the non-assessable rights and

privileges the assessor need make no adjustments for them. The assessor will still have to make any adjustments for differences between the condominium and the timeshare unit such as number of bedrooms and bathrooms, size, age, and date of sale. The fewer the number and size of adjustments the more reliable the comparable. The assessor should refer to the condominium section of this chapter for an example of the adjustment process. The assessor must also make sure that the condominium and timeshare developments are comparable. Both developments should have the same amenities such as swimming pools, tennis courts, and location. The assessor may be able to make adjustments for minor differences, but may not be able to make adjustments for major differences. For example, if the timeshare development is two stories and the condominium development is six stories, the assessor may not be able to determine an adjustment for this difference.

The assessor can also use the sale of comparable condominiums to develop a total value for the non-assessable assets. The assessor can deduct the value of the adjusted comparable sale from the total sales prices of the timeshare weeks to estimate the value of the non-assessable assets. The assessor can then divide this figure by the total sales price of the timeshare weeks. If the assessor discovers that the results of these calculations yield a fairly consistent result, then the assessor can apply this percentage to the total sales price of a timeshare unit for which there are no comparable sales to obtain an indication of the value of that unit.

Case Study

An assessor has analyzed the sale of twelve timeshare units and comparable condominiums and obtained the following results:

Total sales price of timeshare unit	Adjusted sales price of comparable condo	Value of non-assessable assets	% of total sales price of timeshare
125,000	- 97,500	= 27,500	22%
115,000	- 85,100	= 29,900	26%
120,000	- 90,000	= 30,000	25%
140,000	- 103,600	= 36,400	26%
135,000	- 101,300	= 33,700	25%
150,000	- 109,500	= 40,500	27%
138,000	- 106,300	= 31,700	23%
123,000	- 91,000	= 32,000	26%
127,000	- 96,500	= 30,500	24%
145,000	- 110,200	= 34,800	24%
135,000	- 104,000	= 31,000	23%
142,000	- 110,800	= 31,200	22%

The assessor would be justified in applying a percentage in the range of 22% to 27% to sales of timeshare units for which there are no comparable condominium sales.

Cost Approach

The cost approach to valuing timeshare units presents the same problems as it does for condominiums. One, the assessor has to allocate the cost for common elements such as roofs, walls, hallways, swimming pools, and tennis courts between the various timeshare units. Two, the cost of the physical items tend to come up lower than the value of the timeshare units because there is additional cost to the developer for attorney fees, surveys, and

preparing the legal documents needed for individual ownership of the units.

The assessor should calculate the cost of the physical items which includes the buildings, tennis courts, swimming pool, clubhouse, and other physical features, and deduct any applicable depreciation. The assessor should then estimate the attorney fees, surveys, and other administrative expenses necessary to create the individual ownership. The developer is the best source for the cost of these services. The assessor then allocates these costs to the individual units. An example of this procedure is included in the Condominium Valuation section of this chapter.

Income Approach

The income approach to valuing timeshare property has only limited applicability. The few timeshare units that are rented are usually rented for only several weeks. The motivation in renting the timeshare weeks is rarely to generate investment income. Most often, it is someone who has purchased a week but cannot use that week and would rather rent it to someone than have the unit vacant.

The assessor could use the income approach as applied to condominiums to obtain an indication of value. The advantage of using condominiums is that they do not include the non-assessable assets previously mentioned. The disadvantage is that condominiums are rarely purchased and rented as investments. Condominiums like timeshare units are usually rented to obtain some income rather than having the units stand empty.

The assessor could also use the cost of development method as demonstrated under the income approach in the condominium section of this chapter. This approach is based on the income that the developer will receive over a period of time from the sales of the individual weeks of timeshare units. This method presents several problems. The assessor has to allocate the present worth of the project to each of the units and the assessor then has to subtract the value of the non-assessable assets from the sales prices of the individual units. The difficulty in making these two estimates makes this method questionable at best.

Summary

Timeshare property is an extension of the condominium concept. While a building may be divided into separate condominium units, each condominium unit can be divided into individual weeks or timeshares. There are two types of timeshare property. One is fee simple ownership of an individual week or weeks. The other is ownership of the right to use a specific unit for a specific week for a period of years with the developer retaining title to the property.

Timeshare property presents a unique valuation problem because sec. 70.03, Wis. Stats., excludes “recurrent exclusive use and occupancy on a periodic basis or other rights, including, but not limited to, membership rights, vacation services, and club membership.” These non-assessable assets are included in the sales price of the timeshare. The assessor cannot simply add up the sales prices of the individual weeks to arrive at the value of the timeshare unit. The assessor can use sales of comparable condominium units to provide an indication of value. The assessor can use the cost approach when there are no comparable sales, however,

the assessor may encounter problems in allocating costs for common areas such as roofs, hallways, and amenities between the various units. The assessor would also have to add the costs of attorney fees, surveys, and the preparation of legal documents to the base cost of the buildings. As timeshare properties start to age, proper calculation and allocation of depreciation will present additional problems. The income approach is probably the least reliable of the three approaches since timeshare property is not purchased for investment purposes.

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Chapter 13

Commercial Valuation

Classification

For assessment purposes commercial property consists of properties for which the predominant use is the selling of merchandise or a service. Apartment houses of four or more units and office buildings are also included in this category. Apartment houses of less than four units are classified as residential since they are not normally purchased as an investment. This classification will also include vacant land, and parcels with improvements, for which the most likely use is commercial.

The assessor may discover buildings which can house either commercial or manufacturing enterprises. Because the real estate market is one of constant change, these structures may switch from one classification to another. It is, therefore, important that the assessor work with the Department of Revenue (DOR) manufacturing staff to be sure that the property is classified correctly. Specifics on classifying property can be found in WPAM Chapter 7.

Trends and Factors

The assessment of commercial property can range from a small retail store to a large office complex, an apartment building or a regional shopping center. Each type of property presents unique valuation problems. This requires the assessor to possess a great deal of knowledge about the current economic conditions of the area and any trends and factors that may influence the value of commercial property. These trends and factors may not be applicable in all cases but the assessor should be aware of their potential effect on value. Sources for this information include banks, savings and loan associations, real estate brokers and appraisers, U.S. Census, utility companies, colleges and universities, and other assessors.

Economic climate. The assessor should be aware that changes at any level of the economy can have an effect on value. These changes can occur at the international, national, state, and regional levels. It is not enough for assessors to be only aware of trends in their individual municipalities. For example, the construction of a large regional shopping complex will have an influence on the market value of retail stores in neighboring municipalities. It is the assessor's duty to be aware of these changes and how they will be reflected in the market value estimate.

Cost and availability of funds. The demand for commercial property is strongly influenced by the cost and availability of financing. Cost and availability typically have an inverse relationship – high interest rates usually cause a decrease in demand for commercial property.

Population/Demographics. This involves knowledge of any changes in size, location, movement, composition, or density of the population. Any changes in population can have an influence on the demand for commercial products or services. For example, an increase in the population will result in an increased demand for products and services which will increase

the value of commercial property. Changes in population will also affect the demand for apartment buildings.

Available commercial space. After studying the trends in size and location of population and the existing amount of space devoted to various commercial enterprises, the assessor should be able to develop an estimate of the space needed and the present amount of space available for commercial usage. This analysis of supply and demand can be used to estimate future needs for commercial space in the municipality. Among those areas that should be studied is whether new construction is competitive or complementary. A competitive use is a similar enterprise either in the immediate area or in a nearby shopping center. When new construction in the same area of the subject is of complementary use or uses, this can cause the buildup of a commercial area that attracts an additional number of customers for all these stores.

Trends of industry. An increase or decrease in the level of employment in the industries in a municipality will have an effect on commercial supply and demand. New industrial development will need new services for itself and the additional employment will create increased demand for commercial services and products.

Utilities. The quality and availability of utilities will influence value. If some utilities are unavailable or would be extremely costly to install, the value of the property will be affected.

Purchasing power. The purchasing power of an area will determine what type of commercial enterprises it can support. An area in which income is either low or fixed (i.e. social security) will support different commercial enterprises than an affluent professional neighborhood.

Governmental policies and regulations. It is important to have a knowledge of government regulations and policies, including the planning and zoning laws of the community. Planning and zoning laws can limit the types of commercial structures that may be built and the uses that can be made of present property. Just as important as the laws, is how they are enforced. If a property owner can easily obtain a variance from the zoning laws, their impact is limited.

Other types of government regulations and policies that may have an impact on commercial property include local annexation policies, environmental regulations, and level of taxes. Lower taxes decrease the operating expenses of a commercial property, therefore increasing its net operating income and its value. Even such things as the enrollment policies of a local college or university can affect the demand for student housing.

Transportation. The types of transportation available and the traffic flow are vital to the success of commercial enterprises. A business may lose customers because access is poor, roads are in bad shape, or there is inadequate parking space available.

Analysis of Commercial District

There are basically 16 different kinds of commercial districts, based on location in the community.

1. **Central Business District (CBD)** - The downtown area is usually the center of commercial activity, providing a full range of retail stores, office buildings, financial facilities, governmental centers, entertainment and cultural centers, and other facilities primarily oriented to pedestrian traffic. Types of stores found in a downtown area differ from those found in outlying areas. In the recent past, CBDs have not experienced the same growth and development pattern as other commercial districts. The development of suburban shopping malls and the migration of department stores and other business to outlying areas have undercut the former dominance of the CBD. The functions of some CBDs have changed from a retail center to a government or entertainment center. Growth in the central business district can be obstructed by set street patterns and surrounding industrial and residential developments.

The shifting functions of the CBD can lead to changes in land use and potential increases (or decreases) in real estate values. Values of centrally located land can be inflated due to scarcity of vacant sites.

2. **Redevelopment areas** – Many cities are redeveloping centrally located deteriorating areas with new commercial, residential, and industrial uses. Frequently the only way these areas are redeveloped is through government programs.

3. **Strip developments** – This type of commercial property is found along major arterials in most cities, affording businesses maximum exposure. Such businesses often rely on a high volume of vehicle traffic.

4. **Neighborhood shopping areas** – As residential sections mature, neighborhood shopping areas develop as a convenient market for daily needs of nearby residents. Such areas do not aim to provide all types of products and services.

5. **Outlying commercial areas** – Developments in outlying areas are usually at or near major intersections, convenient to a high volume of highway traffic. However, in some outlying areas, commercial properties may be clustered around recreational attractions such as a lake, park, resort or casino.

6. **Multi-family residential areas** – Apartment buildings and complexes can be interspersed in other commercial areas or in single family residential areas. They can also be located in primarily multi-family residential areas. Apartment neighborhoods can also be categorized by effective year built ranges. For example, newer apartments will typically generate higher rents and have lower expenses than older apartment buildings. This may also be true for capitalization rates with all other factors being similar.

7. **Office/Commercial/Industrial parks** – A controlled park-like development designed to accommodate specific office, commercial and light industrial properties and containing the required utilities, streets and other appurtenances.

8. **Retail districts** – An outgrowth of the neighborhood shopping area, shopping centers are of eight main types, varying in size, variety of products and services, and importance of major tenants. The eight main types of shopping centers are strip, neighborhood, community, discount, outlet, power, regional and super regional.

9. **Strip shopping centers** – Strip shopping centers are usually found along major arterials or in proximity to other larger shopping center usages or commercial developments. They are usually less than 40,000 square feet in improvement size and provide for the personal services and day to day living needs of the immediate neighborhood. They do not have a “major” draw tenants.

10. **Neighborhood shopping center** – The neighborhood shopping center is much like the neighborhood shopping area with its convenience outlets, but with more parking space. This type of center has stores such as a supermarket, drug store, hair salon, barber shop, cleaners, and other local convenience stores. Neighborhood shopping centers have a typical improvement size of 60,000 square feet but in practice can range in size from 30,000 to 100,000 square feet.

11. **Community shopping center** – The community shopping center generally has a department store as the main tenant, a few apparel stores, shoe store, and other convenience stores such as a supermarket, drug store, hair salon, and restaurant, offering a wide range of products and services. This type of shopping center improvement is typically 150,000 square feet but in practice can range in size from 100,000 to 300,000 square feet. The development of discount centers has drawn customers away from the community centers.

12. **Discount shopping center** – The discount shopping center can be operated with a large chain such as K-Mart, Target, Shopko or Wal-Mart. It can also have a large discount store as the anchor tenant (TJ Maxx, Marshalls) along with several other smaller retail tenants. Discount centers offer a wide range of medium-priced goods and appeal to value oriented customers. Their improvement size is similar to community centers from 100,000 to 300,000 square feet.

13. **Outlet malls** – Outlet malls are alternatives to regional malls. They are destinations for local shoppers as well as tourists. They offer a wide range of stores selling apparel, furniture, home furnishings and sporting goods. Each store is characterized by specific brand identities. Goods are generally offered at prices discounted from normal department store prices. These malls are usually located on heavily traveled interstate highways and improvements can range in size from 250,000 to 1,000,000 square feet.

14. **Power centers** – Power centers are generally comprised of several large “big box” retailers ranging in size from 25,000 to 100,000 square feet each (e.g. Home Depot, Best Buy). They often share one centrally located parking area. However, not all big box retailers are in power centers, they may be stand-alone facilities with their own parking lots.

15. Regional shopping centers – The regional shopping center is often in direct competition with the central business district as well as community shopping centers as it provides two or more major department stores (anchor tenants), a full line of products and services, and even recreational facilities such as a movie theater or bowling alley. Regional shopping centers have a typical improvement size of 500,000 square feet but can range in size from 250,000 to 900,000 square feet.

16. Super regional shopping centers – The super-regional shopping center provides for extensive variety of general merchandise, apparel, furniture, and home furnishings, as well as a variety of services and recreational facilities. It is built around three or more full line department stores of generally not less than 100,000 square feet each in improvement size. In theory the typical improvement size of a super-regional center is about 800,000 square feet. In practice, the sizes range from about 600,000 to more than 1,500,000 square feet.

In many municipalities there are more than one commercial district or there are different types of commercial districts. The assessor should analyze each district in a manner similar to neighborhood analysis; noting the advantages and disadvantages of each district and any changes or trends. This process is referred to as market segmentation (see below). There are a number of questions that the assessor should ask when analyzing the district/market.

1. What type of district is this? Is it a retail, office, financial, or other type of district?
2. What types of customers are served by this district? What is the family income? How far do customers have to travel? Do existing stores meet the needs of the area?
3. What is the physical condition of the district? Are properties maintained, or left to deteriorate? Are vacant buildings increasing or decreasing in number?
4. What parking facilities are available? Many districts decline due to lack of adequate inexpensive parking.
5. What mass transit facilities are available?

These are some of the factors that the assessor should be aware of in analyzing commercial districts. Some factors may not be applicable in all cases and there may be additional factors that the assessor will discover in specific cases.

Market Area

Defining the market area is a critical step in assessing commercial properties and can be complex due to the wide variety of land uses encompassed in this classification. The assessor must identify those factors that most affect the actions of the typical buyer and seller for that specific use type. It is the responsibility of the assessor to first identify the typical investor for each property. This information will aid in determining both the market area and the valuation method most suited for estimating value of the particular property.

The primary factor influencing property values is usually its location. This is especially true of commercial property where even the side of the street on which a property is located is important. Location can affect the net return the property can generate and thereby influence demand. A higher net return will generally translate into higher market value.

In analyzing location, the assessor should note the location of competitive properties, and any

other factors which affect the property value due to its location. The zoning of the property defines what uses are permissible. The size, shape, and soil conditions affect what improvements can be put on the property and at what cost. The condition, type of construction, and potential uses of the existing improvements also have an effect on value.

The type of property should also be considered in defining the market area. For example, with a four-unit apartment building the typical buyer is a local investor who purchases or invests in real estate in close proximity to similar properties, generally for the ease and convenience of maintaining and managing them in a more efficient manner. On the other end of the spectrum is the mega shopping mall. Here the typical investor is usually not local in nature and competes with other similar investments on a regional or national level. This means that for many properties, the assessor must look outside of the municipal boundaries for comparable property types and uses to find similar sales and leases.

By determining the typical investor for each property, the assessor can identify the market area and the valuation method best suited to value the specific parcel.

Market Segmentation

Market segmentation is the process by which submarkets within a larger market are identified and analyzed. This means dividing market demand into meaningful user groups based on the property's attributes. One aspect of market segmentation is productivity analysis which determines the most probable users of a property from the general population by their consumer characteristics. Consideration should be given to things such as branding, ease of access to the property, and spatial distribution. A valuation is most accurate when the improved property and the comparable sale properties supporting the valuation have a similar market or submarket with the current use of the improved property.

Data Collection

By statute, commercial property is to be assessed at market value; the most likely value the property would bring in an arm's-length transaction on the open market. Commercial transactions are more complex as there are many different ways to market commercial properties. For commercial property, value is dependent on both the physical characteristics of the property and the ability of the property to generate income. The assessor may have to identify different market segments when analyzing commercial sales. This means the assessor must gather sales data, lease information, expense data, and information on market rents. All of these are necessary in applying the three approaches to value in order to develop an opinion of value.

Whether commercial properties are comparable requires evaluation on a number of criteria. Does the potential comparable compete in the market place for the same investor dollars? Is it similar to the subject in expense ratio, investment risk potential, and income potential? Do the properties have similar physical characteristics and/or location factors? Are the income streams similar? The assessor must decide, based on the nature of the property, which of these factors are the best determinants of value as evidenced by the behavior of buyers and sellers in the open market. The factors having greatest effect on market value, combined with the quality of available data, will determine which approach(es) to value will render the most reliable value estimate.

The breadth of market research may well expand to include several states, a region, and in some cases the entire United States. When market segmentation requires expansion into a broader area, the assessor should consider cities, counties or regions with economic characteristics similar to the area where the subject is located. Consideration should include things like occupancy, customer base, construction quality, and whether there are equally desirable properties in the area.

Both sales data and rental information can be gathered by analyzing the Real Estate Transfer Returns and through discussions with appraisers, brokers, investors, and property owners. Tenants can be a good source of rental information. The assessor must also collect data about the local market, including information regarding trends. All data must be evaluated for applicability and reliability. The effort expended by the assessor to become knowledgeable about sales and rental information will make the valuation of individual properties a less daunting task.

Valuation Techniques

Estimates of market value can be derived by using the cost, income and/or sales comparison approaches. Commercial property can be valued by either single property or mass appraisal techniques. However, due to the unique nature of each commercial property and the difficulty in obtaining pertinent data, it may take more in-depth analysis to apply mass-appraisal techniques to this property class.

Sec. 70.32(1), Wis. Stats., states “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; and all factors that, according to professionally acceptable appraisal practices affect the value of the property to be assessed.” Therefore, the assessor should be aware of sales information and be able to apply the cost and income approaches, when applicable.

The value of commercial property is significantly influenced by its economic characteristics. The assessor must therefore be aware of the physical *and* economic characteristics of all commercial property sales. Because buyers and sellers of commercial properties usually base their transaction decisions on the property’s net operating income, the assessor must be thoroughly familiar with the income approach. The cost approach is frequently used for new construction, special purpose properties (i.e., funeral homes, medical facilities) or when sales and income/expense information are not readily available or not appropriate.

The following discussion splits valuation into land and improvement valuation, as the assessor is required to separate each on the assessment roll. The principles and techniques described in Chapter 9-Real Property Valuation are applied to commercial property.

Land Valuation

Land value is a local product. It arises from supply and demand in the market where the property is located. Land valuation must therefore be based on analysis of its local market.

Whether vacant or improved with buildings, land is valued as if available for development to

its highest and best use--that most probable, legal use which will yield the greatest net return (highest and best use). This use must be acceptable to the market and must conform to existing zoning and land use ordinances. If an existing building cannot generate a return sufficient to support the land, the cost of demolition of the building must be deducted from the value of the land. For additional discussion on land valuation and highest and best use, see Chapter 12.

Land Value Factors

Commercial land is analyzed on the basis of its value not as raw land, but as a potential business location or building site. The following factors directly affect the value of commercial land and must be given consideration:

1. **Size** - The unit value (per front foot, per square foot, or per acre) of land generally decreases as the site area increases beyond the economic size typical for its highest and best use. Thus, a large site in an area where such holdings are not difficult to assemble, would have a lower per unit value than smaller, more readily marketable holdings.
 - **Plottage** – On the other hand, if the site is a large parcel in a congested area where it is difficult to assemble large holdings, then the reverse is true and the site would have a higher per unit value due to its increased utility. This is known as plottage. Examples of plottage are often found in central business districts or other congested areas where an owner or developer has been forced to pay premium prices to assemble a large piece of land. Thus, the size of a site will have an effect on its value, depending upon whether it is “wholesale” land or land that has added unit value because of plottage.
 - **Excess land** – Where a site is larger than is needed to efficiently operate the business, the assessor is confronted with the problem of determining the amount and value of the excess land. It is important to recognize excess land when valuing property as the value for such land is different than that for a site. A key to recognizing excess land is the land to building ratio. Land to building ratios can be studied to determine typical relationships between land and improvements for similar property types. The amount of excess land can be determined by first calculating the relationship between the typical site size and building area for the commercial neighborhood under consideration. Assume, for example, that the typical land to building ratio is 4:1 for similar buildings housing compatible businesses and that the subject property has a ratio of 16:1. The next step is to calculate the amount of land necessary to support the building on the subject lot and to represent a ratio of 4:1. If the building has a total floor area of 43,560 square feet, or one acre, then at the typical ratio of 4:1, it is necessary to have four times that amount, or a four-acre site to support this business. That leaves 12 acres of excess land. The excess land should be valued at a reduced rate as determined from the market.

To arrive at the value of excess land, it will first be necessary to determine the per unit value for sites. To do this, the assessor analyzes sales that have

- no excess land to arrive at a unit value for comparable sites in the area. The next step is to analyze comparable sales with excess land. When analyzing these sales, the assessor would first determine the amount of the sale price attributable to that portion of the site necessary to support the business. The remaining amount is the value attributable to the excess land. By doing this, for each sale with excess land, the assessor is able to arrive at a unit value for excess land.
2. **Shape** – The shape of a site is directly related to its adaptability for its highest and best use. For some buildings a parcel that is long and narrow or irregular in shape might be more adaptable than a rectangular parcel. The assessor must determine whether the shape of the site lessens its adaptability to its highest and best use or causes it to be more readily adaptable.
 3. **Depth** – Depth has an influence on value due to the fact that the front portion of a lot usually has more value on a per unit basis than the rear. Depth tables can be used to provide a uniform basis for adjusting values of parcels varying from the standard depth; however, caution must be used. The importance of depth on the value of a site will not be the same for all commercial properties. For example, depth is more important for an apartment building than a gas station. Use of the same depth tables for both types of properties would be inappropriate. In addition, some properties, such as shopping centers, have parking at the front of the lot and the building at the rear. Since most of the value of the lot is in the rear where the building is situated, it is not appropriate to use depth tables in such a case.
 4. **Access** – Commercial properties depend on pedestrian or vehicle access to the site; therefore, street width, sidewalks, and traffic patterns are all important factors to be considered. In areas where traffic is congested, the presence of an alley may enhance value since it facilitates delivery of supplies to the site.
 5. **Parking** – Another important factor in the analysis of a site is available parking space. The number of potential customers is greatly limited without sufficient parking space located on the property or in the immediate area. The required amount of space is determined by the type of business occupying the site. If the type of business depends primarily on foot traffic, parking may not be an important factor.
 6. **Topography** – Some sites require little or no preparation while others require extensive filling and grading. The effect of topography on adaptability to highest and best use must be recognized in analyzing the site.
 7. **Utilities** – Public services to a property create value. A site with municipal water, sewer, gas, and electricity is more valuable than one without utilities.
 8. **Exposure** – Many commercial enterprises rely on the advertising value of the site, based not only on location, but also on district zoning regulations such as setback requirements or limitations on size or placement of signs.

9. **Corner** - The assessor should be aware of the potentially higher value of corner lots in a commercial area. This higher value may arise because a corner location provides more air and light, easier access, and higher visibility which may attract more customers. These factors tend to enhance value; however, a corner lot is subject to more noise and traffic due to its location and this must also be considered by the assessor.

There are a number of methods that may be used to value corner lots:

1. Calculating the normal front street value adjusted for depth plus the normal side street value adjusted for depth.
2. The normal front foot value on the side street is added to the front foot value on the main street and this figure is multiplied by the number of front feet on the main street.
3. Another method is to add a flat percentage increase to the regular lot value.

The method used is dependent on how properties are being sold in the area. The assessor may discover through analysis of sales that corner lots in an area are of no greater value than regular lots.

Land Value Techniques

The valuation of land for commercial purposes should follow the procedures for valuing all other types of land. Commercial land is usually valued on a front-foot basis; however, land may also be valued on a per acre or square foot basis. The appropriate unit to be used will be determined by the way that land in the area is bought and sold.

There are a number of different methods available for the valuation of commercial land, including:

Sales comparison approach – If vacant land sales are available, the sales comparison approach can be used to estimate value by making adjustments for the differences between the sales and the subject property. This method provides the most accurate measure of land value and is the one most commonly used. It closely reflects the market because it follows the same procedure which investors use in choosing properties for purchase. Use of the sales comparison approach for the valuation of land is discussed in detail in WPAM Chapter 12.

An improved property purchased for redevelopment (where existing improvements are to be razed after sale), may be used as a vacant land sale. In this case, the cost of demolition, if paid for by the buyer, should be added to the purchase price of the property.

If there are no vacant land sales, other methods are available to estimate the value of commercial land, including the residual method, abstraction, the allocation method, the development method, and capitalization of ground lease.

Residual method – This method can be used to arrive at a land value in heavily built up areas where sales of vacant land cannot be found. When using the residual method a projection is made of the potential net income which a new building suited to the same use could produce. The income required by the building investment is deducted, leaving a residual income which is attributable to the land. This income is capitalized at the current

market rate into an estimate of land value. This method is explained in more detail later in this chapter in the section dealing with the income approach to value.

Abstraction method – When the only sales available are those of improved property, a measure of land value can be gained using abstraction. When using this method, land value is measured from a known sale price by segregation of the amount which improvements contribute to the total. The remainder is assumed to be land value. The use of this method is discussed more fully in WPAM Chapter 12.

Allocation method – The allocation method (also known as the land ratio method) is premised on the notion that there may be a consistent overall relationship between land and improvement values for certain property types or in certain areas. From improved sales and a known land to building ratio, the assessor may be able to estimate the land value of a property. The use of this method is discussed more fully in WPAM Chapter 12.

Development method – Land with a potential use for industrial subdivision is often valued by this method. It involves making estimates of the value of the site fully developed for its highest and best use and deducting an estimate of the total cost of developing the site. The difference between the totals estimated for income and for expense is the value of the site as a whole. For more information on this method, refer to WPAM Chapter 12.

Capitalization of ground lease – This method assumes the gross rental under a ground lease is at current market levels. Net rental after deduction of the owner's expenses (insurance, management) is capitalized at an appropriate rate into an estimate of land value.

Example: Leased parking lot 30,000 square foot lot adjacent to an office building leased for employee parking for 5 years @ \$2,000 per month.

Gross annual income	\$ 24,000
Less expenses by lessor	
Liability insurance	4,000
Management	<u>2,000</u>
Total operating expenses	<u>\$ 6,000</u>
Net annual income	\$ 18,000

Capitalized value	\$18,000 @ 12%	=	\$150,000
Indicated land value			\$150,000
Land value/square ft.	\$150,000 ÷ 30,000	=	\$5.00 per sq. ft.

Valuing Improvements

The three approaches to value are the sales comparison, income and cost approach. This section will discuss application of the three approaches to the valuation of commercial property. The principles of the cost and sales comparison approaches are discussed in WPAM Chapter 9-Real Property Valuation and are not repeated here. The income approach is more fully explained in this chapter since it is more applicable to commercial property than other real property.

Sales Comparison Approach

The sales comparison approach should be used to arrive at market value if comparable sales data is available. It is the approach recognized by the courts as the preferred method of estimating market value provided the comparable sales are arm's-length transactions. The sales comparison approach has the advantage of reflecting the actions and decisions of buyers and sellers in the marketplace. The major difficulty with this approach is finding comparable sales. To be comparable, properties should be similar in both physical and economic characteristics including similarities in the ability to generate income and/or similar income streams.

Because of the wide variety of commercial properties it may be difficult to find comparable sales. For example, sales of gas stations or movie theatres are not appropriate for valuing small coffee houses. When valuing properties, the assessor should choose comparable sales exhibiting a similar highest and best use and similar placement in the commercial real estate marketplace. The assessor should avoid using sales of improved properties that are vacant ("dark") or distressed as comparable sales unless the subject property is similarly dark or distressed. A vacant store is considered dark when it is vacant beyond the normal time period for that commercial real estate marketplace and can vary from one municipality to another. A recent court case stated distressed properties are not seen as meaningfully comparable to operating properties. See the following quotes from *Bonstores Realty One LLC v. City of Wauwatosa*, 2013 WI APP 131, ¶¶ 21, 22, 34, and 35. 351 Wis.2d 439, 839 N.W.2d 893:

The circuit court also expressed concern over [Bonstores'] "Sales Comparison Approach." The court explained that it did not "see the apples-to-apples comparison" between the subject property and the properties [Bonstores] relied on as comparable, and concluded that [Bonstores] did not provide meaningful comparable properties because many of the properties had gone "dark." [Bonstores] defined "dark" as "a period of time where the store is not operating."

...

[Bonstores] agreed that the subject property is not a "dark" store, has never gone dark and there is no evidence it would go dark and be sold off as a single property. As such, the circuit court did not erroneously determine that [Bonstores'] reliance on the sales of properties [it] deemed comparable was unreliable.

...

[T]he senior vice president of Bon Ton Department stores, Inc., confirmed that \$32.7 million was the amount Bonstores actually paid for the subject property and that Bonstores recorded that amount on the real estate transfer return it filed with the Milwaukee County Register of Deeds.

...

The circuit court observed that the public filing was "telling the world" that the purchase price of the subject property was \$32,700,000 and, as such, could not simply be ignored. It contributes to the range of values that have been stated for the subject property at various times by responsible people. Various opinions as to the value of the property...provide at least some context to consider in determining whether either party has presented a preponderance of evidence of the fair market value of the property...

Sources for sales information would include buyers, sellers, brokers, appraisers, other assessors, professional organizations and the Real Estate Transfer Return. The Real Estate Transfer Return will show the assessor the total value of the real estate transferred under sec. 77.22(2)(a), Wis. Stats. An amended Real Estate Transfer Return needs to be completed if the total value of real estate was inaccurate on the original Real Estate Transfer Return.

When using the sales comparison approach with leased properties, it is important to know the income and expenses of each property. A property that appears to be comparable may in fact not be if the income and/or expenses are not at market levels due to differences in the bundle of rights being transferred.

"Property that is encumbered by a bundle of rights must be appraised at its value using the current value of that bundle of rights" *City of West Bend v. Continental IV Fund*, 193 Wis.2d 481, 535 N.W.2d 24 (Ct. App. 1995). For further discussion of the bundle of rights see WPAM Chapter 9.

An adjustment to the sales grid should be made to reflect differences in rental income, especially where the primary purpose of the property is to generate rental income.

In applying the sales comparison approach it is important to determine the basis on which the sales will be compared. Retail stores may be sold on a per square foot basis while apartments, hotels, and motels may be sold on a per unit or per room basis.

For example, consider an apartment building containing 145, 1-bedroom units. All have a similar income potential to the subject. Each unit includes a stove and refrigerator. Three comparable sales are found:

- Sale 1 contains 139, 1-bedroom units; the sale is 6 months old and it is determined that this would require a plus 5% adjustment; appliances are included; the location is judged to be 5% poorer than the subject; sale price is \$2,502,000.
- Sale 2 contains 158, 1-bedroom units; the sale is current and location is judged equal; appliances are not included and it is estimated that it would take \$1,000 per unit to add the appliances; sale price is \$3,002,000.
- Sale 3 contains 131, 1-bedroom apartments; the sale is current and appliances are included; it is estimated that this location is 5% better than the subject; sale price is \$2,751,000.

Adjustments are made to each sale price. The adjusted sale price is divided by the number of units to arrive at an estimated value per unit which can then be applied to the subject, giving an estimate of market value. The grid in Figure 13-1 shows one way this may be done.

Figure 13-1

	Sale 1	Sale 2	Sale 3
Sale price	\$2,502,000	\$3,002,000	\$2,751,000
Number of units	139	158	131
Sale price/unit	18,000	19,000	21,000
Time	+900	Current	Current
Appliances	Yes	+1000	Yes
Location	+900	Same	-1,050
Total adjustments	+1,800	+1,000	-1,050
Adjusted sale price per unit	\$19,800	\$20,000	\$19,950

Our analysis indicates the value of each unit is \$20,000, thus the estimated value of the subject property is \$2,900,000 (\$20,000 x 145 units).

The major difficulty in applying this approach is finding truly comparable sales given the unique nature of commercial property. Even within a single block, a minor difference in location can significantly affect value, making adjustments difficult and sometimes questionable.

Gross Rent Multiplier

The gross rent multiplier (GRM) is used to provide a direct estimate of value based on the relationship between gross income and sale prices of similar properties. This method can also be considered a type of income approach. The GRM is simply the sale price divided by the annual or monthly gross income. For example, if the sale price of a property is \$400,000 and the gross annual income is \$50,000 the annual GRM is the following:

$$\frac{\text{Sale Price}}{\text{Annual Income}} = \frac{\$400,000}{\$50,000} = 8 \text{ (GRM)}$$

After calculating the gross rent multipliers for a number of similar properties the assessor can determine which GRM is most appropriate for the subject. It is important that the assessor use properties of a similar nature. By using comparable properties the assessor should be able to derive gross rent multipliers which fall into a narrow range (see Figure 13-2).

Figure 13-2

Sale	Sale price	Annual income	GRM
1	\$500,000	\$70,400	7.1
2	\$475,000	\$69,900	6.8
3	\$525,000	\$76,100	6.9
4	\$450,000	\$62,500	7.2

In the above example, after analyzing the sales and comparing them with the subject the assessor may decide that the appropriate GRM is 7. If the gross income is \$65,000 then the value of the subject is \$65,000 x 7 = \$455,000.

The gross rent multiplier can also be applied to monthly rentals. The only difference is that the monthly GRM is 12 times the annual GRM. The advantage is that when an assessor is working with monthly rental figures it is easier to use a monthly GRM than to multiply the monthly figures by 12. The gross rent multiplier is often used as an income approach in valuing residential property and 1 to 3-unit apartment buildings.

Cost Approach

The cost approach can be used when valuing properties for which there is inadequate sales information. This approach can be used for such properties as banks, corporate offices, and other special purpose uses. The cost approach is the value of the land plus the cost of the improvements minus any depreciation. The mechanics of the cost approach are explained in the WPAM Chapter 9. There are commercially available cost manuals which provide cost tables, depreciation and area modifiers for use in the cost approach.

The assessor should be aware of the difference between cost and value. There are situations where items are included in the building cost for which the average purchaser would not be willing to pay. An example would be the construction of a corporate headquarters which included a massive fountain in the shape of the company's distinct logo. This feature would have little value, and may actually be a detriment, at the time of sale.

Income Approach

When comparable sales are not available, the income approach is usually the best method for estimating the value of commercial property. The income approach may frequently be the most reliable method for estimating the value of commercial property because it represents the way investors think when they buy and sell income property in the market. Because the income approach generates a value based on the income generating potential of a property, it is particularly reflective of the value buyers place on property used for rental purposes.

Value can be defined as "the present worth of anticipated future benefits." While this is true of all approaches to value, this definition is particularly useful in applying the income approach. The income approach is the process of converting anticipated future benefits (income) into an estimate of the present worth of the property.

There are two primary ways to implement the income approach: the capitalized income method (also known as direct capitalization) and the discounted cash flow (DCF) method. Residual techniques, while used less frequently, can also be used to estimate property value. The discounted cash flow method and the residual technique are discussed later in this chapter.

Direct Capitalization

Direct capitalization converts a single year's net operating income into an estimate of value. This conversion process is called capitalization. Direct capitalization is appropriate when two conditions are met: 1) the investment opportunities provided by the properties being appraised are similar to those provided by reasonably comparable income-producing properties and 2) a consistent pattern of overall rates (multipliers) emerges during analysis of income-producing properties.

The eight steps to applying the capitalized income approach are:

1. Estimate potential gross income
2. Deduct for vacancy and collection loss
3. Add miscellaneous income
4. Calculate operating expenses
5. Subtract operating expenses to derive net income
6. Select an appropriate capitalization method
7. Derive the capitalization rate
8. Apply the capitalization rate to net income to arrive at a value estimate

In each of the steps the assessor must be aware of market conditions and trends. The information used in the income approach must be obtained or verified by what the assessor finds in the marketplace.

Market Rent vs. Contract Rent

The Dictionary of Real Estate Appraisal defines economic rent as, "a term sometimes used as a synonym for market rent. More precisely, economic rent refers to the amount of rent necessary to provide an adequate return on development costs." Market rent and contract rent may be one and the same in some instances. However, this is not always the case. Market rent, according to *The Dictionary of Real Estate Appraisal*, is "The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements." Market rent can be determined through analysis of rental data of comparable sold properties or properties in the market area. Contract rent is defined as, "The actual rental income specified in a lease." Or, "The rent specified by a given lease arrangement..." In some instances contract rent may equal market rent, but not in all instances. Contract rent in some instances may differ substantially from market rent due to terms or conditions of the lease, particularly for older leases with fixed rental terms. Contract rent may, or may not, reflect market rent for a given property. There are numerous reasons for discrepancies between contract and market rents. Some examples are:

- rental rates for subsidized housing which are generally below market
- long-term tenants, particularly long-term residential tenants, are sometimes given rent reductions/incentives to renew their lease
- changes in market conditions since a multi-year lease was signed
- items and/or services in the lease payment which are not directly related to the real property itself
- circumstances of the lessee or lessor which motivated them to enter into a lease with disadvantageous terms (not arm's-length)

When assessing property for tax purposes the assessor must consider the effect of creative or atypical financing arrangements upon the sale price in order to establish the "full value" of the property. To the extent that financing arrangements provide that a buyer might pay more for a property than he or she would have paid had the financing been typical of the market, the assessor should make a cash equivalency adjustment to remove the effects of the creative or atypical financing, positive or negative.

With a lease, to the extent that lease terms merely compensate the landlord for its market rate financing costs, land acquisition, construction and development costs, they are not special terms, as every lease is designed to compensate a property owner for those costs. However, where those terms reimburse for *extraordinary* financing, land acquisition, construction and development costs, they may be special terms for which an assessor should make an adjustment.

The basis of the income approach is to apply a capitalization rate to estimated income in order to derive a value for the property. Capitalization rates are typically developed by calculating the ratio of contract rents for recently sold properties to the sales price of the property. Contract rent is used to develop the capitalization rate under the premise that buyers and sellers considered contract rent when entering into the sales agreement. In essence, the capitalization rate is based on contract rent. It therefore makes sense for the assessor to apply the capitalization rate to the contract rent of the subject in developing the value estimate.

While the assessor should consider contract rent, there are times when ‘market rents’ are a more reliable indicator of property value and should be applied. Examples are:

- Current leases of the subject are market rents
- Leases that are not ‘arm’s-length’ transactions
- Owner occupied properties
- Leases that include items not related to the real property
- Short term leases that clearly do not reflect market value for whatever reason

In these situations the assessor must estimate the market value of potential rent. Many times, the assessor determines market rent through analysis of existing leases (contract rent) on recently sold properties. Essentially this results in market rents being driven by contract rents.

When using contract rents, the assessor should carefully review the leases and subtract any amounts in the lease fee that are not directly attributable to rental of the real property. This can include unusual services or other items such as finance charges. It is the burden of the property owner to prove that lease amounts include items not related to the real estate. When using contract rents, the assessor should apply actual, not estimated, operating expenses to derive net income.

The assessor should also consider the value of those non-realty items that become inextricably intertwined with the property. These items, though not real estate proper, enhance the value of the real estate at time of sale in such a significant way that they alter the behavior of buyers and sellers in the transaction. For example, a sale in which a license to use the particular parcel in a particular manner (such as a landfill) adds considerable value to the property, the license becomes inextricably entwined with the value of the parcel itself though a license it not typically considered ‘real property’ in traditional terms.

When the existence of ‘non-realty’ items passes with the property and significantly influences the behavior of the typical buyer and seller, the assessor should include it in the value estimate.

Section 70.32 (1), Wis. Stats., states, “Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual provided under sec. 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*”. [Emphasis added]

In selecting a capitalization method, and in determining whether to use contract or market rents, *the assessor must always bear in mind that the end result should be an assessment that represents the most probable selling price of the property in an arm’s-length transaction in the open market.*

Note: Throughout the remainder of this chapter, references to ‘market rent’ should be interpreted to mean market rent or contract rent, whichever is most appropriate.

Potential Gross Income

Potential gross income is the income that would be generated if a property was 100 percent occupied and receiving market rent. The following example illustrates how potential gross income can be estimated. Assume that the assessor is valuing an apartment building containing 20, 1-bedroom apartments that rent for \$500 per month. An analysis of three similar apartment buildings reveals the following information:

Apartment	Number of units	Rent per unit
1	25	\$530
2	20	\$525
3	15	\$520

After an analysis of the other apartments the assessor decides that apartment building 2 is the most comparable and that the subject apartment building should rent for \$525 per month. Thus the potential gross income is:

$$20 \text{ units} \times \$525 = \$10,500 \quad \times \quad 12 \text{ months} \quad = \quad \$126,000$$

Vacancy and Collection Loss

Rental properties are rarely fully occupied during their rental life; therefore, a deduction should be made from the potential gross income to compensate for lost income due to vacancies. This vacancy allowance can be determined by an analysis of the vacancy factors of other comparable properties and the recent vacancy history of the subject property. Care should be taken to make sure the noted vacancies are from stabilized projects. The assessor should also consider whether there would be any future construction of competitive properties.

The vacancy factors of comparable properties can be determined by dividing the number of vacant units by the total number of units. The assessor should also know how long the units are vacant. Units may not be vacant for a full year. Other ways to calculate a vacancy factor include: dividing the amount of vacant square feet by the total leasable square feet in the property or dividing the total rent lost for the vacant space by the gross potential income of the property. By analyzing these vacancy factors and other factors mentioned above and

comparing them with the subject property the assessor should arrive at a vacancy factor that can be applied to the subject property.

To continue with the example of a 20-unit apartment building the assessor finds the following information:

Apartment	Number of units	Vacant units	Per cent vacant
1	25	1	4.0%
2	20	1	5.0%
3	15	1	6.7%

The subject 20-unit building has one vacancy, or a vacancy rate of 5% which is appropriate when compared with the market information.

The collection loss is the loss incurred as a result of the tenants' failure to pay their rent. In determining this loss, the assessor should analyze the collection loss experienced by comparable properties as well as the subject property, to arrive at a justified allowance for the subject property. The collection loss does not include the rent that is not received from vacant apartments; this is included in the vacancy factor.

Using the same example, the following data is collected:

Apartment	Rents receivable	Collected rents	Uncollected rents	Collection loss (%)
1	\$166,500	\$164,445	\$1,795	1.1%
2	151,300	149,705	1,595	1.1%
3	136,960	135,603	1,357	1.0%

The collection loss percentage is the uncollected rents divided by the potential gross income. The potential gross income for apartment building 1 is based on 25 units with a rental rate of \$555 per month times 12 months for a total of \$166,500. Thus, \$1,795 divided by \$166,500 = 1.1%. This is done because the collection loss is deducted from potential gross income. In this example it could be reasoned that a collection loss of 1% is appropriate. The collection loss of 1% is added to the 5% vacancy factor to give a vacancy and collection loss of 6%.

Miscellaneous Income

This is the income that is received from sources other than rent. Examples of miscellaneous income include parking, coin operated laundries, and rental of clubhouses or party rooms.

CAUTION: Be sure that assessable items of personal property such as coin-operated washers and dryers are not double assessed. If the income and expenses from such items are included in the income approach when valuing the real estate, be sure that they are not also assessed as personal property.

At this point the assessor can estimate potential gross income, deduct the allowance for vacancy and collection loss, and add any miscellaneous income to arrive at the effective gross income.

In the previous example, there is one parking stall for each of the 20 units. The stalls rent for \$20 per month. The miscellaneous income is computed as follows:

$$20 \text{ stalls} \times \$20 \text{ per month} \times 12 \text{ months} = \$4,800$$

The effective gross income for the 20-unit apartment building can now be calculated.

Potential gross income	\$126,000
Less: vacancy and collection loss (6%)	<u>7,560</u>
	\$118,440
Plus: miscellaneous income (Parking)	<u>4,800</u>
Effective gross income	\$123,240

The next step is to determine operating expenses.

Operating Expenses

These are expenses which are typically borne by the owner in properties of the type involved in the current, local market. The assessor must consider only those expenses which are applicable to the cost of ownership. Any portion of the expenses incurred either directly or indirectly by the tenant need not be considered. Reimbursed expenses can only be considered when the amount of reimbursement is included as income.

All expense items must stand the test of both legitimacy and accuracy. They should be consistent when compared with established guidelines and norms, and also with expenses incurred by comparable properties.

Operating expenses can be divided into fixed charges, variable charges, repairs and maintenance, and replacements. Fixed charges include expenses which do not vary with occupancy, such as insurance and real estate taxes. Variable charges are those which vary with occupancy, such as management fees, utilities, heating and air conditioning expenses, and miscellaneous expenses. Repairs and maintenance refers to charges incurred for minor repairs and maintenance, and are generally prorated on an annual basis. Replacements, which is also referred to as “reserves for replacements” refers to the amount set aside annually to provide for the replacement of items which are usually replaced before the end of the economic life of a building. Reserves may be set aside for capital expenditures such as roofs or mechanical systems. In certain markets and with certain property types, there may also be reserves set aside for interior alterations. The inclusion or exclusion of reserves in the operating statement will also depend on the capitalization rate used in the analysis. A reserve amount may already be reflected in a market-derived capitalization rate.

Fixed Charges

Insurance. As is the case of some other expense items, the amount reported for insurance in any given year may not be indicative of the actual annual expense. Many owners obtain the more economical three-year coverage plans and expense the entire premium in one year. Furthermore, many owners obtain “blanket” coverage for more than one building and fail to make the proper allocations of cost. It is generally more effective for the assessor to establish

local guidelines, including only items applicable to real estate. Fire, extended coverage, and owner's liability are the main insurance expense items. Separate coverages on different components of the building such as elevators and plate glass are also legitimate expenses.

Real estate taxes. In making appraisals for tax purposes, it is more equitable to exclude the actual amount reported for real estate taxes. Since future taxes will be based upon the appraised value, the assessor can readily provide for this expense item by including it in the capitalization rate.

Variable Charges

Administrative or Management fees. These fees refer to the cost of administration. These charges should realistically reflect what a real estate management company would actually charge to manage the property. If no management fee is shown on the statement, a proper allowance must be made by the assessor. Also, if the property owner pays himself/herself a fee that is not at market levels, this figure should be adjusted to reflect market levels. Management fees may include administration costs such as advertising and accounting. On the other hand, if excessive management charges are reported, as is often the case, the assessor must disregard the reported charges and use an amount which is deemed appropriate and consistent with comparable type properties. The cost of management bears a relationship with the risk of ownership and will generally range between 4 to 10% of the rent collected. Management fees may also vary depending on other factors such as building size, property type, or complexity of assignment.

Utilities. Utilities are generally legitimate expenses and if reported accurately, need very little reconstruction by the assessor, other than to determine if the charges are consistent with comparable properties. Included in this category are water, sewer charges, electricity, etc. Local utility companies can provide the assessor with definite guidelines for reasonable and typical utility expenses.

Heating and air conditioning. Heat and air conditioning costs may be reported separately and in addition to utilities. The expenses would include the cost of fuel, and may include, especially in large installations, the cost of related supplies, inspection fees, and maintenance charges. These types of costs may also be included in general or repairs and maintenance expenses. These are generally legitimate costs and the same precautions prescribed for utilities apply.

General expenses. General expenses include such items as the cost of services and supplies not charged to a particular category, wages, unemployment and F.I.C.A. taxes, Workmen's Compensation, other employee insurance plans and advertising. All of these expenses are legitimate deductions.

Miscellaneous variable expenses. Miscellaneous expenses is the catchall category for incidentals. This item should reflect a very nominal percentage of the income. If the expenses reported seem to be excessive, the assessor must examine the figures carefully in order to determine if they are legitimate expenses, and if so, allocate them to their proper category.

Repairs and Maintenance

This category includes expenses incurred for minor repairs and maintenance necessary for the continual operation of the property. This would include minor roof repairs, minor repairs to the heating system, replacement of broken windows, and other relatively minor but required repairs.

Janitorial expenses are also legitimate charges. They are for such items as general housekeeping and maid service and include the total cost of labor and related supplies. All or a portion of the services may be provided by outside firms working on a “contract” basis. Janitorial expenses vary considerably and are particularly significant in operations such as offices and hotels. “Rule of thumb” norms for various operations are made available through national management associations. The assessor should have little difficulty in establishing local guidelines.

Decorating and minor alterations are necessary to maintain the income stream of many commercial properties. In this respect they are legitimate expenses. However, careful scrutiny of these figures is required. Owners tend to include the cost of major alterations and remodeling which are, in fact, capital expenditures and as such, are not legitimate operating expenses. However, if periodic interior alterations are required to maintain the income stream, and if the marketplace regularly considers such costs, a reserve for these costs may be warranted. The assessor should use caution before such a reserve is included as an operating expense. Market participants may view these costs as capital expenditures and not normally provide for a reserve account for them. As noted previously, the inclusion or exclusion of reserves in the operating statement will also depend on the capitalization rate used in the analysis. A reserve amount may already be reflected in a market-derived capitalization rate.

Elevator expenses including the cost of repairs and services are also legitimate deductions. Repairs and services are generally handled through service contracts and can be regarded as fairly stable annual recurring expenses.

Repair and maintenance expenses reported for any given year might not necessarily be a true indication of the average or typical annual expense for these items. For example, a statement could reflect a substantial expenditure for a specific year (possibly because the roof was replaced and/or several items of deferred maintenance were corrected); yet the statement for the following year may indicate that repairs and maintenance charges were practically nil.

Replacement Reserves

This category includes those items of a building that are usually replaced before the end of the economic life of the building, but are not in need of immediate repair. Some items of this type would include washers, stoves, refrigerators, elevators, heating and air conditioning, and the roof. Care must be taken to determine if the reserve items are considered real property or personal property. As noted previously, the periodic cost of interior alterations may also be considered as a reserve item, in some markets and with certain property types.

The process for calculating the reserve fund is:

1. Estimate replacement cost new
2. Estimate economic life of the item
3. Determine yearly percentage allotment: divide 100 percent by the economic life
4. Multiply replacement cost new times the percentage calculated in step 3 to determine the yearly reserve figure
5. Determine what percentage of effective gross income the market typically includes in its operating statement

To illustrate this method, assume that an apartment building has an economic life of 30 years. The heating system has an economic life of 20 years. The estimated replacement cost new of the heating system is \$10,000. The annual replacement percentage is 5 percent (100 percent divided by 20 years). The annual reserve for replacement would then be \$10,000 times 5 percent or \$500.

Excluded Expenses

When analyzing an owner's operating statement, there are some expense items which the assessor should disregard. The question may then come up: why ask for the information if we do not intend to use it? The answer is that expense forms should be designed to accommodate property owners and/or accountants. Their records include these categories, and if space is not provided to enter these items on the form, they have the tendency to either lump all of them under "Miscellaneous" or to include them in other categories, making it difficult for the assessor to abstract the legitimate deductions. Specific items which are not allowable expenses include taxes which do not pertain to real estate, depreciation, interest, and capital improvements.

Other taxes. Expenses reported in this category such as income taxes, corporate taxes and franchise taxes, usually do not pertain to the real estate and should, therefore, be disregarded.

Depreciation. The assessor provides for this expense by the recapture rate which is included in the building capitalization rate. The amount reported for depreciation is a bookkeeping figure which the owner uses for Internal Revenue purposes and should not be considered in the income approach.

Interest. Interest on borrowed capital is not a legitimate expense. All property is assessed as if it were free and clear of all liens and encumbrances. It makes no difference to the assessor whose money is used for purchasing the property. Interest paid for borrowed capital isn't a deductible expense since interest on the total investment, as a normal return, is considered in the capitalization rate.

Land rent. Land rent is paid in lieu of purchasing the land and is generally not considered an expense item in the capitalization process.

At this point the assessor can total all of the legitimate expenses and deduct them from the effective gross income. The result is called the net operating income or net income. Figure 13-3 is an example of an income and expense statement of an apartment complex received from a property owner and Figure 13-4 shows the statement as reconstructed by the assessor to reflect market conditions.

Figure 13-3

Owner's Income and Expense Statement

Income		\$120,000
Expenses:		
Property taxes	15,000	
Mortgage payments	25,000	
Depreciation	20,000	
Management (7%)	8,400	
Utilities	4,000	
Insurance (3 year premium)	5,400	
New roof	25,000	
Minor repairs and maintenance	4,445	
Advertising	2,389	
Paint five units	1,900	
Total expenses		<u>\$111,534</u>
Net income (Loss)		\$8,466

The following explains why an assessor reconstructs the income and expense statement.

Income. The owner's statement reflects the actual rental of 20 units at \$525 per month plus the miscellaneous parking income. The reconstructed statement reflects the market or contract rent (which is applicable) less an appropriate amount for vacancy and collection loss plus miscellaneous income. This procedure was explained earlier in this section.

Figure 13-4

Reconstructed Income and Expense Statement

Potential Gross Income		
20 units x \$525 (economic rent) x 12 months		\$126,000
Less: Vacancy and collection loss (6%)		<u>\$ 7,560</u>
		\$118,440
Plus: miscellaneous income (Parking - 20 stalls x \$20 x 12 months)		<u>\$ 4,800</u>
Effective gross income		\$123,240
Operating expenses		
Fixed		
Insurance	\$1,800	
Variable		
Management (7% x \$118,440)	\$8,291	
Utilities	\$4,000	
Advertising	\$2,389	
Minor repairs and maintenance	\$4,445	
Painting (20 units x \$380 ÷ 3 years)	\$2,533	
Replacements (2% EGI)	<u>\$2,465</u>	
Total operating expenses		<u>\$ 25,923</u>
Net income		\$ 97,317

Expenses. Property taxes are included in the capitalization rate. Mortgage payments and depreciation are not appropriate deductions.

Insurance. Since the insurance is purchased for a three-year period, the \$5,400 is divided by 3 to give the property expense for one year. Thus, only one-third of this item is included in the reconstructed statement.

Management. A deduction for management is appropriate and the 7% represents an amount that the assessor has found typical of the market. The 7% is based on the \$118,440 rent collected.

Utilities. Utilities are a necessary and allowable expense.

Advertising. Advertising is a normal expense and is allowed.

Minor repairs and maintenance. This represents repairs to plumbing, broken windows, and other minor items. Painting could be considered a normal maintenance item; however it is included separately in this example.

Replacements. Roofs are treated as “reserves for replacements.” The replacement cost for a new roof is estimated and this estimate is divided by the economic life to give a figure representing one year’s cost for this item. However, there are other items which could be included in replacements (carpeting, mechanical systems, etc.). In this case, a market derived rate of 2% EGI is added to the operating statement.

The example is given to show the assessor the problems that can be encountered when dealing with prepared income statements. While the owner’s statement may be acceptable for income tax purposes, it may require adjustments to make it useful for valuation of the real estate. This should not discourage the assessor from gathering this information from owners, because it can provide useful information when carefully analyzed.

Income capitalization

Capitalization is the process of converting net income into an estimate of present value. This is done by using the formula:

$$\frac{I}{R} = V$$

I is the net income, R is the capitalization rate, and V is the value. The method of obtaining the net income has been discussed. The next step is the derivation of the capitalization rate often called the “cap rate.” A capitalization rate is not explicitly a measure of profitability (return on investment). It is simply a ratio between the net operating income and the sale price (property value). As shown in the table below, an overall cap rate can be higher, lower or the same as an overall yield rate. The overall yield rate is the required return an investor expects to be generated from his/her investment. The relationship between a capitalization rate and a yield rate depends on future income expectations. If net operating income (NOI) and property value are expected to increase in the future (Investment 1) then the cap rate will be lower than a yield rate. If the NOI and property value are expected to decrease (Investment 2) then the cap rate will be higher than the yield rate. If the NOI and property value remain unchanged (Investment 3) then the cap rate and the yield rate will be the same.

Overall Return Comparison

	Initial Amount Invested	Year 1 NOI	Year 2 NOI	Year 3 NOI	Year 3 Reversion
Investment 1	-\$ 20,000	\$ 1,000	\$ 1,200	\$ 1,400	\$ 22,700
Investment 2	-\$ 20,000	\$ 2,800	\$ 2,600	\$ 2,400	\$ 18,000
Investment 3	-\$ 20,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 20,000

Actual Overall Return Measures

	Yield rate (IRR)¹	Overall Cap Rate (NOI Year 1/Investment
Investment 1	10%	5% (\$1,000/\$20,000 = 5%)
Investment 2	10%	14% (2,800/\$20,000 = 14%)
Investment 3	10%	10% (\$2,000/\$20,000 = 10%)

¹ An internal rate of return (IRR) is the rate of return that discounts all expected future cash flows to a present value equal to the original investment. Cash flows include the annual cash flows and proceeds from a sale at the end of a holding period (reversion)

Yield Rate – IRR Calculation: Investment 1

	Cash flows	PV factor @ 10%	PV of cash flows²
Year 1	\$ 1,000	0.90909	\$ 909
Year 2	\$ 1,200	0.82645	\$ 992
Year 3	\$ 24,100	0.75131	\$ 18,107
	² Total slightly off due to rounding		\$ 20,008

The capitalization rate is calculated by dividing the first year NOI by the initial amount invested. The yield rate, as used in this example, is the same as an internal rate of return (IRR). An IRR is the rate of return that discounts all expected future cash flows to a present value equal to the original investment (example shown in table). In these examples, cash flows include the net operating incomes (NOIs) for years 1, 2 and 3 and the proceeds from selling the investment at the end of year 3 (known as reversion). None of these examples take into account the impact of debt. If a loan is amortized, the amount of equity will increase as the loan principal is paid off. This equity build up is another way additional yield is generated.

There are several ways to determine cap rates. The most common ways are to calculate them from arm's-length sales of similar properties or from the band of investment formula.

To the cap rate, assessors also should add an effective tax rate. This is known as loading the cap rate. If properties are normally reassessed at their sale prices (assuming the sale is arm's-length) each year, then the assessor should reflect the proper amount of real estate taxes based on the sale price of the property. To consider the proper amount of real estate taxes by loading the cap rate, the assessor should exclude real estate taxes from the operating expenses and add the effective tax rate to a market derived capitalization rate. As seen in the tables below, the assessor obtains the same property value whether the cap rate is loaded by the effective tax rate or the proper amount of real estate taxes are included in the

operating statement. Both examples in the table below are exactly the same *except* that in example #1, real estate taxes are included as an expense in the operating statement. The amount of real estate taxes included in example #1 is based on an assessed value of \$747,000 and an effective tax rate of 2.0%. In example #2, the real estate taxes are included in the cap rate by loading the cap rate by the effective tax rate of 2.0%.

Example #1		Example #2	
Gross Rents	\$ 92,000	Gross Rents	\$ 92,000
Vacancy	\$ (1,000)	Vacancy	\$ (1,000)
Effective Gross Income	\$ 91,000	Effective Gross Income	\$ 91,000
Operating Expenses		Operating Expenses	
All expense except RE taxes	\$ 20,000	All expense except RE taxes	\$ 20,000
Real Estate Taxes	\$ 14,940	Real Estate Taxes	
Total Operating Expenses	\$ 34,940	Total Operating Expenses	\$ 20,000
Net Operating Income	\$ 56,060	Net Operating Income	\$ 71,000
Capitalization Rate	7.5%	Capitalization Rate	9.5%
		Market derived cap rate	7.5%
		Mill rate	2.0%
Derived Value, rounded	\$ 747,000	Derived Value, rounded	\$ 747,000
RE taxes at derived value, 2% mill rate	\$ 14,940	RE taxes at derived value, 2% mill rate	\$ 14,940

Capitalization Techniques

There are a number of methods of capitalization that will be covered in this section. All of the methods are based on the formula:

$$\frac{I}{R} = V$$

Where I is the net income, R is the capitalization rate, and V is the value.

For example, assume that an apartment building generates \$30,000 in net income per year and that the correct capitalization rate is found to be 12 percent.

$$\frac{\$30,000 \text{ (Income)}}{.12 \text{ (Rate)}} = \$250,000 \text{ (Value)}$$

This formula can be used to determine any one of the three elements when the other two are known. If the assessor wants to determine the rate and knows the income and value the formula is:

$$\frac{I}{V} = R$$

In our example if the value is \$250,000 and the income is \$30,000 the rate is then:

$$\frac{\$30,000 \text{ (Income)}}{\$250,000 \text{ (Value)}} = 0.12 \text{ (Rate)}$$

If the value and rate are known the income can be determined by:

$$V \times R = I$$

Again in our example if we know the value is \$250,000 and the rate is 12% the income is then: \$250,000 (Value) x .12 (Rate) = \$30,000 (Income)

All capitalization methods are based on these three formulas. The knowledge of these formulas is basic to the understanding of the following methods.

Market Derived Capitalization Rates

This is the most reliable method to use to estimate a capitalization rate because it reflects market behavior. From recent market value sales of similar properties, the assessor determines a single overall capitalization rate. The net income for each property is divided by the sale price to arrive at an overall rate of return. This is based on the formula:

$$\frac{I}{V} = R$$

When calculating capitalization rates from sales, it is imperative that the assessor use a consistent methodology. As shown in the following example, the resulting capitalization rate can vary significantly depending on what operating expenses are included. The assessor should only include those operating expenses that are considered appropriate for the property type and market.

The property in the next example sold for \$775,000 and was most recently assessed for \$600,000. Three different capitalization rates can be derived. The first scenario shows a cap rate of 8.17% derived from the unadjusted financial data submitted by the seller of the property. The submitted operating expenses do not include management fee or replacement reserves. If these expenses are considered typical for this property type and in this market, they should be included as operating expenses. Adjustment #1 includes the missing operating expenses (management fee and replacement reserves) and has a resulting capitalization rate of 7.25%. Adjustment #2 includes the added management fee and replacement reserves and adjusts the real estate taxes to reflect what they would be based on the sale price of the property. The resulting capitalization rate is 6.8%.

Which cap rate the assessor uses depends on what is typically included as operating expenses in an operating statement. If properties are normally reassessed at their sale prices (assuming the sale is arm's-length) each year, then the assessor should reflect the proper amount of real estate taxes in the operating statement. This is the same thing as loading the cap rate. If the assessor normally includes a management fee and replacement reserves in the operating statement, then those expense items should be included when calculating the market derived capitalization rate.

Sale Price:	\$ 775,000
RE taxes on sale price	\$ 15,500
Current Assessment	\$ 600,000
RE taxes on current assessment	\$ 12,000

Adjustments #1: Added replacement reserves and management fee

Adjustments #2: Same as #1 plus included RE taxes based on sale price

	As Submitted Current Year		Adjusted #1		Adjusted #2
Gross Rents	\$ 92,000		\$ 92,000		\$ 92,000
Vacancy	\$ 0		\$ 0		\$ 0
Other Income	<u>\$ 2,500</u>		<u>\$ 2,500</u>		<u>\$ 2,500</u>
Effective Gross Income	\$ 94,500		\$ 94,500		\$ 94,500
Operating Expenses		%EGI		%EGI	
Administrative	\$ 500	0.5%	\$ 500	0.5%	\$ 500
Management Fee	\$ 0	0.0%	\$ 4,725	5.0%	\$ 4,725
Repairs/Maintenance	\$ 10,000	10.6%	\$ 10,000	10.6%	\$ 10,000
Utilities	\$ 6,000	6.3%	\$ 6,000	6.3%	\$ 6,000
Insurance	\$ 2,500	2.6%	\$ 2,500	2.6%	\$ 2,500
Replacement Reserves	\$ 0	0.0%	\$ 2,363	2.5%	\$ 2,363
Other	\$ 200	0.2%	\$ 200	0.2%	\$ 200
Real Estate Taxes	<u>\$ 12,000</u>	<u>12.7%</u>	<u>\$ 12,000</u>	<u>12.7%</u>	<u>\$ 15,500</u>
Total Operating Expenses	\$ 31,200	33.0%	\$ 38,288	40.5%	\$ 41,788
Net Operating Income	\$ 63,300		\$ 56,213		\$ 52,713
Sale Price	\$ 775,000		\$ 775,000		\$ 775,000

Derived Capitalization

Rate: **8.17%** **7.25%** **6.80%**

The assessor would then select the rate that is the most appropriate for the subject property. As an example, assume the assessor has discovered the following information:

Sale	Net Income	Sale Price	Overall Rate (%)
1	\$27,500	\$250,000	11.00
2	28,875	275,000	10.50
3	27,950	260,000	10.75

Through an analysis of the sales the assessor finds that Sale 3 is the most comparable. Thus, the appropriate capitalization rate is 10.75%. If the subject has a net income of \$28,000 the value would then be:

$$\frac{\$28,000}{.1075} = \$260,465 \text{ or } \$260,500$$

In order for this method to be of use, the properties must be comparable. The properties should serve the same market, attract similar investors, have similar operating expense categories and income streams, have similar physical conditions, and similar land-to-building ratios. For example, if a comparable property's net operating income does not reflect a management fee or replacement reserves, the capitalization rate may not be appropriate to use for a property whose operations do include these expenses items.

The properties should also have similar future net income expectations. A capitalization rate derived from a property whose net income is expected to decline in the future may not be comparable to a property whose net income is expected to increase. Similarly, if a property has below market leases, the derived capitalization rate may not be appropriate to apply to a property whose leases are at market levels.

If these conditions are met this method can be used. The advantage of this method is that the information is obtained from the market, and eliminates many potential errors in judgment by the assessor.

With certain types of properties, the assessor may also rely on published secondary sources of capitalization rates (such as the Investment Bulletin from the American Council of Life Insurance or *Korpace Real Estate Investor Survey from Price Waterhouse Coopers*). Before using these sources, however, the assessor should understand how and from where the capitalization rates are derived. For instance, the assessor should understand if there are replacement reserves and management fees included when calculating the capitalization rates. Many times the capitalization rates are derived from large "Class A" or investment grade properties which may not be comparable to smaller, less desirable properties.

Mortgage-Equity Method (Band of Investment)

This method is based on the premise that an overall rate can be developed through a knowledge of the mortgage and equity requirements of property purchase. Commercial property is often purchased with a combination of debt and equity. So the property's value is directly related to how much debt and equity the property's net operating income can support. A capitalization rate derived by the band of investment (mortgage-equity method) reflects these two components. The band of investment method (mortgage equity method) can be beneficial to use if the interest rate on the existing mortgage on the property is different from current market level interest rates and if the existing mortgage must be assumed by the buyer.

After the market-derived rate method, the mortgage-equity method is most commonly used. Its simplest application is a band of investment method. The assessor needs to know what percent of value (loan to value ratio or LTV) the lending institutions require as a down payment, or equity from investors. The assessor also needs to know the interest rate and amortization terms required on mortgages by lending institutions, and the equity capitalization rate (also known as the equity dividend rate or cash on cash rate) required on the equity by investors.

An equity capitalization rate is not the same as an equity yield rate. It is a ratio between the first year's equity dividend and the amount of equity invested. The equity dividend is the amount of cash available to the owner *after the annual debt service is paid* (also known as the before tax cash flow or cash throw off). An equity yield rate is the required rate of return an investor expects to be generated from his/her *equity* investment. The equity investment might be the amount of the down payment required when the property has a mortgage. The equity reversion is the amount the investor would obtain when he/she sells the investment at the end of the holding period (*after any outstanding loan balance is paid off*).

$$\begin{aligned} &\text{Net Operating Income} \\ &\text{- Annual Debt Service (Mortgage Payments)} \\ &= \text{Equity Dividend (before tax cash flow, cash throw off)} \end{aligned}$$

Equity Return Comparison

	Initial Equity Invested	Year 1 Equity Div	Year 2 Equity	Year 3 Equity	Yr. 3 Equity Reversion
Investment 1	\$ (10,000)	\$ 500	\$ 600	\$ 700	\$ 11,350
Investment 2	\$ (10,000)	\$ 1,400	\$ 1,300	\$ 1,200	\$ 9,000
Investment 3	\$ (10,000)	\$ 1,000	\$ 1,000	\$ 1,000	\$ 10,000

Actual Equity Return Measures

	Yield Rate (IRR)¹	Equity Dividend Rate (Equity Cap rate)
Investment 1	10.0%	5.0% (\$500 / \$10,000 = 5.0%)
Investment 2	10.0%	14.0% (\$1,400 / \$10,000 = 14.0%)
Investment 3	10.0%	10.0% (\$1,000 / \$10,000 = 10.0%)

¹ An internal rate of return (IRR) is the rate of return that discounts all expected future cash flows to a present value equal to the original investment. Cash flows include the annual equity dividend and equity proceeds from the sale at the end of a holding period (reversion).

Equity Yield Rate - Equity IRR Calculation: Investment 1

	Cash Flows	PV Factor @ 10%	PV of Cash Flows²
Year 1	\$ 500	0.90909	\$ 455
Year 2	\$ 600	0.82645	\$ 496
Year 3	\$ 12,050	0.75131	\$ 9,053
			\$ 10,004

²Total slightly off due to rounding

Equity Return Comparison

	Initial Equity Invested	Year 1 Equity Div	Year 2 Equity Div	Year 3 Equity Div	Year 3 Equity Reversion
Investment 1	\$ (10,000)	\$ 500	\$ 600	\$ 700	\$ 11,350
Investment 2	\$ (10,000)	\$ 1,400	\$ 1,300	\$ 1,200	\$ 9,000
Investment 3	\$ (10,000)	\$ 1,000	\$ 1,000	\$ 1,000	\$ 10,000

Actual Equity Return Measures

	Yield Rate (IRR)¹	Equity Dividend rate (Equity Cap Rate)	
Investment 1	10.0%	5.0%	(\$500/\$10,000 = 5.0%)
Investment 2	10.0%	14.0%	(\$1,400/\$10,000 = 14.0%)
Investment 3	10.0%	10.0%	(\$1,000/\$10,000 = 10.0%)

¹ An internal rate of return (IRR) is the rate of return that discounts all expected future cash flows to a present value equal to the original investment. Cash flows include the annual equity dividend and equity proceeds from the sale at the end of a holding period (reversion).

Equity Yield Rate – Equity IRR Calculation: Investment

	Cash Flows	PV Factor @ 10%	PV of Cash Flows²
Year 1	\$ 500	0.90909	\$ 455
Year 2	\$ 600	0.82645	\$ 496
Year 3	\$ 12,050	0.75131	\$ 9,053
	² Total slightly off due to rounding		\$ 10,004

As shown in the table, the equity yield rate for each of the three investments is 10%. In investment 1, if an investor invests \$10,000 and then receives \$500 at the end of year 1, \$600 at the end of year 2 and \$12,050 at the end of year 3 (the latter is from the third year's equity dividend and the equity reversion), the investor will have earned a 10% return on his/her initial investment. The equity reversion is the net proceeds from the sale of the investment at the end of the third year after the outstanding mortgage balance has been paid off.

As shown in investment 1, the equity capitalization (dividend) rate can be substantially lower than an equity yield rate if a property's annual equity dividend is expected to increase in the future, if the property value is expected to increase in the future and/or if the debt placed on the property is amortized. If the equity dividend or property value is expected to decrease (Investment 2) then the equity capitalization rate will be higher than the equity yield rate. If the equity dividend rate and property value remain unchanged and there is no loan amortization (Investment 3) then the equity capitalization rate and the equity yield rate will be the same. Much of this information can be obtained from lending institutions. The balance may be gathered from discussions with investors, brokers, appraisers, and studies of sales.

The band of investments method involves multiplying the mortgage percent of property value times the mortgage constant. The mortgage constant is a percentage representing the total annual debt service (interest plus amortization of the loan). To this is added the equity percent of the property times the equity capitalization rate required by investors.

Assume that lending institutions are making loans of 75% mortgage and 25% equity with an interest rate of 11% on the mortgage for 25 years. Investors in this type of property require a 15% equity capitalization rate. The mortgage constant can be found in Column 6 of the 11% monthly Ellwood table. This is multiplied times 12 to convert it to a yearly factor (12 x .00981 = .117612 or 11.7612%).

The overall rate can then be calculated:

75% mortgage	x	11.7612%	=	8.8209 %
25% equity	x	15%	=	<u>3.75</u>
Overall rate				12.5709 %

There are more sophisticated methods of mortgage-equity capitalization which take into account additional factors. One of these is the formulation by Ellwood which includes the ratio of mortgage to value, the interest rate and term of the mortgage, the equity yield rate, the anticipated ownership or holding period, and anticipated appreciation or depreciation. Explanation of this method is too complex for WPAM. If the assessor is interested, there are books or courses available to further explore this method.

Residual Techniques

Residual techniques are based on numerous assumptions and their application is only justified if the assumptions can be reasonably made. Residual techniques can be used on the physical components of the property (land and building residuals) or on the financial components of the property (mortgage and equity residuals). While residual methods are not frequently used, the equity residual technique has been proposed as a way to value certain types of subsidized housing.¹

Building residual technique. The building residual technique requires the value of the land to be a known factor. The amount of net income required to earn an appropriate rate of return on the land investment plus the effective tax rate is deducted from the total net income. The remainder of the net income (residual) is divided by the building capitalization rate (which is composed of a percentage for the return on the investment plus a percentage for the recapture of the investment and the effective tax rate) to arrive at an indicated value for the building.

Land residual technique. The land residual technique requires the value of the building to be a known factor. The amount of net income required to provide both a proper return on and the recapture of the investment plus the effective tax rate is deducted from the total net income. The remainder of the net income (residual) is then divided by the land capitalization rate (which is composed of a percentage for the return on the investment plus the effective tax rate) to arrive at an indicated value for the land.

Property residual technique. This method is used when neither the building value nor the land value is known. It requires that the value of the land at the end of the projection period be discounted to a present worth value. The present worth value, or reversion, is added to the capitalized value of the income stream.

Mortgage residual technique. This method is used when the amount of available equity is the known factor and the mortgage amount or value is the unknown factor. The amount of net operating income flowing to the equity investor is deducted from the total net operating income. The remainder of the net operating income (residual) is then divided by the mortgage constant (capitalization rate) to arrive at an indicated value for the mortgage. The available equity is added to the derived mortgage amount to indicate the total property value.

Equity residual technique. This method is used when the amount of the mortgage is the known factor and the amount of equity is the unknown factor. The annual debt service (mortgage payments) is deducted from the total net operating income. The remainder of the

¹ Richard E. Polton, MAI, CRE, AICP with Julia LaVigne, *Valuation and Market Studies for Affordable Housing* (The Appraisal Institute, 2005).

net operating income (the residual; also known as the before tax cash flow or the annual cash throw off) is then divided by an equity capitalization rate (also known as an equity dividend rate or cash on cash rate) to arrive at an indicated value for the equity. The mortgage amount is then added to the derived equity amount to indicate the total property value. The equity portion can also be determined using a discounted cash flow model as shown in Valuation and Market Studies for Affordable Housing by Richard E. Polton, MAI, CRE, AICP with Julia LaVigne The Appraisal Institute 2005. The example below shows the equity residual approach which estimates the equity two ways: (1) capitalizing the limited dividend and (2) by discounting the limited dividend and reversion value.

A limited dividend is generally the maximum amount an owner can take out of the property's net operating income if the project is operated under the HUD Section 236, 221 (d)(3) BMIR and Rural Housing 515 programs. The limited dividend is usually a set amount and is calculated to be a 6 or 8 percent annual return on the owner's original equity.

NOTE: All the figures noted in the table are only for illustration purposes.

Equity Residual Technique

Subject Property Net Operating Income	\$ 50,000
Less: Annual Debt Service	<u>\$ 43,500</u>
Available Cash (Limited Dividend)	\$ 6,500
Outstanding Mortgage Balance (OMB)	\$ 1,000,000

Capitalizing the Limited Dividend

Allowable Annual Limited Dividend	\$ 6,500
Equity Dividend Rate (Equity Capitalization Rate)	<u>x 5.25%</u>
Capitalized Equity Value	\$ 123,810
Value of Outstanding Mortgage and Equity (Property Value)	\$ 1,123,810

Discounted Cash Flow to Value Limited Dividend and Reversion

Allowable Annual Limited Dividend (30 Years)	\$6,500
Annuity Factor, 8%, 30 years (column #5, annual compound interest table)	<u>x 11.2578</u>
Present Value of Limited Dividend	\$ 73,176
Reversion Value (Equity)	\$ 500,000
Lump Sum Factor, 8%, 30 years (Column #4, annual compound interest table)	<u>x 0.0994</u>
Present Value of Reversion	\$ 49,690
Present Value of Limited Dividend and Reversion	\$ 122,866
Value of Outstanding Mortgage and Equity (Property Value)	\$ 1,122,866

The equity residual technique example shows the equity capitalized value (\$123,810) is added to the outstanding mortgage balance of \$1,000,000 for a property value of \$1,123,810. As noted, an equity dividend rate (equity capitalization rate) is not a yield rate (rate of return). It is often lower than a yield rate if additional return is obtained in later years.

As shown in the discounted cash flow method example, the present value of the limited dividend (\$73,176) and the present value of the equity reversion (\$49,690) are added to the outstanding mortgage balance of \$1,000,000 to derive a value for the property of \$1,122,866. In the example, the holding period is 30 years and the required return (yield rate or discount rate) is 8 percent. The equity reversion is the amount the seller would obtain when he/she sells the property in 30 years (after paying off any outstanding mortgage balance). In the example, it is assumed that there is limited reversion value because of the property's age.

Discounted Cash Flow – Variability of Income Streams

Most income approach techniques imply a stable income stream that is similar to other properties in the market place. However, this is not always the case. A property may experience inconsistent vacancies (as compared to the market) or other factors which may result in the fluctuation of income streams.

In a discounted cash flow analysis, the appraiser estimates the property's net operating income over a projected holding period. The holding period is based on a typical time horizon an investor plans to hold the property. In practice, the typical holding period is 10 years. However, the holding period could also be the length of the mortgage. Once estimated, each of the estimated net operating incomes is then discounted to the present using the appropriate present worth of one factor (column #5, annual compound interest table). A reversion (net sale price) at the end of the holding period is also estimated and discounted to the present. The value of the property is the sum of the discounted net operating incomes and the discounted reversion value.

For assessment purposes, the treatment of real estate taxes in a Discounted Cash Flow (DCF) methodology is similar to loading the capitalization rate in the direct capitalization approach. The assessor does not include real estate taxes in the operating statement and "loads" the discount rate with the tax rate.

Example – Assume that the assessor is valuing a property with the following estimated 5-year variable income stream. The assessor estimates that property will sell for \$75,000 at the end of this period. The discount rate is 10 percent. The tax rate is 2.5%.

Variable Annuity Method

(5 year projected net income @ 10% discount rate + 2.5% tax rate = 12.5%)

Year	Income	P.W.A. of One Factor	Present Worth
1	\$20,000	.888889	\$17,778
2	\$22,000	.790123	\$17,383
3	\$24,000	.702332	\$16,856
4	\$21,000	.624295	\$13,110
5	\$21,000	.554929	\$11,654
Present value of income stream			\$ 76,780
Reversion in 5 years equals			\$ 75,000
(\$75,000 x .554929 [12.5% at 5 years])			\$ 41,620
Present value of income stream and reversion			\$118,400
Total property value			\$118,400

A more detailed discussion of the discounted cash flow method can be found in the Appraisal Institute's *The Appraisal of Real Estate*.

Lease Considerations

A variety of leases exist to accommodate increasing and decreasing income streams. Declining market rental forecasts result from expected declines in competitive attractiveness of the subject property, a declining market, increasing neighborhood/location competition, or increased operating expenses. Increased market rents are based on forecasts of expanding market conditions, increasing occupancy, gains in competitive attractiveness, or decreased operating expenses.

Lease Terms

Leases vary in term and type of rental agreements. Common types of leases include:

1. **Flat** – Lessee pays a fixed term lease.
2. **Step/Percentage increase** – Lessee pays periodic increase or decrease steps during the term of the lease. Increase or decrease may be a set dollar amount or percent.
3. **Percentage** – Lessee pays a portion, perhaps all of the rent based on percentages of sales during the term of the lease. A percentage increase may be based on a set amount or on a mutually accepted benchmark (such as the change in the consumer price index-CPI)
4. **Periodic market adjustment** – Lessee pays adjusted rent based upon periodic reappraisal of market conditions in accordance with the terms of lease.
5. **Option to purchase** – Lessee pays rent with option or options to purchase occupied property during the term of lease.
6. **Base/Overage rent** – Lessee pays a set base rent plus an overage rent. Overage rent is estimated based on the percentage, or graduated percentage, payable on sales that exceed a specified level or breakpoint.
7. **Sale-leaseback** – Where the owner sells the property and then leases the property back as a tenant from the new owner.
8. **Gross** – Lessor pays all operating expenses.
9. **Modified gross** – Lessee pays increases in certain operating expenses over the base year (also known as an expense stop).
10. **Net** – Lessee pays utilities.
11. **Double net** – Lessee pays utilities, property taxes and insurance.
12. **Triple net** – Lessee pays all operating expenses (utilities, property taxes, insurance and maintenance).

Note: the meaning of these terms may vary in different parts of the state. The appraiser should verify the actual terms of each lease.

Leased Area Analysis

How a tenant's leased space is defined can also vary from lease to lease. Some leased spaces include a portion of the common areas; others only include the specific area the tenant occupies. It is important to understand the different terms as they relate to define leased space.

1. **Gross area** – is measured from outside wall to outside wall. Balconies may sometimes be included in this figure.
2. **Usable area** – is generally the area occupied exclusively by individual tenants. Public areas such as bathrooms and lobbies are not included.
3. **Rentable area** – typically includes useable area plus bathrooms, lobbies, janitor's closets and public corridors but excludes stairs, elevators and airshafts.

Sales of income producing property should be evaluated as they occur. This procedure produces market data which can then be used to value other property. This process is particularly useful for market verification of net income cash flow.

Net income cash flow should be adjusted annually on income producing properties. When income-producing property is evaluated, consider the type of lease and current market conditions before applying the capitalization method. The capitalization method selected should be most reflective of market value on the date of assessment.

Leased Real Estate Valuation - Law, Court Cases and Steps

Law

- Sec. 70.03, Wis. Stats.: Definition of real property
 - (1) "Real property", "real estate," and "land", when used in chs. 70 to 76, 78, and 79, include not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto...
- Sec. 70.32, Wis. Stats.: 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.

Court cases

- *City of West Bend v Continental IV Fund Limited Partnership and Board of Review of the City of West Bend*, 193 Wis. 2d 481, 535 N.W.2d 24 (Ct. App. 1995).
 - property is encumbered by a bundle of rights, we must appraise or assess the property at its value using the current value of those bundle of rights. In this case, we cannot speculate as to what the lease rights might bring on the market, but we must accept what the lease is being paid right now under the negotiated lease terms

- leasehold interests were properly considered as an encumbrance on the property and were not exempted from assessment
- actual value of the property was what would be obtained at an arm's-length sale based on the current value of the leases.
- *Walgreen Co. v City of Madison*, 2008 WI 80, 311 Wis. 2d 158, 752 N.W.2d 687.
 - An assessment based on the income approach shall develop an assessed value based on fair market rents rather than actual contract rent, except the assessment can reflect the reduced value of properties with leases below-market rents, or encumbrances bringing a leased property's value below the market rate.
 The Supreme Court decision emphasized not to include extraordinary financing arrangements when valuing property for tax purposes. The Court stated:

Here, Walgreens' leases contain contract rights that are not inextricably intertwined with the bundle of property rights ordinarily considered at a property sale. Such contract rights-including compensation to the developer for all such financing, land acquisition, construction, development and financing costs, together with a profit margin-are not directly reflective of property value (although confusingly labeled "rent") and are severable from the rights or privileges "appertaining" to real estate as described in Wis. Stat. §70.03's definition of "real property." See ¶ 37.

- With a lease, to the extent that lease terms merely compensate the landlord for its market rate financing costs, land acquisition, construction and development costs, they are not special terms, as every lease is designed to compensate a property owner for those costs. However, where those terms reimburse for *extraordinary* financing, land acquisition, construction and development costs, they may be special terms for which an assessor should make an adjustment.
- *Darcel, Inc. v City of Manitowoc Board of Review*, 137 Wis. 2d 623, 405 N.W.2d 344 (1987).
 - an arm's-length sale price is the best indicator to determine fair market value for property tax purposes and an approach that considers factors extrinsic to the arm's-length sale is not statutorily correct and therefore in error
 - immaterial that the lease was a detriment to the property; it was transferred to the new mall owners, and its value was reflected in the sales price of the property
- *State ex rel. N/S Associates by JMB Group Trust IV v Greendale Board of Review*, 164 Wis.2d 31, 473 N.W.2d 554 (Ct. App. 1991).
 - assessable real property includes not only the land itself but all buildings and improvements thereon and all fixtures, rights, and privileged appertaining thereto
 - key is whether the value in question is part of the property and thus transferable with the property or whether it is in effect independent of the property so that the value either stays with the seller or dissipates upon sale
- *Allright Properties, Inc. v City of Milwaukee*, 2009 WI App 46, 317 Wis.2d 228, 767 N.W.2d 567
 - City correctly followed WPAM in developing a value using the income approach and considering income that appertained to the land. The city assessor's conclusion that "since most investors purchase commercial property for its income producing potential, the income approach is given the most weight" was correct.
 - Court concluded "When business value is transferable with the underlying real estate,

the business value is appended to the real estate rather than attributable to the personal skill and expertise of the owner.”

- o Operation of the parking lot is a transferable value that is inextricably intertwined with the land, buildings, and improvements thereon.

The following steps are guidelines for valuing leased property

1. Identify property (ies) to value
 - a. Individual (new construction, annexation)
 - b. District or neighborhood (interim market update)
 - c. Entire municipality (full revaluation)

NOTE: value the land and improvements subject to property taxation. Do not value the business conducted at the property or the income from the business at the property.
2. Determine property rights subject to assessment
 - a. Start with fee simple: absolute ownership unencumbered by any interest except government (taxation, eminent domain, police power and escheat)
 - b. Reason: sec. 70.03, Wis. Stats., "...all fixtures and rights and privileges appertaining thereto..."
 - c. Ownership rights (Chapter 9, page 9-1):
 - sell an interest
 - lease an interest and to occupy the property
 - mortgage an interest
 - give an interest away
 - to do none or all of these things
3. Determine type of value (Chapter 9, pages 9-7 to 9-9):
 - a. Market: value in exchange, what a buyer would pay for the property
 - b. State law and case law establish market value for commercial property
 - c. Other value types: value in use, business, investment, insurance
4. Determine highest and best use (Chapter 7, pages 7-12, 7-13; Chapter 8, pages 8-2, 8-3)
 - a. Factors: legal, physically possible, financially feasible, maximum productivity
 - b. Consistent highest and best use needed when determining properties comparable to subject property
 - c. Examples: retail, office, warehouse, apartment, hotel, golf course, etc.
 - d. Considerations:
 - First determine highest and best use categories
 - o Determinations are for groups of properties rather than single properties
 - o More specific determinations can be possible when the property(s) has conditions identifying one use
 - o Assessors develop standardized adjustments in a valuation model based upon use, construction, neighborhoods and other groups
 - Second determine highest and best use for specialized properties (one property type in the area):
 - o Amusement park
 - o Golf course
 - o Landfill
5. Collect data: subject property (ies) and comparable property (ies) current, prior years, subject municipalities, surrounding areas
 - a. Sales: subject, comparable
 - b. Income: questionnaires, leases

- c. Cost: actual, cost manuals
- 6. Determine approach to value and property's value subject to tax
 - a. Approaches to value:
 - Assessors use the “Markarian hierarchy” when valuing for property tax purposes (Chapter 22, *State ex rel. Markarian v City of Cudahy*, 45 Wis.2d 683, 173 N.W. 2d 627 (1970))
 - First: recent sale of the subject property
 - Second: recent comparable sales
 - Third: cost and income approach to value when no recent comparable sales
 - b. Sale Approach – sale of subject and sales of comparable property:
 - See Chapter 9 (9-25 to 9-29), Chapter 12 (12-3 to 12-27) and Chapter 13 (13-12 to 13-14) for sales comparison approach description
 - Adjust for items not associated with real estate
 - Land value premiums: acquisition costs and parcel assemblage are not a 1:1 increase in market value of land, the procedure can create extra costs that may not impact the "new" property's value subject to tax (see sales reject code 31, Chapter 10, page 10-17)
 - Review sales questionnaires to determine if comparability and adjustments
 - Deed restrictions: can limit property uses and impact value
 - Business value:
 - See court case points
 - See sale reject code 55, Chapter 10, page 10-20: value enhancement that results from items of intangible personal property, such as marketing and management skill, an assembled work force, working capital, trade names, non-realty related contracts or leases, and some operating agreements. In summary, it is the value created by an established operation. If this “business value” is included in the total value reported on the RETR and cannot be determined and separated from the value of the real estate, the sale should be rejected.
 - Sale and leaseback: generally sale is not applicable to develop a property value for property taxation purposes (see reject code #19)
 - c. Income Approach:
 - See Chapter 9 (9-38 to 9-40) and Chapter 13 (13-14 to 13-39) for income approach
 - Review impact of property rights held by lessor (leased fee) right to rent in lease plus reversion when expires
 - Review impact of property rights held by lessee (leasehold interest) to use and occupy for term and lease conditions
 - Review lease terms: expenses paid by tenant, account for owner or landlord management time and major capital repairs
 - Determine market rent:
 - Contract rent: actual rental income specified in a lease, can equal market rent
 - Market rent: rental income for a property in the open market
 - Mass appraisal: presumption contract rent is market rent
 - Request information from property owners: copy of lease, rental agreement
 - Differences between contract and market rents:
 - Leases that are not ‘arm’s-length’ transactions
 - Owner occupied properties
 - Lease payment includes items and/or services not related to the property

- Short term leases that do not reflect market value for whatever reason
 - Rental rates for subsidized housing, generally below market
 - Long-term tenants given rent reductions/incentives to renew lease
 - Location: different amount or quality of frontage, customer traffic, ingress or egress, drive through access, overall size, building/land ratios and other similar factors
 - Capitalization rates: review, similar to subject, reflect a typical investor and risk
 - d. Cost Approach:
 - See Chapter 9 (9-31 to 9-38) and Chapter 12 (12-27 to 12-30) for cost approach
 - Market value in exchange may not recapture all costs
 - Demolition and remediation costs can cause differences between actual costs and costs from a manual
7. Determine value

Reconciliation of the Three Approaches

Reconciliation is the process by which the appraiser evaluates and selects from the alternative approaches to value. Keep in mind that the three approaches to value are designed to be economically “independent.” That is, the foundation for each reflects independent method and data. For the sales comparison approach, it’s sales data. For the cost approach, it’s cost of construction material, cost of labor, soft costs, and depreciation data. For the income approach, it’s rental and financial data.

Assessors may *consider* all three approaches when estimating the value of a property. However, all three approaches may not be used as the basis for an assessment because of case law, See *Markarian v City of Cudahy*, 45 Wis.2d 683 (1970), ¶ 686, 173 N.W.2d 627.

Valuation of Specific Commercial Properties

The following section is intended to give the assessor some general information on the valuation of specific commercial properties. It is impossible to cover all of the elements that affect each type of commercial property. Thus, this section is intended as a place of beginning for the assessor in valuing commercial property. There are other books and texts that discuss the valuation of these types of properties in more detail.

The [PR-323](#) is available to request expenses. Assessors may use a different version when approved by DOR. Send to bapdor@wisconsin.gov for approval. As stated in sec. 70.47 (7) (af), Wis. Stats., income and expense information obtained for an assessment objection shall remain confidential, with limited exceptions.

State Assessment of Commercial Property

2013 Act 20 created a new state law ([sec. 70.855, Wis. Stats.](#)) that provides for state assessment of certain commercial property. The laws provide specific requirements on the type of property and location of property that is eligible for state assessment. The process is annual where DOR will only provide a value determination for the year of a request meeting the requirements of the state law.

Requirements

1. The property owner and municipality must submit a written request to DOR by March 1. The request must contain a list of property owner's personal property and real estate within the municipality
2. The prior year assessed value of the property must be \$24,000,000 or greater
3. The prior year assessed value of the property must represent 9% or more of the municipality's total assessment
4. The property must be located in a [4th class city](#)

DOR

1. Determines the full market value by June 1
 - a. May request information from the property owner
 - b. Failure to provide information results in loss of appeal rights to the tax appeals commission
2. Provides written notice to the property owner and municipality of the value
3. Appeal of DOR's value is to the Wisconsin Tax Appeals Commission

Assessor

Shall use DOR's full value on the assessment roll and adjust by the local level of assessment.

Costs:

All DOR costs to determine a value are charged to the municipality. The municipality collects the fee as a special charge against the taxable property in the municipality. The municipal payment is due to DOR by March 31 of the following year.

Retail Stores

Retail property includes: apparel shops, bookstores, and drugstores. Restaurants, taverns, Laundromats, and other service-oriented stores are also included. This category ranges in size from small convenience stores to department stores that anchor regional malls to massive supercenters that offer both grocery and general merchandise. The sales comparison approach is often used to value smaller retail stores assuming no recent arms' length sale data from subject. For larger retail venues and those smaller stores for which there are no comparable sales, the assessor should use the income and/or cost approaches.

Regardless of the approach used, the assessor should be careful to avoid using comparable sales involving properties that are vacant, in transition or suffering from some form of distress unless the subject property is similarly vacant, in transition, or distressed. Rather, when valuing stabilized, operating retail properties, the assessor should choose comparable sales exhibiting a similar highest and best use and similar placement in the retail marketplace. See *Bonstores Realty One LLC v City of Wauwatosa, App. No. 2012AP1754 (2013)*.

The location for a retail store is of extreme importance. National firms do extensive market studies to determine the exact location of their retail outlets. Even the side of the street on which the property is located can have an effect on value. A property location next to a large department store will be worth more than a location across the street that does not have a great drawing power next door. Retail property should be easily reached by the customer. Property located on a street with poor access will not be as desirable as one located on a well-traveled street. Also, the store should be located where customers live. For example, a “convenience” food store will do best when located in a residential neighborhood.

The second most important consideration would probably be parking. The availability and cost of parking has a big influence on the actions of the retail shopper. The high cost and inadequate amount of downtown parking combined with congested traffic has been a major reason for increased growth of suburban shopping centers with acres of free parking.

Shopping Centers

A shopping center is a complementary group of stores united through one architectural style with sufficient off-street parking for the shoppers’ needs. The stores located in the center are selected by a plan to provide for the shoppers’ daily needs. There are four distinct advantages to the shopping center:

1. The large number and wide variety of stores attract customers.
2. All of the shopping needs can be handled at one location.
3. Parking is much easier than downtown.
4. Malls provide shelter while shopping.

In addition, the shopping centers are closer for those who live in the suburbs.

Shopping centers can range in size from a small neighborhood center to a large regional shopping center. A neighborhood shopping center is typically comprised of a supermarket and a few specialty stores, whereas a regional shopping center generally contains one or more major department stores and a wide variety of specialty stores that provide the shopper with a range of choices equivalent to, or greater than a downtown shopping district.

In valuing the shopping center there are a number of questions that the assessor should ask: Is demand sufficient to support the shopping center? How is the center affected by present competition? What affect will the shopping center have on nearby shopping areas and the downtown district? When answering these questions the assessor will have a picture of the effect of the shopping center on supply and demand in the area.

Office Buildings

When valuing office buildings, the assessor should be aware of the trends of business development and industrial activities in the municipality. This can provide an indication of how much office space is needed. The assessor then makes a study of how much space is available, what the rental rates are, the percentage of vacancies, and the type and quality of tenants in the various types of office buildings. Often, office buildings can be classified as Class A, B or C for investment purposes. Investment classification will depend on property

amenities, location, type of tenant, lease rates, property size, etc. The type of classification should not be confused with quality of construction classification.

The assessor should analyze the subject office building with a number of criteria in mind: How much of the gross floor area is actually rentable and how much is used for lobbies, corridors, stairways, elevators, and other non-rentable uses? Is the mechanical equipment in good shape? Is there adequate heating and air conditioning? How does this building compare with other offices in the area? There should also be adequate parking, public transportation, restaurants, and stores for tenants.

After analyzing all of the information, the assessor should be able to arrive at a fair market rent, a correct expense estimate, and an appropriate capitalization rate in order to estimate the property's fair market value.

The cost approach can be used in estimating market value. However, it should be noted that in an office building, especially a corporate headquarters, items may be built into the building that are of a higher quality than the average buyer would demand and this should be considered in the analysis of functional obsolescence.

Apartments

When valuing apartment buildings, the assessor must analyze the neighborhood, considering the following factors:

1. Is adequate public transportation available?
2. What is the quality and availability of public utilities and police and fire protection?
3. Are there sufficient civic, social, and commercial facilities (schools, theaters, and shopping) in the area?
4. Will zoning permit the use as an apartment?
5. How attractive is the neighborhood in the eyes of the public?
6. What is the income level of residents in the area?
7. Who is the typical tenant for the project?

In addition the assessor should make a study of each individual property with regard to:

1. **Layout**-Is the floor plan adequate? Are there enough closets? Are common facilities such as laundromats easily accessible?
2. **Mechanical**-Are heating, plumbing, and air conditioning well maintained? Do these services provide adequate comfort to the tenants?
3. **Management**-Are repairs made in a timely manner? Is an attractive appearance maintained? Is snow shoveled and grass mowed, are hallways clean, and is garbage picked up frequently?
4. **Amenities**-Are tenants provided with safety and quiet enjoyment of the premises? What recreational facilities are provided with the property? How close is it to public transportation? Is the property in harmony with the rest of the neighborhood?

Often smaller apartments are valued through use of a Gross Rent Multiplier (GRM). Using this method, the assessor compares the subject with other properties that have sold to arrive at a market rent and an appropriate GRM for the property. The income approach may also be applied by arriving at a net income and capitalizing it into an estimate of market value.

The direct sales comparison approach may also be used in the valuation of apartment buildings. Using this method, market values are derived from a study of similar properties recently sold. The assessor estimates the market value of each type of apartment sold (i.e., efficiency, one bedroom, two bedroom, etc.), adjusts those values to arrive at a total value for the subject apartments, and then adds or subtracts for any overall adjustments, such as the lack or presence of a swimming pool. Because each property differs based on location; the number of efficiencies, one and two-bedroom apartments; the size of the rooms; the layout and condition of the building; and many other factors, numerous adjustments are often necessary, requiring careful examination and interpretation of the market data.

The cost approach can also be used to provide an estimate of market value. The main problem in using this approach, as is usually the case, is arriving at the estimate of depreciation. In newer apartments there should be little physical, functional, or economic depreciation and thus the cost approach may aid the assessor in arriving at a market value estimate. With older apartments; however, it is difficult to estimate functional obsolescence and there is the additional problem of trying to estimate the value added to a property as a result of remodeling.

Bed and Breakfast Establishments

Generally, a bed and breakfast establishment offers overnight accommodations and breakfast in the morning in a structure that also serves as the proprietor's personal residence.

There is no question that the structure itself is taxable. There is no exemption for land and buildings used for this purpose. Household furniture, equipment, and furnishings are exempt under sec. 70.111(1), Wis. Stats., only if such items are kept for personal use by the owner. Assessors should refer to *Mary Faydash, v City of Sheboygan*, 2011 WI App 57, 332 Wis.2d 397, 797 N.W.2d 540, for guidance.

As a result, any furniture, equipment, and furnishings used in, or intended to be used in, furnishing overnight accommodations and breakfast to the public for a fee is considered taxable. Furniture, equipment, and furnishings used in this manner are not "kept for personal use by the owner."

All furniture, equipment, and furnishings located in other areas of the residence are presumed to be kept for personal use by the owner and are exempt. This is true even if bed and breakfast fee-paying guests are shown other areas of the residence or if they occasionally visit those areas. Only furniture, equipment, and furnishings located in areas used to provide the goods and services for which a fee is charged is considered taxable.

Establishments that represent to the public that bed and breakfast accommodations are available for a fee for any part of a year are considered to be using the involved personal property for something other than personal use and as a result that property is taxable. Advertising through the media, word-of-mouth, or any other similar activity intended to make the public aware of the available service (such as a yard sign) are considered representation of intent.

This policy is not intended to apply to the occasional renting of a bedroom during a special or unusual event that has created a shortage of available public accommodation in the immediate area.

A list of licensed bed and breakfast establishments in your municipality can be obtained by contacting the Food Safety & Recreational Licensing Section in the Division of Public Health, Department of Health & Safety, at 608-266-2835.

Hotels and Motels

These properties are mainly engaged in the sale of rooms, food, and beverage. Hotels and motels are unique in that rooms are usually rented by the day or week. There is very little long-term rental. If a room is not sold for a day, that income is lost forever, whereas in a retail store, inventory can be sold tomorrow. The hotels and motels either close down or operate at a reduced capacity during the off-season. This is especially true of resort type properties where the trade is seasonal. Hotels can vary in amenities and services. Full service hotels may have fitness centers, restaurants, taverns and meeting rooms while limited service hotels may have no additional amenities.

These properties are extremely sensitive to changes in the economy. For example, if the state of the economy would decline and people could not afford vacation trips the value of resort hotels and motels could be seriously affected. Also, an increase in winter sports activities can turn areas that are dormant into year-round enterprises with a higher value.

The use of the income approach for the valuation of hotels and motels is similar to its use for other types of properties in that the expenses are subtracted from the income to arrive at a net income figure which is capitalized into a market value estimate. Hotels may have additional expenses such as franchise fees that other types of properties do not have. The assessor may run into a problem in that the amount of income is substantially affected by the quality of management. Excellent management will often produce a higher return than average; while poor management produces a lower return. The assessor should be careful to make sure that only the real estate is being valued and not the quality of management or goodwill. The comparable sales approach is difficult to apply to the valuation of this type of property because individual properties may differ greatly in services, reputation, age, and location all of which can affect value. The cost approach can be used to estimate value but the assessor must be aware of the obsolete materials and styles used in construction of older hotels. Also, when dealing with chain motels often the same plans are used and thus the actual construction costs do not reflect an appropriate amount for architect's fees and possibly overhead and profit.

Federally Subsidized Housing

What is Federally Subsidized Housing?

Federally Subsidized Housing is sponsored by the Federal government to provide assistance to low and moderate income families or the elderly. The federal sponsors include the Department of Housing and Urban Development (HUD), the Rural Housing Service (RHS), and the Internal Revenue Service (IRS). The Wisconsin Housing and Economic Development

Authority (WHEDA) administers the IRS programs in Wisconsin.

The HUD programs are primarily for urban areas, whereas the RHS programs are primarily for rural areas. The need for housing determines the location of WHEDA programs (called Section 42 IRS Income Tax Credits).

What Are the Classifications of Federally Subsidized Housing Programs?

The different types of programs are commonly classified by the federal legislative numbers:

Section 8	Rental Subsidy
Section 42	Income Tax Credits
Section 220	Mortgage Insurance
Section 221 (d)(3)	Market Interest Rate
Section 221 (d)(3)	Below Market Interest Rate (BMIR)
Section 221 (d)(4)	Mortgage Insurance
Section 223 (f)	Mortgage Insurance
Section 231	Mortgage Insurance
Section 236	Mortgage Interest Reduction
Section 515	Rural Housing Service Rental Assistance

What Are the Types of Federally Subsidized Housing Assistance?

Each program provides at least one of the four primary types of assistance:

1. Mortgage insurance

HUD insures mortgages made by private lending institutions to help finance construction or to help finance rehabilitation projects for low-income families and the elderly

2. Mortgage Interest Reduction

HUD allows a developer to obtain a mortgage with an interest rate as low as 1% to encourage increased rental housing for low-income families and the elderly. Most mortgage interest reduction programs also have a limited dividend which restricts the amount the property owner can receive as a return on his/her original investment. *Mineral Point Valley Limited Partnership v. City of Mineral Point Board of Review*, 2004 WI App 158, 275 Wis.2d 784, 686 N.W.2d 697, the court of appeals concluded that “Based on the result in **City of Bloomer**, we conclude that a capitalization rate based on a subsidized interest rate is impermissible, and that a market rate must be used, together with “all the other factors influencing value, to produce the fair value of the partnership’s real estate.”

3. Income tax credits

Income tax credits reduce the federal tax liability for public or private investors in exchange for their participation in the equity of low-income rental housing. *The 1999 Wisconsin Budget Bill amended sec. 70.32(1g), Wis. Stats., to read “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.”*

4. Rental subsidies

HUD subsidizes the rent for low-income families and the elderly by making up the difference between what a low-income household can afford and the fair market rent for an adequate housing unit.

Because many programs have a mix of different types of assistance, this list is not mutually exclusive.

Changes in Federally Subsidized Housing Programs

The number of subsidy programs available and the rules which govern them are constantly changing. Some subsidized housing programs have been discontinued and replaced with new programs. The rules and regulations of these programs can also change over time.

It is important for the assessor to be aware of the current regulations and past program changes when estimating the value of a subsidized housing project. The assessor must also understand the likelihood of future program changes and their impact on property value. Certain types of program changes may add additional risk to the project or may change rental income in the future. Also, sales of federally subsidized housing projects prior to certain program changes may not be reflective of current conditions. On occasion, sales of these projects are initiated by the program changes and may not be valid market value sales. Examples of two subsidized housing program changes are outlined below.

Low Income Housing Preservation and Resident Home Ownership Act

The Low Income Housing Preservation and Resident Home Ownership Act (LIHPRHA) was enacted in the early 1990's to prevent the prepayment of federally subsidized mortgages and the subsequent displacement of low-income tenants.

Many property owners built low-income housing in the 1970's using low-interest mortgages through either Section 236 or Section 221(d)(3) of the National Housing Act. These mortgages allowed the property owner to prepay the mortgage after 20 years and convert the project into market rate housing. LIHPRHA was enacted to try to prevent the prepayment of these mortgages. One of the consequences of LIHPRHA was the resulting sale of many low-income properties. Because of the many regulations relating to the Act, these sales should not be considered market value transactions.

Mark to Market

The Mark to Market initiative (also known as the Section 8 Renewal and Restructuring program) attempts to address chronic structural problems in the Section 8 projected-based assistance program. One of the likely outcomes of this rule is the reduction of the Section 8 rental rates previously received by certain low-income housing projects that have project-based contracts Housing Assistance Payment contracts (HAP contracts). The reduction of Section 8 rents may cause the project to be no longer economically viable. If this is the case, the projects may be eligible for mortgage restructuring.

What are the common Wisconsin federally subsidized housing programs?

Section 42 Tax Credits¹

Section 42 income tax credits (regulated by the IRS) are a dollar-for-dollar reduction in federal tax liability for investors in exchange for equity participation in low-income rental housing. The tax credits can be used for new construction, acquisition, or possibly the rehabilitation of low-income rental housing. The number of qualified low-income units that meet federal rent and income targeting requirements determine the amount of credit allocated. In Wisconsin, WHEDA administers Section 42 tax credits. These credits come with many restrictions. For example, many units must be set aside for low-income tenants. In addition, the tax credits are claimed on the federal tax return only during the first 10 years of the project. Also, the tax credits are either 9% or 4% per year of the “qualified basis” depending on the type of project and financing arrangements. The qualified basis is the eligible basis times the portion of available low-income units.

While the tax credits are claimed over a 10 year period, the Internal Revenue Service (IRS) requires a minimum compliance period of 15 years. In addition, the state housing authority may require the owner to enter into a Land Use Restriction Agreement (LURA) that requires the owner to maintain the project for 30 years with a minimum percentage of rent-restricted units for income-qualified tenants. Wisconsin’s housing authority, WHEDA, now requires all Section 42 project owners to enter into a 30 year LURA. However a LURA was not always required in the past, so there may be some projects that do not have one.

A limited partnership is the typical ownership arrangement for Section 42 tax credit projects. The general partner is often the developer of the project and the limited partners most often invest in the property for the tax credits. The return on investment for the limited partners primarily comes from the tax credits and other tax-related benefits (losses). They usually do not obtain much of their return from the annual cash flow of the property or from any reversion value (value upon subsequent sale). The general partner often is compensated from development fees (from building the project). The general partner may also receive income from managing the property.

Section 42 projects usually cost more to build than physically similar market rate properties. However their net operating income is usually lower than physically similar market rate properties. Therefore the property cannot support as much debt. The construction of these projects is made feasible by the amount of equity generated by the sale of the tax credits. So based on the cost to construct (not value), Section 42 projects usually have a larger percentage of equity to debt than market-rate properties.

There are various risk factors related to Section 42 projects. In some markets, the pool of qualified tenants is shallow due to household income restrictions. Tenants must have low enough income to qualify to rent a unit while at the same time have high enough incomes to be able to pay the rent.

² The book *Valuation and Market Studies for Affordable Housing*, by Richard E. Polton, MAI, CRE, AICP with Julia Lavigne, 2005, the Appraisal Institute provides a good background on the Section 42 program and other affordable housing programs. The text provides a useful framework to consider the valuation of these types of properties

For more information concerning Section 42 tax credits, contact WHEDA (Wisconsin Housing and Economic Development Authority). Contact information is at the end of this section.

State law precludes assessors from considering the effect IRS Section 42 low income housing tax credits on the total value of a Section 42 property. “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.” (sec. 70.32(1g), Wis. Stats.)

Section 221(d)(3) Market Interest Rate

Section 221(d)(3) provides for mortgage insurance for private 40-year mortgage loans to finance new or rehabilitated rental apartment complexes containing five or more units. A profit-motivated owner could not, without HUD consent, fully prepay a mortgage loan insured under this program for the first 20 years of the loan.

Section 221 (d)(3) Below Market Interest Rate (BMIR)

This early HUD program insured and subsidized 40-year mortgages with below market interest rates as low as 3%. Eligible tenants have incomes below 95% of the median for the area. At their inception, projects were required to remain affordable to eligible tenants for at least 20 years. The program also limited the available dividend to 6% of the original equity. The Section 236 program replaced the BMIR program.

Section 221(d)(4). This program provided federal insurance of privately financed market rate mortgages for new or rehabilitated rental projects with five or more housing units. This program does not have income limits for tenants. Mortgages up to 90% of the FHA-approved replacement cost may be insured under this program.

Under most circumstances, a potential buyer of a Section 221 (d) (3) Below Market Interest Rate project must continue to keep the project affordable. They must assume the existing mortgage and the limitations on the amount of equity return allowed (limited dividend). This limitation on the annual equity dividend limits the amount the potential buyer would pay for the property (and therefore its value). In determining the purchase price, the potential buyer would likely consider the amount of the annual equity return and the amount of the outstanding mortgage balance.

Section 236

Section 236 is a HUD interest reduction program. The 1% subsidized interest rate used to develop and build the project came with the condition that the developer would reduce the rents and pass the savings to the tenants. A tenant’s income must be 80% or less of the area median income to be eligible. The mortgage interest rate varies between 1% and 7.5% with a limited dividend of 6% of the original equity investment. In 1974, Section 236 ended and Section 8 became the chief program.

Under most circumstances, a potential buyer of a Section 236 project must continue to keep the project affordable. They must assume the existing mortgage and the limitations on the amount of equity return allowed (limited dividend). This limitation on the annual equity

dividend limits the amount the potential buyer would pay for the property (and therefore its value). In determining the purchase price, the potential buyer would likely consider the amount of the annual equity return and the amount of the outstanding mortgage balance.

Section 8

The Section 8 program provides rent subsidies to project owners for qualified low-income tenants. To be eligible for subsidies, low or very low-income families at the time of their initial occupancy must rent the project units. Families whose incomes do not exceed 80% of the median income in the area are defined as low-income; very low-income families do not exceed 50% of the median income. Tenants must pay a set percentage of their income as rent. The percentage varies by family size and income level. From 1974 through 1979 during the initial Section 8 program, projects had unrestricted cash flow; after 1979, projects had imposed dividend restrictions. Project owners receive a rental subsidy payment under a Housing Assistance Payment Contract (HAP Contract) that range from 15 to 40 years.

There are project-based Section 8 subsidies and tenant-based Section 8 subsidies. Project-based subsidies are “attached” to the building and should therefore be considered when estimating the value of the housing project. Tenant based subsidies (Section 8 vouchers and certificates) are “attached” to the tenant and can therefore be taken from one housing project to another. It is not appropriate to consider tenant-based subsidies when estimating the value of the housing project.

Section 515

Section 515 of the 1949 Housing Act authorizes FmHA (now known as RHS) to provide for direct mortgage loans for rural rental housing. Amounts up to 95% of housing development costs enclose these loans. After construction of the project, RHS may provide a limited distribution owner with mortgage interest subsidies. Tenants may pay lower rents. The dividends are limited to a maximum annual return of 8% per annum on a cumulative basis on the 5% equity contribution.

Under most circumstances, a potential buyer of a Section 515 project must continue to keep the project affordable. They must assume the existing mortgage and the limitations on the amount of equity return allowed (limited dividend). This limitation on the annual equity dividend limits the amount the potential buyer would pay for the property (and therefore its value). In determining the purchase price, the potential buyer would likely consider the amount of the annual equity return and the amount of the outstanding mortgage balance.

What Are the Steps When Assessing Federally Subsidized Properties?

Subsidized housing properties operate differently than conventional (market-rate) properties. They have specific operational constraints (regulations) and risk factors that are different from a market rate property. They should be considered as a separate market and distinct from conventional (market level) projects.

The following are guidelines for valuing these types of properties:

1. Determine the program that regulates the property.

2. Learn the terms and conditions of the particular program by asking the property owner for the following documents:
 - a. The regulatory agreement
 - b. The original mortgage document
 - c. The federal “profit and loss” form

NOTE: sources for the different types of programs is included at the end of this section.

3. Identify the primary ownership interests that may exist:
 - a. Limited-partnership: An investment partnership in which at least one partner (the general partner or partners) is liable beyond the amount invested and at least one partner’s liability is limited.
 - b. Nonprofit: An organization that neither pays any dividends to its members nor are any pecuniary profits intended to be paid to its members.
 - c. Public agency: A service-orientated organization authorized by legislative decree to act for others.

4. Determine the assessable interest by examining the following:

- a. Ownership types

If a limited-partnership owns property, the property is likely to be assessable. The purpose of limited-partnership ownership is to insulate a tax-credit investor from limited personal liability on a loan when low-income housing tax rates are part of the financing structure. In addition, the limited-partnership objective is to maximize losses and tax credits and not to obtain cash flow or long term appreciation.

If a nonprofit organization or a public agency owns property, the property is likely to be exempt. Review sec. 70.11(4), Wis. Stats., for when the exemption applies.

- b. State law, sec. 70.32(1), Wis. Stats.: real property shall be assessed “from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefore at private sale.” Sec. 70.32(1g), Wis. Stats.: “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.”

- c. Case law

The Metropolitan Holding Court Case decided how assessors process government restrictions on property. The Wisconsin Supreme Court directed the assessor to “assess Layton Garden [subject property] using the capitalization of income approach based on actual income and expenses.” The Court said, “In using estimated market rents and expenses, the city assessor essentially pretended that Layton Garden was not hindered by the HUD restrictions... Layton Garden was, however, hindered by the HUD restrictions and it is undisputed that the HUD restrictions precluded Metropolitan from charging market rents.”

*Mineral Point Valley Limited Partnership v. City of Mineral Point Board of Review, 2004 WI App 158, 275 Wis.2d 784, 686 N.W.2d 697, the court of appeals concluded in that “Based on the result in **City of Bloomer**, we conclude that a capitalization rate based on a subsidized interest rate is impermissible, and that a market rate must be used, together with “all the other factors influencing value, to produce the fair value of the partnership’s real estate.*

5. Determine the Highest and Best Use of Fee Simple Property.

As previously defined in the WPAM, fee simple means the owner possesses all the rights an individual can have in property. Fee simple is the fullest form of private ownership. Section 70.32, Wis. Stats., says that an assessor should value real property “at the full value which could ordinarily be obtained therefore at private sale.” However in the Metropolitan case, the Supreme Court said the federal government (HUD) has restricted the rights of the subsidized property. Therefore, not all the rights are assessable and it is possible that these restrictions may prohibit alternate uses for the subsidized property.

Determining the Highest and Best Use of property requires consideration and analysis of EACH of the following steps:

a. Physical factors

The assessor must evaluate the possible physical uses for the property site by considering location, size, frontage, width, depth, shape, topography, soil conditions, and existing site improvements to name a few.

b. Economic factors

The assessor must evaluate the possible feasible uses that may affect a net return to the property site owner. In addition, the assessor must consider the prices of comparable sites in the area, the level of assessment, taxes, special assessments, and the cost of services in the area.

c. Social factors

The assessor must evaluate population trends, family sizes, education trends, crime rates and age distributions.

d. Legal/Governmental factors

The assessor must evaluate the effect current zoning and local ordinances have on the property site including municipal services, tax and assessment policies, liens, interests held, **title data such as deed restrictions, etc.** The assessor should be aware of the legality of certain deed restrictions.

6. Determine the Proper Method for Valuation of Federally Subsidized Housing.

The assessor should consider all three approaches to value when assessing federally subsidized properties. Review the guidelines found in sec. 70.32 Wis. Stats., regarding the use of sales and other factors in determining market value.

A. Sales comparison approach

Review the guidelines found in sec. 70.32, Wis. Stats., regarding the use of sales in determining market value and consider the following:

- Recent arm’s-length sales of the property to be assessed
- Recent arm’s-length sales of reasonably comparable property
- All factors affecting the value of the property

Section 70.32 (1), Wis. Stats., states: *“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 therefore 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 reasonable comparable property; and all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed."

To be considered comparable, the recent arm's-length sales should have restrictions similar to the subject property. The assessor may have to perform a statewide search to find comparable sales. Sales data should always be confirmed by reliable sources. Information may be obtained by viewing website data and by calling other assessors who have similar subsidized housing in their jurisdictions.

B. Cost approach

The effect of federally subsidized housing restrictions would most likely be considered as economic obsolescence when using the cost approach. Also, be aware that construction costs for subsidized housing tend to be higher because of overhead costs. For example, extra construction fees and legal expenses are just some of the overhead costs to be expected when valuing subsidized housing. Due to the difficulty in estimating external obsolescence, the Cost Approach is the least reliable valuation method.

C. Income approach

The income approach may be the most useful method for valuing subsidized housing due to the conditions of the agreement and the limited availability of data. Several methods of valuation can be used including equity residual technique, mortgage-equity capitalization and discounted cash flow. Any income approach used must consider all the impacts of the subsidy program. This includes changes in rent levels and restrictions on equity return from a limited dividend.

Capitalization rates from the marketplace are usually derived from the sale of market-rate projects. Therefore they do not reflect the unique characteristics of subsidized housing. In some cases there can be more risk in subsidized housing, in other cases there is less. Rent levels are often regulated and annual increases may be difficult to obtain. In many cases the proportion of debt to equity is different in subsidized projects than in market rate projects. With some types of projects the amount of annual equity return is limited (called a limited dividend). While in other types of projects the equity investors primarily look to other sources beyond the cash flow of the property for their required return on investment.

If an equity residual technique is used in assessing, the amount of the outstanding mortgage balance and the amount and duration of the annual limited equity dividend must be found. To determine the value of the equity, the assessor can discount (present value) the annual limited equity dividend and any reversion value (value upon subsequent sale) by an appropriate discount rate. The discount rate used should reflect the risk inherent in the investment. The present value of the equity is then added to the outstanding mortgage balance to obtain a value. This method assumes that the property cannot support any more additional debt and the current mortgage cannot be re-amortized. If the property could support more debt (through a second mortgage or re-amortizing the existing debt) this method could undervalue the property.

If the mortgage-equity method is used in assessing a Section 42 housing project, the assessor should determine if the current mortgage can be assumed. If the current mortgage can be or must be assumed, then the existing mortgage terms should be incorporated into the capitalization rate (reflected in the mortgage constant). If a new mortgage would be obtained at purchase, then the prevailing mortgage rates and terms would be used. As stated previously, equity investors usually do not expect much of their return to come from the property's cash flow (their return comes from the tax credits). Therefore the equity capitalization rate could be quite low.

If the mortgage-equity method (band of investment) is used in assessing a Rural Housing Section 515 project with a subsidized mortgage interest rate, construct the capitalization rate from the current mortgage terms and conditions (reflected in the mortgage constant) and the required equity capitalization rate. This band of investment capitalization rate should be applied to the stabilized net operating income of the property. The assessor must also consider any equity return limitations. The assessor should be aware that the recent Court of Appeals decision does not allow the 1% interest rate attached to a Section 515 project to be used as the mortgage interest rate in the capitalization rate. This court case indicates, however, that all other factors influencing value must be considered. If the discounted cash flow method is used, consider the following:

- The present value of the net operating income
- The present worth of the reversion

NOTE: The following should be included despite the method used: project rents and expenses, mortgage terms and conditions, expected yield rates, and any equity return limitations. When valuing a subsidized housing property, the assessor should use the actual income and expenses for the property to obtain to most accurate value for the property.

Sources for Additional Information:

Wisconsin Housing and Economic Development Authority ([WHEDA](#))

201 W Washington Ave., Suite 700

P.O. Box 1728

Madison, WI 53701-1728

1-800-334-6873

(Madison) 608-266-7884

[WHEDA](#) for Section 42 tax credit information: Multifamily professionals on the home page

United States Department of Housing and Urban Development ([HUD](#))

Henry S. Reuss Federal Plaza

310 West Wisconsin Avenue

Suite 1380

Milwaukee, WI 53203

414-297-3214

Rural Housing Service ([RHS](#))

USDA Rural Housing Development State Office

5417 Clem's Way

Stevens Point, WI 54482

715-345-7600

Golf Courses

Valuation of golf courses offers the same challenge as other commercial properties: gathering enough information to appropriately determine the market value of the property. The following characteristics have bearing on the value of the golf course and should be ascertained by the assessor as part of the assessment process. Types of courses include regulation, executive and par-three. Courses are laid out within a core area of land, along a straight corridor, in a loop or figure-eight pattern anchored by the clubhouse. Courses are municipal, daily fee or private operations run with profit or non-profit motivations. Golf courses can include clubhouses, pro shops, driving ranges, restaurants, swimming pools, and other fitness facilities. The course may be a stand-alone operation, associated with a resort, or focal point for residential or condominium development.

All three approaches to value can be available in the valuation of a golf course. The land is valued as if vacant and available for its highest and best use. Possible uses include agricultural, residential or continuing use as a golf course. The feasibility of converting to another use must be examined in light of zoning restrictions, physical and financial limitations, and covenants enacted as part of a development project.

Cost Approach

Some national cost manuals include schedules for golf course construction. Costs are usually allocated on a per hole basis and include the preparation of greens, tees, fairways, cart paths, irrigation and drainage systems. Application of the costs requires the assessor to determine the amount and quality of construction that took place on the course. Did the natural terrain minimize the need for extensive grading? Are playing areas constructed to national association standards or are the tees, for example, merely more closely mowed areas of the course? Is there a sufficient water supply available to maintain the course?

Additional land improvements could include paved parking areas, lighting, bridges over creeks or ditches, and fencing. Improvements can include a clubhouse, maintenance and storage buildings, and on-course shelters. Equipment used in the operation and maintenance of the golf course is included as part of the personalty. Furniture and fixtures used in the operation of the clubhouse, pro shop, restaurants and bars are also included in the personalty. Appropriate depreciation is applied to derive a final cost approach value estimate.

Sales Comparison Approach

Use of the sales comparison approach can be limited in golf course valuation by the small number of sales occurring in the market. Additionally, most courses are unique in their combination of course layout, buildings and other facilities making comparison between courses very difficult. A value estimate derived merely on a price per hole comparison, for example, is unlikely to be appropriate.

Adaptations of a gross income multiplier based on total revenue and golf revenue have been suggested as more appropriate methods of comparison.¹ The relationship of sale price to

¹ Gimmy, Arthur E., MAI and Benson, Martin E., MAI, *Golf Courses and Country Clubs, A Guide to Appraisal, Market Analysis, Development, and Financing*, Chapter 9, Appraisal Institute, 1992.

income produced is used as a means of comparison between courses. Accurate data regarding the amount and sources of the revenue is essential in use of these multipliers. The golf revenue multiplier should be derived only from golf related activities like greens fees, cart rentals, driving range fees and memberships. The price per round divided by the average greens fee, a greens fee multiplier, has also been mentioned as a potential unit of comparison between golf courses.² Again, accurate data must be gathered for weekday versus weekend rates, senior and junior rates, member versus non-member rates. The unavailability of income information would be detrimental to applying any one of these multipliers as a method of comparison for golf courses.

Income Approach

The income producing capability of a golf course is usually what determines market value. Therefore, the use of the income approach is appropriate. An existing golf course can be valued by direct capitalization of its annual income when the income stream is stable. Use the discounted cash flow analysis for new courses or courses with unstable income streams.

Obtaining income information for the subject course and comparable golf courses is the challenge to the assessor. Club officials, course managers, and operating statements are sources to pursue. National golf associations and industry publications may offer national statistics on normal operating expenses and income. Revenues to use in an income approach analysis include greens fees, course memberships (ones that do not involve ownership interest), cart rentals, locker and equipment rentals, pro shop sales, driving range fees, and food and beverage sales. Course memberships that include ownership interest and any one-time initiation fees should not be capitalized. Application of the income approach to a golf course should follow the same methods used for other commercial properties.

Historic Properties

The various historic preservation programs and the valuation of residential historic properties are discussed in Chapter 12. Below is a discussion of how a historic designation may affect the valuation of historic commercial properties using the income approach.

Income Approach

The income approach, as described in this chapter, can be used to value commercial historic property. There are, however, items unique to historic properties which affect the income stream, the expenses, the gross rent multiplier (GRM), and the capitalization rate.

The assessor should try to use similar historic properties subject to the same restrictions when estimating market rent. For example, there may be restrictions that limit the possible uses or the ability to alter the property to meet current market demands such as adding new bathrooms or remodeling to allow more efficient uses. This may reduce the desirability, and, thus, the market rent of the property.

² Lawrence A. Hirsh, MAI "Golf Courses-Valuation and Evaluation," *The Appraisal Journal*, January 1991, pages 38-47.

Restrictions on historic properties may result in higher expenses than for non-historic properties. Maintenance costs may be higher because of the need to perform maintenance more frequently, use more costly repair materials, and the prohibition on using certain cleaning methods because of their effects on the historic materials. Insurance costs may be higher because the materials used to repair this structure as an historic building may be more costly.

In addition, the capitalization rate used in the income approach may be affected by the restrictions placed on the historic properties. Investors may require a higher capitalization rate because of the inability to convert the property to alternative uses to reflect market changes and, therefore, they may perceive this as a more risky investment. The assessor should analyze sales of similarly restricted historic properties and talk to investors, brokers, and appraisers to ensure that the capitalization rate is typical for this type of property or build up the capitalization rate from other sources using comparable risk rates.

Assessors should consider using Gross Rent Multipliers (GRM), as discussed in the WPAM, to value historic residential properties. GRMs may be affected by the restrictions placed on historic properties. Investors may require a lower GRM because of the higher expenses and the greater perceived risk due to the inability to convert the property to alternative uses to reflect market changes. The assessor should analyze sales of similarly restricted historic properties and talk to investors, brokers, and appraisers to ensure that the GRM is typical for this type of property.

If these properties are large, owners may divide them into apartments to provide income to help pay for the rehabilitation and maintenance for these properties. Assuming the Gross Rent Multipliers fall within a relatively narrow range, the assessor may be justified in using them to help value other historic residential properties that are rented but have not sold.

Contaminated Properties

Information on contaminated properties issues and the valuation of contaminated residential properties is in Chapter 12. Below is a commercial property contamination example.

Example: A three-story office building contains 150,000 square feet contaminated by asbestos. An environmental engineer estimates one year per story to remove the contamination at an annual cost of \$350,000. The floor the contamination is being removed cannot be rented during the year of cleanup. The current annual market rent for similarly contaminated buildings is \$14.00 per square foot and will be stable for the next three years. The annual expenses are the following:

- vacancy and collection loss at 10% of potential gross income,
- management at 8% of effective gross income,
- utilities at \$250,000,
- insurance at \$75,000,
- repairs and replacements of \$60,000, and
- advertising at \$30,000.

NOTE: The presence of contamination may result in higher vacancy and collection loss, management, and insurance than is typical for non-contaminated property.

Utilities, insurance, and advertising expenses are expected to increase at 3%, 4%, and 5% per year, but repairs and replacements will remain stable. Analysis of the market indicates that an appropriate capitalization rate for this type of property is 14% which includes an effective tax rate of 3%, plus an additional 2% for higher risk due to the contamination. Based on projected stabilized NOI, the property will have a market value of \$9,000,000 after the contamination is removed. The Discounted Cash Flow Analysis follows. (The Present Worth (PW) Factors are taken from the compound interest tables).

Discounted Cash Flow Analysis

	Year 1	Year 2	Year 3
Potential gross income			
100,000 Square Feet x \$14	\$1,400,000	\$1,400,000	\$1,400,000
Less: Vacancy and collection loss (10%)	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>
Effective gross income	\$1,260,000	\$1,260,000	\$1,260,000
 Operating expenses:			
Management			
8% x \$1,260,000	\$ 100,800	\$ 100,800	\$ 100,800
Utilities	250,000	257,500	265,225
Insurance	75,000	78,000	81,120
Repairs and replacement	60,000	60,000	60,000
Advertising	30,000	31,500	33,075
Asbestos removal	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Total operating expenses	<u>865,800</u>	<u>877,800</u>	<u>890,220</u>
Net operating income	\$ 394,200	\$ 382,200	\$ 369,780

Present Worth of Income Stream and Reversion

Year 1	\$ 394,200	x	.877193	=	\$ 345,789
Year 2	\$ 382,200	x	.769468	=	294,091
Year 3	\$ 369,780	x	.674972	=	249,591
Reversion	\$ 9,000,000	x	.674972	=	<u>\$ 6,074,744</u>
					\$ 6,964,215

Present worth of the property equals \$6,964,215 or \$6,964,200

The assessment should be reviewed annually to verify income, expenses, and cleanup time. The assessor can also use discounting for non-income producing properties by deducting the present worth of the cost to cure the contamination from an estimate of the current uncontaminated market value of the property.

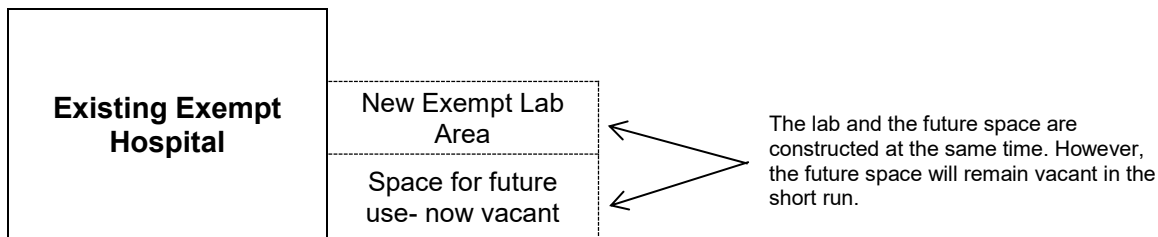
Hospital-Vacant New Construction

The purpose of this section is to advise how to classify newly constructed vacant space that is connected to an exempt hospital. This is building area that is attached to a hospital during a renovation, remodeling, or new construction yet remains unfinished and vacant on January 1st. Hospitals often construct oversize additions to anticipate technological and industrial

changes and to reduce the unit cost of construction. We recommend that this space be exempt as part of the hospital if the following conditions are met:

- The hospital is exempt.
- The space is attached to an existing hospital.
- The projected use of the space is declared in the board minutes, in the general building plans, and in the blueprints and is consistent with exempt hospital use.
- The building specifications and actual construction-to-date include such things as floor load, electrical, HVAC, communication lines, windows, doors, hallways, and gas lines appropriate for hospital space.
- The owner annually declares by affidavit that the space will be used as hospital space that would normally be exempt under statutory and case law.

The example below shows an existing hospital with a new addition to the right of the existing building. Part of the new space will be immediately used as lab area. The other part will eventually be finished as hospital space.



Energy Systems

State Assessment and Taxation

Energy systems may be taxed by the state or the municipality. Sec. 70.112(4), Wis. Stats., provides a general property tax exemption for the property of a utility which is an entity taxed by the state under Chapter 76, Wis. Stats. Secs. 76.28 and 76.48, Wis. Stats., provide for state taxation of light, heat, and power companies, qualified wholesale electric companies, and electric cooperatives. These entities are taxed based upon an annual license fee measured by the gross revenues from the preceding year. If the entity does not qualify as a utility taxed by the state, it is locally assessed and the property is subject to Chapter 70, Wis. Stats., for determining taxability and value subject to tax. Sec. 70.111(18), Wis. Stats., provides an exemption for certain locally assessed energy systems.

Contact the Manufacturing & Utility Bureau (utility@revenue.wi.gov) to verify if a property is assessed by the state.

Additional [utility taxation](#) information is available on the DOR website.

Landfill Valuation Procedures

The following information provides a recommended procedure for valuing landfills. The income approach is used to value landfills due to the lack of sales activity. Central to using the income approach for landfills is the 1994 Wisconsin Supreme Court case *Waste*

Management v. Kenosha County Board of Review. The Supreme Court affirmed the Court of Appeals' decision stating the business value of the landfill was appended to the property, and not independent of it. The Supreme Court also stated that such appended value is inextricably intertwined with the land and is transferred to the new owner when the land sells. The following definitions are provided for this section of the WPAM regarding landfill valuation:

Airspace	A projected amount of cubic yards to be filled with waste.
Airspace Amortization	The annual cost of creating the cell(s).
Capping/Final Cover	A series of layers of cover material placed over solid waste to prevent water infiltration, erosion and gas emissions.
Cell	Landfills are constricted in phases called cells that adjoin one another, separated by a berm to contain leachate. The permitted area is divided into separate cells.
Closure	The period of time after a landfill; has reached its permitted capacity but before it has received certification of closure from a state regulatory agency, during which time certain activities must be performed (i.e., capping, landscaping, etc.).
Closure Allowance	Funds to be set aside annually to cover closure costs.
Daily Cover	Material used to cover the working face of a landfill at the close of each day.
Footprint	The horizontal area (acreage) occupied by the landfill.
Host Community	Town, village, city or county wherein the landfill is located or which is within 1500 feet of the actual fill boundary. May consist of several political units.
Host Fee	Negotiated fees paid to the host communities based on varying formulas.
Landfill	A modern engineered way to deposit waste into the ground while protecting the environment.
Leachate	Liquid that forms as water percolates through waste.
Leachate System	A system in place to collect, control and convey leachate.
Licensed Cell	Cell permitted to receive solid waste.
Licensed Landfill Capacity	Permitted volume (cubic yard) capacity for a specific number of years.
Liner	A clay and/or synthetic protective layer that is placed on both the bottom and top of landfills.

Methane	A gas byproduct generated through natural decomposition of solid waste in landfills.
Post-Closure	A period of time after a landfill is certified closed by a state regulatory agency, until the owner has no further responsibility – generally 30 years.
Post-Closure Allowance	Funds set aside annually to cover post-closure costs.
Solid Waste	Regular garbage from non-industrial sources.
Tipping Fee	A fee paid by anyone disposing of waste in a landfill.
Tipping Fee, Gate	Tipping fee paid by the general public. Higher than paid by related companies.
Tipping Fee, Net	Gate tipping fee less all taxes, surcharges and host fees.
Tipping Fee, Effective	Net fee less volume discounts and contract rates; actual tipping fee income divided by the annual tonnage. It is reported to run between 50 – 80% of the net tipping fee.
Working Face	The active section of the landfill where waste is deposited and compacted.

Landfill Valuation Challenges

The following are challenges assessors face when valuing landfills:

- Landfill data is limited since many are owned by a municipality or county and rarely sell on the open market.
- The absence of sales limits the use of the sales comparison approach.
- Relying on cell costs and remaining licensed fill capacity has led to large fluctuations in assessments.
- A licensed land site is a primary factor in landfill valuation.
- The impact of environmental risks and the monitoring period subsequent to closure are difficult to estimate.
- Values can impact a municipality's compliance with sec. 70.05, Wis. Stats.

Solution

The assessor can use the following methods to overcome the above challenges:

- Use actual income and expense data from the subject property and reasonably comparable properties.
- Develop a value that is based upon several years of income and expense data.
- Recognize that the cap rate must reflect the substantial risks involved.
- Analyze the value during a revaluation and when changes to the economic environment occur.
- Ensure all aspects of the operation are addressed, including exemptions, personal property, land classifications, buffer areas, expansion areas, etc.
- Assessors should consult with the Equalization District Supervisor when valuing landfills.

Benefits

The following are the benefits of using the recommendations in this section:

- Landfill valuation will be uniform throughout the state.
- Appeals and refunds will be reduced.
- Assessors can develop ranges to test percentage of expenses, average tipping fee, etc.
- Section 70.05, Wis. Stats., conflicts will be reduced.

Assumptions

All landfill assets should be classified as commercial with the exception of any acres that qualify for classification as agricultural or agricultural forest. This includes the land used for capped waste storage, current open licensed cells, cells under construction, buffer areas (including previously residential properties which may continue to be rented, waste and woods), and lands purchased for future expansion.

NOTE: Assuming the land does not meet the definition of agricultural land or agricultural forest land, acres where the landfill may eventually expand should be classified as commercial when the licensing process has started for those areas. Additional acres should be classified as undeveloped.

- Consider all sources of income and the related costs. Property taxes and building depreciation are not included in the income approach. Income is the result of the operation of the landfill and includes, but is not limited to: the tipping fees, miscellaneous rentals for existing homes purchased as part of the buffer area, sales of electricity generated by burning methane gas, and sales of composted yard waste.
- Building cell costs should be expensed under 'airspace amortization' without any allocation as a land improvement.
- Since the income approach is recommended, it is important to note that sec. 70.47(7)(af), Wis. Stats., does not allow an appeal to the Board of Review unless the landfill operator provides the assessor with income and expense information.
- The landfill site is presumed to be a long-term entity, routinely requesting additional 'short term' licensed capacity expansions from the DNR. This activity is similar to an office building, routinely renegotiating short-term leases on a long-lived building. The most straightforward approach to valuation is using a stabilized income and expense statement and an overall rate.
- Tipping fees should not be relied upon as a source of comparison since fee configurations may not be evident.
- An outside management fee is recommended at 10% of total gross income as an additional expense.
- The market value calculated from the income approach should be allocated to all the real and personal property assets generating income. This requires allocating to exempt assets (computers and the methane waste treatment equipment), the personal property (reported annually by cost and year of acquisition), land improvements, land currently used in agricultural production, and all remaining land.
- Land devoted primarily to agricultural use shall be assessed according to the use-value guidelines for agricultural assessment. See WPAM Chapter 14 for additional information.
- Unless major changes occur in the personal property value, there is no need to revise the

assessed value for personal property. Since this is an allocated value from the total, a change in the personal property value simply creates an equal, compensating change in the land value.

Background

1. Initial site inspection
2. Initial site report
3. Feasibility report
4. Plan presented to other DNR sections
5. Environmental analysis
6. Public hearing
7. DNR feasibility determination
8. Plan of operation
9. Licensing

Once a license is granted, it must be renewed on an annual basis. The renewal process also requires an updated proof of financial responsibility and feasibility study. Anyone who purchases a landfill must follow the same process. A landfill plan's maximum life is 15 years.

Separate and parallel to licensing is the local negotiation process. The company planning to operate the landfill must negotiate with any municipality that is within 1500 feet of the fill boundary. The agreement with the communities involved will include safeguards and host fees. The calculation of the fee will vary with each agreement.

Agreements may include waste pickup, compensation, and well testing for adjacent property owners. Landfills are typically an ongoing commercial operation consisting of one or more parcels of land and will continually seek to expand. Most landfill operations will consist of one or more capped sites, an active disposal site, expandable areas, buildings, residential and agricultural parcels, personal property, land for secondary operations, buffer areas and parcels held for future expansion. Outside companies usually perform the actual collection of the solid waste. Several related activities may also occur including the collection and sale of methane gas, the generation and sale of electricity, contaminated soil treatment, and yard waste collection.

Most landfills will have an established history and a reasonably predictable future. The assumed intent of a landfill operation is to expand. There is the possibility for expansion as long as there is a demand for the landfill and room to expand. Operators may slow the rate of fill at one site and divert waste to another site to remain in operation until the newest license is granted. It is in their best interest to remain open, even if it results in temporarily diminished returns, because they have existing, long-standing contracts to service and an infrastructure to maintain. It thereby becomes important to stabilize several years of income and expense data.

Landfill Valuation

The goal is to use the best information available, and the correct methodology, to develop a reasonable and accurate estimate of the market value of the fee simple interest of the real estate and the attached rights thereon. A solid waste landfill will typically consist of the following:

1. Licensed site
2. Personal property
3. Buffer areas
4. Support land

Buffer areas provide separation from the operation and surrounding land uses. Support lands contain buildings, roads, wastewater treatment, methane gas recovery, and secondary operations. Since landfills are unique in their individual makeup they are difficult to compare. Each one has a different combination of basic elements; i.e., sources of income, methods of reporting income and expenses, stage of development, etc.

Landfill appraisals prepared for property owners and taxing jurisdictions show extreme differences in value. With a landfill, value lies with the actual license; i.e. the right to deposit solid waste in a landfill, which was confirmed by the Wisconsin Supreme Court. As mentioned previously, the Supreme Court affirmed the Court of Appeals' decision, which stated that the business value of the landfill was appended to the property, and not independent of it. The Supreme Court also stated that such appended value is inextricably intertwined with the land and is transferred to the new owner when the land sells.

A landfill license must be renewed annually or upon sale, however, the renewal process is relatively straightforward compared to the original license process. The owner's right to deposit solid waste onto the property is what makes the potential income stream possible. When the property is sold or transferred, the ability of the land to produce income would not be retained by the grantee. The grantee may or may not retain existing contracts, which could require the grantor to build a customer base. However, the right to generate income remains with the property. Even though the license must be renewed, it cannot be sold or transferred separate from the real estate. The value derived from this license remains inextricably intertwined with the land and should be valued accordingly.

Landfills are unique, special purpose properties. Sales of active landfills are rare, difficult to analyze, and highly suspect arm's-length transactions. Potential buyers and sellers are part of a small, select group. For these reasons, the Court questioned the usefulness and reliability of the market and cost approaches to value. What remains is the income approach. Since landfills are not leased, the best source of income and expense data is the owner-operator income and expense statements.

NOTE: Although the income approach is recommended, assessors should consider all three approaches to value in determining, supporting, and defending the final value.

Income Approach

All landfills have a physical plant consisting of land, improvements, personal property, and possibly other items that contribute to the generation of income. The operation incurs expenses necessary to generate the income stream. The difference is a net operating income that can be capitalized into an estimate of market value.

The assessor should request operating income and expense statements over a number of years from the landfill operator. This should include all income and expenses relating to that particular operation. These would include but are not be limited to tipping fees for depositing waste, gas recovery, the generation and sale of electricity, the treatment of leachate and the mulching of yard waste. Pre-tax values should be averaged in order to obtain normalized figures that limit the impact of any one year.

Landfill sites can occasionally experience large fluctuations in annual volume intake and income due to such occurrences as a tornado, a large construction project or while waiting for the completion of a new expansion area. This is exhibited by an abnormally high spike or low depression in the income stream for one or more contiguous years. When this happens, look to the prior and post event annual income for your normalized numbers. This method will help avoid major year-to-year fluctuations in value.

Landfill operations that have not reached their physical limitation are expected to expand. The direct capitalization method assumes a steady and uniform income stream over the life of the property. The estimated market value, using this capitalization method, is calculated by dividing the net operating income (NOI) by the overall rate. This is the value of the land, land improvements, personal property, and exempt property that pertain to the income stream. Excess land that is classified undeveloped should be excluded. Cell improvements are considered an annualized expense and not capital improvements. The overall rate should account for the unpredictable future of a landfill's income stream.

The expansion process is complex, costly, time consuming, and may not succeed. The assessor should consider the site's expansion history, expansions that are in-progress, the owner of the expansion area, and the status of the landfill's physical limit. Keep in mind that future expansion increases liability.

The analysis assumes that the landfill will continue in operation indefinitely or at least into the foreseeable future. However, in the event that the operation is approaching final closure, the risk factor is lower and the overall rate applied should be lower than that used in the direct capitalization method. In this case, the more appropriate capitalization method would be the discounted cash flow method. This method assumes a finite, steady or variable income stream. It sums the present worth of annual income over the remaining life of the property. The value of the property at the final closure, if any, is called the reversion. The assessor should estimate the present worth of the reversion and include it in the final estimate of value.

A. **Total gross income:** The income maybe classified into the following categories: tipping fees, recycling, methane gas, electricity and other. Income can also be divided into external and inter-company. External income, or tipping fees, is generated from an outside hauler, recycling and other income. Inter-company income is income paid by the company haulers to the landfill. These haulers are subsidiary companies and report income and expenses as separate entities within the company (which internally requires each entity to show its own profit). While they pay a lower fee to the landfill than outside haulers, generally the discounted income reflects volume discounts. The income and expenses from gas recovery and power generation should also be included.

B. **Expenses:** All the expenses should be related to the landfill operation. An additional expense for outside management is recommended at 10% of total gross income. This is an expense incurred by the overlying corporation and not reported in the landfill's operating expense statement. The expense captures corporate management beyond the actual cost to operate the landfill.

Allowed Expenses

- 1. Airspace amortization:** this is an annualized expense to cover the cost of cell construction. The cells are not considered capital improvements. When reporting for tax purposes, operators will amortize actual expenses for cell improvements. The reported figures should be interpreted as a reserve for replacement rather than an amortized expense. Since the income stream is tied to the rate at which the cell is filled in a given year. This expense can be recaptured or set aside for future cell construction in the form of a sinking fund.
- 2. Closure and post closure:** these are funds mandated by the DNR and set aside for closure and post closure costs. They are based on the amount of developed cell space. They cover typical maintenance; e.g. repairing earth slides and monitoring. They do not cover the cost of unpredictable, future expenses that are more properly associated with the risk involved in a landfill operation. Refer to the discussion on the capitalization rate.
- 3. Host fees:** host fees are paid to municipalities where the landfill is located and any other municipality that is within 1500 feet of the actual fill boundary. Fees will vary and are incorporated into host agreements. Adjacent property owners may also receive payments to compensate for property value loss and emotional distress.

Disallowed expenses: When normalizing expenses certain items are disallowed because they either do not pertain to the income stream or because they have been considered elsewhere in the process. Building depreciation is a disallowed expense, because all buildings and site improvements have already been depreciated within the income approach. Property taxes are included in the overall capitalization rate and are disallowed as an expense. Equipment purchased is also excluded because equipment is a depreciating asset treated as personal property.

Total expenses: The total of the allowed expenses.

C. Net operating income: Income remaining after deducting all allowed expenses and an allowance for outside management. It is based on the analysis of historic income and expense trends reported by the company. This is the income to be capitalized in the income approach. The operation is more than just the cells that hold the solid waste. The entire income stream, derived from the operation, minus all related, legitimate expenses, should be used in calculating a net operating income. The operation includes all contiguous parcels, all improvements, personal property, and exempt property.

D. Capitalization rate/Overall rate:

Discount rate and risk: The development of an appropriate discount rate for this property is complicated by a limited investment market for high-risk properties, a scarcity of collected data and the complexity of these types of operations. First, the assessor should examine available discount rates for real estate investments at the high end of the range. These pre-tax rates are available from a variety of entities that conduct quarterly surveys for non-institutional grade investment type properties.

Typically, other real estate investments have a lower rate of risk than a landfill investment. There are unknown future liabilities: political, policy, and public opinion changes; more stringent regulations; and possibly additional taxes and fees. Given the changes that have

taken place in the area of solid waste disposal in the last twenty years, one can only assume that this complex industry will continue to change, which contributes to the risk involved. Theoretically, liability for this type of property will probably never end. On the other hand, a well-developed and managed site should eventually stabilize after capping, with a diminishing risk over time.

The overall rate for capitalizing the income stream will be high and may range from twenty to thirty percent. The overall rate allows for the recapture of the depreciable portion of the investment over the remaining economic life of the asset and any property taxes paid by the operation. Direct capitalization is recommended.

E. Assignment of value: For the assessor, the project does not end with the establishment of the estimated fair market value of the operation. Value must be assigned to the various components of the operation: land, buildings, other site improvements, personal property and exempt property. It is recommended that all parcels receive commercial classification, with the exception of qualifying agricultural land and agricultural forest land and excess expansion land that should receive undeveloped classification. The assessor should evaluate all parcels of the landfill operation.

Taxable personal property: The estimated market value of the personal property associated with the operation as reported by the landfill company and reviewed by the local assessor.

Exempt property: All property exempt as waste treatment or computers.

Building and minor site improvements: The estimated market value of the depreciated building structures and other minor site improvements such as paving, well and septic systems, fencing, etc.

Land residual value: The value remaining after removing the above items from the total estimated market value is the land residual value. This is the value of all the contiguous land parcels. Divide this value by the number of total acres to obtain the average value per acre. This value includes any current and closed cells. This per-acre value is applied to all non-agricultural acres. Agricultural land is assessed with the appropriate use-value. Any agricultural forest or undeveloped lands should be valued at one-half of the calculated per acre market value.

While individual components may fluctuate in value from year to year and alter the residual value, the overall value of the operation should remain the same between revaluations. However, if a property experiences a major economic change such as the end of its economic life, the assessor should review the overall value.

F. Conclusion: A landfill appraisal encompasses more than just the value of land and buildings but rather how the land and buildings can be used. Along with some of the land goes the right to store solid waste. This right in the form of a license is what generates income and thus value in a landfill operation. Unless a landfill has reached its physical limits, it should be considered an ongoing process.

All three approaches to value should be considered. Since landfill sales activity is limited, the income approach will be preferred over other approaches. Landfill valuations should be based upon owner-operator income and expenses since landfills are typically owner occupied and not leased.

Income and expenses should be collected for several years and normalized. The purpose of normalizing is to allow for any short term or annual fluctuations in the data. This technique provides for a steady income stream over several years. For example, waste intake may slow down as a landfill approaches capacity and speed up when a new expansion area is licensed and built. The sale of the subject could also lead to a slowdown in the income stream while the new owner applies for a license and establishes a clientele. Income could also spike in a given year due to a large demolition project or a local tornado. Averaging multiple years of income and expenses, or time adjusting them to an appraisal date, provides a better estimate.

Cable Television

Introduction

Cable television (also called CATV or community antenna television) began broadcasting in 1948. It was developed to reach communities unable to receive television signals due to terrain or distance from TV stations. The cable industry has since upgraded its infrastructure. Cable services have been expanded to include interactive and high definition digital services, advanced broadband services including high-speed Internet access, digital video, interactive television and competitive local telephone services. The cable TV network can be used for connecting a computer or a local network to the Internet, competing directly with DSL (Digital Subscriber Line) technology. This type of network is classified as HFC (Hybrid Fiber-Coaxial), as it uses both fiber optics and coaxial cables. Digital cable made cable boxes more of a necessity as it provided channels that cable-ready televisions could not receive. Digital cable convertor boxes are exempt digital equipment. This industry continues to expand by providing high quality innovative programming.

The local assessor is responsible for assessing taxable assets of a cable TV portion of a system, which may also include telephone service. The Department of Revenue (DOR) is responsible for the assessment and taxation of telecommunication providers. See WPAM Chapter 18 for detailed information. Personal property may be assessed at the local level or by DOR. See WPAM page 18-33 for classifying personal property of companies performing multiple activities. Examples include separate and distinct cable television activity (non-telecommunications) at a locally assessed telephone company.

State Assessment and Taxation

Cable television equipment may be subject to local assessment and taxation or state assessment and taxation. Equipment is taxable by DOR's [Manufacturing and Utility Bureau](#) if owned by a telecommunications company and has multiple uses (e.g., cable television). Contact the Manufacturing & Utility Bureau at utility@revenue.wi.gov to determine if property is assessed by the State. See Chapter 18, pages 18-35 to 18-42.

Note: all telecommunications property is subject to special assessments under secs. 76.28(9) and 76.48(1r), Wis. Stats. See the DOR website for additional [utility taxation](#) information.

Data Collection and Review

To assess a cable TV system properly, the assessor needs to gather information on the assets involved in operating the cable TV system. Chapter 19 details Data Collection and Review procedures for all types of personal property. The assessor should refer to this chapter for guidance. Assets of the cable TV franchise are captured on the PA-003. Furniture, fixtures and NON-digital equipment should be entered on this form. The assessor should provide the PA-003 to the cable TV vendor at the same time all other PA—003's are delivered. The assessor should allow the cable TV firm to provide alternative depreciation schedules on the PA-003 which reflect any rapid obsolescence.

Cable Television Valuation

Cable television systems generally cross municipal boundaries, as they are owned by regional or national corporations. Valuation of a cable television companies assets would best be done following practices used by DOR when valuing telephone properties and utility properties (Chapter 18) that extend beyond municipal boundaries. The assessor will need to arrive at separate values for the real and personal property located only within the municipality being assessed. Because of the exemption of digital broadcasting equipment used in cable TV applications, the identification of taxable property through reporting becomes critical. Value the property using the same approach applied to other commercial property.

Real Estate

The assessor may value the real estate of the cable TV system by the sales, cost, or income approaches to value. The approach to use depends upon the information available.

The assessor should value the land in the same manner as other land and should reflect the market value of other land in the area.

Typically, the buildings of a cable system will be similar to other commercial buildings. Part of the building will consist of office area. The cable system also requires an area for the electronic equipment. This will usually be a large warehouse area.

Towers

Towers can generally be categorized into three major types; guyed, self-supporting, and monopole. Typical tower heights will vary between 100 and 250 feet. The type of tower erected will depend on many factors including:

- Topography
- Soil conditions
- Land use and availability
- Tower height required
- Wind loading (maximum forces that may be applied to a structural element by wind)
- Ice loading (maximum forces that may be applied to a structural element by ice)
- Zoning

Typically, towers are valued using the cost approach, using a fixed asset schedule. If the assessor becomes aware of a sale of a tower which is comparable to a tower used for cable TV systems, the market approach to tower valuation is appropriate. The assessor should make adjustments between the sale property and tower under consideration, to arrive at a market value.

Equipment Shelters

Equipment shelters found at the base of communication towers are primarily prefabricated structures that are transported to the site although they can also be built on site. The site built equipment shelters are generally wood frame or concrete block construction and are finished to meet the particular function they are serving. The prefabricated shelters are constructed of steel, fiberglass, or concrete aggregate wall material. They can be installed on steel I-beams, concrete piers or concrete pad. The structures are delivered to the site by truck and installed with a boom truck or crane. They generally have factory installed wiring, HVAC, humidity control, and an exterior generator plug.

These structures can be valued using the market approach, taking into account their limited alternative uses; the income approach, if rented; and the cost less depreciation approach. Frequently these structures reported on the Statement of Personal Property. Whether assessed as Real Estate or Personal Property, the value should be similar for similar structures.

Unique Features

The cable system real estate may have some unusual features. This may include unusual power supplies for the electronic equipment and additional storage buildings for vehicles and cable equipment. In addition, there may be additional costs for laying the cable and installing concrete supports for towers and antennas. These items may make it difficult to find comparable sales and rentals.

The assessor may apply the cost approach by using a cost manual or recent actual construction costs. When using the actual costs for new systems, include all productive and necessary costs incurred to make the cable system operational. The following are examples of some of these costs.

- Interest on construction loans or other interest in building the system. All interest expense directly related to constructing the project should be capitalized and included in the cost.
- Project development costs.
- Management and insurance costs incurred during construction.
- Legal fees and taxes.
- Leasing costs, promotion, and publicity.
- Sales staffs' salaries and commissions.
- Costs associated with installing the distribution system. This includes labor, tree trimming, pole rearrangement and trenching incurred while installing the distribution system. The assessor should make sure that these costs are capitalized and included with the distribution system.

The procedures for applying the market and income approach are the same as for other commercial property. The assessor should refer to the Commercial Valuation section of this chapter for more information on applying these two approaches.

Personal Property

The digital equipment essential for cable TV operations is exempt under sec 70.111(25). The remaining taxable personal property may be valued by either the cost, income, or sales approach, just as any other personal property located at a commercial business. The cost approach to value involves the use of Composite Conversion Factors. WPAM Chapter 17 contains a detailed explanation of Composite Conversion Factors. This approach multiplies the original cost of the equipment by the proper factor for the type of equipment and year of acquisition. There is some taxable personal property unique to the cable television industry, and if it is present, the following economic lives are recommended:

- 12-Year Life - Metallic cable
- 17-Year Life - Fiber optic cables and poles
- 25-Year Life - Towers

Summary

Because cable television systems generally extend across municipal boundaries, and include both taxable and exempt property, the assessor must carefully determine the contributory value of only the taxable elements of the franchise in making the assessment. The market, cost, and income approach can be useful in development of the assessed value of the real estate, similar to other commercial property. The cost less depreciation method may yield the most defensible value of the taxable personal property.

Glossary of Telecommunications terms in this chapter

<https://transition.fcc.gov/glossary.html>

Chapter 14

Agricultural Valuation

In 1974, the State Legislature amended the Rule of Uniform Taxation in the Wisconsin Constitution to permit the preferential treatment of agricultural land. The 1995-97 Budget Act changed the standard for assessing farmland in Wisconsin. The goal of this legislation, known as use-value assessment, is to protect Wisconsin's farm economy and curb urban sprawl by taxing farmland based upon its agricultural productivity, rather than its potential for development.

Specifically, the value of agricultural land for assessment purposes was changed from market value to use-value. In a use-value assessment system, an agricultural property's use is the most important factor in determining its assessment classification.

The International Association of Assessing Officers (IAAO) textbook, *Property Appraisal and Assessment Administration*, defines "use-value" as "the value of a property for a specific use." In other words, the use-value of a particular parcel of real estate is directly related to the contributory value of the enterprise located upon it. The use-value legislation passed in 1995 requires that the assessed value of farmland be based on the income that could be generated from its rental for agricultural use. The income and rental from farming of comparable land are a function of its agricultural capability. Because any land could theoretically be used for agricultural purposes, statutes and administrative rules limit the benefit of use-value assessment to only those lands that qualify as "land devoted primarily to agricultural use."

The following discussion highlights the law changes relating to the assessment of agricultural land.

Statutory Changes

It is important for assessors to remember that the assessment process is an evolving activity. Statutory changes are made often. At times the statutory changes may be in conflict with The Wisconsin Administrative Rules. In cases of conflict the assessor must follow the state statutes.

Just such a conflict exists with the inclusion of short rotation woody crops in the agricultural class. 2009 Wisconsin Act 401 created sec. 70.32(2)(c)1i, Wis. Stats., which states, "Agricultural use' means agricultural use as defined by the department of revenue by rule and includes the growing of short rotation woody crops, including poplars and willows, using agronomic practices." Act 401 also created sec. 70.32(2)(c)1k, which states, "Agronomic practices' means agricultural practices generally associated with field crop production, including soil management, cultivation, and row cropping."

Wisconsin Administrative Rules Tax Chapter 18 specifically excludes short rotation woody crops from the agricultural class.

Sec. 70.32(2)(c)1d, Wis. Stats., which defines the Agricultural Forest class of property, was amended by 2003 Wisconsin Act 230 and was effective January 1, 2005.

Agricultural Forest is “land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions:

- a. It is contiguous to a parcel that has been classified in whole as agricultural land under this subsection, if the contiguous parcel is owned by the same person that owns the land that is producing or is capable of producing commercial forest products. In this subdivision, ‘contiguous’ includes separated only by a road.
- b. It is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1, 2004, and on January 1 of the year of assessment.
- c. It is located on a parcel at least 50 percent of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.”

The assessor should refer to the 2004 assessment roll, which is available from the municipality, to determine if a parcel contained agricultural land on January 1, 2004. “Agricultural forest” classification examples are provided in Appendix 11-D, Agricultural Forest.

Sec. 70.32(4), Wis. Stats., specifies how Agricultural Forest is valued for assessment purposes. Sec. 70.32(4), Wis. Stats., states, “Beginning with the assessments as of January 1, 2004, agricultural forest shall be assessed at 50% of its full value, as determined under sub. (1) ...”

After determining the full value of the Agricultural Forest land in accordance with sec. 70.32(1), Wis. Stats., state case law, and professionally accepted appraisal practices, the value is reduced by 50% under sec. 70.32(4), Wis. Stats.

The eight classes of real property as of January 1, 2004 are:

1 – Residential 3 – Manufacturing 5 – Undeveloped land 6 – Productive Forest Land
2 – Commercial 4 – Agricultural 5m – Agricultural Forest 7 – Other

Farmland Advisory Council

The legislation authorizing use-value assessment provided for the creation of a Farmland Advisory Council. The Secretary of Revenue chairs the ten member council and its other members represent agricultural, financial, academic, assessment, environmental, and governmental interests. Section 73.03(49), Wis. Stats., outlines the duties of the farmland advisory council. The law directs the council to perform the following:

- advise DOR on the rules and guidelines for the *Wisconsin Property Assessment Manual* regarding implementation of use-value assessment of agricultural land.
- recommend to the legislature a penalty for converting agricultural land to another use.
- annually report to the legislature on the effectiveness of use-value assessment as a way to preserve agricultural land and reduce its conversion to other uses.
- recommend a method of adjusting the shared revenue formula and other formulas using equalized values to compensate taxing jurisdictions adversely affected by use-value assessment.
- calculate the federal land bank’s 5-year average capitalization rate and per-acre values for agricultural land based on estimated income from rental for agricultural use.
- work cooperatively with the Governor’s Interagency Land Use Council.

Charge for Converting Use

When land that is classified as agricultural under sec. 70.32(2r), Wis. Stats., sells and remains in an agricultural use as defined by rule, there is no fee. When land that is classified as agricultural under sec. 70.32(2r), Wis. Stats., changes use and is no longer eligible for agricultural classification the property owner is subject to a conversion charge under sec. 74.485, Wis. Stats. Land changing from Agricultural (class 4) to Undeveloped (class 5), Agricultural Forest (class 5m), Productive Forest Land (class 6), or Other (class 7) is not subject to a conversion charge. Under sec. 74.485(9), Wis. Stats., the county administers the penalty.

Assessors must use caution when removing lands from the agricultural classification if the properties are experiencing either drought or flooding. The assessor should look at the history of the property, the intent of the property owner and the conditions of nature when determining whether the property should be removed from the agricultural classification. For example, if historically the property owner removed hay from the land, but due to a drought or flooding was unable to cut hay on the property for one year, the assessor should take this into consideration before deciding if they should remove the property from agricultural classification.

Scenario 1 – 2014 Assessment

- 120 acres is compatible with agricultural use on the 2014 assessment date, 1/1/14
- The 120 acres has been historically devoted primarily to a qualifying agricultural use
- 50 acres of the 120 was flooded during the spring of 2013
- The 50 acres was not able to be devoted primarily to a qualifying agricultural use during the 2013 production season due to the flooded conditions
- The remaining 70 acres were devoted primarily to a qualifying agricultural use
- The 50 acres as well as the 70 acres are all intended to be devoted primarily to a qualifying agricultural use for the 2014 production year

DOR recommends the assessor maintain the 50 acres as agricultural for 2014. The assessor needs to review during 2014 for the 2015 assessment as part of the required annual classification determination process.

Scenario 2 – 2014 Assessment

- 120 acres is compatible with agricultural use on the 2014 assessment date, 1/1/14
- The 120 acres has not been historically devoted primarily to a qualifying agricultural use. The 120 acres has had agricultural and undeveloped classifications. Agricultural classification applied when the land was devoted primarily to a qualifying agricultural use during the production season. Undeveloped classification applied when the land was not devoted primarily to a qualifying agricultural use.
- 50 acres of the 120 was flooded during the spring of 2013
- The 50 acres was not able to be devoted primarily to a qualifying agricultural use during the 2013 production season due to the flooded conditions
- The remaining 70 acres were devoted primarily to a qualifying agricultural use
- The intended use for the 2014 production year is not certain for all 120 acres

DOR recommends the assessor classify the 70 acres as agricultural and the 50 acres according to the provisions in Chapter 7. The assessor needs to review during 2014 for the 2015 assessment as part of the required annual classification determination process.

Conversion Charge Calculation

The charge for a change in use is provided under sec. 74.485(2), Wis. Stats.

Assessors shall inform the county treasurer and the real property lister of all sales of agricultural land located in the county. No later than 15 days after the BOR has adjourned, the assessor shall also deliver to the county treasurer all information necessary to compute the conversion charges. The county treasurer will compute the conversion charge based on the formula listed below.

Number of acres converted	X	The County's prior year average fair market value of an acre of agricultural land	Minus	The County's prior year average Equalized Value (use value)* of an acre of agricultural land	X	5% if >30 acres or 7.5% if 10 – 30 acres or 10% if <10 acres
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*Provided by the Department of Revenue

DOR has computed the dollar per acre charge for each county. The Agricultural Land Conversion Chart is available on the DOR website. The chart can be used to estimate the amount of a conversion charge if a property owner desires to do so.

Conversion Charge Payment

Payment of the conversion charge is provided under sec. 74.485(5), Wis. Stats. The charge is paid to the county treasurer where the property is located no later than 30 days after the assessment of the charge. One percent interest per month is added to conversion charges that are not paid timely. The county collects unpaid charges as a special charge against the land.

Exceptions

Sec. 74.485(4)(a), Wis. Stats., states that payment is not required when the calculated penalty amounts to less than \$25 per acre. Additionally, the owner is not penalized when land has been valued under sec. 70.32(2r), Wis. Stats., and is converted to the following uses:

- Under sec. 70.32(2)(a), Wis. Stats., 5 Undeveloped Land
- Under sec. 70.32(2)(a), Wis. Stats., 5m Agricultural Forest
- Under sec. 70.32(2)(a), Wis. Stats., 6 Productive Forest Land
- Under sec. 70.32(2)(a), Wis. Stats., 7 Other

Deferral

Sec. 74.485(4)(b), Wis. Stats., provides for deferral of the conversion charge. If a conversion charge is due under sec. 74.485(2), Wis. Stats., the county treasurer where the property is located may defer the payment if the land will be used as agricultural under sec. 70.32(2)(c)1g, Wis. Stats., in the succeeding tax year. If the land is devoted primarily to an agricultural use in the succeeding tax year no conversion charge is due. However, if the land

is not in an agricultural use in the succeeding tax year, the owner who received a deferral shall pay the conversion charge plus one percent interest per month from the date of deferral to the date of payment.

Notice by Seller

When selling land classified as agricultural, the seller must inform the buyer of the following under sec. 74.485(7), Wis. Stats.

- The land has been assessed as agricultural under sec. 70.32(2r), Wis. Stats.
- If conversion charge has been imposed upon the person selling the land.
- If a conversion charge payment deferral has been granted to the person selling the land.

Appeal of Conversion Charge

Section 74.485, Wis. Stats., did not address the issue of the property owner's ability to appeal the conversion charge once it is issued. Assessors are required to include the Agricultural Land Conversion Charge notice, PR-298, with the Notice of Changed Assessment if they reclassify agricultural land to a class that does not qualify for use value.

If the property owner does not agree with the change in classification, they must contact the assessor, attend open book, or appeal the classification at BOR. Note: 2017 Wisconsin Act 68, effective November 27, 2017, requires a 7 day period between open book and board of review. Section 70.47(1), Wis. Stats., states in pertinent part: *The board of review shall met annually at any time during the 45-day period beginning on the 4th Monday of April, but no sooner than 7 days after the last day on which the assessment roll is open for examination under s. 70.45.*

This is the only time the property owner will be able to appeal the conversion charge. The [Agricultural Land Conversion Charge](#) notice is available on the DOR website.

Distribution

The county where the property is located administers the penalty for conversion of agricultural land. Sec. 74.485(6), Wis. Stats., provides specification on the distribution of the conversion charge. The county that collects the charge distributes 50% of the charge to the taxation district where the property is located. When land subject to a conversion charge is located in two or more taxation districts, the county distributes 50% of the charge to the taxation districts based upon the equalized value of the land subject to the charge. If the land was annexed into an adjoining taxation district during the two years preceding the conversion charge, each taxation district receives 50% of the 50% from the county.

Role of the Municipal Assessor

During the annual assessment process, the assessor should be aware of changes in the use of agricultural land. As provided by sec. 74.485, Wis. Stats., lands changing from an agricultural use to residential, commercial, manufacturing, or exempt is subject to penalty. After the Board of Review is complete, the municipal assessor is responsible for providing the information necessary for the County Treasurer to issue the conversion charge, including conversions to manufacturing use. When a sale of land in an agricultural use occurs, the

assessor should note if a change in use occurs and who changes the use, the grantor or the grantee. The following information should be provided by the assessor to the County Treasurer:

- Provide the name of the property owner at the time the change in use occurred.
- When available, provide the mailing address of the property owner who changed the use of the land.
- Provide the current use (classification) of the acres previously devoted to agricultural use.
- Provide the parcel number.
- Provide the number of acres no longer in an agricultural use.

DOR provides a form for sending [conversion charge information](#) to the County Treasurer. Additional information is provided in Appendix 11-C, Use-Value Penalty.

The following Dane County example is for illustrative purposes only.

Example

July 1, 2002	January 1, 2003	May 1, 2003	July 1, 2003	January 1, 2004	October 2004
<ul style="list-style-type: none"> • 50 acres of land in Dane County is primarily devoted to an agricultural use (sec. 70.32(2)(c)1g, Wis. Stats., & Tax 18.05) during the production season. 	<ul style="list-style-type: none"> • The 50 acres of land is not in a use incompatible with agricultural use on the assessment date. • The land was in an agricultural use during the prior production season. • The land is classified agricultural and assessed at its use-value for the 2003 assessment year. 	<ul style="list-style-type: none"> • The 50 acres of land sells. 	<ul style="list-style-type: none"> • The 50 acres of land is excavated for commercial development • The land is no longer primarily devoted to an agricultural use. 	<ul style="list-style-type: none"> • The land is in a use incompatible with agricultural use on the assessment date. • The land is assessed at its market value and classified as commercial. • A penalty is due under sec. 74.485(2), Wis. Stats. 	<ul style="list-style-type: none"> • The municipal Board of Review is complete. • The following information is provided by the assessor to the County Treasurer. • Parcel number • Owner's name and mailing address at time of conversion • Number of converted acres (excluding conversions to class 5, 5m, 6 & 7) • The County Treasurer issues the penalty.

According to DOR, the 2004 charge for converting more than 30 acres in Dane County is \$181 per acre. Penalty = 50 acres @ \$181/acre = \$9,050. According to sec. 74.485(5), Wis. Stats., the penalty is due to the county 30 days from issuance. Unpaid conversion charges are added to the property tax bill as a special charge.

Full Valuation Compliance

Sec. 70.05, Wis. Stats., describes the full valuation compliance requirements by which assessors must perform their work. Sec. 70.05(5)(a)1m, Wis. Stats., was changed to redefine “class of property” to agree with the changes made to sec. 70.32(2)(a), Wis. Stats., previously described. For the purposes of monitoring assessor compliance with full value requirements under sec. 70.05, Wis. Stats., agricultural land is not considered in compliance measurements. Compliance is measured using the following classes of property only: (1) residential, (2) commercial, (3) the sum of undeveloped land, agricultural forest, productive forest and other, and (4) personal property.

Assessment of Agricultural Property Beginning in 2000

For the 2000 assessment year and beyond, the assessment of agricultural property will be performed according to the statutory provisions in sec. 70.32(2r)(c), Wis. Stats. All parcels of agricultural land shall be assessed at full use value. Chapter Tax 18 - Subchapter II establishes the definitions and provides the criteria to implement the assessment of agricultural land. The following definitions will guide the assessor in the creation of an assessment roll.

Definitions

Please see [Chapter Tax 18](#) for relevant definitions to use in concert with applicable statutes.

Classification

Under Wisconsin’s agricultural assessment law and the passage of Act 33, the classification of a property can affect its assessed value. Therefore, assessors must carefully review the classification of all property to assure that land classified agricultural conforms to sec. 70.32(2)(c)1g, Wis. Stats., and the definitions in Chapter Tax 18. Although an injunction, contract, or ordinance may be presented to argue how the property is supposed to be used, actual use controls whether property qualifies for agricultural or any other classification for tax assessment purposes. In order to obtain agricultural use classification, the property owner must meet the definition of agricultural use set forth in state law. *Thoma v. Village of Slinger*, 2018 WI 45. A business purpose is not required for agricultural classification so long as land is devoted primarily to "agricultural use" as defined by state statutes and administrative rules. *Ogden Family Trust v. Town of Delafield*, 2019 WI 23. Any use that prevents land from being placed in an agricultural use (cropland or pasture) precludes its classification as class 4 (agricultural) land. For example, land left fallow or unpastured in the prior production season is not “land devoted primarily to agricultural use” (Ch. Tax 18.05(4)) and should be classified according to sec. 70.32(2), Wis. Stats. as undeveloped (class 5), agricultural forest (class 5m) or productive forest land (class 6).

Agricultural - Class 4

Chapter Tax 18.06 (1) offers assessors the following guidance to assist with the general classification of agricultural land:

“An assessor shall classify as agricultural land devoted primarily to agricultural use. Land devoted primarily to agricultural use shall typically bear physical evidence of agricultural use, such as furrows, crops, fencing or livestock, appropriate to the production season. If physical evidence of agricultural use is not sufficient to determine agricultural use, the assessor may request of the owner or agent of the owner such information as is necessary to determine if the land is devoted primarily to agricultural use.”

Assessors should carefully consider all relevant factors and definitions when determining land classification. Class 4 agricultural includes all unimproved property used for farming. Agricultural land includes land that produces a crop or supports livestock. When evaluating a farm, assessors will first need to identify agricultural land. To be classified as agricultural land (Class 4), a parcel must be “devoted primarily to agricultural use.” An “agricultural use,” as defined in Chapter Tax 18.05(1), includes any activity listed under the North American Industrial Classification System subsector 111 Crop Production and 112 Animal Production, growing Christmas trees or ginseng, and land eligible for enrollment in specific federal agricultural programs. It is not necessary for a parcel to be zoned as agricultural in order to be classified as agricultural for assessment purposes. Municipal zoning is not an adequate reason to deny the agricultural classification. Determination of agricultural status is based solely on whether use of the parcel is agricultural in nature.

Agricultural Classification Using NAICS

For land to be eligible for classification as “Agricultural,” the activities and use of the property must fit within the definitions contained in Chapter Tax 18.05. Usually, the agricultural use of a property will be obvious.

Chapter Tax 18.05 refers to subsectors 111 & 112 of the North American Industry Classification System (NAICS) of the U.S. Office of Management & Budget for defining most of the “agricultural uses” that may make land eligible for classification as “agricultural” land for assessment purposes. Consulting the NAICS manual definitions will assist the assessor in determining whether a particular use is an “agricultural use” and whether the property has “land devoted primarily to agricultural use.”

Under the NAICS an “establishment” is described as “a single physical location, where business is conducted or where services or industrial operations are performed...” Agricultural establishments within NAICS Sector 11--Agriculture, Forestry, Fishing, and Hunting, include those primarily engaged in agricultural production. Farms are the establishment units used for the industrial classification of agricultural production. A farm may consist of a single tract of land or several separate tracts that may be owned or leased by one or more persons, or a partnership, corporation or other type of organization. Each operating establishment is assigned an industry code based on the primary product or group of products produced.

The NAICS Manual classifies establishments primarily engaged in crop (subsector 111) or livestock and livestock product (subsector 112) production when production accounts for 50 percent or more of the total value of sales for its agricultural products. Establishments with 50 percent or more crop or animal production with no one product or family of productions of

an industry accounting for 50 percent of the establishment’s agricultural production are treated as general combination crop farming classified in Industry 11199 “All Other Crop Farming,” or Industry 11299 “All Other Animal Production.”

The NAICS classifies maple sap gathering, Industry #111998, a crop industry. Use value applies to maple sap gathering acres when the producer practices the maple sap industry standard of tapping all qualifying acres every year. In accordance with Chapter Tax 18.05, the producer needs to be actively tapping and gathering sap in the prior production year. The number of trees tapped in a given area needs to be extensive enough such that the acreage is considered primarily engaged in maple sap gathering. Land devoted primarily to maple sap gathering is categorized according to the soil type.

Establishments engaged in raising ducks, geese, pheasants, and quails are included in Industry #112390 "Other Poultry Production." Establishments in industry #112390 raise or fatten these domesticated animals for the sale of the animals or the products they produce. Poultry, like other farm animals, are confined in buildings and within fenced areas. Land devoted primarily to the keeping and grazing of poultry is considered an agricultural use. Please view the pasture section later in this chapter for more information. Land devoted primarily to poultry production is categorized according to the soil type.

Several uses of land may seem agricultural on the surface, but fail to meet the definitions in Chapter Tax 18.05 and, thus, are not eligible for classification as “agricultural” land. Some examples of uses that are not “agricultural uses” include those listed in the following NAICS sector and subsector groups:

<p>Sector 11. – Agriculture, Forestry, Fishing, and Hunting</p>	<p>Sector 61. – Educational Services</p>
<ul style="list-style-type: none"> • Timber tract operations (for sale of timber), (113110) • Forest nurseries (for reforestation) and gathering of forest products (barks, needles, moss, etc.), (113210) • Fishing preserves (114210) • Game preserves (114210) • Hunting preserves (114210) • Game propagation (114210) • Support activities for animal production (115210) <ul style="list-style-type: none"> - boarding horses - training horses • Support Activities for Forestry (115310) 	<ul style="list-style-type: none"> • Riding instruction academies & schools (611620)
<p>Sector 54. – Professional, Scientific, & Technical Services</p>	<p>Sector 71. – Arts, Entertaining, and Recreation</p>
<ul style="list-style-type: none"> • Animal hospitals & shelters (541940) 	<ul style="list-style-type: none"> • Racetrack operation: e.g., horse, dog (711212) • Horses, race: training (711219) • Racing stables, operation of (711219) • Fishing piers & lakes, operation of (713990) • Rental of saddle horses (713990) • Riding stables (713990)
	<p>Sector 81. – Other Services</p>
	<ul style="list-style-type: none"> • Boarding kennels (812910) • Training animals (812910)

The aforementioned activities are those of commercial, rather than agricultural establishments. The important distinction is that land used for any of these activities is not used for the production of crops, livestock or livestock products.

The industries in subsector 114, (Fishing, Hunting and Trapping), harvest fish and other wild animals from their natural habitats. These industries are dependent upon a continued supply of the natural resource. Included in this subsector are game preserves, hunting preserves, and game propagation. These are commercial establishments and typically have to be licensed through the DNR as a Game Farm. These establishments are not agricultural.

Hobby farms are another operation that may appear to be agricultural on the surface, but fails to meet the definitions in Chapter Tax 18.05 and, thus, are not eligible for classification as “agricultural” land. In order to qualify as agricultural the property must be primarily devoted to agricultural use. A hobby farm is generally devoted to residential use, with an incidental agricultural use. As such, hobby farms should be classified as residential. Any forest land should be classified as forest, any undeveloped land, should be classified accordingly.

Categories of Agricultural Land

Chapter Tax 18.06 (2) specifies five categories of agricultural land that assessors will use to describe the makeup of all parcels of agricultural land:

“For each legal description of property that includes a parcel of agricultural land, the assessor shall indicate on the property record card, by acreage, the category of agricultural land. Categories of agricultural land are the following:

- a. First grade tillable cropland.
- b. Second grade tillable cropland.
- c. Third grade tillable cropland.
- d. Pasture.
- e. Specialty land.

Within the agricultural class, land is typically divided into two broad categories, cropland and pasture. Typically, the physical qualities of the underlying soil affect its potential uses. Except for tillable lands used for rotational grazing, the actual use of the land will support a general categorization as cropland or pasture. For croplands, the soil’s characteristics and agricultural capabilities will guide the assessor to an accurate grade categorization. Assessors should categorize agricultural land uniformly throughout the municipality.

When discovering land in an agricultural use during the production season for the prior year and not in a use contrary to agricultural on the following January 1, the assessor determines the number of acres in each category(s) of agricultural land on the parcel. Categories of agricultural land – tillable grade 1, tillable grade 2, tillable grade 3 or pasture – are based on soil productivity (yield in terms of corn). The soil productivity rating considers slope and erosion. Yield in terms of corn is a major determinant of land rent for agricultural purposes. Regardless of the crop grown, the method of valuation remains the same. It should be noted that the classification of land capable of being tilled but used as pasture is a function of

capability and not use. For example, grade 2 tillable land may be used for growing corn, beans, potatoes, or grasses. Nevertheless, it remains grade 2 tillable based upon its capability to grow corn.

Land productivity varies depending on soil texture, soil structure, complement of plant nutrients, contour, water resources, moisture retention qualities and climate. The capability of some land may be insufficient to consistently produce an income to its owner. Due to variability in productivity, the assessor should grade agricultural cropland using information available from the USDA Natural Resource Conservation Service (formerly the Soil Conservation Service). The grading of soils should suggest the differential and measurable qualities that exist between soils. Appraisals of agricultural land are often based on a land grading system. A step-by-step outline for grading agricultural land can be found later in this chapter under Grading of Agricultural Land.

In Wisconsin, assessors should divide agricultural lands into five categories on the property record card (PA-500): 1st grade, 2nd grade, 3rd grade, pasture, and specialty (see Figure 14-1). At this time, only cranberry beds and fish ponds are identified as specialty lands. The PA-500 form has been revised and now includes a line for specialty land.

Figure 14-1

CLASS		YEAR				
		NO AC	PER AC	LAND	IMPTS.	TOTAL
4	1st Gr. Tillable				X X X	X X X X
	2nd Gr. Tillable				X X X X	X X X X
	3rd Gr. Tillable				X X X X	X X X X
	Pasture				X X X X	X X X X
	Specialty				X X X X	X X X X

Cropland

Generally, cropland is tilled land used for cultivating plants or agricultural produce, such as grain, vegetables, or fruit. It not only includes plowed land, but land in tame hay, marsh hay or in federal programs. Tillable land which is used for rotational grazing should be classified as the appropriate grade of tillable land.

An agricultural property's greatest asset is its soil. The soil makeup in an area usually determines the type of farming. The soil conditions of a farm often dictate the amount and kind of soil management necessary to produce a crop. Soils play such an important part in rural agricultural valuation that it is essential to have a sound knowledge of soil makeup and productivity. Tillable cropland is differentiated into three categories or grades based on soil survey production capabilities, slope, and erosion ratings. These three categories of agricultural land are listed in Chapter Tax 18.06(2)(a), (b), and (c).

1st Grade Tillable

This category includes lands that are tilled or otherwise planted and used for farm purposes. Grade 1 soils consist of those soil series and types shown on the county soil survey as possessing the best production capabilities with suitable slope and erosion ratings. It can include land planted in tame hay which is harvested for use on the farm or for sale and land enrolled in federal programs.

2nd Grade Tillable

This category includes those lands used for farm purposes that are tilled or otherwise planted and made up of the soil series and types shown on the county soil survey as having a lesser production capability than 1st grade soils. It also includes lands consisting of those soil types with the best production capability but whose poorer slopes and erosion ratings exclude them from being classed as 1st grade. Based on the predominant soil types found under irrigation across the state, all irrigated lands should be placed in this category unless the soil type is more appropriately categorized as 1st or 3rd grade tillable.

3rd Grade Tillable

This category includes those lands used for farm purposes that are tilled or otherwise planted and made up of the soil series and types with the poorest productivity rating or those soils of higher productivity with the poorest slope and erosion ratings that prevent them from being classed in a higher grade. Marsh or other wild land that has never been cultivated, but from which grass is cut each production season for use on the farm or for sale, is included in this category. Land entered into federal conservation programs is typically marginal (third grade tillable) cropland.

Pasture

Pasture includes open pasture, cut-over land, wooded pasture, and wetland pasture (this does not include tillable land used for rotational grazing). This category includes land devoted to agricultural use, specifically the keeping, grazing or feeding of livestock for the sale of livestock or livestock products. Most pastureland has poor soil characteristics in terms of such characteristics such as productivity, slope, drainage, erosion, or rockiness that prevent its use as tillable cropland. Distinct areas where livestock do not enter because of such things as slope, rocks, water, or natural boundaries should be classified as undeveloped land or forest land. Open pasture land with 1st, 2nd, or 3rd grade soil productivity ratings should be categorized as such.

Open Pasture and Cut-Over Land

Open pasture should only be classified as pasture if the soil is such that it could never be tilled due to poor soil conditions.

Cut-over land includes land which timber has been removed and its current predominant use is pasture.

Wooded and Wetland Pasture

Active grazing keeps the undergrowth in check. This condition is apparent when one compares wooded or wetland pasture with unpastured woodland or wetland. This comparison is best made during the growing season. The undergrowth in wooded pasture will be grazed down allowing the livestock to roam freely under the tree canopy. Woodland that is not grazed upon will have much thicker undergrowth.

A few paths through a wooded area is not convincing evidence that the wooded area is being pastured. Also, periodic use of wooded areas is not convincing evidence that wooded areas are being pastured. The assessor should consider if the predominant use of woodland or wetland is pasture. The land should be pastured daily or on a reasonably periodic basis.

Marshland used for pasture should not be classified as undeveloped land (Class 5). If pastured marshland is cultivated, it should be categorized as first, second, or third grade tillable cropland.

Pasture Eligibility

To be eligible as pastureland, the land must comply with the definition in Chapter Tax 18. Also, the land must meet all of the following requirements. The land must:

- Be *primarily used for keeping, grazing, or feeding livestock*
- Never have been successfully plowed or if it has been plowed, cultivation has been abandoned due to poor soil characteristics
- Be devoted *primarily* to and
- Be predominantly *used* as pasture
- Be *substantially* grazed by the livestock
- Be fenced to adequately prevent animals from straying

Short Rotation Woody Crops

As of January 1, 2011 short rotation woody crops (SRWC) can be classified as agricultural. SRWC are generally grown to supply the Biofuel industry. The species most often grown are poplar and willow. The rotation length for SRWC is 3 to 12 years, depending on species, spacing, growing conditions, and desired tree size. Growing and harvesting SRWC is similar to agricultural crops, and conventional farming equipment can be used to cultivate and harvest SRWC, especially if a short rotation is used. Normally, after three rotations, productivity is lost and plantations need to be re-established. Depending on the intensity of management, this time frame could take 30 to 60 years.

Poplar is a general term and includes species of cottonwoods and aspens. Unmanaged stands of cottonwoods on good sites can yield 24 cords of pulpwood per acre (53 tons) at 10 years. Intensively managed plantations of genetically improved cottonwoods on the best sites will produce an average yield of 5 dry tons/acre/year. In just six growing seasons, hybrid poplars can reach 60 feet or more in height.

Willows in natural stands, and on preferred sites, can average 50 feet tall and 5.6 inches in diameter in just 10 years. On such sites, trees self-prune very well. If fertilized and irrigated, yields of 3-year old rotations have exceeded 10.8 dry tons/acre/year.

Sources of additional information:

- [USDA Forest Service](#): Opportunities for Growing Short-Rotation Woody Crops in Agroforestry Practices, May, 1998
- University of Tennessee: [Short Rotation Woody Crops for Biofuel](#), December, 2007.
- T. A. Volk, State University of New York: [The sustainability of Short-Rotation Willow Biomass Crops](#).

11199 All Other Crop Farming

111998 Maple Sap Gathering

Assessors will need to view a maple sap gathering operation to determine if the acreage covered by a stand of maple trees will qualify for use value assessment. It is important to conduct an on-site inspection to obtain the information needed to make a determination. Do not rely on producers photographs to make your determination. While production documentation is important to the operations legitimacy, use value demands USE; therefore the taps per acre are the determining factor. Assessors should also understand that maple sap gathering is weather dependent; therefore, production is not an indicator of effort.

The North American Industry Classification System manual defines US industry standards for tree sap collection and is used to determine if a property qualifies for use value assessment. This manual is published by the US Office of Management and Budget. The table below provides the details needed to determine eligibility.

		Plantation	Natural Stands		
Acres	DBH	Trees per acre	Trees per acre	Taps per acre	Taps per tree
1	10"	70	80	50	1
2	10 to 12"	70	55-60	50	1
3	18"	30	35	35-50	2
4	24"	30	35	35-50	3
5	N/A	30	35	35-50	3
6-10	N/A	30	35	35-50	3
11-15	N/A	30	35	35-50	3
16-40	N/A	30	35	35-50	3

Information obtained from A Guide to Sugarbush Stocking by H. Clay Smith and Carter B. Gibbs, USDA Forest Service Research Paper NE-171, 1970

The number of trees tapped in a given area needs to be extensive enough such that the acreage is considered primarily engaged in maple sap gathering. Assessors should inspect the operation during the harvest season, which general is between February and April. During the harvest season, the taps, lines and collection barrels or buckets will be visible,

and it will be much easier to identify the number of taps in each tree. Outside of the harvest season, the tapping scars on the trees will be the only evidence of maple sap gathering.

When contacted by a property owner that may have a maple sap gathering operation and is not currently receiving use value assessment, an on-site inspection will be necessary to determine if a classification change is warranted. This will also provide the necessary documentation to defend the decision at Board of Review if agricultural classification is denied and the classification is appealed.

The main factors used to determine eligibility are:

- The producer must have actively gathered sap in the previous production year.
- Tree size, which is the diameter of the trunk at breast height or DBH.
- The minimum number of taps per acre, which varies from 35 to 50 depending on tree diameter.

Large, well established maple groves tend to have fewer and larger trees. The industry standard for larger trees is three taps per tree and a minimum of 35 taps per acre.

Smaller, younger trees can only support one tap and grow closer together. For smaller, younger trees the industry standard requires a minimum of 50 taps per acre.

It is the producer's responsibility to provide evidence of the DBH, number taps per tree, and the number of taps per acre. It is acceptable for the producer to have more than the minimum number of taps per tree and acre.

Assessors may encounter an operation that does not meet the taps per acre minimum on some of the acreage; but, when looked at as a whole, the taps per acre meets the minimum industry standards. For example, a producer owns 40 acres with maple trees. On three of the acres they are not able to show that they have the minimum number of taps per acre; however, when the total number of taps divided by 40 acres meets the minimum industry standards, the entire 40 acres is eligible for use value.

Another scenario exists when a parcel partially qualifies for use value. A producer has a 40 acre parcel containing maple trees. Only 25 acres of the parcel meet the minimum industry standards of trees per acre. The producer is able to prove they meet the minimum number of taps per acre on the 25 acres. In this scenario only the 25 acres would qualify for use value. The remaining 15 acres of forest would be classified as agricultural forest and valued at 50% of market value.

A typical maple sap gathering operation will have standard equipment on site including:

- Line networks connecting trees to buckets or collection centers
- A "Sugar Shack" with storage containers, firewood and an evaporator or pan
- Materials and equipment used for tapping
 - Drills and drill bits
 - Taps per spigots on hand
 - Buckets on site or in storage
 - Lines on site or in storage – adequate lineal feet
 - Connectors and wire

- Collection barrels
- Burner, evaporator or kettle
- Thermometer
- Filter, defoamer or hydrometer
- Draw off faucets
- Stove pipe
- Structure components

Typical operation documentation would include:

- Sales receipts
- Income tax information
- Permits
- Contracts or agreements
- Membership in a professional organization such as Wisconsin Maple Syrup Producers may also be provided

Upon making a determination that the forested land is eligible for use value, soils maps should be used to determine the proper grade or grades.

Additional efforts should be made by the assessor to review all classifications of wooded property where maple sap gathering is made. It is likely various classifications are more apparent on these parcels since a degree of scrutiny is used to establish use value classification on maple forests. Be diligent and utilize county GIS WEB applications, review air photos of the site prior to inspections, and look for classification distinctions present on these air photos. Undeveloped classifications, such as swamps and areas subject to inundation, often accompany maple forests where found in the state.

Bees and Grazing Land

NAICS, 1997 refers to bee and bee products in the following agricultural references:

1129 Other Animal Production

112910 Apiculture

This industry comprises establishments primarily engaged in raising bees. These establishments may collect and gather honey; and/or sell queen bees, packages of bees, royal jelly, bees' wax, propolis, venom, and/or other bee products.

Beekeepers in the United States range from hobbyists, to sideliners, to commercial operators. Hobbyists maintain 1 to 2 hives, sideliners maintain up to 500 hives, and commercial beekeepers operate 1,500 to 2,500 hives of bees. A commercial beekeeper derives their main source of income from beekeeping. One colony contains 20,000 to 30,000 bees. A typical colony gathers nectar in a 40 square mile area (25,600 acres). A bee can travel 3.5 miles from the colony on a single flight at speeds reaching 15 miles per hour. While on these journeys a bee will come in contact with 50 to 100 flowers, returning to the hive carrying half their weight in pollen and nectar.

A typical Wisconsin beekeeper maintains 150-200 hives and generally has other sources of income. Hobbyists in Wisconsin maintain 1 to 2 hives, while sideliners in Wisconsin maintain up to 50 hives. Southern U.S. beekeepers are able to maintain higher numbers of hives due to the warmer climate and longer growing season. Many beekeepers in Wisconsin transport their bees south when the local growing season and pollination need is complete.

After becoming familiar with the area around the hive, bees travel further and at higher speeds and will cover any area that requires pollination.

The WPAM uses the North American Industry Classification System for bees as described above. Use Value would apply to land associated with beekeeping if it can be demonstrated that the crops are for the consumption of the bees. Use Value would not apply to persons involved in the practice of beekeeping that are considered hobbyists or sideliners by bee industry standards in Wisconsin.

Pasture is land devoted to the keeping, grazing, or feeding of livestock for the sale of livestock or livestock products. Although honey is a livestock product, the following issues make it difficult to identify land as unique to “bee grazing land.” Bees are:

- not generally “fenced” into a particular area. Unless substantial measures are taken to confine bees, they travel to other surrounding fields,
- often moved to different lands to take advantage of flavored honey crops and the need for pollination (e.g. clover, cranberries)

Oftentimes, the lands upon which bees graze are already considered agricultural as they produce a hay or fruit crop such as clover or cranberries. These lands are eligible for use-value given their land-based crop so the issue of bee use is moot.

Lands that are used to graze bees without producing a vegetable or grain crop would have to be evaluated by the assessor to determine if the use of the land was adequately dedicated as a commercial operation for the production of bee products as defined in NAICS above.

As part of the evaluation the assessor should obtain information from the property owner as to the density of the primary plants/trees that are present, the suitability of the plants/trees for bees collecting nectar, the time frame of the plant/trees availability for nectar collection (blooming time). The information required would be similar to the information necessary for maple sap collection.

Questionable Classification Claims

Although the key to classification is actual use, see *Thoma v. Village of Slinger* 2018 WI 45, the assessor should be aware of questionable classification claims. Examples include conditions where:

- animals are placed in an area for a short time to give the impression of use as pasture
- large acreage is claimed as pasture when only a few animals or animal paths are present
- foliage and plant growth is severely limited or does not exist on the land
- conditions would be unhealthy for pasturing animals
- gardens are cultivated in urban areas
- gardens are cultivated in rural areas for personal consumption

When these and other questionable classification claims arise the assessor should develop a comparative analysis of the standard agricultural production practices with the land in question. Publications from area universities, the United States Department of Agriculture, Wisconsin Agricultural Statistics Service, and the Wisconsin Department of Agriculture will specify the standard crop and animal production practices for Wisconsin and the Midwest. Generally, a single violation of an industry standard should not automatically preclude the land from agricultural classification. However, an assessor should analyze a trend of several instances that are inconsistent with the industry standards and employ the information to develop and defend a land classification determination.

As an example, consider walnut production, NAICS industry 111335. Since walnut trees do not produce walnuts until 10 years of age and maximum production does not occur until 20 to 30 years of age, there may be instances where agricultural use is questionable. If a stand of walnut trees is in its early stages of development and not producing walnuts, the assessor should evaluate if the number of walnut trees is sufficient enough such that it represents the land's primary use. Additionally, the assessor should determine if there is adherence to the walnut industry standards. The following questions should assist an assessor in determining adherence to the walnut industry standards. Please note: This should not be construed as an all-inclusive list.

- What is the number of walnut trees per acre?
- Are there other types of trees intermixed with the walnut trees? And to what extent?
- What is the spacing between the trees?
- Were the trees thinned?
- Are the soil types conducive to walnut production?
- Are the site characteristics conducive to walnut production?
- Have measures been taken to ensure proper tree growth, which can include tree pruning, weed control, animal control, etc.?
- If the trees are producing walnuts, are the walnuts being harvested?

Similarly, an assessor can develop a series of questions for an animal production industry. The following is an example of questions that can assist in determining adherence to aquaculture industry standards, NAICS industry 11251. When discovering a pond that raises fish, it is important to note the fish species and fish age as these factors will play a role in comparing the pond's characteristics to the industry standards. As previously stated, this should not be construed as an all-inclusive list.

- Is the pond registered with the Wisconsin Department of Agriculture?
- Is the pond an appropriate shape?
- Is the pond an appropriate depth?
- Is the pond an appropriate temperature?
- Is the pond monitored for proper oxygen content?
- Is the pond monitored for proper acidity levels (pH)?
- Is there periodic pond maintenance, which can include plant control and pond clearing in winter months to ensure sunlight access?
- Is the pond completely drained once every several years and allowed to remain dry for a period of time?
- Is there a record of fish statistics that includes number, size, and age by species?
- Are there measures taken to ensure fertilizers, herbicides, insecticides, organic run-off, etc. do not enter the pond?

Specialty Land

Specialty land is land devoted primarily to an agricultural use that is unable to support typical crops or the pasturing of livestock. Two types of agricultural land that should be categorized as specialty land are lands dedicated to cranberry beds and aquaculture ponds.

Cranberry beds are usually located on low wetlands that are not generally adaptable to other agricultural endeavors. Therefore, they should be categorized as specialty land. Cranberries have been grown commercially in Wisconsin for more than 100 years. Early harvesting was confined to wild and natural uncultivated areas. However, over the years, the culture of cranberries has become a very specialized and technical agribusiness.

Aquaculture, also known as fish-farming, is a growing agribusiness in Wisconsin. As wild fish stocks diminish and regulations to prevent overharvest are placed upon them, the domestic raising and harvesting of fish has increased. Ponds used to raise fish are analogous to the fields and pastures that support production of crops and livestock.

More information on the assessment of cranberry farms and ponds used for aquaculture can be found in a section near the end of this chapter entitled Special Purpose Agricultural Land Valuation.

Other - Class 7

Section 70.32(2)(c)1m, Wis. Stats. defines "Other" as, "... buildings and improvements; including any residence for the farm operator's spouse, children, parents, or grandparents; and the land necessary for the location and convenience of those buildings and improvements."

Section 70.32(2)(c)1m, Wis. Stats. provides that residences located directly on land that is part of the farm operator's land are classed as "Other". Residences of the farm operator's spouse, children, parents or grandparents are eligible. Land and improvements classified "Other" are assessed at their market value.

Farm Set

Agricultural buildings and improvements and the land necessary for their location and convenience is referred to as a "farm set." A "farm set" is a collection of agricultural buildings with intrinsic land. Once an assessor determines that a collection of improvements is a "farm set," it should be classified as "Other". The actual acreage devoted to the farm set should be accurately determined and will vary depending on the location of the home and other improvements. The assessor should consider each parcel of improved property individually.

It is important to remember that "agricultural" land cannot include any buildings or improvements. Only unimproved land may be classified as "agricultural." However, minor auxiliary improvements such as an irrigation well or shed that are not part of the farm set may not justify any land allocation to "Other". The critical factor defining "Other" property is its actual use supporting a farm enterprise. If an assessor obtains verifiable evidence that buildings on a farm are used for agricultural purposes, they qualify as "Other".

Another key characteristic that qualifies a group of buildings as "Other" is their ability to support farming. Put into the context of highest and best use analysis, the property can be classified as "Other" if the improvements meet the following criteria:

1. Agricultural use is reasonably probable.
 - Is this a farm set?
 - Are the improvements agricultural in nature, such as a barn, shed, or silo?
2. Agricultural use is legally permissible.
 - Is the land zoned agricultural?
 - Is farming or raising livestock permitted?
3. Agricultural use is physically possible and appropriately supported.
 - Is there adequate access to cropland and/or pasture?
4. Agricultural use is financially feasible.
 - Would an agricultural use adequately support the farm set?

For example, a house, barn, silos, and sheds are situated on 3 acres of an operating 40 acre farm. The farm set is used in agriculture and meets all of the highest and best use criteria. Therefore, this farm set should be classified as "Other" (Class 7).

In contrast, consider a 40 acre parcel of which 38 acres that the new owner rents to a farmer for an agricultural use. A house and garage are built on the other 2 acres. The house and garage are not used in agriculture. For purposes of this example, the house is not the residence of the farm operator's spouse, children, parents, or grandparents. In addition, the highest and best use of the house and garage by themselves cannot be agricultural as they could not support a farming operation. Therefore, the house and garage cannot be classified "Other" (Class 7) and should be classified as residential (Class 1). However, the remaining 38 acres are in agricultural use and qualify as agricultural (Class 4) land. Highest and best use analysis is discussed in WPAM Chapter 9. Highest and best use is also discussed in great detail in many other appraisal and assessment texts.

Classification Examples

The following examples illustrate the considerations necessary to properly classify properties containing agricultural land.

Agricultural, Other and Undeveloped Land

A farm consisting of a full quarter-quarter section (40 acres) includes an area in the southeast corner of the parcel where the house, barn, silos and auxiliary agricultural buildings are found (the building site or farm set). The parcel has 1,320 feet of road frontage on one side. The farmer owns the land to the center of the roadway. The road right-of-way extends 33 feet from the center of the road to each side. No area within the right-of-way is farmed. The building site is 2.0 acres (130' x 650') with shade trees, an evergreen windbreak, and a maintained lawn.

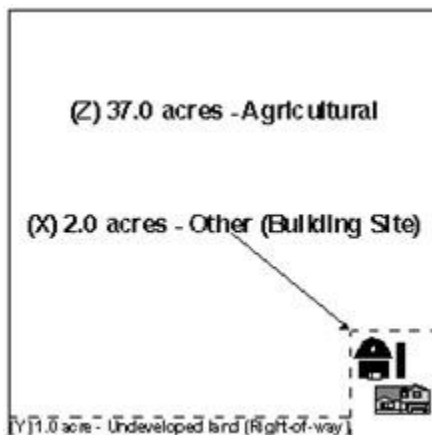
When considering the classification of this parcel, the assessor should identify improvements and land that qualify as "Other." In Figure 14-2, 2.0 acres around the house and other improvements (X) are "necessary for their location and convenience." The farmer also

maintains a lawn around the house. The lawn is "Other" as it is "in a use that is incompatible with agricultural use."

Rural parcels frequently include land under a public roadway subject to a right-of-way easement. Areas not "devoted primarily to agricultural use" and subject to right-of-way easement should be classified as undeveloped land (Class 5) only when they border a "parcel of agricultural land." Land under right-of-way easements fronting non-agricultural lands should be classified according to the adjacent use (e.g., other, forest, commercial, residential). If a farmer tills or uses land subject to a right-of-way as pasture, it should be classified as Agricultural (Class 4).

In this example, the area under the right-of-way (Y) fronting the building site should be classified "Other." This arrangement is depicted in Figure 14-2.

Figure 14-2



In the example (Figure 14-2), an assessor would measure and classify this parcel as follows:

Undeveloped (Class 5) Y

Road right of way:	1,320' x 33'	=	43,560 sq. ft.
Less building site road frontage	130' x 33'	=	- 4,290 sq. ft.
Total Undeveloped			39,270 sq. ft.
	or 0.920 acre		Rounded to 1.0 acre

Other (Class 7) X

Building Site	130' x 650'	=	84,500 sq. ft.
Total Other			84,500 sq. ft.
	Or 1.940 acres		Rounded to 2.0 acres

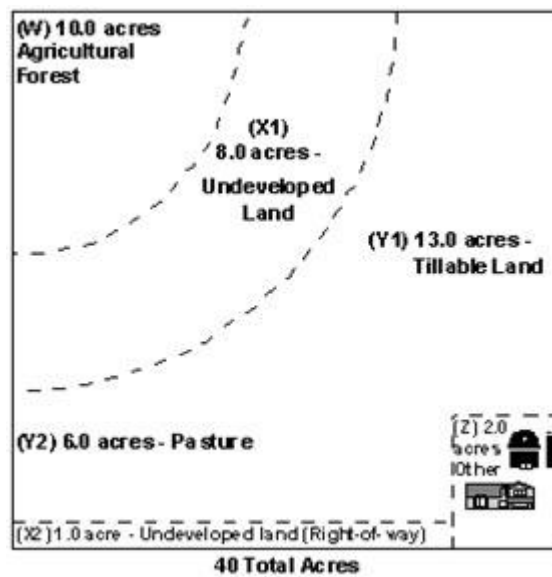
Agricultural (Class 4) Z

Total parcel acreage	40.0	acres
Less Undeveloped	- 1.0	acre
Less Other	- 2.0	acres
Total Agricultural	37.0	acres

Land With Several Classifications

The following example illustrates a 40-acre parcel that has land of several different classifications. The area within each class has been rounded to the nearest acre. This parcel contains 10 acres of agricultural forest land next to a low, swampy area bordering a small stream. This area of forest is eligible for agricultural forest classification since it is located on a parcel with land that was classified as agricultural on January 1, 2004 and on January 1 of the assessment year. The parcel's remaining acreage includes pasture, tillable cropland and a 2 acre building site. The parcel includes a 33' wide road right-of-way of nearly one acre that fronts the building site, pasture, and tillable land. Figure 14-3 shows this arrangement.

Figure 14-3



An assessor would classify the parcel in Fig. 11-3 as follows:

Agricultural forest (W)		10 acres
Undeveloped land (X)		9 acres
Lowland (X1 – swamp)	8 acres	
Right-of-way (X2)	1 acre	
Agricultural (Y)		19 acres
Tillable (Y1)	13 acres	
Pasture (Y2)	6 acres	
Other – Building site (Z)		2 acres

Only the 13 acres of tillable cropland (Y1) and the 6 acres of pasture (Y2) are devoted primarily to agricultural use and are classified as agricultural land (Class 4).

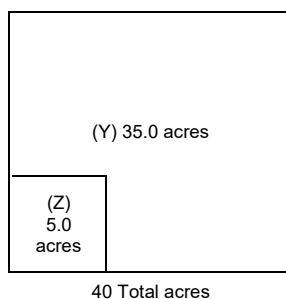
Undeveloped land (Class 5) is a residual land class that may include bog, marsh, lowland brush, idle cropland and pasture, and other non-productive lands not elsewhere classified. Road right-of-way fronting a parcel of agricultural land is undeveloped land if it is not used in agriculture. It is unlikely that all undeveloped land has the same market value. For example, the property in Figure 14-3 has two areas of undeveloped land totaling 13 acres. The one acre of land found within the road right-of-way and fronting the agricultural land

(X2) is not used for agriculture and has limited value to the titleholder. Therefore, the assessor should assign it a nominal value. The other parcel of undeveloped land (X1) may have greater market value for its potential recreational use (fishing, hunting, etc.).

Lot Sale and Leaseback

Last spring a farmer sold 5 acres out of a 40 acre legal description. The 5 acre parcel was recorded with a new legal description. The farmer leased the 5 acre lot back from the new owner and continued planting the entire 40 acres in corn. See Figure 14-4.

Figure 14-4

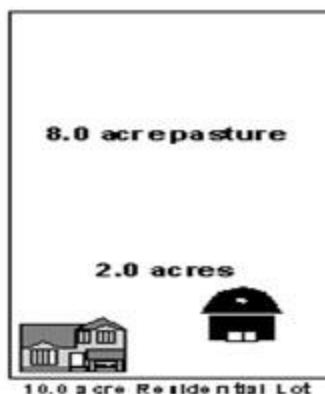


In Figure 14-4, the 35 acres owned and 5 acres leased by the farmer comprise the economic unit, or establishment, engaged in the agricultural activity of corn farming (NAICS Industry Number 111150). Parcel (Y) meets the definition of agricultural land and should be classified as such. Parcel (Z) is also a “parcel of agricultural land” because it is devoted primarily to agricultural use and contains no buildings or improvements.

Residence With Stable and Horse Pasture

Figure 14-5 depicts a house on a 10-acre parcel that was classified residential in 1995. The owners have a small outbuilding used as a stable for two horses and devote 8 acres of their property to pasturing the horses.

Figure 14-5



Although the owners use 8 acres to pasture their horses, this is not an “agricultural use” as they are not primarily engaged in the production of horses for sale. Therefore, the 8 acre pasture is not “devoted primarily to agricultural use” and cannot be classified as a parcel of agricultural land. The predominant use of the property is residential and it should be classified as such (Class 1).

Land Held for Future Development

A real estate developer purchases a 40 acre parcel of agricultural land for future development. The developer leases the 40 acres (one legal description) back to the farmer and the entire forty acres remains in agricultural production. The 40 acres continue to be a “parcel of agricultural land” as long as it remains in agricultural production.

Valuation

Beginning with the 2000 assessment, all agricultural land should be valued at their use value. The phase-in of use value assessment that began with the 1998 assessment was terminated by the Farmland Advisory Council in October 1999.

The Farmland Advisory Council annually adopts guideline use values (per acre) for each category of agricultural land for every municipality in the state. Use value is determined annually by estimating the net rental income per acre from agricultural use for each category in every municipality and dividing by a localized municipal capitalization rate. Chapter Tax 18.07(1) specifies the method and data sources for determining use value. Although guideline use value estimates will be produced and published annually by the DOR (Chapter Tax 18.07(2)), assessors should become familiar with the valuation method as described in Chapter Tax 18. Appendix 11-B contains a short paper detailing the Farmland Advisory Council’s recommended method for estimating use value.

Chapter Tax 18.07(3) directs the assessor to determine the use value of each parcel of agricultural land in their municipality based on the published guideline use values and make one or both of the following adjustments if necessary:

1. Tax 18.07(3)(a) allows the assessor to adjust the guideline use values to more accurately reflect the use value of the parcel of agricultural land.
2. To ensure equity between classes of property, Chapter Tax 18.07(3)(b) states that “assessors shall equate the use value of each parcel of agricultural land to the general level of assessment in the taxation district in which that parcel of agricultural land is located.”

Valuation of Other

Agricultural building sites (farm sets) and residences of the farm operator's spouse, children, parents, or grandparents, now classified as "Other", should be assessed at market value according to sec. 70.32(1), Wis. Stats. The assessor should apply generally acceptable appraisal practices when valuing "Other" property.

The valuation of farm sets present a unique appraisal problem to the assessor. Traditionally, the best evidence of a property's market value comes from the sale of other reasonably comparable properties. A farm set, however, is part of an enterprise, a farm, and does not sell without agricultural land.

The principle of highest and best use will guide the assessor to the appropriate approach to value. For example, using residential lot sales to value "Other" land where restrictive agricultural zoning would prohibit residential development would be inappropriate. In this case, the assessor needs to recognize the farm set as an integral part of the farm enterprise.

Analyzing agricultural sales will yield information about the market value of agricultural land and improvements that the assessor might use to determine the contributory value a farm set. The second part of this chapter discusses traditional agricultural methodology that could help the assessor in valuing the non-agricultural areas of a farm.

Rural Farm Valuation Example

Chapter Tax 18 contains instructions for calculating the use value of parcels of agricultural land. The following steps outline one possible application of the instructions:

1. Equate the municipal guideline use values per acre to the general level of assessment by multiplying the published guideline use value for each category of agricultural land by the estimated general level of assessment in the community for the current year. Be sure to document how the ratio was estimated.
2. If necessary, adjust the municipal equated use values per acre to reflect more accurately the use value of agricultural land in the municipality. For example, where the distribution of acres among the categories of agricultural land varies significantly between the municipality and the county, a community wide adjustment to the equated use values may be warranted. Again, be sure to document the rationale used to adjust the equated use values.
3. Apply the equated/adjusted municipal use values per acre to each parcel of agricultural land. Multiply the equated/adjusted use value per acre for each specific category of land by the current number of acres in each category. If affected by a specific condition that varies from that generally found in the municipality, adjust the use values to more accurately reflect the condition's effect on use value. Sum the value of all categories to get the total agricultural parcel use value.
4. Calculate the parcel's total current assessment by adding the value of all non-agricultural classifications to the use value of the agricultural parcel calculated in step

Calculating Municipal Use Values

The following example illustrates the valuation process for a parcel of agricultural land. The guideline use values published for the municipality are:

<u>Category</u>	<u>Guideline value/Acre</u>
1st grade tillable	\$513
2 nd grade tillable	\$431
3 rd grade tillable	\$315
Pasture	\$126

The assessor needs to estimate what the overall level of assessment of the municipality will be for the current year. Assessment/sales ratio analysis is an important tool for measuring assessment performance including the level of assessment. Assessment/sales ratio analysis can help the assessor establish the trend in real estate market values that could be used to predict the current year’s level of assessment. "Other" potential sources of data are Equalization’s Sales Analysis and Major Class Comparison reports for the municipality. For more information on these reports and estimating the general level of assessment, contact your District Supervisor of Equalization. See WPAM Chapter 10 for an in-depth discussion of assessment/sales ratio analysis.

In our example, through a sales analysis the assessor establishes that the general level of assessment has dropped an average of 5 percent each year since the last revaluation. Last year the overall assessment ratio was 85%. Given the recent trend, the assessor estimates that the overall assessment level of the community this year will be 80%.

Multiplying each guideline use value by 0.80 gives the assessor equated guideline use values of:

<u>Category</u>	<u>Equated value/Acre</u>
1 st grade tillable	\$410
2 nd grade tillable	\$345
3 rd grade tillable	\$242
Pasture	\$101

Calculating the Agricultural Parcel Use Value

For each parcel of agricultural land, multiply the current number of acres by the equated/adjusted municipal use value for each category of agricultural land. In our example, the use value of the parcel of agricultural land is:

<u>Category</u>	<u>Acres</u>	<u>Municipal value/Acre</u>	<u>Use value</u>
1st grade tillable	20	\$410	\$8,200
2 nd grade tillable	21	\$345	\$7,245
3 rd grade tillable	12	\$252	\$3,024
Pasture	15	\$101	<u>\$1,515</u>
Total for parcel of agricultural land			\$19,984

NOTE: The second section of this chapter examines some traditional assessment practices used in agricultural valuation before use value legislation was passed in Act 27. We provide it for reference. It will be of value to the assessor when classifying and valuing land on a farm. In addition, the section on analyzing arm’s-length sales of multi-class agricultural properties will provide useful information about the market value of their non-agricultural components (land and improvements).

Traditional Agricultural Valuation

Rural agricultural lands are defined as areas in open country and are distinguished from urban agricultural lands in or near cities and villages or other densely populated areas. Rural agricultural lands are usually large tracts used for producing crops and raising livestock and

whose principle value arises out of such use. Lands used for agricultural purposes in urban areas may have a market value that is influenced to a large extent by factors other than the capability of raising crops. Not all rural lands are suitable for agricultural use but may be more suitable for the raising of timber and other commercial forest products. Such lands as well as undeveloped lands are called residual lands and are discussed in WPAM Chapter 15.

An agricultural property's greatest asset is its soil. An area's soil make-up usually determines the type of farming. The soil conditions on a farm often dictate the amount and kind of soil management necessary to produce a crop. Soils play such an important part in rural agricultural valuation that it is essential to have a sound knowledge of soil make-up and productivity.

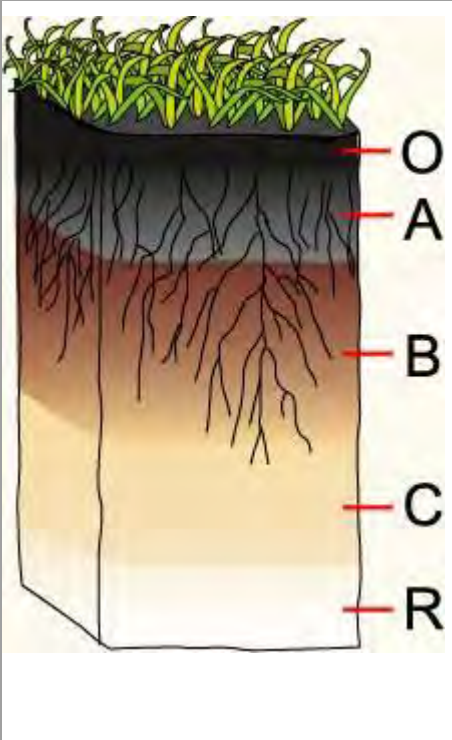
It is also important to understand how climatic conditions affect soils and land values. Climatic influence on yields is not likely to vary within a farm, but the affect between farms is often of consequence and, over a wide territory, may be decisive. Climate affects land use, and land management through limiting the kinds and yields of crops that can be produced on certain types of soil. Climate includes many items: precipitation, evaporation, sunshine, length of day, length of frost-free season, temperature, hail, and winds. All of these factors affect different soils in different ways. The assessor should be aware of how these factors affect the soils in the assessment district, the crops that can be grown, the expected yields, and thus, the agricultural use-value. Information on weather records can be obtained by contacting the USDA or the United States Weather Service.

Soil Surveys

County-wide soil surveys have been made in many counties by the Soil Conservation Service of the U.S. Department of Agriculture. The purpose of these surveys is to identify the kinds of soils in the county, where they are located, and how they can best be used. Soil surveys are planned to eventually be made for every county in the state. The assessor may use the soil survey to grade land in those counties where the survey is available. The soil survey provides important information on the capabilities and characteristics of soils. The use of this information will help the assessor grade the soil in a consistent and uniform manner. (An in-depth analysis on soils, their uses, characteristics, and capabilities can be found in all soil surveys.)

A soil survey is made by examining the soil from borings made in a systematic coverage of all the land in the county. The borings are done with an auger or spade and allow the professional soil scientist to analyze the soil make up. Detailed examination of the soil is done by examining, and describing when necessary, the soil profile. A soil profile is a vertical cross section in sequence of natural layers (called horizons) from the surface of the soil (surface layer or topsoil) down through the subsoil and into the underlying parent material. In some places, bedrock is encountered within the five foot depth that most soils are examined (see Figure 14-6).

Figure 14-6

	O Horizon	If this layer is present then it will contain organic materials, such as leaves and branches, at various levels of decomposition.
	A Horizon(Topsoil)	This is a surface mineral layer containing some organic material. It is usually darker than lower layers. The minerals that make up this layer are in the form of soil particles that can range from fine clay or silt to a coarser mix of sand or gravel. The size of the particles determines the texture of the soil.
	B Horizon(Subsoil)	The makeup of this layer will vary according to the amount of clay, iron and aluminum it contains. Its strong coloring, such as reds or yellows, often identifies this layer.
	C Horizon	This layer is characterized by partly weathered or decomposed rock.
	R Horizon	This is the solid rock layer from which the layers above develop

Soils that have similar lower horizons make up a soil series. The surface texture may differ within a series and will be a phase within a series. Except for different texture in the surface layer, all of the soils of one series have major horizons that are similar in thickness, arrangement, and other characteristics. Soil scientists then classify and name the soil series based on the morphological characteristics (color, texture, structure, consistence) and the arrangement of the various soil horizons present. Many times the name given a soil series relates to the location near where the soil was first examined, described, and mapped with sufficient acreage. For example, the Kewaunee soil series includes soils with similar profiles and is prevalent in northeastern Wisconsin especially around the City of Kewaunee.

Other features, such as slope, degree of erosion, depth, stoniness, substratum features, and flooding are the basis for other kinds of phases besides surface textures. These kinds of features, either individually or in combination affect use and management of the soil. Table 14-1 shows the Kewaunee series separated into soil phases.

Table 14-1

<u>Phase</u>	<u>Slope</u>
Kewaunee loam	2 to 6 percent
Kewaunee loam	6 to 12 percent eroded
Kewaunee loam, gravelly substratum	2 to 6 percent
Kewaunee silt loam	2 to 6 percent
Kewaunee silty clay loam	6 to 12 percent severely eroded

During soil mapping the soil scientist examines the soil properties, as discussed previously, and draws lines and places symbols on an aerial photograph to identify and locate the different phases that he has separated in the landscape as shown in Figure 14-7.

Figure 14-7



Mapping Units

The black lines on the aerial photo field sheet are the boundary lines between the different kinds of soils. The area enclosed by a soil line with its symbol is termed a mapping unit. Within one of the mapping units on the map in Figure 14-7 you will find the field symbol 92B1. This identifies the mapping unit by soil phase, slope, and degree of erosion in that order. In published soil survey reports, the soil phase is identified by letters rather than numbers, for example Ke. A table of these symbols is provided in each survey.

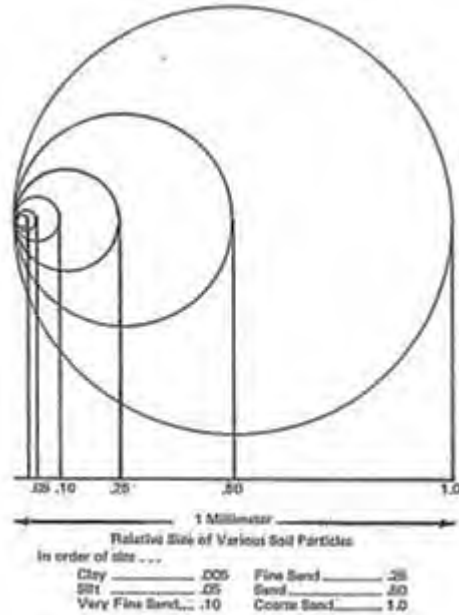
Mapping Unit Name

The number "92" in the previous example is the symbol for the soil phase, in this case, Kewaunee silt loam. The letter "B" represents the slope class. The symbol "1" is the degree of erosion. The complete symbol 92B1 translates into the mapping unit name of "Kewaunee silt loam, 2 to 6 percent slope, slightly eroded". In recent years, the "slightly eroded" has not been included in the name but the degree of erosion is understood to be this condition, thus the published symbol would be KeB. In the following paragraphs, soil texture, slope, and degree of erosion are explained more fully.

Soil Texture

Determination of the soil texture in a soil series is based on the different sized particles in the soil. The Soil Conservation Service groups soil particles into standard categories as defined in Figure 14-8.

Figure 14-8



An obvious observation from Figure 14-8 is that the sand particles are the largest, silt particles medium-sized, and clay particles the smallest. One method soil scientists employ in measuring the diameters of the particles involves using a series of sieves with screen openings equal to size limits. After dividing a soil into its various particle sizes, the percentage of each size fraction by weight may be calculated and applied to a Soil Conservation Service soil textural triangle in order to determine the soil textural class. Let's use the following example of soils A and B in order to illustrate the proper use of a soil textural triangle. (The Soil Textural Triangle is shown in Figure 14-9).

	Soil A
Size fraction	percentage of soil by weight
Sand	20%
Silt	60%
Clay	20%

	Soil B
Size fraction	percentage of soil by weight
Sand	20%
Silt	10%
Clay	70%

Figure 14-9 shows each side of the soil textural triangle is designed specifically for the percentages of either the sand, silt, or clay size particles. The soil textural class may be determined by extending lines from each side of the triangle at the proper percentage points and locating the intersection. Intersection of the three lines for soil A indicates that the textural class should be a silt loam while soil B falls within the clay region. It seems logical that soil B was determined to be a clay since 70% of the particles by weight are clay size.

Soil texture is a significant characteristic, it relates to the soil's ability to drain or retain water, ability to retain plant nutrients, potential to erosion, and potential to swell on wetting.

Figure 14-9



Slope

As previously mentioned, the capital letter in the map unit symbol indicates the slope class. Standard slope classes according to the Soil Conservation Service are listed in Table 14-2. Slope range is given in percentages, rather than degrees, and represents the fall per hundred feet or the difference in elevation between two points 100 feet apart on which the soil occurs. In the example, the letter "B" represents a range of slope between 2 and 6 percent. This means that on the less sloping end of this range there is a drop of 2 feet for each 100 feet and on the more sloping end a drop of 6 feet for each 100 feet. Terminology for simple and complex slopes are also given in Table 14-2. Simple slopes are most common while complex slope terminology is most often used for describing morainic areas, dunes, or other extremely irregular land forms where slope changes frequently over short distances.

Table 14-2

Class Symbol	Simple Slopes		Class Symbol	Complex Slopes	
	Range in %	Slope Description		Range in %	Slope Description
A	0-2%	Level	M	0-6%	Undulating
B	2-6%	Gently Sloping	CK	6-12%	Rolling
C	6-12%	Sloping	DK	12-18%	Hilly
D	12-20%	Moderately Sloping	EK	18-30%	Steep
E	20-30%	Steep	FK	Over 30%	Very Steep
F	Over 30%	Very Steep			

Slopes, depending upon the severity, may affect the type or size of improvements constructed, the building of roads or highways, the types of on-site waste disposal system allowed, the species of trees and crops grown, and the productivity of the crops presently grown.

Degree of Erosion

As previously explained under "Mapping Unit Name", the third and last figure in the map unit symbol, which is a number, indicates the degree of erosion. The estimated amount of topsoil that has been removed since the soil originally formed determines the degree of erosion that is used. Very brief standard Soil Conservation Service definitions for degree of erosion are given in Table 14-3. In recent years, the "1" used to denote slightly eroded has not been used with the map unit symbol but the degree of erosion is still understood to be slight.

Table 14-3

Erosion status	Condition of topsoil
+	Deposition (Soil being deposited)
1 (not used in more recent surveys)	Slight (less than 1/3 of original topsoil gone)
2	Moderate (1/3 to 2/3 of original topsoil gone)
3	Severe (2/3 or more of original topsoil gone)

Kinds of Soil Maps

There are numerous kinds of soil maps presently available in Wisconsin with new and updated maps being produced continuously. Most soil maps may be obtained from the United States Department of Agriculture - Soil Conservation Service county office, the Soil Science Department at the University of Wisconsin, or the University Extension Services county office. Four of the most commonly used and readily available maps include the old (pre 1950) surveys, soil association maps, field sheets of on-going soil surveys, and final published (modern detailed soil surveys).

Old (Pre-1950) Surveys

Soil maps published by the United States Department of Agriculture prior to 1950 were generally produced at a scale of 1 inch equals 1 mile and might properly be called semi-detailed. Produced on a county basis for approximately 75 percent of the Wisconsin counties, they may become the best information available in counties that don't presently have the modern detailed soil survey completed. This type of map usually shows the pattern of individual sections of land; more detailed maps or on-site viewings are required for separate parcels of property. Map units for these surveys are a combination of outdated soil phases, currently recognized soil phases and miscellaneous land types all with little reference to slope or erosion.

General Soil Maps

General soil maps show soil associations for the area designated. A general soil map for the state is available from the University of Wisconsin Geological and Natural History Survey at a scale of 1:250,000. Published soil survey reports contain a general soil map for the county at a scale between 1:126,720 to 1:253,440. The general soil map should be used for the

analysis of large land areas and not for individual parcels. This is because of the general nature of the map. The mapping units for these kinds of maps are known as soil associations. An association consists of one or more major soils and some minor soils; however it is named for the major soils. For example, an association of Fox-Casco-Matherton contains each of the three soils listed in the name. The soil association shown on the county maps are represented by a number and those on the state map are represented by a letter. With the county general soil maps a percentage is given for the area each soil occupies within the association. Table 14-4 shows soil association 2 (Fox-Casco-Matherton) with the corresponding percentages for each soil and for minor soils.

Table 14-4

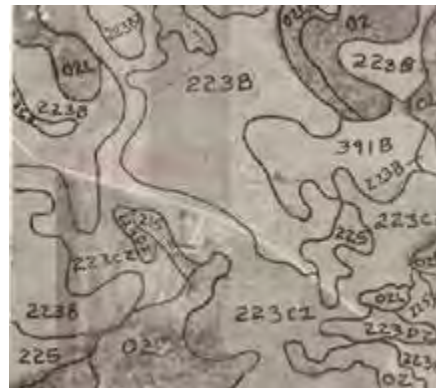
Map symbol	Soil name	Percent of soil association
2	Fox silt loam	26%
	Casco loam	12%
	Matherton silt loam	12%
	Minor soils	50%

On-Going Soil Surveys

Soil surveys in various stages of completion in a county are also a source of soil information prior to the publication of the survey. The survey is mapped on a photobase of either 1:20,000 or 1:15,840. Mapping symbols consist of a number for the kind of soil, a letter for the slope and numbers for the degree of erosion (refer to "Degree of Erosion" for further explanation). Upon publication of the soil map, the number for the kind of soil becomes a pair of letters, but the notation for slope and erosion remains the same. During the course of the survey the field sheets are subject to change until the final correlation processes are completed. This should be kept in mind when using soil maps from an on-going soil survey. The soil survey party leader should be contacted for first-hand information regarding information about the soils in the county. Figure 14-10 is an example of a quarter section on a field sheet from the Kewaunee County soil survey with some explanation of a few map symbols. This particular field sheet has not gone through the correlation process and some map symbols and soil lines may change before publication.

Figure 14-10

**Kewaunee County, Town of Casco
T24N R24E, Section 35, NE 1/4 1:15, 840**



Map symbol	Soil type	Slope	Erosion
02	Carbondale Muck	2 – 6%	Slight
391B	Zurich silt loam	2 – 6%	Slight
223C	Hortonville silt loam	6 -12%	Moderate

Final Published Surveys (Modern Detailed Soil Surveys)

Modern detailed soil surveys are produced by the Soil Conservation Service on a county basis usually at scales of 1:20,000 or 1:15,840. Presently 46 counties in Wisconsin have modern detailed soil surveys available while the remaining counties are either in the process of being surveyed or are in the planning stages. See Figure 14-11 for the soil survey status of the various counties.

After all correlation and compilation procedures are completed, the final published survey is printed and made publicly available. Soil boundaries and symbols are subject to change up to the time of publication. Normally there is little change other than the conversion of field symbols to publication symbols. The new map symbol will have a group of letters designating the soil type instead of numbers while slope class and erosion status retain the same code format. All map symbols used in the county are included in a soil legend for each on-going soil survey and final published survey.

All soil series correlated in the county will be listed and described in the survey. The procedure for finding sections and towns is listed in the front of the book. A table of contents and description on how the survey was made are also in the book.

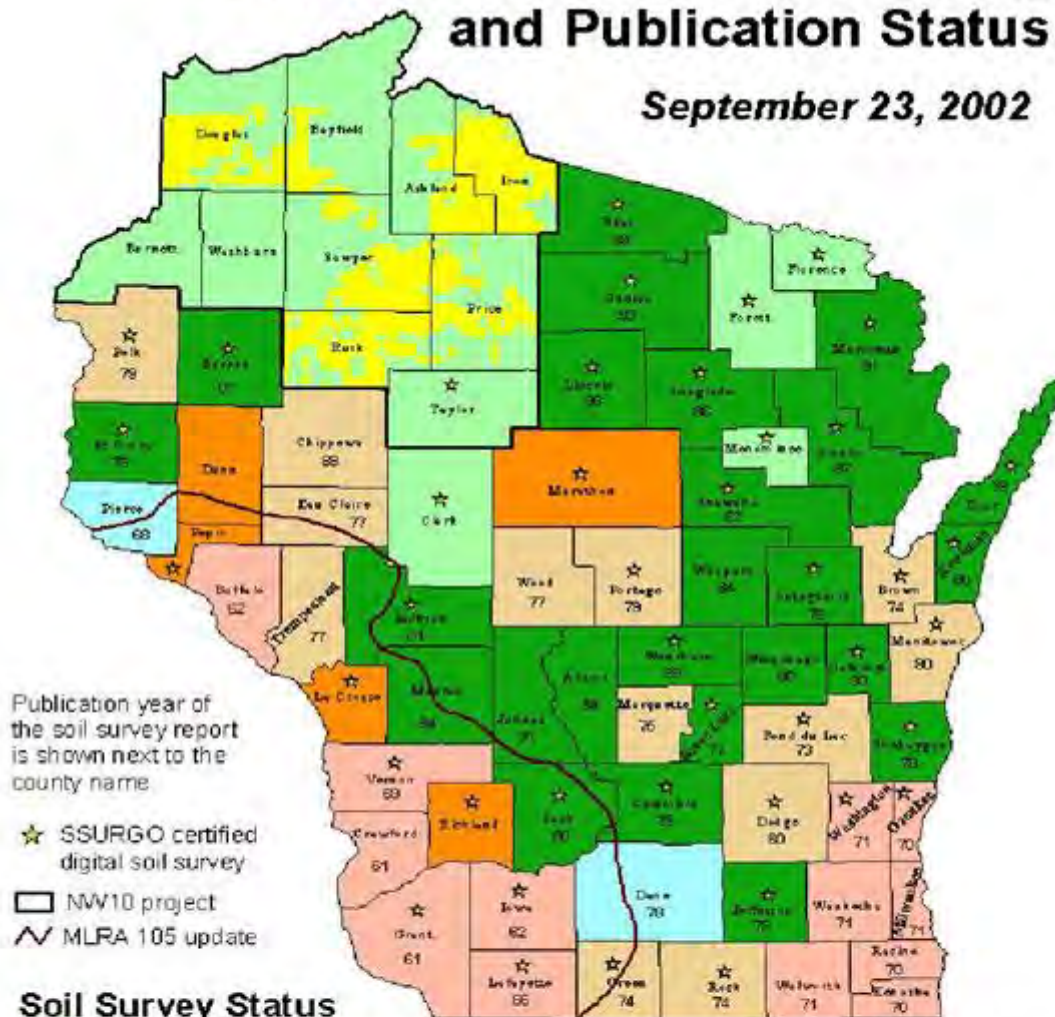
Figure 14-11

Status of Soil Survey

A color [map](#) is available at the website -

Wisconsin Soil Survey Mapping and Publication Status

September 23, 2002



Soil Survey Status

25	Published Soil Survey (35%)
7	Initial Mapping Complete (20%)
7	Initial Mapping In Progress (5%)
5	Update Field Work Complete (7%)
2	Update Field Work In Progress (3%)
13	Out of Date Publication (13%)
13	Maintenance Needed (17%)

Number of counties shown in boxes on left
Percent of WI land area shown in parenthesis on right

For more information, contact:

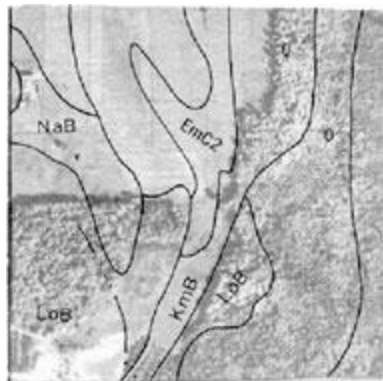
Jon W. Hempel, State Soil Scientist
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USDA - Natural Resources Conservation Service

Figure 14-12 is an illustration from the Door County final published survey. It shows a quarter section of the map and typical map symbols. An explanation of the map symbols is found below the quarter section.

Figure 14-12

**Door County, Town of Sevastopol
T28N R28E, Section 20, NE ¼ 1:15, 840**



Map symbol	Soil type	Slope	Erosion status
Bp	Bonduel wet variant loam	0%	Slight
EmC2	Emmet sandy loam	6 – 12%	Moderate
LoB	Longrie loam	2 – 6%	Slight

Information Contained in the Survey

Drainage (Natural and Artificial)

Natural soil drainage may be defined as the ability of the soil to accept water at the ground surface and allow it to pass through the soil profile. Soil drainage can directly affect crop production, construction of buildings and roads, and suitability for septic systems. The Soil Conservation Service recognizes seven classes of natural drainage: excessively drained, somewhat excessively drained, well drained, moderately well drained, somewhat poorly drained, poorly drained, and very poorly drained.

Artificial drainage improves the soil's ability to drain the excess water from its profile, which in turn increases its utility. One method known as artificial surface drainage, may be accomplished by forming the land into a system of shallow field ditches which empty into larger ditches and extend to a suitable point of release for the water. A subsurface drainage system, consisting of a series of tile (cement, clay, or plastic) laid at a specific depth and grade, aids the removal of excess water.

Since soil drainage either by natural or artificial means frequently dictates the suitability of potential land uses, it does affect the land value. Because soil drainage is a significant soil characteristic, the assessor must consider it when estimating use-value.

Septic System Suitabilities

The conventional septic tank soil absorption system when properly installed on suitable soils is a satisfactory method of household waste disposal. It works on the premise that after the solids settle out in the septic tank and the effluent or tank overflow is released into the soil, the effluent percolating or slowly draining through the soil profile results in purification. Many Wisconsin soils do not contain the proper characteristics or depth in order to accept and purify septic tank effluent efficiently. To use this system the soil in which it is installed must have the following characteristics as described in the Wisconsin Administrative Code:

- a. a percolation rate faster than 60 minutes/inch (percolation is defined in the glossary)
- b. a depth of 5 feet or more to high groundwater or bedrock
- c. a surface slope less than 10-20% (exact percentage depends upon the percolation rate)
- d. a location outside a flood plain (for definition of flood plain see the glossary)

Detailed soil surveys rate each soil as having either a slight, moderate, severe, or very severe degree of limitation for a septic tank absorption system. Alternate systems such as a mound system, which raises the absorption system above the natural soil surface into a filled area, or a holding tank system that simply stores the waste, are two possible ways to overcome the soil limitations. Contact your county zoning administrator or sanitarian to determine county rules, regulations, and procedures about on-site waste disposal. Assessors should become aware of the septic tank suitability ratings of properties in their municipalities since the future land use, and ultimately the land value, may be dependent upon these ratings.

Land Capability Classification

The capability classification is a grouping of the soils into capability units based upon the most suitable usage for each soil phase. In this system all the kinds of soil are grouped at three levels: the capability class, subclass, and unit. The eight capability classes in the broadest grouping are designated by Roman numerals I through VIII (See Table 14-5). In Class I are the soils that have few limitations, the widest range of use, and the least risk of damage when they are used, while soils in higher classes have progressively greater limitations. In Class VIII are soils and land forms so rough, shallow, or otherwise limited that they do not produce worthwhile yields of crops, forage, or wood products. The subclasses indicating major kinds of limitations within the classes are illustrated by adding a small letter e, w, s, or c to the class numeral, for example, IIe. The letter e shows that the main limitation is risk of erosion, w means that water in or on the soil interferes with cultivation, s indicates that the soil is limited mainly because it is shallow, droughty, or stony, and c refers to climate as the chief limitation. Within the subclasses are the capability units; groups of soils enough alike to be suited to the same crops, to require similar management, and to have similar responses to management. Capability units are normally identified by numbers assigned locally, for example, IIe-1 or IIIe-4.

Predicted Yields

The modern detailed survey usually includes a list of the predicted yields for principal crops grown in the county. Recently, surveys have been listing productivities solely for a high level of management while older detailed surveys might show both an average and high management level figure. Principal crops contained in the survey commonly are corn for grain, corn for silage, oats, alfalfa, brome hay, and pasture (mainly bluegrass).

Table 14-5

Major Land Use Suitability	Land Capability Class (Degree of Limitations)	Major Soil Limitations with Management Practices if Applicable
Suited for Cultivation	I Few limitations. Very good land from every stand-point.	
	II Moderate limitations or risks of damage when used for crops.	e Contouring, contour strip cropping, terraces, waterways. s Protect from flooding, drainage. w Maintain good soil structure.
	III Moderate to severe risk of damage, or limitations. Regular cultivation possible if limitations are observed.	e Contouring, contour strip cropping, terraces, diversions w surface and/or tile drainage, diversions. s Wind erosion control, irrigation, moisture conserving practices
	IV Severe limitations. Can be cultivated with special management	e Contour strip cropping, diversions, renovation or top-dressing, woodland w Protect from flooding, surface drainage. s Moisture conserving practices, wind erosion control. Adapted to: Grazing or forestry
Not Suited for Cultivation	V Not suited for cultivation because of wetness, stones, overflows, etc.	Grazing or forestry
	VI Too steep, stony, wet, or droughty for cultivation. Moderate limitations for grazing or forestry.	Grazing or forestry
	VII Very steep, rough, wet, or sandy. Severe limitations for grazing or forestry.	Grazing or forestry
	VIII Extremely rough, swampy, etc.	Wildlife, watershed protection, recreation.

Productivities listed in surveys published some years back might seem unrealistically low due to the many recent technological advances in the agricultural field. These outdated yield figures remain useful on an individual soil comparison basis because the most and least productive soils in each municipality may still be determined. Muck soils, normally existing in the environment as a non-productive entity, should be dealt with cautiously since they become extremely productive under a high level of management (e.g. artificial drainage).

Figure 14-13 shows Kewaunee silt loam soil. This report lists the yield estimates for crops best suited for each capability unit under high level management conditions. An example of high level management conditions would be contour strip-cropping where clean-tilled crops (e.g. corn) are grown in alternating strips with close growing crops (e.g. alfalfa) to reduce soil erosion. Use capability classification information from the soil survey to develop land unit values by analyzing farms that sell in the district. The land unit values can then be used in valuing all agricultural lands in the district on a uniform basis.

Figure 14-13 (Page 1 of 2)

WI0075
REV. FLA. 5-84
TYPIC HAPLUDALFS, FINE, MIXED, MESIC

SOIL INTERPRETATIONS RECORD

KEWAUNEE SERIES
WELL DRAINED

The Kewaunee series, well drained, consists of well drained soils formed in a thin mantle of loess or loamy deposits and moderately fine and fine textured glacial till on uplands. The surface layer is very dark grayish brown silt loam 8 inches thick. The subsurface layer is brown silt loam 2 inches thick. The subsoil is dark brown silty clay loam in the upper 3 inches and reddish brown clay in lower 16 inches. The substratum is reddish brown silty clay loam. Slopes range from 0 to 45 percent. Most areas are used for cropland.

Estimated Soil Properties (A)

Depth (In.)	USDA Texture	Unified	AASHTO	Fract >3 in (Pct.)	Percent of Material Less Than 3" Passing Sieve No.				Liquid Limit	Plasticity Index
					4	10	40	200		
0 - 10	Sl, L	CL, CL-ML	A-4, A-6	0 - 5	95 - 100	95 - 100	80 - 100	50 - 90	20 - 30	6 - 11
0 - 10	SL	SM-SC	A-4, A-2, A-6	0 - 5	95 - 100	95 - 100	55 - 70	25 - 40	20 - 30	4 - 11
0 - 10	STCL, C, SIC	CL, CH	A-7	0 - 5	95 - 100	95 - 100	90 - 100	70 - 95	40 - 65	20 - 45
10 - 29	C, SIC, SICL	CL, CH	A-7	0 - 5	85 - 100	85 - 100	75 - 100	60 - 95	40 - 70	25 - 50
29 - 60	SICL, SIC, C	CL, CH	A-7	0 - 5	85 - 100	85 - 100	75 - 100	60 - 95	40 - 75	15 - 45

Depth (In.)	Clay (Pct.)	Moist Bulk Density (G/CM3)	Permeability (In/Hr.)	Available Water Capacity (In/In)	Soil Reaction (PH)	Salinity (MMHOS/CM)	Shrink-Swell Potential	Erosion Factors		Wind Erod. Group	Organic Matter (Pct.)	Corrosivity	
								K	T			Steel	Concrete
0 - 10	12 - 20	1.35-.55	0.6-2.0	0.19-0.24	5.6-7.3	—	Low	.37	3	5	1-3	High	Low
0 - 10	10 - 20	1.40-1.70	0.6-2.0	0.16-0.24	5.6-7.3	—	Low	.24	3	3	1-3		
0 - 10	30 - 50	1.35-1.65	0.2-0.6	0.10-0.23	5.6-7.3	—	Moderate	.37	3	4	1-2		
10 - 29	35 - 60	1.45-1.85	0.06-0.6	0.07-0.20	5.6-7.8	—	High	.37					
29 - 60	35 - 60	1.55-1.95	0.06-0.6	0.06-0.20	7.4-8.4	—	Moderate	.37					

Flooding			High Water Table			Cemented Pan		Bedrock		Subsidence		Hyd Grp	Potential Frost
Frequency	Duration	Months	Depth (Ft.)	Kind	Months	Depth (In.)	Hardness	Depth (In.)	Hardness	Int. (In.)	Total (In.)		
None			>6.0			—		>60		—		C	Moderate

Sanitary Facilities

Construction Material

Septic Tank Absorption Fields	0-15%: Severe - percs slowly 15+%: Severe - percs slowly, slope	Roadfill	0-25%: Poor - Low strength 25+%: Poor - Low strength, slope
Sewage Lagoon Area	0-2%: Slight 2-7%: Moderate - Slope 7+%: Severe - Slope	Sand	Improbable - Excess fines
Sanitary Landfill (Trench)	0-15%: Severe - Too clayey 15+%: Severe - Slope, too clayey	Gravel	Improbable - Excess fines
Sanitary Landfill (Area)	0-8%: Slight 8-15%: Moderate - Slope 15+%: Severe - Slope	Topsoil	SIL, L, SL, SICL: Poor - Area reclaim C, SIC: Poor - Area reclaim too clayey
Daily Cover For Landfill	0-15%: Poor - Too clayey, hard to pack 15+%: Poor - Too Clayey, hard to pack, slope	Water Management	
		Pond Reservoir Area	0-3%: Slight 3-8%: Moderate - Slope 8+%: Severe - Slope
Building Site Development			
Shallow Excavations	0-8%: Moderate - Too clayey, dense layer 8-15%: Moderate - Too clayey, dense layer, slope 15+%: Severe - Slope	Embankments, Dikes, and Levees	Severe - Hard to pack
Dwellings Without Basements	0-15%: Severe - Shrink - swell 15+%: Severe - Shrink - swell, slope	Excavated Ponds, Aquifer Fed	Severe - No water
Dwellings With Basements	0-8%: Moderate - Shrink- swell 8-15%: Moderate - Shrink - swell, slope 15+%: Severe - Slope	Drainage	Deep to water
Small Commercial Buildings	0-8%: Severe - Shrink - swell 8+%: Severe - Shrink - swell	Irrigation	SIL, L: Percs slowly, footing depth SL, SICL, C, SIC: Droughty, percs slowly, footing depth
Local Roads and Streets	0-15%: Severe - Low strength, shrink-swell 15+%: Severe - Low strength, shrink-swell, slope	Terraces and Diversions	0-8% SIL, L, SICL, C, SIC: Percs slowly 8+% SIL, L, SICL, C, SIC: Percs slowly, slope 0-8% SL: Soil blowing, percs slowly 8+% SL: Soil blowing, percs slowly, slope
Lawns, Landscaping, and Golf Fairways	0-8% SIL, L, SL, SICL: Slight 8-15% SIL, L, SL, SICL: Moderate - Slope 15+% SIL, L, SL, SICL: Severe - Slope 0-15% C, SIC: Severe - Too clayey 15+% C, SIC: Severe - Too clayey, slope	Grassed Waterways	0-8%: Percs slowly 8+%: Percs slowly, slope
Regional Interpretations			

Figure 14-13 (Page 2 of 2)

KEWAUNEE SERIES
WELL DRAINED

WI0075

Recreational Development

Camp Areas	0-8% SIL, L, SL, SICL: Slight 8-15% SIL, L, SL, SICL: Moderate – Slope 15+% SIL, L, SL, SICL: Severe – Slope 0-15% C, SIC: Severe – Too clayey 15+% C, SIC: Severe – Too clayey, slope	Playgrounds	0-2% SIL, L, SL, SICL: Slight 2-6% SIL, L, SL, SICL: Moderate – Slope 6+% SIL, L, SL, SICL: Severe – Slope 0-6% C, SIC: Severe – Too clayey 6+% C, SIC: Severe – Too clayey, slope
Picnic Areas	0-8% SIL, L, SL, SICL: Slight 8-15% SIL, L, SL, SICL: Moderate – Slope 15+% SIL, L, SL, SICL: Severe – Slope 0-15% C, SIC: Severe – Too clayey 15+% C, SIC: Severe – Too clayey, slope	Paths and Trails	0-15% SIL, L, SL, SICL: Slight 15-25% SIL, L, SL, SICL: Moderate – Slope 25+% SIL, L, SL, SICL: Severe – Slope 0-25% C, SIC: Severe – Too clayey 25+% C, SIC: Severe – Too clayey, slope

Capability and Yields Per Acre of Crops and Pasture (High Level Management) (B)

Class-Determining Phase	Capability		Corn (BU)		Corn Silage (Tons)		Oats		Grass – Legume Hay (Tons)		Kentucky Bluegrass (AUM)		Soybeans (BU)				
	NIRR	IRR	NIRR	IRR	NIRR	IRR	NIRR	IRR	NIRR	IRR	NIRR	IRR	NIRR	IRR	NIRR	IRR	
0-2%																	
2-6%	2S		100		16		80		5.0		4.3		34				
2-6% Eroded	2E		95		15		80		5.0		4.1		30				
6-12%	2E		92		15		78		5.0		3.9		28				
6-12% Eroded	3E		85		14		75		5.0		3.7		25				
12-20%	3E		80		13		70		4.8		3.6		23				
12-20% Eroded	4E		75		12		60		4.5		3.5		—				
20-30%	4E		65		11		55		4.1		3.4		—				
20-30% Eroded	6E		—		—		40		3.7		3.3		—				
2-6% Sev Er	3E		85		14		65		3.9		3.3		25				
6-12% Sev Er	4E		65		11		55		3.7		3.3		20				
12-20% Sev Er	6E		—		—		40		3.2		3.0		—				

Woodland Suitability

Class Determining Phase	Ord Sym	Management Problems					Potential Productivity			Trees to Plant
		Erosion Hazard	Equip. Limit	Seeding Mort'y	Windth. Hazard	Plant Compet.	Common Trees	Site Index		
0-12%	3C	Slight	Slight	Moderate	Moderate	Moderate	Northern Red Oak	62	Eastern White Pine White Spruce	
12-30% North	3R	Moderate	Moderate	Moderate	Moderate	Moderate	Sugar Maple	57		
12-30% South	3R	Moderate	Moderate	Moderate	Moderate	Moderate	White Ash	—		
30+%	3R	Severe	Severe	Severe	Moderate	Moderate	American Basswood	—		

Windbreaks (C)

Class Determining Phase	Species	HT	Species	HT	Species	HT	Species	HT
All	Eastern White Pine	30	Red Pine	30	White Spruce	20	Amur Maple	10
	Northern White – Cedar	15	Lilac	10	Silky Dogwood	8	Alternate Leaf Dogwood	8
	White Ash	30	Red Maple	30	Amer Cranberry bush	10	Gray Dogwood	8

Wildlife Habitat Stability

Class Determining Phase	Potential For Habitat Elements							Potential As Habitat For:				
	Grain & Seed	Grass & Legume	Wild Herb.	Hardwood Trees	Conifer Plants	Shrubs	Wetland Plants	Shallow Water	Openland Wildlife	Woodland Wildlife	Wetland Wildlife	Rangeland Wildlife
0-2%	Good	Good	Good	Good	Good	—	Fair	Fair	Good	Good	Fair	—
2-12%	Good	Good	Good	Good	Good	—	Poor	V. Poor	Good	Good	V. Poor	—
12-20%	Fair	Good	Good	Good	Good	—	V. Poor	V. Poor	Good	Good	V. Poor	—
20+%	V. Poor	Fair	Good	Good	Good	—	V. Poor	V. Poor	Fair	Good	V. Poor	—

Potential Native Plant Community (Rangeland or Forest Understory Vegetation)

Common Plant Name	Plant Symbol (NLSPN)	Percentage Composition (Dry Weight) By Class Determining Phase			
Sweet Cicely	OSCL				
Common Mayapple	POPE				
Spotted Geranium	GEMA				
Feather Solomon – Plume	SNPA				
Sharplobe Hepatica	HEACZ				
Catchweed Bedstraw	GAAP2				
Wild Leek	ALTR3				
Potential Production (Lbs./Ac. Dry Wt.):					
	Favorable Years				
	Normal Years				
	Unfavorable Years				

Footnotes

- A Estimates of engineering properties based partially on Highway Dept. test data of 13 pedons and NSSL data.
- B Grass-Legume Hay yields are for Brome Grass – Alfalfa mixture.
- C Windbreak group 4L.

Other Uses of the Soil Survey

Additional information generally included in the survey may be significant to the assessor. The assessor can use this information to estimate the potential and probable uses for a specific parcel. The additional information includes:

1. **Woodland groups** – (soils grouped according to their suitability for producing various species of woodland shrubs and trees)
2. **Wildlife habitat groups** – (soils categorized on the basis of their suitability for producing elements of wildlife habitat)
3. **Soil suitability ratings** – (soils rated on the basis of their suitability as a source of topsoil, sand, gravel, and highway fill)
4. **Soil limitation ratings** – the estimated degree and kind of soil limitations for various recreational uses, residential development, commercial and light industrial development, agricultural drainage, irrigation, construction of highways, streets, railroads, airports, buildings, and unique purposes like sanitary landfills, sewage lagoons disposal systems, corrosion potential for conduits, reservoir areas, embankments, terraces, diversions, and grassed waterways.)

An assessor can also use the soil survey to grade class 4 tillable land. Slope, capability classification, and predicted yields will assist in the rating of tillable lands. The grading of agricultural land is discussed in more detail later in this chapter.

Limitations of the Detailed Survey

The smallest area shown on the maps is approximately five acres. Individual parcel analysis would have to be performed on site for properties containing less than five acres. The scale of the maps is four inches to the mile. Enlarging the maps to eight inches to the mile would make them easier to read but does not improve the accuracy or detail. The soil survey may be outdated. Landscape changes and alterations will not be reflected on the survey if they occur after the survey publishing date.

The soil survey is not exact. Users of the soil survey must realize that in a natural landscape the pattern of soils is such that one kind of soil grades into another kind and that soils don't end abruptly and another begin exactly where the boundary line is drawn. Soil boundaries are actually transitional zones where soils gradually change in characteristics; these zones may range from a few feet to several yards wide. Up to 15% of the phase or map unit may consist of different soils than the one indicated by the map symbol simply because the smallest area shown is about five acres in size.

Soil Survey Availability

An assessor should contact the county office of the Soil Conservation Service for information about the availability of soil surveys. In those counties where maps and survey publications have been available for a long period of time, a check should be made to see if changes have been made.

Other Assessment Aids

Maps

Maps provide comprehensive information on the existence, location, height, land form, and distances between ground features such as:

1. Populated areas
2. Routes of travel
3. Parcel shapes and sizes
4. Vegetation cover
5. Buildings
6. Natural features

Locating real property is one of the major steps in the assessment process. Maps are a fine resource for locating and analyzing property. A map is defined as a mathematically determined representation of a portion of the earth's surface systematically plotted to scale upon a plane surface. All information for reading a map is given on the outer edges of the map. Since all maps are different, both in subject and scale, it is essential for the marginal information to be examined prior to reading the map.

Many different types of maps have been made to depict the different features of any geographical area. All geographical features cannot be legibly placed on one map, so numerous maps are necessary. Maps which provide helpful information are:

1. **Plat Maps** – (Comprised of all civil townships within a county. Contains: name of property **owner**, acreage, roadways, sets or buildings, alphabetical property owner index, rivers, lakes, sections, town, ranges, outer corporate boundaries of villages and cities, railroad lines, and cemeteries.)
2. **City and village plat Maps** – (Contain information on subdivisions, parcel size and number, and a cross reference to the property owner.)
3. **Topographic Maps** – (These maps show the relief and vegetation cover for a geographical area. They show the location and shape of the mountains, valleys, and plains. The maps also show the network of streams, rivers, lakes, the principal works of man, and the vegetation cover.)
4. **Certified Survey Maps** – These are maps which show an area of land that has been surveyed. Once surveyed, the parcel is drawn on a sheet of paper which also contains: a known point; the name, seal, and signature of the surveyor; the date when the survey was done; the inclusion of any roads that the parcel fronts; the position of any structures on the parcel; and a metes and bounds description of the parcel. The map is recorded at the county Register of Deeds Office and is assigned a map number and document number. Once assigned these numbers, the parcel may be legally described by listing the map or document number.
5. **Floodplain and Shoreland Mapping** – These are maps that show the topography of floodplain and shoreland areas. The maps also delineate floodplain and floodway boundaries, in order to assist in the establishment and administration of floodplain and shoreland ordinances. This mapping program is administered by the Department of Natural Resources (DNR) and assistance to counties and municipalities is handled by the DNR. (sec. 87.31, Wis. Stats.)
6. **Agricultural Maps** – These are maps that locate lands in the state which should be considered for preservation because of their agricultural significance. Maps will be prepared first for those portions of the state where the need for agricultural preservation is of the highest priority. The maps are based upon data such as: soil surveys, aerial photography interpretation, existing agricultural zoning, surveys, and may be

supplemented by on-site surveys and other studies. The maps are prepared and the program is administered by the Department of Agriculture, Trade, and Consumer Protection and the Department of Local Affairs and Development (sec. 91.05, Wis. Stats.)

7. **Wetland Maps** – These are maps that show the locations of wetlands as defined and mapped by the Wisconsin DNR.

Plat books are usually published by the county or on occasion by local banks or businesses that use them for advertising purposes. The county clerk's office usually has a supply. The plats often become outdated as they are published every 2 to 5 years. However, the real property lister usually has an up-to-date map.

City and village plats may be found in different locations such as:

- City or village hall
- Assessor's office
- Register of Deeds office
- Municipal engineer's office
- Real property lister's office

Topographic maps are available in areas which have been surveyed by the U.S. Geological Survey. The source for these maps in Wisconsin is the Geological and Natural History Survey, Mapping Section, 1815 University Avenue, Madison, Wisconsin, 53706.

Aerial Photographs

Aerial photographs show the actual countryside as it is. Aerials come in different scales. The most common scales are 1" = 660', which portrays one section per 9" x 9" sheet, or 1" = 1,320', which portrays four sections per 9" x 9" sheet. An assessor should choose the scale which is most appropriate for that assessment district. Aerials become very valuable in agricultural valuation as they can aid in the classifying and grading of land. Classes and grades of land can be estimated by analyzing the photographs. The following items can help in this analysis:

1. The tones, relief, and vegetation cover (Can indicate that the property is in the agricultural class and help identify first, second and third grade tillable land and pasture)
2. The presence of trees (Can indicate forest class)
3. The system of roads, railroads, and presence of structures, subdivisions or industrial parks (Can indicate other, residential, commercial, or industrial class)
4. The presence of constantly wet soil or cliffs and rock outcroppings (Can indicate the undeveloped land class)

Aerial photos are taken every few years by the Federal government and are available from many federal, state, and local agencies, as well as commercial firms. The County Agricultural Stabilization and Conservation Service office has a county photo (or key) showing the flight pattern, date, and time each photo was taken. The photos may be purchased from the A.S.C.S. office or the U.S.D.A. Aerial photos are also taken as a cooperative effort of the State Department of Administration (DOA), DNR, Department of Transportation (DOT) and the state cartographer. These agencies may also consult with other potential users of the aerials to determine the scope and character of the flights flown. The most recent flight flown may be obtained from the DOT by writing to: Wisconsin Department of Transportation; Surveying & Mapping Section; 3502 Kinsman Blvd; Madison WI 53704.

It is recommended that a tracing of each aerial photograph be made so that all notations can be made on the tracing rather than on the aerial photograph itself. If this is done the aerial photograph will always remain clear and untouched for reference, and fine detail will not be obliterated by ownership lines and other notations. The tracing, along with the aerial photograph, can then be mounted in a ring binder so that they face one another and are both visible when the ring binder is opened.

On the tracing, all roads, streams, wooded areas, and other geographical features should be noted. In addition, property ownership lines should be drawn in accordance with the legal description found in the prior assessment roll or as corrected from the owner's actual deed of record. Occasionally outright errors in the former legal description will be found as well as errors in the total acreage. Such errors should be corrected in the assessor's file. Legal action by the owner is necessary to correct the deed.

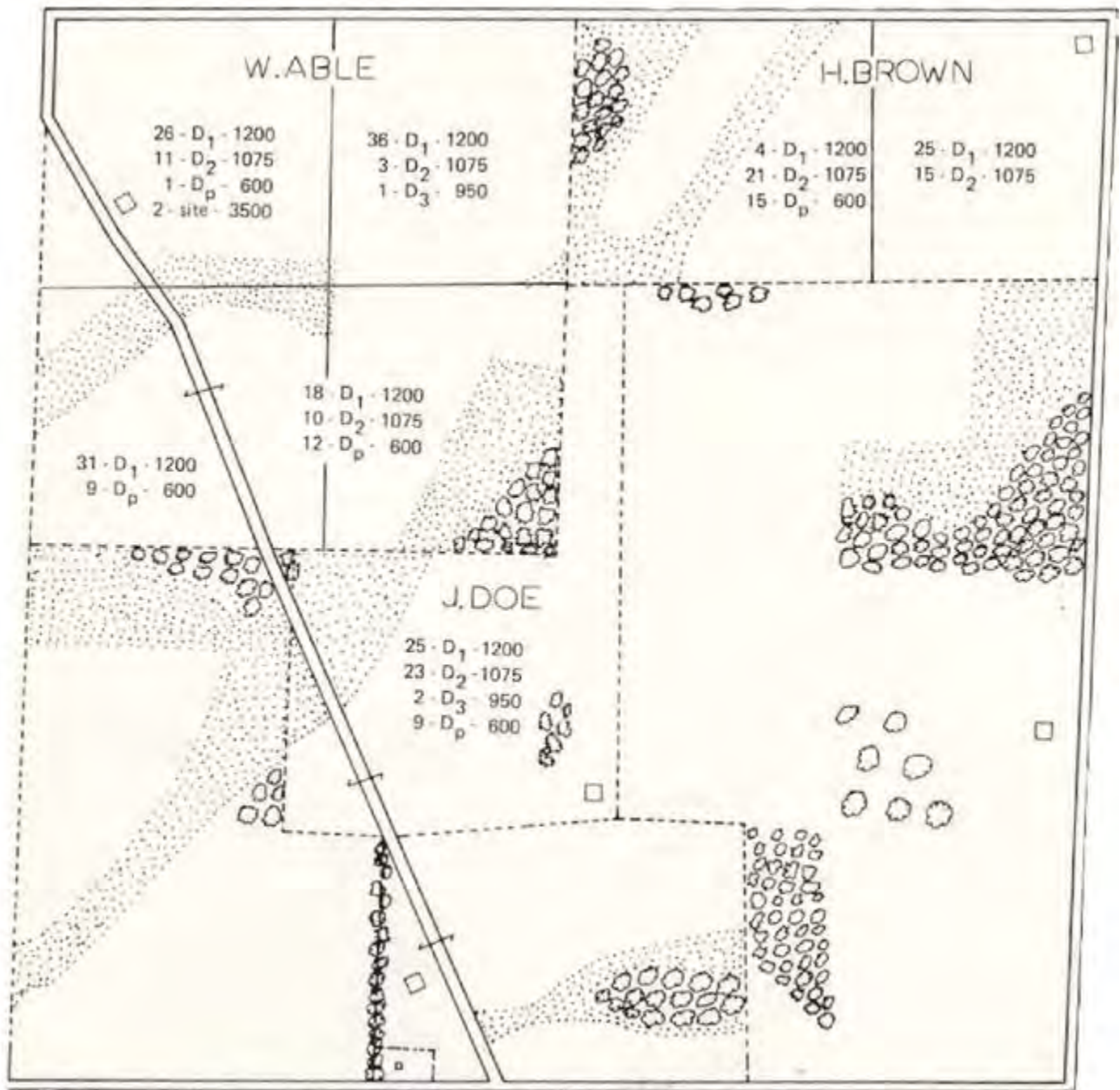
The assessor should keep in mind that ownership lines run to the center of all roads except those highways actually owned in fee by the State of Wisconsin, the county, or the municipality. A right-of-way should have the same classification as the land which it adjoins except in the case of agricultural land. Right of ways adjoining agricultural lands should be classified as 'undeveloped' except where the right-of-way land is being tilled or used as pasture. When tilled or used as pasture, the right-of-way is considered Class 4 agricultural. Right-of-way ownership can be verified in the office of the Register of Deeds or by the district office of the Division of Highways of the Wisconsin DOT. Counties are also now purchasing county highway lands in fee and their ownership may also be verified in the Register of Deeds Office or in the highway department of the county. In the absence of outright ownership by the municipalities, acreage should include that area covered by the roads (Class 5).

Figures 14-14 and 14-15 are an illustration of an aerial photograph and a tracing of it with appropriate notations and land classification.

Figure 14-14
Aerial Photograph of a "Section" of Land



Figure 14-15
Tracing of Aerial Photograph with Notations
Sec 15 T 4N R 3E



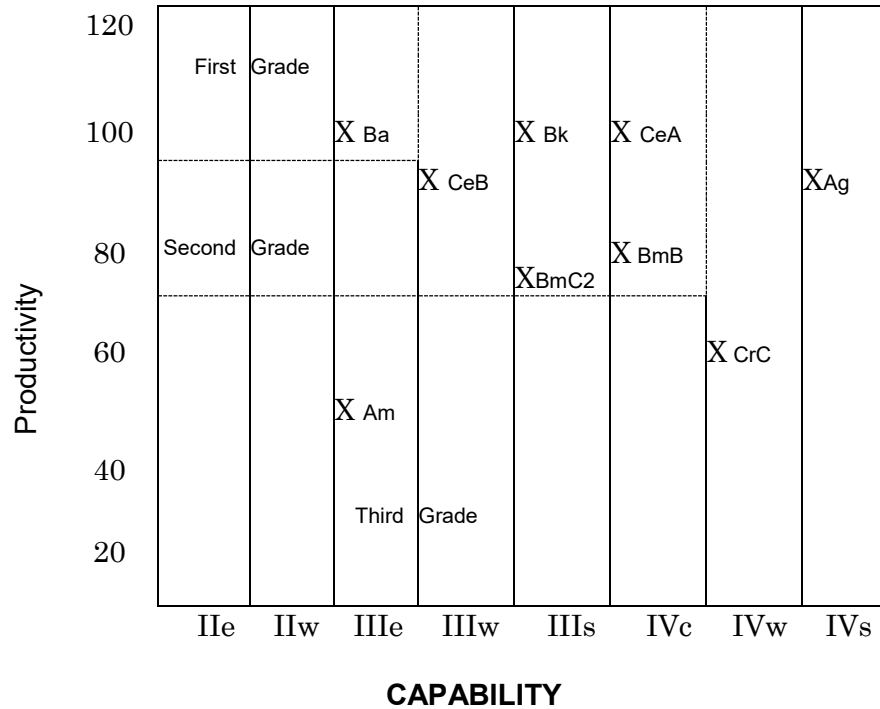
Grading of Agricultural Land

Aerial photographs and soil surveys are valuable aids in the grading of agricultural lands. Aerial photographs show tones, relief, vegetation cover, and topography. Soil surveys provide information on slope, capability classification, and productivity. All of this information is useful when rating and grading agricultural land.

The following is a brief step-by-step outline that the assessor should follow when grading agricultural land:

1. Become familiar with DOR's land classification system as described in Chapter 7 as well as the sub-classes of agricultural land described previously in this chapter under Categories of Agricultural Land.
2. Obtain a set of current aerial photographs for the municipality.
3. Obtain a copy of the county's detailed soil survey (46 of the state's counties have published detailed soil surveys). A soil association map or interior report should be available in those counties without detailed soil surveys. The local office of the Soil Conservation Service should be contacted to determine whether a soil survey has been published for the county.
4. Read and understand the following areas of the soil survey report:
 - a. General nature of the area
 - b. How the survey was made
 - c. Actual map and location of sections on the map
 - d. Soil descriptions (including productivity and septic limitations)
 - e. Use and management of the soils
 - f. Formation and classification of the soils
 - g. Glossary
 - h. Guide to the mapping units
5. Use the soil survey to determine the kinds of soils found in the municipality and list them.
6. After listing each of the soils found in the municipality, look up the capability classification in the soil survey for each soil and record it next to each soil phase. Capability classifications rate soils on their suitability for most kinds of farming; therefore, soils with suitable capability classifications should be rated or graded higher than soils with severe limitations. (See table 14-5 for a capability classification example)
7. Next, find the alphabetical listing of all soils in the county which shows productivity ratings for each soil phase (as shown in table 14-6). Record the productivity of each soil phase in the municipality on the list prepared in steps 5 and 6 above. Productivity is measured in terms of predicted yields for principal crops in the area; therefore, soils with better yields would be graded higher than soils with lesser productivity. Note: The productivity ratings shown in the soil survey should be used as a guide only. Depending upon the year of the soil survey, the range of productivity for each grade of land will fluctuate. For example, a soil survey published in 1965 may show productivity ratings lower than the actual productivity today. For this reason, it is important to meet with the County Soils Agent to discuss the data found in the soil survey.
8. Draw a graph as shown in figure 14-16 whose y-axis represents productivity rating and whose x-axis represents capability rating. Using the data collected in steps 5 through 7 above, chart all of the soils for the municipality on the graph.

Figure 14-16



- Determine at what productivity and capability levels soils should be classified as 1st, 2nd, or 3rd grade soils (e.g., establish the break-off points for each grade). Use the graph as a guideline and consult with the County Soils Agent for interpretation of soils and to aid in determining the break-off points for each grade of agricultural land. It is important for the assessor to discuss specific soil capability questions with the County Soil Conservation Service and maintain good communications with the district Supervisor of Equalization. This will help the assessor to be more accurate in grading soils and keep DOR updated on the municipality's land base.

Table 14-6

Soil Survey

Predicted Average Yields Per Acre of Principal Crops

Yields are those obtained under improved, or high level, management. Absence of a yield figure indicates that the crop is not suited to the soil or is not ordinarily grown on the soil. Only arable soils are listed.

Map Symbol	Soil Name	Corn		Oats	Grass-legume hay
		Grain Bu	Silage Tons	Bu	Tons
Ag	Adrian muck	90	15	50	-----
Ak	Adrian-Granby-Oakville complex				
	Adrian soil	90	15	50	-----
	Granby soil	60	10	50	3.00
	Oakville soil	50	8	40	2.50
Am	Alluvial land	50	8	40	2.25
Ba	Barry silt loam	110	18	95	4.80
Be	Bellevue silt loam	100	17	75	4.50
Bf	Bellevue fine sandy loam, sandy subsoil variant	60	10	45	2.50
Bk	Boots muck	100	16	65	3.00
BmB	Boyer loamy sand, 2 to 6 percent slopes	80	13	60	3.40
BmC2	Boyer loamy sand, 6 to 12 percent slopes, eroded	75	12	55	2.80
CeA	Casco loam, 0 to 2 percent slopes	95	16	80	5.10
CeB	Casco loam, 2 to 6 percent slopes	90	15	75	4.70
CeC2	Casco loam, 6 to 12 percent slopes, eroded	80	13	65	4.00
CrC	Casco-Rodman Complex, 6 to 12 percent slopes	65	10	65	4.00
CrD2	Casco-Rodman Complex, 12 to 20 percent slopes, eroded	-----	-----	55	3.50
CrE	Casco-Rodman Complex, 20 to 30 percent slopes	-----	-----	-----	1.25

10. Using the chart as a guide, list all soils in the municipality in alphabetical order by grade.
11. Having determined the phases of soils that constitute each grade of agricultural land, the next step is to proceed with the grading of all the agricultural land in the municipality. In conjunction with the soil survey data, the assessor should also use aerial photos, available maps, and woodland tax, forest crop, and managed forest orders as aids in grading land. These tools help to identify just which acres of land are agricultural and need to be graded vs. the non-agricultural land (i.e., residential or commercial parcels, forest and undeveloped lands, or forest crop, woodland tax, and managed forest lands).

When developing tentative grading for agricultural land, the assessor uses a template, which is placed on aerial photos to measure the acreage of each of the various soil phases in the municipality. This is done by looking individually at each quarter-quarter section (40 acres). Be sure that the scale of the template used matches the scale of the aerial photos being used. When measuring the acreage of each soil phase, the tentative grading of the various soils which was compiled in steps 5-10 is referred to determine the grade of that land. As each "40" is examined, it is outlined on an overlay or tracing, which is placed over the aerial photo, noting the acreage of each grade of agricultural land as well as the acreage of each class of nonagricultural land.

Aerial photographs and soil surveys provide a good indication of property classes and grades. An assessor may walk the land, if proper notice is met under state law (see Chapter 5-10), making notations as necessary on the tracing of the aerial photograph regarding any differences between what is shown on the aerial photos and what actually exists. When viewing the land the assessor must determine whether the preliminary grading is accurate in relation to what actually exists in the field and in relation to other parcels. When discrepancies are found to exist, it will be necessary to make adjustments to the land grading.

The combined information of various types of maps simplifies the job of the assessor. Plat maps, road maps, topographic maps, soil maps, and aerial photos can all be used to grade and value land within a district. These maps should be an integral part of the assessment process as they show the property to be assessed in its proper setting with reference to surrounding farms and territories.

Techniques for Valuing Other, Forest, and Undeveloped Land

The purpose of this section is to give the assessor guidance in valuing the non-agricultural property on a farm. The examples show how to derive values for building sites and improvements. The same techniques can be used to derive values for undeveloped land, forest, and any "other" class of property present on a farm.

Comparable Sales Approach

The basis of this approach is the analysis of property that has been sold. The assessor should be familiar with the geographical, political, social, and economic influences found in the municipality. This will help the assessor make an accurate field investigation and analysis of all agricultural sales. Because various circumstances surround each sale, it is necessary to analyze and weigh each transaction before accepting it as evidence of ordinary market value. The Wisconsin Statutes require the consideration of all sales made under other than normal market conditions, except sales to holders of a mortgage on the land, and to judgment creditors or to lienholders. The land and buildings sold should be viewed in their entirety and, whenever possible, selling price and other details should be verified by personal interview. Other details include such items as total acreage; acreage tillable; acreage not tillable; inclusion of livestock; machinery, or any other personal property in the selling price; additions or alterations to the property that may have taken place since the date of the sale; financing terms that may be abnormal; length of time that the property was on the market; reasons why the grantor was selling the property; and the general condition of the property (for example, the age and condition of the well and septic system). This information will help the assessor in analyzing the sale and determining its validity.

Chapter 10 explains that some sales which are unusable for sales ratio analysis are useable for market analysis (unit value projection). An example of this is a sale of a property lying in two separate assessment jurisdictions. Since each assessment jurisdiction generally has a different level of assessment, the two separate parcel assessments cannot be added together and compared to the sale price. The ratio that would be generated would not be a true indicator of the assessment to sale relationship for either jurisdiction. However, if the sale is an arm's-length transaction the sale price can be used as an indicator of market value for both jurisdictions.

Analyzing sales is a skill which the assessor needs to acquire. An assessor with this skill will be able to spot market trends, develop the municipality's current level of assessment, develop class ratios, develop unit values, and identify market factors which affect various property classes differently. The understanding of this information is particularly important to the equitable assessment of new construction.

The assessor must analyze all sales. A sale cannot be rejected for being too high or too low until the assessor has analyzed all the sales. This will allow the value established in the region to be determined by buyer and seller interaction rather than the personal feelings of the assessor. Markets are regional. It is necessary for the assessor to become aware of the regional sales patterns, as well as perform the detailed analysis of all sales within the assessment jurisdiction.

Because of the wide range of soil productivity and the wide range of land use, the assessor needs a range of values to make a fair and equal assessment on all classes of farm land and other lands.

It is suggested that the assessor keep a legible and systematic record of the findings and notes regarding each sale investigated in the field. It is also advised that standard ranges of values per acre used in making the assessment be established only after all sales have been viewed in the field and all findings thoroughly correlated and analyzed. Each year's sales must be analyzed to maintain knowledge of current market conditions.

The basic purposes in analyzing sales are:

1. To separate useable sales from those that are not arm's-length transactions. (See Chapter 10)
2. To separate those portions of selling price that are attributable to the land and to the improvements.
3. To break down the land into the various classes and subclasses from actual view and to apply trial unit values per acre to each to reconcile the amount of selling price attributable to each.
4. To measure the total accrued depreciation as evidenced by the difference between the cost of replacement new and the selling price attributable to the improvements.
5. To develop a legible and systematic record of the findings regarding each sale investigated.
6. To develop standard ranges of value per acre to be used in making the assessment after all sales have been viewed in the field and all findings thoroughly correlated and analyzed.
7. To establish a comparable sales file for valuation of similar properties.
8. To determine which market factors affect land values and to what degree.

The following illustrations develop some of the considerations necessary in the field sales analysis and give indication of the type of information summaries that can be developed.

Illustration of Fielding Agricultural Sales

1. Become aware that a sale has occurred. An assessor should set up a Real Estate Transfer Return delivery schedule with the District Property Assessment office (See Chapter 8).
2. Plot the sales on a map. It is suggested that the sales be plotted on copies of the plat map.
3. Verify the sales information at the county Register of Deeds Office. A volume and page number is recorded on each real estate transfer return (See Chapter 8).
4. Physically view the property that has sold. Consider:
 - a. Property location
 - b. Highest and best use of the property
 - c. Quality of soil

- d. Topography
- e. Condition and size of buildings
- f. Condition and amount of personal property (if any was included in the sale)
5. Sale date
 - a. Validity of sale (See Chapter 10)
 - b. Selling price
 - c. Number of acres (type and number of sub-classes)
 - d. Condition of well and septic
6. Estimate the acreage in each grade of land. Actually viewing the land will determine what the class and sub-class acreage breakdown will be. Aerial photographs and soil surveys can be helpful. The agricultural land should be broken down as follows:
 - 1st Grade Tillable
 - 2nd Grade Tillable
 - 3rd Grade Tillable
 - Pasture

Building Site ("Other")—In addition to the four grades of agricultural land listed above, that acreage containing the farm buildings and house should be broken out as building site acreage. The number of acres allocated to the building site will depend upon the number of acres actually necessary for the location and convenience of those buildings. The value attributable to the building site should be based upon what is found in the market and will vary depending upon the location of the farm, the location and arrangement of buildings, landscaping, and other factors. Remember, the well and septic, driveway, retaining walls, and other man-made improvements are valued with the improvements and should not be included in the building site land value.

Forest/Undeveloped land/Residential/Commercial – any non-agricultural acreage should also be broken out into the appropriate class.

7. Formulate an estimate of the unit values for the various grades and classes of land.

NOTE: An analysis of sales should always begin with the sales of vacant land (Assuming that there are vacant land sales in the assessment jurisdiction). This will allow the assessor to get a feel for the value per acre of the various grades and classes. A guide which the assessor can use in analyzing sales is that the unit values of the various grades and classes usually have a fairly fixed relationship (e.g., The per acre difference in dollar value between 1st and 2nd grade land will be somewhat constant from one sale to the next).

Example of Developing Unit Values

The following examples are for illustration only. The per-acre dollar values are not meant to be standard or average values. The soil types used were picked at random and have no relationship to the per-acre dollar values.

The sales are identified on a copy of the township plat map as shown in Figure 14-17.

Town of Anytown - Sales for 2011

Figure 14-17

T 20 N, R 1 W



Sale #1: N 1/2 SE 1/4, Sect. 32, T20N, R6W, 80 acres.

Sale #2: W 1/2 SW 1/4, and W 1/4 E 1/2 SW 1/4, Sect. 13, T20N, R1W, 100 acres.

Sale #3: NE 1/4, and E 25 acres NE 1/4 NW 1/4, Sect. 19, T20N, R1W, 185 acres.

Sale #4: SW 1/4 SW 1/4, Sect. 36, T20N, R1W, 40 acres.

Sale #5: NW 1/4, Sect. 6, T20N, R1W, 148 acres.

Sale #6: W 1/2 SE 1/4, and W 10 acres NE 1/4 SE 1/4, Sect. 10, T20N, R1W, 90 acres.

Sale # 7: NE 1/4, NW 1/4, and NW 1/4 SE 1/4, Sect. 21, T20N, R1W, 360 acres.

A field analysis of the sales reveals the following:

Sale 1

N 1/2 SE 1/4, Sect. 32, T20N, R6W, 80 acres.

Grantor: Randall and Gretchen Green

Grantee: Charles and Carol Smith

Sale Date: April 15, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$440,000

- Information Regarding the Property: The property is unimproved. The land is nearly level and growing corn. Mr. Smith, a nearby farmer, stated the land would be used for agriculture. A soil survey shows the property contains many soil. Some are the following:
 - Downs silt loam, Judson silt loam, Chaseburg silt loam, Betrand silt loam, and Lawson silt loam.
- Classification of Land: 2 ac Res. Site; 56 ac No. 1; 14 ac No. 2; 2 ac Swamp; 6 ac Forest

First Trial of Unit Values:

2 ac Res. Site @ \$ 25,000 = \$ 50,000

56 ac No. 1 @ \$ 5,400 = \$302,400
291,200

14 ac No. 2 @ \$ 5000 = \$ 70,000

2 ac Swamp @ \$ 1,700 = \$ 3,400

6 ac Forest @ \$ 4,500 = \$ 27,000

First Trial Total = \$452,800

(First trial total exceeds the sale value.)

Second Trial of Unit Values:

2 ac Res. Site @ \$ 25,000 = \$ 50,000

56 ac No. 1 @ \$ 5,200 = \$

14 ac No. 2 @ \$ 4,900 = \$ 68,600

2 ac Swamp @ \$ 1,600 = \$ 3,200

6 ac Forest @ \$ 4,500 = \$ 27,000

Second Trial Total = \$440,000

(The second trial total indicates what bare land is selling for per subclass.)

Sale 2

W 1/2 SW 1/4, and W 1/4 E 1/2 SW 1/4, Sect. 13, T20N, R1W, 100 acres.

Grantor: Charles and Jill Wagon

Grantee: James and Sue Madison

Sale Date: December 22, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$500,000

- Information Regarding the Property: The property is unimproved. The land is characterized as sloping. Corn is planted in 84 acres. This cropland is similar to that found in sale 1. An analysis of the soil survey shows that the land is mainly comprised of:
- Tillable. Arenzville silt loam, Jackson silt loam, Downs silt loam, Chaseburg silt loam, Lawson silt loam, Judson silt loam, Hixton fine sandy loam, and Norden fine sandy loam.
- Classification of Land: 43 ac No. 1; 28 ac No. 2; 13 ac No. 3; 3 ac Pasture; 6 ac Swamp; 10 ac Forest

First Trial of Unit Values:

43 ac No. 1	@ \$ 5,300	= \$227,900
	232,200	
25 ac No. 2	@ \$ 4,700	= \$117,500
	132,500	
13 ac No. 3	@ \$ 4,200	= \$ 54,600
3 ac Pasture	@ \$ 2,300	= \$ 6,900
6 ac Swamp	@ \$ 1,800	= \$ 10,800
10 ac Forest	@ \$ 4,600	= <u>\$ 46,000</u>

First Trial Total = \$463,700

(First trial total does not reach sale value.)

Second Trial of Unit Values:

43 ac No. 1	@ \$ 5,400	= \$
25 ac No. 2	@ \$ 5,300	= \$
13 ac No. 3	@ \$ 5,200	= \$ 67,600
3 ac Pasture	@ \$ 2,800	= \$ 8,400
6 ac Swamp	@ \$ 1,875	= \$ 11,250
10 ac Forest	@ \$ 4,800	= <u>\$ 48,000</u>

Second Trial Total = \$499,950

(The higher dollar value per acre is an indication of the size factor in market sales. Size of a parcel usually influences the unit value. Large farms have some tendency to sell for a lower price per acre and small farms have a tendency to sell for a higher price per acre.)

This tendency can be partially related to two factors:

1. A larger number of people are capable of bidding on the small farm versus the large farm. This drives the price of the small farm up.
2. The residence or home on the larger farm contributes a smaller portion of the total value of the property and its value is spread over a larger number of acres. This causes the per acre value to be smaller than that found on small farms.

Sale 3

NE 1/4, and E 25 acres NE 1/4 NW 1/4, Sect. 19, T20N, R1W, 185 acres.

Grantor: Robert and Rita Brown

Grantee: William and Mary Glass

Sale Date: April 5, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$1,100,000

- Information Regarding the Property: An interview with Mr. and Mrs. Glass indicated that three adjoining farmers were interested in buying this parcel of land. This interest in the parcel caused spirited bidding. Mr. Glass said that the location of the subject parcel was such that they could make better use of it than the other farmers. A check of the township

plat map revealed this statement to be true. (The circumstances surrounding this sale should indicate to the assessor that this sale's value could be accepted as the upper limit of "ordinary market value.")

- The property is unimproved. The land is slightly rolling and has a couple of low spots. The land is planted in corn and is some of the better cropland in the township. The prominent soil types are: Chaseburg silt loam, Down's silt loam, Jackson silt loam, and Lawson silt loam. Mr. Glass stated that most of the parcel was tillable. The aerial photograph, soil survey, and on-site viewing confirmed this.
- Classification of Land: 89 ac No. 1; 67 ac of No. 2; 31 ac No. 3; 2 ac Swamp; 6 ac Forest

First Trial of Unit Values:

87 ac No. 1	@ \$ 5,100	= \$ 443,700
63 ac No. 2	@ \$ 4,500	= \$ 283,500
27 ac No. 3	@ \$ 4,200	= \$ 113,400
2 ac Swamp	@ \$ 1,700	= \$ 3,400
6 ac Forest	@ \$ 4,400	= <u>\$ 26,400</u>
First Trial Total		= \$ 870,400

(First trial total does not reach the sale value.)

Second Trial of Unit Values:

87 ac No. 1	@ \$ 6,200	= \$ 539,400
63 ac No. 2	@ \$ 6,100	= \$ 384,300
27 ac No. 3	@ \$ 6,000	= \$ 162,000
2 ac Swamp	@ \$ 2,200	= \$ 4,400
6 ac Forest	@ \$ 5,000	= <u>\$ 30,000</u>
Second Trial Total		= \$ 1,120,100

(Second trial total exceeds sale value.)

Third Trial of Unit Values:

87 ac No. 1	@ \$ 6,200	= \$ 539,400
63 ac No. 2	@ \$ 5,900	= \$ 371,700
27 ac No. 3	@ \$ 5,800	= \$ 156,600
2 ac Swamp	@ \$ 1,900	= \$ 3,800
6 ac Forest	@ \$ 4,750	= <u>\$ 28,500</u>
Third Trial Total		= \$ 1,100,000

Sale 4

SW 1/4 SW 1/4, Sect. 36, T20N, R1W, 40 acres.

Grantor: Jack and Ruth Smith

Grantee: Sam and Sally Hanson

Type of Conveyance: Warranty Deed

Sale Date: July 30, 2011

Total Sale Price: \$215,000

- Information Regarding the Property: The property contains an old bank barn and small pole frame building that are in complete disrepair and of little or no value. There are no other improvements on this property. No positive or negative value will be assigned to the buildings as they sit on pasture land and do affect the tillable property. They are not used for storage. Mr. Hanson stated that he will have the buildings torn down by a local contractor. The contractor will do this for the lumber involved. No building value will be assigned in this sale. The Hansons plan on building a home on the property.
- The land contains more of a mixture of sloping and level land than the first two sales. An analysis of the soil survey shows that the land contains many of the soils identified in sales 1 and 2. The land classification breakdown is based upon actual observation, Mr. Hanson’s evaluation, and an aerial photograph and soil survey analysis.
- Classification of Land: 2 ac Res. Site; 12 ac No. 1; 8 ac No. 2; 3 ac No.3; 5 ac Pasture; 2 ac Swamp; 8 ac Forest

First Trial of Unit Values:

2 ac Res. Site	@	\$ 25,000	=	\$ 50,000
12 ac No. 1	@	\$ 5,500	=	\$ 66,000
8 ac No. 2	@	\$ 5,200	=	\$ 41,600
3 ac No. 3	@	\$ 5,000	=	\$ 15,000
5 ac Pasture	@	\$ 2,600	=	\$ 13,000
2 ac Swamp	@	\$ 1,800	=	\$ 3,600
8 ac Forest	@	\$ 4,800	=	\$ 38,400
First Trial Total			=	\$ 227,600

(First trial exceeds sale total.)

Second Trial of Unit Values:

2 ac Res. Site	@	\$ 25,000	=	\$ 50,000
12 ac No. 1	@	\$ 5,050	=	\$ 60,600
8 ac No. 2	@	\$ 4,950	=	\$ 39,600
3 ac No. 3	@	\$ 4,850	=	\$ 14,550
5 ac Pasture	@	\$ 2,500	=	\$ 12,500
2 ac Swamp	@	\$ 1,675	=	\$ 3,350
8 ac Forest	@	\$ 4,300	=	\$ 34,400
Second Trial Total			=	\$ 215,000

Table 14-7

Bare Land Classification Sales Analysis

From Sales 1-4	Indicated Sales Value Range Per Acre	Acres Sold	Average Sales Value Per Acre
1st Grade Tillable	\$5,050 - \$6,200	198	\$5,674
2nd Grade Tillable	\$4,900 - \$5,900	110	\$5,567
3rd Grade Tillable	\$4,850 - \$5,800	43	\$5,552
Pasture	\$2,500 - \$2,800	8	2,613
Swamp/Waste	\$1,600 - \$1,900	12	\$1,800
Forest	\$4,300 - \$4,800	30	\$4,597

Sale 5

NW 1/4, Sect. 6, T20N, R1W, 148 acres.

Grantor: Frank and Ellen Badger

Grantee: George and Helen Gray

Sale Date: December 15, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$1,120,000

- Information Regarding the Property: The property is improved. The buildings located on the property are:
 1. 2 story wood frame house (Grade-C, CDU-Fair, See Volume II for explanation)
 2. General purpose flat barn (Grade C, See Volume II for explanation)
 3. Attached concrete block milkhouse
 4. Wood pole frame building
 5. 2 steel grain bins
 6. 1 concrete stave silo
- The building site has no unusual landscaping or other noteworthy features. The house has some landscaping. The house and outbuildings are in average condition. No personal property was included in the sale, confirmed by reviewing the transfer documents. The land is generally rolling. The soil survey shows the land has silt and fine sandy loams. Mr. Gray stated that 142 acres were tillable, the majority is in corn and there are a few acres of oats. The soil survey, aerial photograph, and on-site viewing establish the following breakdown:
- Classification of Land: 82 ac No. 1; 43 ac No. 2; 17 ac No. 3; 3 ac Forest; 3 ac Building Site
- Assigning Values to the Land Classifications and Improvements: The most important factor determining the type of crops grown, the amount of farm management needed, and to a large extent, the real estate values generated, is the soil or land on a farm. Old buildings can be remodeled and needed structures can be built, but it is very difficult to add new land or to significantly alter the present land. The farm manager can gradually change a soil's productive capacity by adding chemicals and crop rotation, but changing slopes, erosion factors, and other physical soil characteristics which also affect productivity are difficult and very expensive. Analyzing a sale by looking at the land value first and then the building value is called the building residual approach (see Chapter 13). Fielding vacant land sales first provides a range of values and per acre value averages for land. An assessor can assign these land values to an improved sale to derive the total land value. This total land value is subtracted from the sale price and the remaining amount is allocated to the improvements. This amount must be closely analyzed. Each set of farm improvements varies in the extent that they contribute to a farm's market value. As an analysis is made of farm improvements, the assessor should consider:
 1. How much the buyer wants or needs the improvements.
 2. If the existing improvements are in balance with the acreage purchased.
 3. If the improvements can be adapted to the use desired by the buyer.
- The assessor should also be aware of current trends in the agricultural market. These trends will affect land values and improvement values. Items the assessor should watch for are:
 1. New technology affecting the size and type of machinery and equipment. (Many machine sheds were built 30 to 50 years ago. These sheds may be too small to house the machinery being used today. This reduces their value. New technologies have also led to more efficient methods of handling grain and feeding livestock.)

2. Farm changeover from dairy to cash crop. When this occurs the value of improvements used for dairy purposes will be affected. (Two improvements which would not be as vital in a cash crop operation would be the dairy barn and the milkhouse.)
 3. The size and number of farms. The trend today is toward fewer farms, increased farm size, and the consolidation of farm units. (This has resulted in many leftover farmsteads and farm buildings.)
 4. The commodity markets. The commodity markets greatly influence real estate values.
- The assessor determines that the land in sale 5 is similar to that found in sale 3. The soil survey indicates that the overall productivity rating is slightly higher in sale 5 than in sale 3.

Analysis of Sale 5

82 ac	No. 1	@	\$ 5,800	=	\$ 475,600
43 ac	No. 2	@	\$ 5,700	=	\$ 245,100
17 ac	No. 3	@	\$ 5,600	=	\$ 95,200
3 ac	Forest	@	\$ 4,600	=	\$ 13,800
3 ac	Building Site	@	\$ 25,000	=	\$ 75,000
Value Attributable to land					\$ 904,700
Total Sale Price					\$ 1,120,000
Value Attributable to land					- \$ 904,700
Value Attributable to Improvements					\$ 215,300

Improvements percentage contribution to total sale price: 19%

(The above ratio, together with others similarly calculated, may prove helpful in estimating the contributory value of farm improvements to land where there are no comparable sales. This ratio may vary greatly depending upon the size of the farm, the number, quality and type of improvements, and the type of farm operation. Improvements on a dairy farm usually have more contributory value than improvements on a cash crop operation.)

Sale 6

W 1/2 SE 1/4, and W 10 acres NE 1/4 SE 1/4, Sect. 10, T20N, R1W, 90 acres.

Grantor: Charles and Eleanor Samuelson

Grantee: Derek and Melinda Gregory

Sale Date: August 26, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$718,000

- Information Regarding the Property: The property is improved. The buildings on the property are:
 1. 2 story wood frame house (Grade B, CDU Average)
 2. Wood frame ranch house (Grade D, CDU Poor)
 3. General purpose flat barn (Grade C)
 4. Steel machine shed
 5. Wood frame corn crib
 6. Concrete stave silo
 7. 2 steel grain bins
- The main building site is near the forested area of the property. Another building site is in the forested area. The home is in poor condition. Mr. Gregory stated they will remodel

the home for his mother-in-law. A creek cuts diagonally across the corner of the property. The forest is on one side of the creek and the tillable land and building site are located on the other side. The main buildings are in need of some repair, but are structurally sound. The soil is similar to those listed in sale 2. The land is nearly level and presently planted in corn. The soil survey, aerial photograph, and on-site viewing establish the following breakdown:

- Classification of Land: 1 ac Res Site; 36 ac No. 1; 21 ac No. 2; 12 ac No. 3; 3 ac Swamp; 15 ac Forest; 2 ac Building Site
- Assigning Values to the Land Classifications and Improvements
- Analysis of Sale 6: the land found in this sale is very similar to that found in sale 2.

1 ac	Res. Site	@	\$ 25,000	=	\$ 25,000
36 ac	No. 1	@	\$ 5,400	=	\$ 194,400
21 ac	No. 2	@	\$ 5,300	=	\$ 111,300
12 ac	No. 3	@	\$ 5,200	=	\$ 62,400
3 ac	Swamp	@	\$ 1,800	=	\$ 5,400
15 ac	Forest	@	\$ 4,600	=	\$ 69,000
2 ac	Building Site	@	\$ 25,000	=	<u>\$ 50,000</u>
Value Attributable to land					\$ 517,500
Total Sale Price					\$ 718,000
Value Attributable to Land					<u>= \$ 517,500</u>
Value Attributable to Improvements					\$ 200,500
Improvements percentage contribution to total sale price: 28%					

Sale 7

NE 1/4, NW 1/4, and NW 1/4 SE 1/4, Sect. 21, T20N, R1W, 360 acres.

Grantor: Gary and Amy Little

Grantee: Roger and Mabel Black

Sale Date: Nov. 6, 2011

Type of Conveyance: Warranty Deed

Total Sale Price: \$2,235,000

Information Regarding the Property:

The property is improved. The buildings located on the property are:

1. 2 story wood frame house (Grade B, CDU Good)
2. Special purpose dairy barn (Grade B)
3. Attached milk house (Concrete Block)
4. 2 steel machine sheds
5. 1 wood pole frame building
6. Cattle feed bunk (concrete)
7. 3 steel grain bins
8. 2 Harvestore silos
9. 1 concrete stave silo
10. 1 wood frame corn crib
11. 1 granary

The building site is one of the better developed sites in the township. Extensive landscaping has been done along the road frontage, the paved drive, and around all the improvements. Mr. Black stated that the landscaping did influence him to pay a slightly higher price for the

property. The house and outbuildings are in good condition. There was some personal property included in the sale. Mr. Black valued the personal property at \$800 This value was confirmed by reviewing recent auction transactions on similar personal property. (Personal property is to be subtracted from the total sales price.) The land is fairly level and is growing corn and oats. Mr. Black stated that approximately 330 acres are tillable. The soil survey, aerial photograph and physical viewing reveal the following breakdown:

- Classification of Land: 300 ac No. 1; 25 ac No. 2; 14 ac No. 3; 6 ac Pasture; 2 ac Swamp; 9 ac Forest; 4 ac Building Site
- NOTE: The estimated value added to the building site due to the extensive landscaping is \$3,500.
- Assigning Values to the Land Classifications and Improvements
- Analysis of Sale 7: The land found in this sale is very similar to that found in sale 5. The size of the sale reduces the dollar value per acre and this is reflected in the breakdown.

300 ac	No. 1	@	\$ 4,900	=	\$1,470,000
25 ac	No. 2	@	\$ 4,600	=	\$ 115,000
14 ac	No. 3	@	\$ 4,400	=	\$ 61,600
6 ac	Pasture	@	\$ 2,500	=	\$ 15,000
2 ac	Swamp	@	\$ 1,600	=	\$ 3,200
9 ac	Forest	@	\$ 4,200	=	\$ 37,800
4 ac	Building Site.	@	\$ 25,000	=	\$ 100,000
Plus Landscaping				@	\$ <u>3,500</u>
Total Building Site				=	\$ 103,500
Value Attributable to land				=	\$1,802,600
Total Sale Price					\$ 2,235,000
Less Personal Property				-	\$ 800
Value Attributable to Land				-	\$ <u>1,802,600</u>
Value Attributable to Improvements					\$ 431,600

Improvement percentage contribution to total sale price: 19%

Summary

Sales 1 through 7 have been analyzed by “fielding the sales.” The principals involved in each transaction were contacted and it was established that the values are the result of arm’s-length transactions. All of the property was physically viewed by the assessor and field notes were verified by making use of:

1. The Register of Deeds office
2. A soil survey
3. A plat map
4. An aerial photograph
5. Any other sources needed such as the A.S.C.S. office, town officials, or a topography map

The assessor analyzed vacant land sales first (see Table 14-7). The unit values indicated were used on the improved sales. The results of the assessor’s work produced a range of values.

Range of Values Indicated by Analysis of Seven Sales

- No. 1 land \$4,900 - \$6,200
- No. 2 land \$4,600 - \$5,900
- No. 3 land \$4,400 - \$5,800
- Pasture \$2,500 - \$2,800
- Swamp \$1,600 - \$1,900
- Forest \$4,200 - \$4,800

Work forms for recording data for each sale analyzed and for correlating the price data from the sales for the various grades of croplands and other classes of land are shown in Figures 14-18 through 14-24. These work forms are recommended. Assessors can use these or create other forms. The important thing is to collect the data and maintain it in a summary format. This will provide the assessor with a means of systematically analyzing the sales and obtaining market value knowledge. The assessor can use this knowledge to equitably assess swamp and waste, and forest lands. The forms will also be a ready source of written information for the assessor to use in explaining and defending assessments, when necessary.

NOTE: The procedures illustrated for analyzing sales are similar to those utilized by the DOR in their Fielded Sales Analysis System. The sales information generated by this system is available to assessors in the DOR Equalization District Offices.

Use of Sales to Develop an Agricultural Market Grid Analysis

Application of the market grid valuation technique as explained in WPAM Chapter 9 can be used in swamp and waste and forest lands assessment. This technique uses the information shown in the fielded sales analysis example. The market grid analysis can be used when the subject property has not sold but comparable properties in the same area have. The sales information used should be no older than three years from the date of appraisal.

Figure 14-18 Worksheet – Fielded Sales

District: _____

County: _____

Year: _____

Sales Identification Conveyance Date _____ LC _____ WD _____ Fielded Date _____ By _____	Sales Identification Conveyance Date _____ LC _____ WD _____ Fielded Date _____ By _____
Grantor: _____	Grantor: _____
Grantee: _____	Grantee: _____
Legal Description or Location	Legal Description or Location
_____ Ac Res. @ \$ _____ = _____ Consideration \$ _____ _____ Ac No. 1 @ \$ _____ = _____ Adjustment \$ _____ _____ Ac No. 2 @ \$ _____ = _____ \$ _____ _____ Ac No. 3 @ \$ _____ = _____ Net \$ _____ _____ Ac P @ \$ _____ = _____ _____ Ac 5 @ \$ _____ = _____ _____ Ac 6 @ \$ _____ = _____ _____ Ac 7 @ \$ _____ = _____ <div style="text-align: right;"> BUILDING RESIDUAL \$ _____ </div> _____ TOTAL ACRES = _____	_____ Ac Res. @ \$ _____ = _____ Consideration \$ _____ _____ Ac No. 1 @ \$ _____ = _____ Adjustment \$ _____ _____ Ac No. 2 @ \$ _____ = _____ \$ _____ _____ Ac No. 3 @ \$ _____ = _____ Net \$ _____ _____ Ac P @ \$ _____ = _____ _____ Ac 5 @ \$ _____ = _____ _____ Ac 6 @ \$ _____ = _____ _____ Ac 7 @ \$ _____ = _____ <div style="text-align: right;"> BUILDING RESIDUAL \$ _____ </div> _____ TOTAL ACRES = _____

Sales Identification Conveyance Date _____ LC _____ WD _____ Fielded Date _____ By _____	Sales Identification Conveyance Date _____ LC _____ WD _____ Fielded Date _____ By _____
Grantor: _____	Grantor: _____
Grantee: _____	Grantee: _____
Legal Description or Location	Legal Description or Location
_____ Ac Res. @ \$ _____ = _____ Consideration \$ _____ _____ Ac No. 1 @ \$ _____ = _____ Adjustment \$ _____ _____ Ac No. 2 @ \$ _____ = _____ \$ _____ _____ Ac No. 3 @ \$ _____ = _____ Net \$ _____ _____ Ac P @ \$ _____ = _____ _____ Ac 5 @ \$ _____ = _____ _____ Ac 6 @ \$ _____ = _____ _____ Ac 7 @ \$ _____ = _____ <div style="text-align: right;"> BUILDING RESIDUAL \$ _____ </div> _____ TOTAL ACRES = _____	_____ Ac Res. @ \$ _____ = _____ Consideration \$ _____ _____ Ac No. 1 @ \$ _____ = _____ Adjustment \$ _____ _____ Ac No. 2 @ \$ _____ = _____ \$ _____ _____ Ac No. 3 @ \$ _____ = _____ Net \$ _____ _____ Ac P @ \$ _____ = _____ _____ Ac 5 @ \$ _____ = _____ _____ Ac 6 @ \$ _____ = _____ _____ Ac 7 @ \$ _____ = _____ <div style="text-align: right;"> BUILDING RESIDUAL \$ _____ </div> _____ TOTAL ACRES = _____

Figure 14-19 Worksheet – Fielded Sales

District: Anytown

County: Badger

Year: 2012

<p>Sales Identification Conveyance # 1</p> <p style="text-align: right;">Date 4/15/11 LC _____ WD X Fielded Date 3/20/12 By JMS</p>	<p>Sales Identification Conveyance # 2</p> <p style="text-align: right;">Date 12/22/11 LC _____ WD X Fielded Date 3/23/11 By JMS</p>																																																																																																																								
Grantor: Green, Randall & Gretchen	Grantor: Wagon, Charles & Jill																																																																																																																								
Grantee: Smith, Jack & Carol	Grantee: Madison, James & Sue																																																																																																																								
Legal Description or Location N 1/2 SE 1/4, Sect. 32, T20N, R6W 80 acres	Legal Description or Location W 1/2 SW 1/4 & W 1/4 E 1/2 SW 1/4, Sect. 13, T20N, R6W 100 acres																																																																																																																								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">2 Ac Res.</td> <td style="width: 15%;">@ \$25000 = 50000</td> <td style="width: 15%;">Consideration</td> <td style="width: 15%;">\$ 440,000</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td>56 Ac No. 1</td> <td>@ \$ 5200 = 291200</td> <td>Adjustment</td> <td>\$ _____</td> <td></td> <td></td> </tr> <tr> <td>14 Ac No. 2</td> <td>@ \$ 4900 = 68600</td> <td></td> <td>\$ _____</td> <td></td> <td></td> </tr> <tr> <td>____ Ac No. 3</td> <td>@ \$ _____ = _____</td> <td>Net</td> <td>\$ 440,000</td> <td></td> <td></td> </tr> <tr> <td>____ Ac P</td> <td>@ \$ _____ = _____</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2 Ac 5</td> <td>@ \$ 1600 = 3200</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>6 Ac 6</td> <td>@ \$ 4500 = 27000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>____ Ac 7</td> <td>@ \$ _____ = _____</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">BUILDING RESIDUAL \$ _____</td> <td colspan="2"></td> </tr> <tr> <td colspan="3">80 TOTAL ACRES = \$440,000</td> <td></td> <td colspan="2"></td> </tr> </table>	2 Ac Res.	@ \$25000 = 50000	Consideration	\$ 440,000			56 Ac No. 1	@ \$ 5200 = 291200	Adjustment	\$ _____			14 Ac No. 2	@ \$ 4900 = 68600		\$ _____			____ Ac No. 3	@ \$ _____ = _____	Net	\$ 440,000			____ Ac P	@ \$ _____ = _____					2 Ac 5	@ \$ 1600 = 3200					6 Ac 6	@ \$ 4500 = 27000					____ Ac 7	@ \$ _____ = _____								BUILDING RESIDUAL \$ _____			80 TOTAL ACRES = \$440,000						<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">____ Ac Res.</td> <td style="width: 15%;">@ \$ _____ = _____</td> <td style="width: 15%;">Consideration</td> <td style="width: 15%;">\$ 500,000</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td>43 Ac No. 1</td> <td>@ \$ 5400 = 232200</td> <td>Adjustment</td> <td>\$ _____</td> <td></td> <td></td> </tr> <tr> <td>25 Ac No. 2</td> <td>@ \$ 5300 = 132500</td> <td></td> <td>\$ _____</td> <td></td> <td></td> </tr> <tr> <td>13 Ac No. 3</td> <td>@ \$ 5200 = 67600</td> <td>Net</td> <td>\$ 500,000</td> <td></td> <td></td> </tr> <tr> <td>3 Ac P</td> <td>@ \$ 2800 = 8400</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>6 Ac 5</td> <td>@ \$ 1875 = 11250</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>10 Ac 6</td> <td>@ \$ 4800 = 48000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>____ Ac 7</td> <td>@ \$ _____ = _____</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">BUILDING RESIDUAL \$ _____</td> <td colspan="2"></td> </tr> <tr> <td colspan="3">100 TOTAL ACRES = \$499,950</td> <td></td> <td colspan="2"></td> </tr> </table>	____ Ac Res.	@ \$ _____ = _____	Consideration	\$ 500,000			43 Ac No. 1	@ \$ 5400 = 232200	Adjustment	\$ _____			25 Ac No. 2	@ \$ 5300 = 132500		\$ _____			13 Ac No. 3	@ \$ 5200 = 67600	Net	\$ 500,000			3 Ac P	@ \$ 2800 = 8400					6 Ac 5	@ \$ 1875 = 11250					10 Ac 6	@ \$ 4800 = 48000					____ Ac 7	@ \$ _____ = _____								BUILDING RESIDUAL \$ _____			100 TOTAL ACRES = \$499,950					
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<p>Sales Identification Conveyance # 3</p> <p style="text-align: right;">Date 4/5/11 LC _____ WD X Fielded Date 3/28/11 By JMS</p>	<p>Sales Identification Conveyance # 4</p> <p style="text-align: right;">Date 7/30/11 LC _____ WD X Fielded Date 4/4/12 By JMS</p>																																																																																																																								
Grantor: Brown, Robert & Rita	Grantor: Smith, Jack & Ruth																																																																																																																								
Grantee: Glass, William & Mary	Grantee: Hanson, Sam & Sally																																																																																																																								
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Figure 14-20 Worksheet – Fielded Sales

District: Anytown

County: Badger

Year: 2012

<p>Sales Identification Conveyance # 5</p> <p style="text-align: right;">Date 12/15/11 LC _____ WD X Fielded Date 4/12/12 By JMS</p>	<p>Sales Identification Conveyance # 6</p> <p style="text-align: right;">Date 8/26/11 LC _____ WD X Fielded Date 4/12/12 By JMS</p>																																																																																																																								
Grantor: Badger, Frank & Ellen	Grantor: Samuelson, Charles & Eleanor																																																																																																																								
Grantee: Gray, George & Helen	Grantee: Gregory, Derek & Melinda																																																																																																																								
Legal Description or Location NW 1/4, Sect. 6, T20N, R6W 148 acres	Legal Description or Location W 1/2 SE 1/4 & W 10 acres NE 1/4 SE 1/4, Sect. 10, T20N, R6W 90 acres																																																																																																																								
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Grantor: Little, Gary & Amy	Grantor:																																																																																																																								
Grantee: Black, Roger & Mabel	Grantee:																																																																																																																								
Legal Description or Location NE 1/4, NW 1/4, & NW 1/4 SE 1/4, Sect. 21, T20N, R6W 360 acres	Legal Description or Location																																																																																																																								
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Figure 14-21

SUMMARY ANALYSIS OF FIELDLED SALES																											
County:										1. List sales in monthly order 2. Attach individual worksheets 3. Attach plat map showing location of sales 4. Enter additional remarks on reverse side 5. Enter sales information on the property record card										Assessor:							
District:										Summary Date:																	
Sale		Sales Price	Residential		Sub Classes						Total Tillable		P		Total 4		5		6		7		Total Residential, 4, 5, 6 & 7		Improvements	Field Total	Improvements Contributory Percentage
No.	Date				1st		2nd		3rd																		
		Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac				
Total Acres																											
Total Value																											
Avg./Acre or Unit																											
Range per Acre		Min																									
		Max																									

Figure 14-22

SUMMARY ANALYSIS OF FIELDLED SALES																											
County: Badger													1. List sales in monthly order 2. Attach individual worksheets 3. Attach plat map showing location of sales 4. Enter additional remarks on reverse side 5. Enter sales information on the property record card										Assessor: John Smith				
District: Anytown																							Summary Date: 1/1/12				
Sale		Sales Price	Residential		Sub Classes						Total Tillable		P		Total 4		5		6		7		Total Residential, 4, 5, 5m, 6 & 7		Improvements	Field Total	Improvements Contributory Percentage
No	Date		Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac	Ac	\$/Ac			
3	4/5/11	1,100,000			87	6,200	63	5,900	27	5,800	177	6,032			177	6,032	2	1,900	6	4,750			185	5,946		1,100,000	
1	4/15/11	440,000	2	25,000	56	5,200	14	4,900			70	5,140			70	5,140	2	1,600	6	4,500			80	5,500		440,000	
4	7/30/11	215,000	2	25,000	12	5,050	8	4,950	3	4,850	23	4,989	5	2,500	28	4,545	2	1,675	8	4,300			40	5,375		215,000	
6	8/26/11	718,000	1	25,000	36	5,400	21	5,300	2	5,200	69	5,335			69	5,335	3	1,800	15	4,600	2	25,000	90	5,750	200,500	718,000	28%
7	11/6/11	2,235,000			30	4,900	25	4,600	14	4,400	33	4,857	6	2,500	34	4,815	2	1,600	9	4,200	4	25,000	36	5,007	432,400	2,235,000	19%
5	12/15/11	1,120,000			82	5,800	43	5,700	7	5,600	142	5,746			142	5,746			3	4,600	3	25,000	148	6,113	215,300	1,120,000	19%
2	12/22/11	500,000			43	5,400	25	5,300	13	5,200	81	5,337	3	2,800	84	5,246	6	1,875	1	4,800			10	5,000		499,950	
Total Acres		1,003	5		616		199		86		901		14		915		17		57		9		1,003		3	1,003	
Total Value		6,328,000	125,000		3,263,400		1,083,800		457,950		4,805,150		35,900		4,841,050		30,200		258,500		225,000		5,479,750		848,200	6,327,950	
Avg./Acre or Unit		6,309	25,000		5,298		5,446		5,325		5,333		2,564		5,291		1,776		4,535		25,000		5,463		282,733	6,309	
Range per Acre		Min	25,000		4,900		4,600		4,400		4,857		2,500		4,545		1,600		4,200		25,000		5,000				
		Max	25,000		6,200		5,900		5,800		6,032		2,800		6,032		1,900		4,800		25,000		6,113				

The following example uses sales information for the last three years in the town of XYZ. The subject property is an improved parcel so all of the comparables chosen are also improved. Through an analysis of the market the following information has been developed and displayed in Figure 14-23.

Figure 14-23

Market Grid Analysis Plus and Minus Dollars Per Acre

(The subject property is a 160 acre improved farm with 60 percent of the land being level plowground, 25 percent rolling plowground and the remainder is pasture. Three-fourths of the mineral interest is included with the tract and the farm is located one mile from a paved highway. The legal description is the SE 1/4 of Sec 35 T 20 N R 6 W.)

The analysis includes arm's-length transactions of comparable properties during the last three years in XYZ Township.

Valuation Date January 1, 2012. Comparison with subject property as to adjustments for:

Sale	A	B	C	D	E
Sale Price	\$975,000	237,000	469,200	1,425,000	1,690,000
Date of Sale	4/24/09	3/6/10	11/2/10	1/12/11	7/29/09
Acres	170	40	80	260	300
\$ per Acre	5,735	5,925	5,865	5,481	5633
Time Adjustment (- .96%)	- \$55	(- .66%) - \$39	(- .42%) - \$25	(- .36%) - \$20	(- .87%) - \$49
Size	—	- \$140	-\$80	+\$80	+\$110
Location	+ \$20	- \$30	—	+ \$20	- \$20
Land Quality	+ \$25	+ \$50	- \$125	+ \$75	+ \$200
Buildings	—	- \$30	+ \$20	- \$50	- \$40
Minerals	- \$25	+ \$150	—	- \$25	- \$50
Net Adjustment	- \$ 35	- \$39	- \$210	+ \$80	+ \$151
Adjusted value per acre	\$5,700	\$5,886	\$5,655	\$5,561	\$5,784

Range Indicated \$5,561/acre to \$5,886/acre.

Time adjustments—Land values of property similar to the subject have been increasing approximately 5% annually until mid-2010, when the market started a downward trend.

Size adjustments—On the average, farms over 300 acres sell for \$110/acre less than 160 acre farms; farms 220 acre and over sell for \$80/acre less than 160 acre farms; 80 acre farms sell for \$80/acre more than 160 acre tracts, and 40 acre farms sell for \$140/acre more than 160 acre tracts.

Location adjustments—Sales on paved or blacktopped highways sell for \$50/acre more than tracts located two miles from the highway; \$30/acre more than those located one mile from the highway, and \$10/acre more than those located 1/2 mile from the highway.

Land Quality—Measured in productivity and carrying capacity. Typical rental rate is \$500/acre for level plow ground; \$275/acre for rolling plow-ground; and \$200/acre for pasture land

Buildings—Typical improvements similar to the subject improvements contribute from \$350/acre to \$800/acre depending upon the size, age, and condition of the improvements.

Minerals—Some extraction of minerals is done in this region. Mineral rights are valued at \$45/acre and adjustments are made according to the acres of minerals conveyed.

The assessor should choose the sale property which is most comparable to the subject property. The per acre indicated value of that property could then be applied against the subject's total acreage, and an estimated market value could be derived.

Cost Approach

The basic principles and theories of the cost approach to value are discussed in WPAM Chapter 9. The cost approach is often called the inventory or summation approach because it requires the assessor to classify the various resources which make up a given farm property. The farm property resources requiring inventory are the various types of land, buildings, and improvements. Once inventoried, the assessor must measure the value of each type of land against comparable sales in the municipality and weigh the value of buildings and improvements with the knowledge of their present day replacement cost and its contribution to the market value of the property.

The cost approach is one in which the assessor values the land separately and then values the buildings separately. The values placed on each of the parts are then added together to get the total value of the farm.

The value assigned to the land will be estimated in the same way as in the sales comparison approach. Since this method has been discussed earlier, the remainder of this section will deal with estimating the value of the improvements.

Improvement Analysis

If all the buildings, including the dwelling, are used entirely for agricultural purposes, they are to be classified as agricultural improvements ("Other"). Buildings or other improvements on a farm are worth only what they add to the value of the bare land on which they are located, regardless of what they cost to erect. They should be valued in conjunction with the farm lands on which they are located. The reason for this is apparent. After the land has been valued and the two totals combined, it may result in an amount that does not represent what the property would ordinarily sell for as a whole. In such cases it becomes necessary to review the assessment in order to determine whether any value considerations have been omitted and to adjust the land or improvement values accordingly.

While the assessment placed on improvements must correspond to what those improvements add to the value of the bare land, no proper valuation of buildings for the district as a whole can be made without some knowledge of the cost of replacement and depreciation. Such knowledge allows the assessor to compare improvements and use the values obtained from buildings which have sold to estimate the value of buildings which have not sold.

Developing Improvement Cost Information

This discussion will deal with the replacement cost of farm improvements. (Please note that there is a marked difference between replacement and reproduction cost. This difference is discussed in WPAM, Volume II on pages 1-4.) The replacement cost includes the total cost of construction incurred by the builder whether preliminary to, during the course of, or after completion of the construction of a particular building. Among these costs are: material, labor, all subcontracts, builder's overhead and profit, architectural and engineering fees, consulting fees, survey and permit fees, legal fees, taxes, insurance, and the cost of interim financing.

Estimating Replacement Cost

There are various methods that may be used to estimate replacement cost new. The methods often used are the quantity-survey method, the unit-in-place or component part-in-place method, and the model method. The first two methods identify itemized costs and apply these costs against the quantity of the item found in the structure. The third method develops structures which serve as models for actual buildings found in the market. The models have costs per square foot and with some adjustments these costs are applied to the number of square feet found in the actual improvement. (For further information on these three methods read WPAM Chapter 9 or the Real Property Valuation section in Volume II.)

Volume II of the WPAM provides model cost tables for agricultural property in the state. Volume II is part of the WPAM referred to in sec. 70.32(1), Wis. Stats. The volume explains the codes used in the tables and lists the most common structure types found in Wisconsin agriculture today. There are 43 pages of cost tables with corresponding photographs and diagrams. The volume also includes depreciation tables that can serve as a guide for the assessor. Volume II costs are updated on a yearly basis. The yearly update is a result of cost information recorded from sixteen separate cost districts in the state. The information is then compiled and local time and place modifiers are issued for the sixteen districts. The modifiers and the assessor's own local cost surveys will allow the assessor to calculate the most up-to-date cost information available. These costs can then be applied to the agricultural improvements in the assessment district.

The cost information found in Volume II can be "fine-tuned" by contacting individuals in the local market involved in the construction industry.

Once the replacement cost is estimated, the assessor must then estimate the depreciation of each building.

Estimating Depreciation

Simply stated, depreciation can be defined as "a loss in value from all causes." As applied to real estate, it represents the loss in value between market value and the sum of the replacement cost new of the improvements plus the land value at a given time. The causes of depreciation have been discussed in WPAM Chapter 9.

An estimate of depreciation represents an opinion of the assessor as to the degree that the present and future appeal of a property has been diminished by deterioration and obsolescence. What the assessor is really striving for is an estimate of the present day remaining value which the buildings and improvements can contribute to the market value of the farm. The process used to determine depreciation is one that requires a considerable amount of judgment on the part of the assessor.

There are several items which may or may not affect the contributory value of farm buildings. Some of these items are: the age of the buildings, use of the buildings, the location, the changing technology of farming, and the current purchasing trends.

New methods of farming and an increase in the size of farming equipment have greatly affected the size, type, construction, and arrangement of farm buildings. An increased size in tractors and harvesters has made it necessary to increase the size of machine sheds. Many older machine sheds suffer functional obsolescence because they are too small to house today's modern equipment. New dairy barns and other specialized farm buildings may add a different value to the total farming operation which is greater than the typical contributory value of barns and other outbuildings. New special purpose barns that allow the operator to make better use of the land may indicate a higher contributory value to the overall value. Specialized farming operations such as the raising of feeder pigs, veal calves, and replacement dairy cattle have created farm building and equipment cost returns in sales that are entirely different from the return on farm building costs in the past in sales of the family type dairy farm. The assessor must analyze each building independently to see what it contributes to the overall property value.

There has been a trend for the value of buildings relative to the total value of the farm to decline. This is primarily due to farm consolidation. When a farm tract is added to another farming unit, the need for additional buildings does not necessarily increase proportionately with the acreage increase. The buildings on the add-on unit may actually represent a liability if they are not needed or are functionally obsolete or poorly located with respect to the main set of farm buildings. Another factor involved in determining the contributory value of farm buildings is whether the farm is located in an area of surplus buildings, in an area with a balance of farm land and buildings, or in an area of building shortages. In areas of surplus buildings, unimproved land frequently sells for as much as or more than land with buildings.

Knowledge of construction and equipment costs and depreciation is necessary for the assessor to interpret sale values today and to apply sale values obtained from one property to other comparable improvements in the area.

The assessor should also be aware of cases where the farm improvements add a much larger value to the overall value of the farm in relation to the typical farm's improvements. A case in point would be the gentleman's farm or country estate where the buildings are an obvious over-improvement in comparison to other farms in the area. Generally, the owner of such property has a major source of income outside of the farming operation. This type of owner is primarily interested in the aesthetic amenities such as the setting, fine quality construction, spacious lawns, and shade trees. Such properties represent a dual use and the test of ordinary market value for a property of this kind is whether it is so located that a market for it can be said to exist. If a market does exist, the buildings will suffer less obsolescence due to over-improvement than is usually the case with ordinary farms.

The contributory value of farm improvements can only be estimated by analyzing farm sales, establishing land values, deriving the replacement cost new of the improvements, and estimating depreciation. The improvement’s contributory value will also vary depending upon the size of the farm, the type of farm operation, the quality of the improvements, and the location of the improvements. Each building’s contributory value and effect on the total set value should be considered. As an example, the addition of a new silo may make the hay loft of an existing barn of less importance. This would have the effect of decreasing the contributory value of that barn. The same would be true of a new milking parlor decreasing the value of an existing milk house. An analysis of all these factors requires the assessor to look at many sales and apply sound judgment as value estimates are made.

Agricultural Property Record Card – Land

The information for agricultural properties can be listed on the two-page master Property Record Card (PA-500). Side one of the card provides space to enter three years of assessment history by class for land, improvements, and total assessments. It also provides space to enter the number of acres and assessed value for class 4 tillable land, pasture land, homesite (class 7), classes 5 and 6, as well as forest crop lands and woodland tax land for the reason that such lands are commonly owned in conjunction with class 4 lands. The procedures for such lands will be found following this section.

Side four of the Property Record Card provides areas for recording sales information, property factors, and among other items, an area to show land data and computations. In this area, as was done on side one of the card, lines are available for designating the agricultural land subclasses. For each subclass the number of acres, productivity rating, and value per acre can be listed. It is intended that the land value and classification as noted on the tracing of the aerial photos will be posted to the agricultural property record cards for each separate description in the assessment roll containing such lands.

Appraisal Illustration

An analysis of the sales that have occurred in the Town of Anytown revealed that land was selling for the values shown in Table 14-8.

Table 14-8

1 st grade tillable	\$ 5,674/ac	Swamp	\$ 1,800/ac
2 nd grade tillable	\$ 5,567/ac	Forest	\$ 4,597/ac
3 rd grade tillable	\$ 5,552/ac	Homesite	\$ 25,000/ac
Pasture	\$ 2,613/ac		

A 240 acre farm owned by Mr. John Public, in Anytown Township sold for \$1,413,300. In order to determine the value of the improvements, a building residual analysis of the sale is done (see Table 14-9).

Table 14-9

80 acres of 1st grade tillable	@	\$ 5,674/ac	=	\$ 453,900
100 acres of 2nd grade tillable	@	\$ 5,567/ac	=	\$ 556,700
30 acres of 3rd grade tillable	@	\$ 5,552/ac	=	\$ 166,600
29 acres of pasture	@	\$ 2,613/ac	=	\$ 75,800
1 acre of homesite	@	\$ 25,000/ac	=	\$ <u>25,000</u>
240 acres				\$ <u>1,278,000</u>
Sale value attributable to the improvements				\$ 135,300

To determine the contributory percentage of the improvements the sales value assigned to the improvements is divided by the total selling price. In this case it would be:

$$\frac{\text{Value attributable to improvements}}{\text{Sales price}} = \frac{\$ 135,300}{\$ 1,413,300} = 9.6\%$$

The improvements on Mr. Public’s farm contribute 9.6% to the value of the farm. An analysis of all the municipality’s sales could be done in this same manner. A range of improvement contributory value could be derived as well as an overall average.

To determine the market adjustment on Mr. Public’s improvements the replacement cost new must be established. Based on the Volume II cost tables the replacement cost new of Mr. Public’s improvements is \$270,000. (This was derived by costing out each building and applying the appropriate local modifier.)

From actual observation and market indications the overall depreciation of the improvements is 15 percent. This means that 85 percent of the improvements remain good. Application of these figures show:

Replacement cost new for improvements		\$270,000
15 percent depreciation leaves a residual of	x	<u>85%</u>
Replacement cost new less physical depreciation (RCNLPD)		\$229,500
Sales value assigned to the improvements		- <u>\$135,300</u>
Difference between replacement cost new less depreciation and the sales value assigned to the improvements		\$94,200

The \$94,200 is the market adjustment on the improvements. The overall market adjustment expressed in percentage terms is the market adjustment expressed in dollars divided by the replacement cost new of the improvements.

$$\frac{\$ 94,200}{\$270,000} = 35\% \text{ Overall market adjustment}$$

As a percentage of RCNLPD, the calculation would be shown as:

$$\frac{\$ 94,200}{\$229,500} = 41\% \text{ Market adjustment to RCNLPD}$$

Analyzing sales in this fashion will permit the assessor to determine the market adjustment necessary in the assessment district. This method can also help the assessor explain the procedure to property owners.

Agricultural Property Record Card – Improvements

The agricultural outbuildings and improvements can be listed on the one-page agricultural work card (PA-703). This card provides an area for listing the basic construction details for agricultural outbuildings such as barns, silos, milk houses, pole frame buildings, corn cribs, and other improvements. The Agricultural Cost section of Volume II is to be used in estimating the cost of replacement of the farm's outbuildings. This cost section includes agricultural structure type codes which will permit easy use of the card and quick reference to the cost tables. After the replacement cost new of each structure has been estimated, the assessor is faced with the difficult task of estimating accrued depreciation. As mentioned before, this estimate can only be made by keen observation, skill, and experience gained by thoroughly analyzing the farm properties that have been sold. The one-page Agricultural Work Card provides for depreciation in two places. The first is under the column headed "Cond." (Overall condition of the improvement.). The assessor should indicate whether the overall condition is excellent, good, average, fair, poor, or unsound. Also in the "Cond." column, based upon the overall condition used, the assessor should enter the percent good of the improvement. The percent good is defined as the resultant estimate of the diminishing value of an improvement after subtracting the amount of estimated depreciation from the replacement cost new. Depreciation and percent good are complements of each other and percent good tables are available in Volume II. The second place depreciation is shown is under the column headed "OB/MA" (Obsolescence/Market Adjustment). This refers to the resultant value after deduction of functional obsolescence and deduction or addition of a market adjustment factor. This figure is expressed as a percentage and can range from 0% to 200%.

After the "Cond." percentage and the OB/MA percentage have been applied to the replacement cost new the estimated value of the improvement will be derived. The individual values of all the outbuildings can be totaled and this amount can be placed in the OBI (Other Building Improvements) section of the two-page master property record card. The one-page agricultural work card can be inserted in the two-page property record card. The agricultural residence should be listed on the two-page master property record card (PA-500) in the same area and fashion as residential homes. The Residential Cost section of Volume II is to be used in estimating the cost of replacement of the farm dwelling. The assessor should analyze the farm residence carefully so that the proper quality grade, grade factor, cost and design factors, and depreciation factors are chosen.

The value that the farm residence contributes to the total property value will depend upon the condition of the house, the age, its location in reference to the other outbuildings and its location from the nearest village or city. There has been a recent trend toward a higher value return for the farm house. This trend is due to today's roads, road maintenance, cars, and school transportation for children which all combine to make it possible for anyone to live in a rural area and commute to work in a relatively short time. This, coupled with a growing desire for living in a pastoral setting rather than in urban communities, has created a market for agricultural residences. This trend has been tempered by the recent increase in commuter costs. Because of this the assessor must constantly monitor the market to keep pace with current market factors that influence value.

Farm homes can be sold separately from the farm or with the farm buildings and a small amount of acreage for residential use. Forty, sixty, and eighty acre farms are being actively sought for residential usage and as part-time farming operations for supplemental income to other full-time employment. Consequently, the value of farm homes as residential units has been recognized in the buying and selling of farms. They must be assessed accordingly to maintain equity.

If additional field notes or a simple sketch showing the plat plan of the farm improvement site is desired, they may be placed on a separate sheet of paper and placed in the folder. As a further supplement it is desirable to have photographs of the improvements attached to a sheet and included in the data card folder. The total value of the agricultural improvements can be shown on the two-page property record card by adding the residence value to the other building improvements value.

Farm buildings in urban areas, except the residence, may decline rapidly in market value when the land is to be eventually sold for some other use. The outbuildings, in many cases, are permitted to deteriorate. Some farm land also lies idle in anticipation of a sale for some higher use, and farm homes are rented out for residential use. The homesite value is usually comparable to other residential site values.

Special Purpose Agricultural Land Valuation

Introduction

Wisconsin farmers produce a wide variety of crops and livestock on typical cropland and pasture. They also produce two unique agricultural products, cranberries and fish, on lands that are unable to support typical crops or the pasturing of livestock. Therefore, lands used for cranberry production or aquaculture should be categorized under Chapter Tax 18.06 (2)(e) as “specialty land.”

Cranberry Marshes

Cranberries have been grown commercially in Wisconsin for more than 100 years. Early harvesting was confined to wild and natural uncultivated areas. However, over the years, cranberry culture has become a very specialized and technical business. Cranberry beds are usually located on low wet lands which are not generally adaptable to other agricultural endeavors.

Cranberries are usually adaptable to an acid peat soil with the acidity ranging from pH 4.0 to pH 5.0 (compared to a normal pH of 6.5 to 7.5). Newer beds are established in sand marshes or on a minimum three-inch sand lift covering a peat soil base. Sand beds provide better drainage and allow better control of weeds and fertilization. New beds can be productive in four years with proper management. Long beds are better than square beds. The older beds vary in size while the newer beds are generally constructed approximately 160 feet wide and four to six acres in area.

Water supply is critical to a cranberry marsh. Water is used for frost protection, irrigation, harvesting and winter protection. Although water may be available from different sources such as marshes, reservoirs, streams, lakes or rivers, it must have an acid content. A small, deep reservoir is better than a large, shallow reservoir. Sprinkling systems are now commonplace. They offer immediate frost protection and water conservation. Irrigation pipes are disconnected during harvest and removed from the beds for the winter unless the system is underground. Stationary diesel engines or electric motors attached to large pumps supply pressure for operation of the sprinkling systems.

Proper drainage allows efficient movement of water onto and off of the beds. Water is controlled by a series of dikes and bulkheads and is usually drained by gravity flow. A minor slope may help, but overall the bed should be fairly level. This allows an even water depth over the top of the bed for the harvest and winter floods. If water is limited in quantity, it can be pumped back to a holding area to be reused. The use of drain tile in a bed can improve drainage conditions.

It is important that the beds be well sanded. Sanding is a rejuvenating process that anchors the vines and stimulates new growth. It also controls certain soil-bred insects. Sand is applied during the winter months when trucks can drive on the ice covering the beds. The sand is spread across the ice in a 1/4 to 1 inch layer and when the ice melts, the sand settles onto the beds. Established beds are generally sanded once every 2 to 4 years.

Due to the unique nature of this agribusiness, a brief chronological summation of the cyclical productive process follows, starting with the spring months. The cranberry beds may be flooded in the spring to draw the frost out of the ground evenly. Fertilizer, herbicides and fungicides may be applied and new plantings prepared. Following early summer bloom, the plants set the fruit for this year's crop, while producing a bud which will be the following year's fruit. Ongoing maintenance of beds includes pulling weeds, cleaning ditches, mowing and leveling dikes, and maintenance to water control structures. Vines are irrigated as necessary and are sprinkled when frost is imminent. In September and October, the beds are covered with water so the vine tips are sticking out. They are harvested by beating the vines with a machine that detaches the berries from the vines.

Water is brought up so that the berries float free, moved to one corner of the bed, loaded into trucks, and delivered for processing. For berries destined for the fresh fruit market, raking machines are used instead of beaters to minimize bruising. Minor bed maintenance is done after harvest. Following hard freezes in the winter, the beds are once again flooded with water which protects the vines from the winter air. During the winter, the beds may be sanded. The cycle then begins again with the arrival of spring.

Cranberry Bed Classification

The method for valuing cranberries has changed over the last few years. Under use-value assessment, the land improvements are appraised using the cost approach while the land under beds is considered agricultural land. Although the method has changed, we continue to provide descriptions of shape, slope, drainage, water source, bulkheads, soils, dams, dikes and ditches. These descriptions help provide a better understanding of a cranberry operation and help ensure the consideration of these attributes for any adjustment to land or improvement value.

Shape: The ideal beds are rectangular and more than 600 feet in length and 100 feet to 160 feet in width.

Slope: The most desirable cranberry bed has approximately a 2 or 3-inch slope that tapers toward the outer ditches and eventually to the outlets. This is the most desirable because it uses minimum amounts of water during winter flood and harvest. With a moderate slope, the harvest machinery functions with relative ease and is most cost effective for the grower. The greater the slope, the more water the bed requires for winter flood and harvest.

Drainage: Drainage is the ability to quickly and adequately drain the flood waters away from the bed. The most desirable situation for draining a bed is for each bed to be drained individually without affecting another bed's flood. This situation is most desirable because it is the most cost effective and efficient way to handle water. If water is limited in quantity, it is usually pumped back to the holding area to be reused.

Water Source: Adequate water supply is crucial to the production of cranberries. The most desirable water source is directly from a flood ditch as each bed can be flooded independently. It is less desirable to flood from bed to bed with different elevations. The most undesirable water source is the pumping of water onto the bed as this increases the cost of operation.

Bulkheads: Aluminum and concrete bulkheads have the highest value for controlling water flow. Each bed will have at least one inlet and one outlet bulkhead, possibly more.

Soils: While cranberry vines can be grown in many types of soils, an acid soil is preferable (pH 4.0 to 5.0). Beds built on sand (minimum of 2 feet) are the easiest to construct and the most economical to manage. Sand beds are less susceptible to freeze and thaw cycles, allow for good drainage, are easier to plant, and are generally uniform in texture. Peat or organic type soils will produce a crop, but require more management, and involve weed and drainage problems.

Dams or Dikes Surrounding Each Bed: Dams and dikes are earthen features which are an integral part of bed management. They act as water impoundment structures, serve as flood barriers, and allow for travel of fertilization and harvest equipment. The dams and dikes should be level, solid, and wide enough for heavy truck traffic. The berms (sides of dikes) should be well sodded to prevent slippage and erosion.

Ditches: The 12 to 24-inch wide excavation around the perimeter of the beds allows for adequate drainage from the beds to the outlets. These ditches should be level, uniform width, and free of clogging weeds.

Some peat beds also have center ditches. If this situation occurs, the ditches are located approximately every 70 feet.

Cranberry Bog Valuation

The following guidelines describe how to appraise cranberry property. The method uses the cost approach for improvements, use-value figures for agricultural land, and market value figures for non-agricultural land. This method is consistent with the assessment of all other agricultural property in Wisconsin.

Cost Approach

The value resulting from the cost approach is the sum of land value and the improvement value. The land used in the production of cranberries is typically classified as "agriculture," or "other." "Agricultural" land is assessed at use-value rates whereas "Other" land is valued at market value. The improvements are typically beds, dikes, and bulkheads and the value is determined by estimating the reproduction cost then subtracting depreciation from all causes. Depreciation can be in the form of physical deterioration, functional obsolescence, or economic obsolescence.

Land: For assessment purposes, cranberry land can be either:

- Agricultural
- Other

Agricultural land: Land under a cranberry bed is considered land devoted primarily to an agricultural use. Cranberry land classified as agricultural should be categorized as third grade tillable and adjusted to the local level of assessment.

Other land: "Other" land is land necessary for the placement of the improvements. Land underneath earthen features (dams, dikes, ditches, inlets, outlets, etc.) surrounding the beds are classified as "Other", Class 7, and assessed at the third grade tillable value, adjusted to the local level of assessment. The earthen features are valued according to a cost less depreciation methodology.

Improvements: Improvements on cranberry operations should be classified as "Other." The improvements of cranberry operation can either be buildings or land improvements. Land improvements for cranberry operations typically:

- include buildings, dikes, and bulkheads (beds are classified as agricultural)
- require periodic maintenance
- depreciate

Land improvements are assessed at market value.

Unlike dairy farms, the land improvements for cranberry production are not necessarily located in a contiguous area. Therefore, an appropriate and reasonable amount of land must be allocated for placement of the land improvements based on the size of the parcel, number of beds.

The classification of land improvements have been described in this chapter where it states, "...the well and septic, driveway, retaining walls, and other man-made improvements are valued with the improvements and should not be included in the building site land value."

Land improvements are appraised using the cost approach which includes both the direct and indirect costs for improvements. The direct costs are those for the "brick and mortar." The indirect costs include such things as architect and permit fees as well as site preparation for such things as excavation, grading, and backfill. Based upon an analysis of construction data, we offer the costs in Table A as a guide.

Table A
Component Construction Costs and Classification
for Cranberry Operations Land Improvements

Component	Cost	Classification	Valued
Bed: Range from 1 acre to 10 acres	\$3,850-\$7,000/bed acre	Agricultural	3 rd Grade Tillable
Bed Renovation: All Acres (does not include bulkhead reconstruction and vine replacement)	Range \$3,000-\$5,000/bed acre	Agricultural	3 rd Grade Tillable
Dike	Range \$1,500 - \$2,000/dike acre	Other	Cost less depreciation
Drainage Outlet	Flowgate \$1,000	Other	Cost less depreciation
Flooding Inlet	Flowgate \$1,000	Other	Cost less depreciation

Bed Renovation

Cranberry beds containing vines that are older than 10 - 15 years may undergo bed renovations including sand and vine replacements. Upgrading vine cultivars increases berry production. Assessors should interview owners annually to discover bed renovations, noting that not every producer will upgrade the beds or vines.

Outlet and inlet structures including flow gates may be replaced from time to time under various renovations.

Combining smaller beds into single large beds may occur from time to time under a renovation project.

Depreciation

According to the IAAO *Property Appraisal and Assessment Administration*, depreciation is defined as “Loss in value of an object, relative to its replacement cost, reproduction cost, or original cost, whatever the cause of the loss in value. Depreciation is sometimes subdivided into three types: physical deterioration (wear and tear), functional obsolescence (suboptimal design in light of current technologies or tastes), and economic obsolescence (poor location or radically diminished demand for the product).”

All improvements depreciate. Depreciating cranberry production facilities varies depending on the type of improvement, the quality of construction, the effect of the elements, and so on. It is likely that all three types of depreciation (physical, functional, and economic) apply to the improvements. Economic obsolescence, as shown in Table B, applies to new beds as they develop for production over the first four years. Functional obsolescence may apply as technology changes affect utility. Physical depreciation, as shown in Table C, applies as the improvements age and wear out.

Start-up obsolescence as a jurisdictional exception: Because cranberry beds require four years to become productive, consider start-up economic obsolescence using a straight-line function shown in Table B. Under this schedule, it is anticipated that the bed should be at full production in year four. Start-up obsolescence also applies to non-productive beds; examples include scalped beds and unplanted beds.

Table B

Start-Up Obsolescence for Cranberry Operations

Start-Up Time in Years	Obsolescence Percentage
1	75
2	50
3	25
4	0

Functional obsolescence: Functional obsolescence is a loss in value due to a reduction in utility. According to the IAAO, “Functional obsolescence exists where a property suffers from poor or inappropriate architecture, lack of modern equipment, wasteful floor plans, inappropriate room sizes, inadequate heating or cooling capacity, and so on.”

Characteristics specific to cranberry operations that affect functional utility include, but are not limited to, bed shape, soil type, and water source.

Physical depreciation: Physical depreciation is a loss in value due to the wearing out of a building or land improvement.

The depreciation of improvements is based on a 25-year life as shown in Table C. The source of this schedule is Marshall Valuation Service, copyright 2016 by Marshall & Swift.

Table C
Depreciation for Cranberry Operations
25-Year Life

Effective Age in Years	Depreciation Percentage
0	0
1	3
2	6
3	9
4	12
5	15
6	18
7	22
8	25
9	29
10	32
11	36
12	40
13	44
14	48
15	52
16	55
17	59
18	63
19	67
20	71
21	74
22	76
23	78
24	79
25	80

Aquaculture

Aquaculture is an agricultural business of growing importance in Wisconsin. Ponds used for animal aquaculture qualify as Agricultural (Class 4) by virtue of Sector 11, Subsector 112 Animal Production of the North American Industry Classification System (NAICS) (Appendix 11-A). The NAICS manual describes animal aquaculture (Industry 11251) as “This industry comprises establishments primarily engaged in the farm raising of finfish, shellfish, or any other kind of animal aquaculture. These establishments use some form of intervention in the rearing process to enhance production, such as holding in captivity, regular stocking, feeding, and protecting from predators.” In Wisconsin, two common aquaculture ventures are trout farms and minnow farms.

Not all aquaculture operations fit the definitions of agricultural land. Outdoor concrete raceways and indoor hatchery facilities do not meet the definition in sec. 70.32(2)(c)1g, Wis. Stats., that agricultural land is “land exclusive of buildings and improvements and the land necessary for their location and convenience, that is devoted primarily to agricultural use.”

Fish Pond Valuation

Fish ponds used in aquaculture are analogous to pasture. Like cattle grazing pasture, fish ponds provide an area for the keeping and feeding of fish being raised for market. Lands covered by the water of a pond should be classified agricultural and categorized as pasture. Lands adjacent to ponds used in aquaculture should be appropriately classified by use. The appraisal steps for aquaculture property and fish ponds are:

1. Consider the current guideline use value for pasture land equated to the municipal level of assessment.
2. Estimate the depreciated cost of all improvements ("Other").
3. Sum all land and improvement values to generate an assessment.

Depreciation of improvements should include physical deterioration, functional and economic obsolescence, where appropriate. All improvements should be listed with associated land classified as "Other" (Class 7). Improvements are dikes, dams, and other structures used for diverting water. The cost of construction for the improvements should include such things as surveying, site preparation, excavation and earthmoving. Costs should be compiled from typical local market costs.

Sources

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Appendix 14-A

North American Industry Classification System – NAICS

Introduction

Background

In 1937, the Central Statistical Board established an Interdepartmental Committee on Industrial Classification “to develop a plan of classification of various types of statistical data by industries and to promote the general adoption of such classification as the standard classification of the Federal Government.”¹ The List of Industries for manufacturing was first available in 1938, with the List of Industries for nonmanufacturing following in 1939. These Lists of Industries became the first Standard Industrial Classification (SIC) for the United States.

The SIC was developed for use in the classification of establishments by type of activity in which they are primarily engaged; for purposes of facilitating the collection, tabulation, presentation, and analysis of data relating to establishments; and for promoting uniformity and comparability in the presentation of statistical data collected by various agencies of the United States Government, State agencies, trade associations, and private research organizations. The SIC covered the entire field of economic activities by defining industries in accordance with the composition and structure of the economy.

Since the inception of the SIC in the 1930s, the system has been periodically revised to reflect the economy’s changing industrial composition and organization. The last revision of the SIC was in 1987.

Rapid changes in both the U.S. and world economies brought the SIC under increasing criticism. In 1991, an International Conference on the Classification of Economic Activities was convened in Williamsburg, Virginia, to provide a forum for responding to such criticism and to explore new approaches to classifying economic activity. In July 1992, the Office of Management and Budget (OMB) established the Economic Classification Policy Committee (ECPC) and charged it with a “fresh slate” examination of economic classifications for statistical purposes. The ECPC prepared a number of issue papers regarding classification, consulted with outside users, and ultimately joined with Mexico’s Instituto Nacional de Estadística, Geografía e Informática (INEGI) and Statistics Canada to develop the North American Industry Classification System (NAICS), which replaces the 1987 U.S. SIC and the classification systems of Canada (1980 SIC) and Mexico (1994 Mexican Classification of Activities and Products (CMAP)).

¹ Pearce, Esther, *History of the Standard Industrial Classification*, Executive Office of the President, Office of Statistical Standards, U.S. Bureau of the Budget, Washington, DC, July 1957 (mimeograph)

Purpose of NAICS

NAICS is an industry classification system that groups establishments into industries based on the activities in which they are primarily engaged. It is a comprehensive system covering the entire field of economic activities, producing and nonproducing. There are 20 sectors in NAICS and 1,170 industries in NAICS United States.

NAICS was developed by Mexico's INEGI, Statistics Canada, and the U.S. ECPC (the latter acting on behalf of OMB) to provide common industry definitions for Canada, Mexico, and the United States that will facilitate economic analyses of the economies of the three North American countries. The statistical agencies in the three countries produce information on inputs and outputs, industrial performance, productivity, unit labor costs, and employment. NAICS, which is based on a production-oriented concept, ensures maximum usefulness of industrial statistics for these and similar purposes.

NAICS United States will be used by U.S. statistical agencies to: facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and to provide uniformity and comparability in the presentation of statistical data describing the U.S. economy. NAICS United States is designed for statistical purposes. Although the classification also may be used for various administrative, regulatory and taxation purposes, the requirements of government agencies that use it for nonstatistical purposes played no role in its development.

Development of NAICS

The U.S. ECPC established by OMB in 1992 was chaired by the Bureau of Economic Analysis, U.S. Department of Commerce, with representatives from the Bureau of the Census, U.S. Department of Commerce, and the Bureau of Labor Statistics, U.S. Department of Labor. The ECPC was asked to examine economic classifications for statistical purposes and to determine the desirability of developing a new industry classification system for the United States based on a single economic concept. On March 31, 1993, OMB published a Federal Register Notice (58FR16990-17004) announcing the intention to revise the SIC for 1997, the establishment of the ECPC, and the process for revising the SIC.

The ECPC established seven subcommittees composed of senior economists, statisticians, and classification specialists representing 20 of the Federal agencies that use the SIC for statistical programs. Those subcommittees, which were Agriculture, Forestry, and Fishing; Manufacturing and Mining; Construction; Distribution Networks (retail trade, wholesale trade, and transportation, communications, and utilities); Finance, Insurance, and Real Estate; Business and Personal Services; and Health, Social Assistance, and Public Administration, were responsible for developing the proposed structure of NAICS in cooperation with representatives from INEGI and Statistics Canada. The ECPC also established the U.S. Coordinating Committee that was responsible for coordinating the work of the U.S. subcommittees and the work with INEGI and Statistics Canada.

In July 1994, the OMB announced plans to develop a new industry classification system in cooperation with Mexico's INEGI and Statistics Canada. The new system—NAICS—replaces the current U.S. SIC. The concepts of the new system and the principles upon which NAICS

was to be developed were announced in a July 26, 1994 Federal Register (59FR38092-38096) notice and were as follows:

1. NAICS will be erected on a production-oriented or supply-based conceptual framework. This means that producing units that use identical or similar production processes will be grouped together in NAICS.
2. The system will give special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.
3. Time series continuity will be maintained to the extent possible. However, changes in the economy and proposals from data users must be considered. In addition, adjustments will be required for sectors where the United States, Canada, and Mexico have incompatible industry classification definitions in order to produce a common industry system for all three North American countries.
4. The system will strive for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 3) of the United Nations.

The structure of NAICS was developed in a series of meetings among the three countries. Public proposals for individual industries from all three countries were considered for acceptance if the proposed industry was based on the production-oriented concept of the system. In the United States, public comments also were solicited as groups of subsectors of NAICS were completed and agreed upon by the three countries. The ECPC published the proposed industries for those subsectors in a series of five successive Federal Register notices, in 1995 and 1996, asking for comments from interested data users.

Conceptual Framework

NAICS is erected on a production-oriented or supply-based conceptual framework in that establishments are grouped into industries according to similarity in the processes used to produce goods or services. A production-oriented industry classification system ensures that statistical agencies in the three countries can produce information on inputs and outputs, industrial performance, productivity, unit labor costs, employment, and other statistics and structural changes occurring in each of the three economies.

When an industry is defined on a production-oriented concept, producing units within the industry's boundaries share a basic production process; they use closely similar technology. In the language of economics, producing units within an industry share the same production functions; producing units in different industries have different production functions. The boundaries between industries thus demarcate, in principle, differences in production processes and production technologies. The reasoning behind the three countries' decision to base NAICS on a production-oriented concept is summarized as follows: An industry is a grouping of economic activities. Though it inevitably groups the products of the economic activities that are included in the industry definition, it is not solely a grouping of products; put another way, an industry groups producing units. Accordingly, an industry classification system provides a framework for collecting data on inputs and outputs together.

The uses of economic data that require that data on inputs and outputs be used together and be collected on the same basis, include production analyses, productivity measurement, and

studying input usage and input intensities. The North American statistical agencies developed NAICS using a production-oriented concept as the framework for two reasons: an industry classification system groups producing units, not products or services; and groupings of producing units permit the collection of data on inputs and outputs on a comparable basis, which is required for production-oriented analysis, but do not facilitate a comprehensive collection of data on the total output of any particular product or service, which is required for market-oriented analysis. Thus, the efficient organizing concept of an industry classification system is production-oriented rather than market-oriented.

Structure of NAICS

The structure of NAICS is hierarchical, much like that of the 1987 SIC. The first two digits of the structure designate the NAICS sectors that represent general categories of economic activities. NAICS classifies all economic activities into 20 sectors. The NAICS sectors, their two-digit codes, and the distinguishing activities of each are:

11 Agriculture, forestry, fishing and hunting—Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

21 Mining—Activities of this sector are extracting naturally occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing, and flotation) and other preparation at the mine site, or as part of mining activity.

22 Utilities—Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipe.

23 Construction—Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

31-33 Manufacturing—Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

41-43 Wholesale trade—Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable non-consumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

44-46 Retail trade—Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.

48-49 Transportation and warehousing—Activities of this sector are providing transportation of passengers and cargo, warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

51 Information—Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

52 Finance and insurance—Activities of this sector involve the creation, liquidation, or change in ownership of financial assets (financial transactions) and/or facilitating financial transactions.

53 Real estate and rental and leasing—Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

54 Professional, scientific, and technical services—Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

55 Management of companies and enterprises—Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational planning and decision making of the company or enterprise.

56 Administrative and support and waste management and remediation services—Activities of this sector are performing routine support activities for the day-to-day operations of other organizations.

61 Educational services—Activities of this sector are providing instruction and training in a wide variety of subjects.

62 Health care and social assistance—Activities of this sector are providing health care and social assistance for individuals.

71 Arts, entertainment, and recreation—Activities of this sector are operating or providing services to meet varied cultural, entertainment, and recreational interests of their patrons.

72 Accommodation and food services—Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

81 Other services (except Public administration)—Activities of this sector are providing services not elsewhere specified, including repairs, religious activities, grant making, advocacy, laundry, personal care, death care, and other personal services.

91-93 Public administration—Activities of this sector are administration, management, and oversight of public programs by Federal, State, and local governments.

NAICS uses a six-digit coding system to identify particular industries and their placement in this hierarchical structure of the classification system. The first two digits of the code designate the sector, the third designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. A zero as the sixth digit generally indicates that the NAICS industry and the U.S. industry are the same.

The subsectors, industry groups, and NAICS industries, in accord with the conceptual principle of NAICS, are production-oriented combinations of establishments. However, the production distinctions become more narrowly defined as one moves down the hierarchy. NAICS agreements permit each country to designate detailed industries, below the level of a NAICS industry, to meet national needs. The United States has such industry detail in many places in the new classification system to recognize large, important U.S. industries that cannot be recognized in the other countries because of size, specialization, or organization of the industry.

Typically the level at which comparable data will be available for Canada, Mexico, and the United States is the five-digit NAICS industry; for some sectors (or subsectors or industry groups) however, the three countries agreed upon the boundaries at a higher level of detail rather than the detailed industry structure (five-digit). Agreement was reached at the sector level for construction; wholesale trade; retail trade; and public administration and at the subsector level for finance; personal and laundry services; religious, grant making, civic, and professional and similar organizations; and waste management and remediation services. For insurance and real estate, the three countries agreed on comparability at the industry group level.

Differences in the economies of the three countries or time constraints necessitated these modifications. For each of these sectors, except wholesale trade and public administration, Canada and the United States have agreed upon an industry structure and hierarchy to ensure comparability of statistics between those two countries. Canada and the United States also have established the same national detail (six-digit) industries where possible, adopting the same codes to describe comparable industries. For this reason, the numbers of the U.S. industries may not be consecutive. In a few cases, it was necessary for the United States to use all of the numbers available to establish its six-digit detail so that the same six-digit codes do not represent comparable industries in the U.S. and Canada. In Appendix A, a “CAN” notation in the first column indicates comparability between the two countries. In Part I, Titles and Descriptions, a superscript or “CAN” at the end of an industry title indicates the same thing. A blank in the first column or no superscript indicates comparability among the three countries.

NAICS with U.S. detail will be known as NAICS United States (denoted by “US” in Appendix A and a superscript “US” at the end of the title in Part I) while Canada and Mexico will produce six-digit detail and will publish that detail as NAICS Canada and NAICS (SCIAN in Spanish) Mexico.

Definition of an Establishment

NAICS is a classification system for establishments. The establishment as a statistical unit is defined as the smallest operating entity for which records provide information on the cost of resources — materials, labor, and capital — employed to produce the units of output. The output may be sold to other establishments and receipts or sales recorded, or the output may be provided without explicit charge, that is, the good or service may be “sold” within the company itself.

The establishment, in NAICS United States, is generally a single physical location, where business is conducted or where services or industrial operations are performed (for example, a factory, mill, store, hotel, movie theater, mine, farm, airline terminal, sales office, warehouse, or central administrative office). There are cases where records identify distinct and separate economic activities performed at a single physical location (e.g., shops in a hotel). These retailing activities, operated out of the same physical location as the hotel, are identified as separate establishments and classified in retail trade while the hotel is classified in accommodations. In such cases, each activity is treated as a separate establishment provided: (1) no one industry description in the classification includes such combined activities; (2) separate reports can be prepared on the number of employees, their wages and salaries, sales or receipts, and expenses; and (3) employment and output are significant for both activities.

Exceptions to the single location exist for physically dispersed operations, such as construction, transportation, and communication. For these activities the individual sites, projects, fields, networks, lines, or systems of such dispersed activities are not normally considered to be establishments. The establishment is represented by those relatively permanent main or branch offices, terminals, stations, and so forth, that are either (1) directly responsible for supervising such activities, or (2) the base from which personnel operate to carry out these activities.

Although an establishment may be identical with the enterprise (company), the two terms should not be confused. An enterprise (company) may consist of more than one establishment. Such multiunit enterprises may have establishments in more than one industry in NAICS. If such enterprises have a separate establishment primarily engaged in providing headquarters services, these establishments are classified in NAICS Sector 55, Management of companies and enterprises.

Although all establishments have output, they may or may not have receipts. In large enterprises it is not unusual for establishments to exist that solely serve other establishments of the same enterprise (auxiliary establishments). In such cases, these units often do not collect receipts from the establishments they serve. This type of support (captive) activity is found throughout the economy and involves goods producing activities as well as services.

In the 1987 SIC, auxiliary service establishments, defined as establishments primarily engaged in performing management or support services for other establishments of the same enterprise, were classified to industries based on the industry classification of the establishments they serviced—not the primary activity. However, captive goods producing establishments, defined as operating establishments, were classified based on what they did,

not whom they served. This traditional treatment of auxiliary units implied that captive services producing establishments should be treated differently from captive goods producing units.

NAICS changes this traditional classification of auxiliary establishments. NAICS is based on the economic principle that establishments should be grouped together based on their production processes and does not distinguish between captive services and goods establishments. Those units that carry out support activities for the enterprise to which they belong are classified, to the extent feasible, according to the NAICS code related to their own activity and, if possible, to that of the enterprise they support. This means that warehouses that provide storage facilities for their own enterprise will be classified as a warehouse and not as an automobile assembly plant (if that is the primary unit they serve).

Determining an Establishment's Industry Classification

An establishment is classified to an industry when its primary activity meets the definition for that industry. Because establishments may perform more than one activity, it is necessary to determine procedures for identifying the primary activity of the establishment.

In most cases, if an establishment is engaged in more than one activity, the industry code is assigned based on the establishment's principal product or group of products produced or distributed, or services rendered. Ideally, the principal product or service should be determined by its relative share of current production costs and capital investment at the establishment. In practice, however, it is often necessary to use other variables such as revenue, shipments, or employment as proxies for measuring significance.

There are two types of combined activities that are given special attention in NAICS. They are vertical integration and joint production. These combined activities have an economic basis and occur in both goods-producing and services-producing sectors. In some cases, there are efficiencies to be gained from combining certain activities in the same establishment. Some of these combinations occur so commonly or frequently that their combination can be treated as a third activity in its own right and explicitly classified in a specific industry.

One approach to classifying these activities would be to use the primary activity rule, that is, whichever activity is largest. However, the fundamental principle of NAICS is that establishments that employ the same production process should be classified in the same industry. If the premise that the combined activities correspond to a distinct third activity is accepted, then using the primary activity rule would place establishments performing the same combination of activities in different industries, thereby violating the production principle of NAICS. A second reason for NAICS recognizing combined activities is to improve the stability of establishment classification, both over time and among the various agencies that implement the classification. An establishment should remain classified in the same industry unless its production process changes; and different agencies should code the same establishment or type of establishment in the same way. A consistent treatment of establishments with combined activities is more likely if they are classified to a single industry.

Vertical integration involves consecutive stages of fabrication or production processes in which the output of one step is the input of the next. In general, establishments will be

classified based on the final process in a vertically integrated production environment, unless specifically identified as classified in another industry. For example, paper may be produced either by establishments that first produce pulp and then consume that pulp to produce paper or by those establishments producing paper from purchased pulp. NAICS specifically specifies that both of these types of paper-producing processes should be classified in 32212, Paper mills, the industry, or the final step in paper manufacturing, rather than in NAICS 32211, Pulp mills. In other cases, NAICS specifies that vertically integrated establishments be classified in the industry representing the first stage of the manufacturing process. For example, steel mills that make steel and also perform other activities such as producing steel castings are classified in NAICS 33111, Iron and steel mills and ferroalloy manufacturing, the first stage of the manufacturing process.

The joint production of goods or services represents the second type of combined activities. For example, automobile dealers both sell and repair autos; automotive parts dealers may both sell parts and repair automobiles; and musical instrument stores may both sell and rent instruments. In the manufacturing sector, establishments may make two different products such as women's dresses and women's suits, activities that are classified in two different NAICS United States detailed industries. In general, receipts/sales and revenue data are used as a proxy to determine primary activity for these establishments. The assumption is that the activity generating the most receipts is also the activity using the most resources and most indicative of the production process.

In some cases, however, these combined activities have been assigned to a specific NAICS industry. Most of these activities involve either the sale and repair of goods or the sale and rental of goods in the same establishment. For example, establishments that both sell automobile parts and repair automobiles are classified in NAICS 44131, Automotive parts and accessories stores, and those music stores that both sell and rent musical instruments are classified in NAICS 45114, Musical instrument and supplies stores. In other cases, specific industries have been identified for these combined activities, such as 44711, Gasoline stations with convenience stores.

Classification rules related to the agreement to permit individual country detail at the six-digit level for NAICS sometimes results in less comparable NAICS industries at the five-digit level and above. For example in NAICS, the assignment of the industry code is at the most detailed level of the classification (the six-digit U.S. detail code), except for agriculture. That is, if the value of an establishment's production consists of 30 percent from computers, 30 percent from computer storage devices, and 40 percent from semiconductors and related devices, it will be classified in U.S. detail industry 334413, Semiconductor and Related Device Manufacturing, that will be aggregated to NAICS 33441, Semiconductor and other electronic component manufacturing, the level at which comparable information is shown for all three countries. If the classification for the above example were at the five-digit NAICS level, that establishment would be classified in NAICS 33411, Computer and peripheral equipment manufacturing. There would then be more comparable information at the NAICS level, but it would be impossible to classify this establishment to a U.S. detail six-digit industry.

In agriculture, however, NAICS coding will be at the five-digit NAICS level. This is possible because of the identification in NAICS of combination farms. Therefore, the above situation does not occur.

NAICS and the International Standard Industrial Classification (ISIC)

Recognizing the need for international comparability of economic statistics, the United Nations (UN) first adopted an International Standard Industrial Classification (ISIC) system in 1948. Revisions to the ISIC structure and codes were adopted by the UN's Statistical Commission in 1958, 1968, and 1989.²

Similar to NAICS, ISIC was designed primarily to provide classifications for grouping establishments (rather than enterprises or firms), and the primary focus for the ISIC classification system is the kind of activity in which establishments or other statistical entities are engaged. The main criteria employed in delineating divisions and groups (the two- and three-digit categories, respectively) of ISIC are: (a) the character of the goods and services produced; (b) the uses to which the goods and services are put; and (c) the inputs, the process, and the technology of production.

The third classification criterion of the ISIC is the conceptual foundation of NAICS, and thus, NAICS is aligned more closely with ISIC than was the 1987 SIC system. However, there are differences between the NAICS and ISIC classification schemes. Most important, perhaps, is the single (production process) conceptual framework of NAICS. As noted elsewhere, this is unique among industry classifications. Distinctions also were made during ISIC's development with regard to (1) select characteristics of goods and services produced; (2) the range of kinds of activity frequently carried out under the same ownership or control; (3) differences between enterprises in scale, organization of activities, capital requirements, and finance; and (4) the pattern of categories at various levels of classification in national classifications.

The ISIC groups economic activity into 17 broad Sections, 60 Divisions, 159 Groups, and 292 Classes. In the coding system, Sections are distinguished by the letters A through Q and the Divisions, Groups, and Classes are identified as the two-digit, three-digit, and four-digit groupings, respectively. NAICS United States groups economic activity into 20 sectors, 96 subsectors, 311, industry groups, 459 NAICS industries (for which there is comparability among all three countries), and 1,170 U.S. industries corresponding to the two-digit, three-digit, four-digit, and five-digit levels in the coding system. In some cases, the NAICS U.S. industry codes include a sixth-digit to identify an economic type unique to the United States, but within the general NAICS structure

In the development of NAICS industries, the statistical agencies of the three countries strove to create industries that did not cross ISIC two-digit boundaries. A detailed concordance among NAICS United States and ISIC, Revision 3 will be conducted and the results of that concordance published on the NAICS Internet web site (<http://www.census.gov/naics>).

² *International Standard Industrial Classification of All Economic Activities*, Statistical Papers, Series M., No. 4, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1958. *International Standard Industrial Classification of All Economic Activities*, Statistical Papers, Series M., No. 4, Rev. 2, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1968. *International Standard Industrial Classification of All Economic Activities*, Statistical Papers, Series M., No. 4, Rev. 3, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1990.

NAICS United States Structure

Sector	Name	Sub-Sectors	Industry Groups	NAICS 5-Digit Industries	U.S. 6-Digit Industries	Total U.S. Industries	New Industries
11	Agriculture, Forestry, Fishing and Hunting	5	19	42	32	64	20
21	Mining	3	5	10	28	29	-
22	Utilities	1	3	6	6	10	6
23	Construction	3	14	28	-	28	3
31-33	Manufacturing	21	84	184	408	474	79
42	Wholesale Trade	2	18	69	-	69	-
44-45	Retail Trade	12	27	61	18	72	17
48-49	Transportation & Warehousing	11	29	42	25	57	28
51	Information	4	9	28	12	34	20
52	Finance & Insurance	5	11	32	15	42	23
53	Real Estate & Rental & Leasing	3	8	19	9	24	15
54	Professional, Scientific, & Technical Services	1	9	35	17	47	28
55	Management of Companies & Enterprises	1	1	1	3	3	1
56	Admin. & Support & Waste Management & Remediation Services	2	11	29	23	43	29
61	Educational Services	1	7	12	7	17	12
62	Health Care & Social Assistance	4	18	30	16	39	27
71	Arts, Entertainment, and Recreation	3	9	23	3	25	19
72	Accommodation & Food Services	2	7	11	7	15	10
81	Other Services (except Public Administration)	4	14	30	30	49	19
92	Public Admin.	8	8	29	-	29	2
	Total	96	311	721	659	1170	358

Sector 11—Agriculture, Forestry, Fishing and Hunting

The Sector as a Whole

The Agriculture, Forestry, Fishing and Hunting sector comprises establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats.

The establishments in this sector are often described as farms, ranches, dairies, greenhouses, nurseries, orchards, or hatcheries. A farm may consist of a single tract of land or a number of separate tracts which may be held under different tenures. For example, one tract may be owned by the farm operator and another rented. It may be operated by the operator alone or with the assistance of members of the household or hired employees, or it may be operated by a partnership, corporation, or other type of organization. When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a farm.

The sector distinguishes two basic activities: agricultural production and agricultural support activities. Agricultural production includes establishments performing the complete farm or ranch operation, such as farm owner-operators, tenant farm operators, and sharecroppers. Agricultural support activities include establishments that perform one or more activities associated with farm operation, such as soil preparation, planting, harvesting, and management, on a contract or fee basis

Excluded from the Agriculture, forestry, hunting and fishing sector are establishments primarily engaged in agricultural research and establishments primarily engaged in administering programs for regulating and conserving land, mineral, wildlife, and forest use. These establishments are classified in Industry 54171, Research and development in the physical, engineering, and life sciences; and Industry 92412, Administration of conservation programs, respectively.

111 Crop Production

Industries in the crop production subsector grow crops mainly for food and fiber. The subsector comprises establishments, such as farms, orchards, groves, greenhouses, and nurseries, primarily engaged in growing crops, plants, vines, or trees and their seeds.

The industries in this subsector are grouped by similarity of production activity, including biological and physiological characteristics and economic requirements, the length of growing season, degree of crop rotation, extent of input specialization, labor requirements, and capital demands. The production process is typically completed when the raw product or commodity grown reaches the “farm gate” for market, that is, at the point of first sale or price determination.

Establishments are classified to the crop production subsector when crop production (i.e., value of crops for market) accounts for one-half or more of the establishment’s total agricultural production. Within the subsector, establishments are classified to a specific industry when a product or industry family of products (i.e., oilseed and grain farming, vegetable and melon farming, fruit and tree nut farming) account for one-half or more of the establishment’s agricultural production. Establishments with one-half or more crop

production with no one product or family of products of an industry accounting for one-half of the establishment's agricultural production are treated as general combination crop farming and are classified in Industry 11199, All other crop farming. Industries in the crop production subsector include establishments that own, operate, and manage and those that operate and manage. Those that manage only are classified in Subsector 115, Support activities for agriculture and forestry.

1111 Oilseed and grain farming

This industry group comprises establishments primarily engaged in (1) growing oilseed and/or grain crops and/or (2) producing oilseed and grain seeds. These crops have an annual life cycle and are typically grown in open fields.

11111 Soybean farming

See industry description for 111110 below.

111110 Soybean farming

This industry comprises establishments primarily engaged in growing soybeans and/or producing soybean seeds.

Cross-references. Establishments engaged in growing soybeans in combination with grain(s) with the soybeans or grain(s) not accounting for one-half of the establishment's agricultural production (value of crops for market) are classified in U.S. Industry 11191, Oilseed and grain combination farming.

11112 Oilseed (except Soybean) farming

See industry description for 111120 below.

111120 Oilseed (except Soybean) farming

This industry comprises establishments primarily engaged in growing fibrous oilseed producing plants and/or producing oilseed seeds, such as sunflower, safflower, flax, rape, canola, and sesame.

Cross-references. Establishments primarily engaged in:

- Growing soybeans—are classified in Industry 111110, Soybean farming; and
- Growing oilseed(s) in combination with grain(s) with no one oilseed (or family of oilseeds) or grain(s) (or family of grains) accounting for one-half of the establishment's agricultural production (value of crops for market)—are classified in U.S. Industry 11191, Oilseed and grain combination farming.

11113 Dry pea and bean farming

See industry description for 111130 below.

111130 Dry pea and bean farming

This industry comprises establishments primarily engaged in growing dried peas, beans, and/or lentils.

Cross-references. Establishments primarily engaged in growing fresh green beans and peas are classified in U.S. Industry 111219, Other Vegetable (except potato) and melon farming.

11114 Wheat farming

See industry description for 111140 below.

111140 Wheat farming

This industry comprises establishments primarily engaged in growing wheat and/or producing wheat seeds.

Cross-references. Establishments growing wheat in combination with oilseed(s) with the wheat or oilseed(s) not accounting for one-half of the establishment's agricultural production (value of crops for market) are classified in U.S. Industry 111191, Oilseed and grain combination farming.

11115 Corn farming

See industry description for 111150 below.

111150 Corn farming

This industry comprises establishments primarily engaged in growing corn (except sweet corn) and/or producing corn seeds.

Cross-references. Establishments primarily engaged in:

- Growing sweet corn—are classified in U.S. Industry 111219, Other vegetable (except potato) and melon farming; and
- Growing corn in combination with oilseed(s) with the corn or oilseed(s) not accounting for one-half of the establishment's production (value of crops for market)—are classified in U.S. Industry 111191, Oilseed and grain combination farming.

11116 Rice farming

See industry description for 111160 below.

111160 Rice farming

This industry comprises establishments primarily engaged in growing rice (except wild rice) and/or producing rice seeds.

Cross-references. Establishments primarily engaged in:

- Growing wild rice—are classified in U.S. Industry 111199, All other grain farming; and
- Engaged in growing rice in combination with oilseed(s) with the rice or oilseed(s) not accounting for one-half of the establishment's agricultural production (value of crops for market)—are classified in U.S. Industry 111191, Oilseed and grain combination farming.

11119 Other grain farming

This industry comprises establishments primarily engaged in (1) growing grain(s) and/or producing grain seeds (except wheat, corn, and rice) or (2) growing a combination of grain(s) and oilseed(s) with no one grain (or family of grains) or oilseed (or family of oilseeds) accounting for one-half of the establishment's agriculture production (value of crops for market). Combination grain(s) and oilseed(s) establishments may produce oilseed(s) and grain(s) seeds and/or grow oilseed(s) and grain(s).

Illustrative examples: Barley farming, milo farming, oat farming, oilseed and grain combination farming, rye farming, sorghum farming, wild rice farming

Cross-references. Establishments primarily engaged in:

- Growing wheat—are classified in U.S. Industry 11114, Wheat Farming;
- Growing corn (except sweet corn)—are classified in U.S. Industry 11115, Corn farming;
- Growing sweet corn—are classified in U.S. Industry 11121, Vegetable and melon farming; and
- Growing rice (except wild rice)—are classified in U.S. Industry 11116, Rice farming.

111191 Oilseed and grain combination farming – US

This U.S. industry comprises establishments engaged in growing a combination of oilseed(s) and grain(s) with no one oilseed (or family of oilseeds) or grain (or family of grains) accounting for one-half of the establishment's agricultural production (value of crops for market). These establishments may produce oilseed(s) and grain(s) seeds and/or grow oilseed(s) and grain(s).

Cross-references. Establishments engaged in growing one grain (or family of grains) or oilseed (or family of oilseeds) accounting for one-half of the establishment's agriculture production (value of crops for market) are classified in Industry Group 1111, Oilseed and grain farming accordingly by the prominent grain(s) or oilseed(s) grown.

111199 All other grain farming – US

This U.S. industry comprises establishments primarily engaged in growing grains and/or producing grain(s) seeds (except wheat, corn, rice, and oilseed(s) and grain(s) combinations).

Illustrative examples: Barley farming, oat farming, rye farming, sorghum farming, wild rice farming

Cross-references. Establishments primarily engaged in:

- Growing wheat—are classified in Industry 111140, Wheat farming;
- Growing corn—are classified in Industry 111150, Corn Farming;
- Growing rice (except wild rice)—are classified in Industry 111160, Rice farming;
- Growing sweet corn—are classified in U.S. Industry 111219, Other vegetable (except potato) and melon farming; and
- Growing a combination of grain(s) and oilseed(s) with no one grain (or family of grains) or oilseed (or family of oilseeds) accounting for one-half of the establishment's agricultural production (value of crops for market)—are classified in U.S. Industry 111191, Oilseed and grain combination farming.

1112 Vegetable and Melon Farming

This industry group comprises establishments primarily engaged in growing root and tuber crops (except sugar beets and peanuts) or edible plants and/or producing root and tuber or edible plant seeds. The crops included in this group have an annual growth cycle and are grown in open fields. Climate and cultural practices limit producing areas but often permit the growing of a combination of crops in a year.

11121 Vegetable and melon farming

This industry comprises establishments primarily engaged in one or more of the following: (1) growing vegetable and/or melon crops; (2) producing vegetable and melon seeds; and (3) growing vegetable and/or melon bedding plants.

Cross-references. Establishments primarily engaged in:

- Growing sugar beets—are classified in Industry 11199, All other crop farming;
- Growing vegetables and melons under glass or protective cover—are classified in Industry 11141, Food crops grown under cover;
- Growing dry peas and beans—are classified in Industry 11113, Dry pea and bean farming;
- Growing corn (except sweet corn)—are classified in Industry 11115, Corn farming;
- Canning, pickling, and/or drying (artificially) vegetables—are classified in Industry 31142, Fruit and vegetable canning, pickling and drying; and
- Growing fruit on trees and other fruit-bearing plants (except melons)—are classified in Industry Group 1113, Fruit and tree nut farming.

111211 Potato farming – CAN

This U.S. industry comprises establishments primarily engaged in growing potatoes and/or producing seed potatoes (except sweet potatoes).

Cross-references. Establishments primarily engaged in:

- Growing sweet potatoes, cassava, and yams—are classified in U.S. Industry 111219, Other vegetable (except potato) and melon farming; and
- Canning or drying potatoes—are classified in Industry 31142, Fruit and vegetable canning, pickling and drying.

111219 Other Vegetable (except potato) and melon farming – CAN

This U.S. industry comprises establishments primarily engaged in one or more of the following: (1) growing melons and/or vegetables (except potatoes; dry peas; dry beans; field, silage, or seed corn; and sugar beets); (2) producing vegetable and/or melon seeds; and (3) growing vegetable and/or melon bedding plants.

Illustrative examples: Carrot farming, green bean farming, melon farming (e.g., cantaloupe, casaba, honeydew, watermelon), pepper farming (e.g., bell, chili, green, red, sweet peppers), squash farming, sweet potato farming, tomato farming, vegetable (except potato) and melon farming, watermelon farming

Cross-references. Establishments primarily engaged in:

- Growing potatoes—are classified in U.S. Industry 111211, Potato farming;
- Growing sugar beets—are classified in U.S. Industry 111991, Sugar beet farming;
- Growing vegetables and melons under glass or protective cover—are classified in U.S. Industry 111419, Other food crops grown under cover;
- Growing dry peas and beans—are classified in Industry 111130, Dry pea and bean farming;
- Growing corn (except sweet corn)—are classified in Industry 111150, Corn farming;
- Canning, pickling, and/or drying (artificially) vegetables—are classified in Industry 31142, Fruit and vegetable canning, pickling and drying; and
- Growing fruit on trees and other fruit-bearing plants (except melons)—are classified in Industry Group 1113, Fruit and tree nut farming.

1113 Fruit and tree nut farming

This industry group comprises establishments primarily engaged in growing fruit and/or tree nut crops. The crops included in this industry group are generally not grown from seeds and have a perennial life cycle.

11131 Orange groves

See industry description for 111310 below.

111310 Orange groves

This industry comprises establishments primarily engaged in growing oranges.

11132 Citrus (except orange) groves

See industry description for 111320 below.

111320 Citrus (except orange) groves

This industry comprises establishments primarily engaged in growing citrus fruits (except oranges).

Illustrative examples: Citrus groves (except oranges), Grapefruit groves, lemon groves, mandarin groves, tangelo groves, tangerine groves

Cross-references. Establishments primarily engaged in growing oranges are classified in Industry 111310, Orange groves.

11133 Non-citrus fruit and tree nut farming

This industry comprises establishments primarily engaged in one or more of the following: (1) growing non-citrus fruits (e.g., apples, grapes, berries, peaches); (2) growing tree nuts (e.g., pecans, almonds, pistachios); or (3) growing a combination of fruit(s) and tree nut(s) with no one fruit (or family of fruit) or family of tree nuts accounting for one-half of the establishment's agriculture production (value of crops for market).

Cross-references. Establishments primarily engaged in:

- Harvesting berries or nuts from native and non-cultivated plants—are classified in Industry 11321, Forest nurseries and gathering of forest products; and
- Canning and/or drying (artificially) fruit—are classified in Industry 31142, Fruit and vegetable canning, pickling and drying.

111331 Apple orchards – US

This U.S. industry comprises establishments primarily engaged in growing apples.

Cross-references. Establishments engaged in growing apples in combination with tree nut(s) with the apples or family of tree nuts not accounting for one-half of the establishment's agriculture production (i.e., value of crops for market) are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

111332 Grape vineyards – US

This U.S. industry comprises establishments primarily engaged in growing grapes and/or growing grapes to sun dry into raisins.

Cross-references. Establishments primarily engaged in:

- Drying grapes artificially—are classified in U.S. Industry 311423, Dried and dehydrated food manufacturing; and
- Growing grapes in combination with tree nut(s) with the grapes or family of tree nuts not accounting for one-half of the establishment's agriculture production (i.e., value of crops for market)—are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

111333 Strawberry farming – US

This U.S. industry comprises establishments primarily engaged in growing strawberries.

Cross-references. Establishments engaged in growing strawberries in combination with tree nut(s) with the strawberries or family of tree nuts not accounting for one-half of the

establishment's agriculture production (i.e., value of crops for market) are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

111334 Berry (except strawberry) farming – US

This U.S. industry comprises establishments primarily engaged in growing berries.

Illustrative examples: Berry (except strawberries) farming, Blackberry farming, blueberry farming, cranberry farming, currant farming, raspberry farming

Cross-references. Establishments primarily engaged in:

- Growing strawberries—are classified in U.S. Industry 111333, Strawberry farming;
- Harvesting berries from native and non-cultivated bushes or vines—are classified in Industry 113210, Forest nurseries and gathering of forest products; and
- Growing berries in combination with tree nut(s) with the berries or family of tree nuts not accounting for one-half of the establishment's agriculture production (i.e., value of crops for market)—are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

111335 Tree nut farming – US

This U.S. industry comprises establishments primarily engaged in growing tree nuts.

Illustrative examples:

- Almond farming, Filbert farming, macadamia farming, pecan farming, pistachio farming, tree nut farming
- Walnut farming

Cross-references. Establishments primarily engaged in:

- Growing coconut and coffee—are classified in U.S. Industry 111339, Other non-citrus fruit farming; and
- Growing tree nut(s) in combination with fruit(s) with no one fruit (or family of fruit or of tree nuts) accounting for one-half of the establishment's agriculture production (i.e., value of crops for market)—are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

111336 Fruit and tree nut combination farming – US

This U.S. industry comprises establishments primarily engaged in growing a combination of fruit(s) and tree nut(s) with no one fruit (or family of fruit) or family of tree nuts accounting for one-half of the establishment's agriculture production (i.e., value of crops for market).

Cross-references. Establishments engaged in growing fruit(s) or the family of tree nut(s) accounting for one-half of the establishment's agriculture production (i.e., value of crops for market) are classified in Industry Group 1113, Fruit and tree nut farming accordingly by the prominent fruit(s) or tree nut(s) grown.

111339 Other non-citrus fruit farming – US

This U.S. industry comprises establishments primarily engaged in growing non-citrus fruits (except apples, grapes, berries, and fruit(s) and tree nut(s) combinations).

Illustrative examples: Apricot farming, Banana farming, Cherry farming, coffee farming, date farming, fig farming, non-citrus fruit farming, peach farming, pineapple farming, prune farming

Cross-references. Establishments primarily engaged in:

- Growing apples—are classified in U.S. Industry 111331, Apple orchards;
- Growing grapes including sun drying of grapes into raisins—are classified in U.S. Industry 111332, Grape vineyards;
- Growing strawberries—are classified in U.S. Industry 111333, Strawberry farming;
- Growing berries (except strawberries)—are classified in U.S. Industry 111334, Berry (except strawberry) farming;
- Drying fruit artificially—are classified in U.S. Industry 311423, Dried and dehydrated food manufacturing; and
- Growing non-citrus fruit(s) in combination with tree nut(s) with no one fruit (or family of fruits) or family of tree nuts accounting for one-half of the establishment's agriculture production (i.e., value of crops for market)—are classified in U.S. Industry 111336, Fruit and tree nut combination farming.

1114 Greenhouse, Nursery, and Floriculture Production

This industry group comprises establishments primarily engaged in growing crops of any kind under cover and/or growing nursery stock and flowers. “Under cover” is generally defined as greenhouses, cold frames, cloth houses, and lath houses. The crops grown are removed at various stages of maturity and have annual and perennial life cycles. The nursery stock includes short rotation woody crops that have growth cycles of 10 years or less.

11141 Food crops grown under cover

This industry comprises establishments primarily engaged in growing food crops (e.g., fruits, melons, tomatoes) under glass or protective cover.

Cross-references. Establishments primarily engaged in growing vegetable and melon bedding plants are classified in Industry 11121, Vegetable and melon farming.

111411 Mushroom production – CAN

This U.S. industry comprises establishments primarily engaged in growing mushrooms under cover in mines underground, or in other controlled environments.

111419 Other food crops grown under cover – CAN

This U.S. industry comprises establishments primarily engaged in growing food crops (except mushrooms) under glass or protective cover.

Illustrative examples: Alfalfa sprout farming, grown under cover, fruit farming, grown under cover, hydroponic crop farming, melon farming, grown under cover, vegetable farming, grown under cover

Cross-references. Establishments primarily engaged in growing mushrooms under cover are classified in U.S. Industry 111411, Mushroom production.

11142 Nursery and floriculture production

This industry comprises establishments primarily engaged in (1) growing nursery and floriculture products (e.g., nursery stock, shrubbery, cut flowers, flower seeds, foliage plants) under cover or in open fields and/or (2) growing short rotation woody trees with a growing and harvesting cycle of 10 years or less for pulp or tree stock (e.g., cut Christmas trees, cottonwoods).

Cross-references. Establishments primarily engaged in:

- Growing vegetable and melon bedding plants—are classified in Industry 11121, Vegetable and melon farming;
- Operating timber tracts (i.e., growing cycle greater than 10 years)—are classified in Industry 11311, Timber tract operations; and
- Retailing nursery, tree stock, and floriculture products primarily purchased from others—are classified in Industry 44422, Nursery and garden centers.

111421 Nursery and tree production – CAN

This U.S. industry comprises establishments primarily engaged in (1) growing nursery products, nursery stock, shrubbery, bulbs, fruit stock, sod, and so forth, under cover or in open fields and/or (2) growing short rotation woody trees with a growth and harvest cycle of 10 years or less for pulp or tree stock.

- Growing Christmas trees or
- Ginseng is an agricultural use as provided in Chapter Tax 18.05(1)(c).

Cross-references. Establishments primarily engaged in:

- Growing vegetable and melon bedding plants—are classified in Industry 11121, Vegetable and melon farming;
- Operating timber tracts (i.e., growing cycle greater than 10 years)—are classified in Industry 113110, Timber tract operations; and
- Retailing nursery, tree stock, and floriculture products primarily purchased from others—are classified in Industry 444220, Nursery and garden centers

111422 Floriculture production – CAN

This U.S. industry comprises establishments primarily engaged in growing and/or producing floriculture products (e.g., cut flowers and roses, cut cultivated greens, potted flowering and foliage plants, and flower seeds) under cover and in open fields.

Cross-references. Establishments primarily engaged in retailing floriculture products primarily purchased from others are classified in Industry 444220, Nursery and garden centers.

1119 Other Crop Farming

This industry group comprises establishments primarily engaged in (1) growing crops (except oilseed and/or grain; vegetable and/or melon; fruit and tree nut; and greenhouse, nursery, and/or floriculture products). These establishments grow crops, such as tobacco, cotton, sugarcane, hay, sugar beets, peanuts, agave, herbs and spices, and hay and grass seeds; or (2) growing a combination of crops (except a combination of oilseed(s) and grain(s) and a combination of fruit(s) and tree nut(s)).

11191 Tobacco farming

See industry description for 111910 below.

111910 Tobacco farming

This industry comprises establishments primarily engaged in growing tobacco.

11192 Cotton farming

See industry description for 111920 below.

111920 Cotton Farming

This industry comprises establishments primarily engaged in growing cotton.

Cross-references. Establishments primarily engaged in ginning cotton are classified in U.S. Industry 115111, Cotton ginning.

11193 Sugarcane Farming

See industry description for 111930 below.

111930 Sugarcane farming

This industry comprises establishments primarily engaged in growing sugarcane.

11194 Hay farming

See industry description for 111940 below.

111940 Hay farming

This industry comprises establishments primarily engaged in growing hay, alfalfa, clover, and/or mixed hay.

Cross-references. Establishments primarily engaged in:

- Growing grain hay—are classified in Industry Group 1111, Oilseed and grain farming; and
- Growing grass and hay seeds—are classified in U.S. Industry 111998, All other miscellaneous crop farming.

11199 All other crop farming

This industry comprises establishments primarily engaged in (1) growing crops (except oilseeds and/or grains; vegetables and/or melons; fruits and/or tree nuts; greenhouse, nursery and/or floriculture products; tobacco; cotton; sugarcane; or hay) or (2) growing a combination of crops (except a combination of oilseed(s) and grain(s); and a combination of fruit(s) and tree nut(s)) with no one crop or family of crops accounting for one-half of the establishment's agricultural production (i.e., value of crops for market).

Illustrative examples: Agave farming, algae farming, general combination crop farming (except oilseed and grain; vegetables and melons; fruit and nut combinations), grass seed farming, hay seed farming, maple sap gathering, peanut farming, spice farming, sugar beet farming, tea farming

Cross-references. Establishments primarily engaged in:

- Growing oilseeds and/or wheat, corn, rice, or other grains—are classified in Industry Group 1111, Oilseed and grain farming;
- Growing vegetables and/or melons—are classified in Industry Group 1112, Vegetable and melon farming;
- Growing fruits and/or tree nuts—are classified in Industry Group 1113, Fruit and tree nut farming;
- Growing greenhouse, nursery, and/or floriculture products—are classified in Industry Group 1114, Greenhouse, nursery, and floriculture production;
- Growing tobacco—are classified in Industry 11191, Tobacco farming;
- Growing cotton—are classified in Industry 11192, Cotton farming;
- Growing sugarcane—are classified in Industry 11193, Sugarcane farming; and
- Growing hay—are classified in Industry 11194, Hay farming.

111991 Sugar beet farming – US

This U.S. industry comprises establishments primarily engaged in growing sugar beets.

Cross-references. Establishments primarily engaged in growing beets (except sugar beets) are classified in U.S. Industry 111219, Other Vegetable (except potato) and melon farming.

111992 Peanut farming – US

This U.S. industry comprises establishments primarily engaged in growing peanuts.

111998 All other miscellaneous crop farming – US

This U.S. industry comprises establishments primarily engaged in one of the following: (1) growing crops (except oilseeds and/or grains; vegetables and/or melons; fruits and/or tree nuts; greenhouse, nursery and/or floriculture products; tobacco; cotton; sugarcane; hay; sugar beets; or peanuts); (2) growing a combination of crops (except a combination of oilseed(s) and grain(s); and a combination of fruit(s) and tree nut(s)) with no one crop or family of crop(s) accounting for one-half of the establishment's agricultural production (i.e., value of crops for market); or (3) gathering tea or maple sap.

Illustrative examples: Agave farming, algae farming, general combination crop farming (except oilseed and grain; vegetables and melons; fruit and tree nut combinations), grass seed farming, hay seed farming, hop farming, mint farming, spice farming

Cross-References. Establishment primarily engaged in:

- Growing oilseeds and/or wheat, corn, rice, or other grains—are classified in Industry Group 1111, Oilseed and grain farming;
- Growing vegetables and/or melons—are classified in Industry Group 1112, Vegetable and melon farming;
- Growing fruits and/or tree nuts—are classified in Industry Group 1113, Fruit and tree nut farming;
- Growing greenhouse, nursery and/or floriculture products—are classified in Industry Group 1114, Greenhouse, nursery, and floriculture production;
- Growing tobacco—are classified in Industry 111910, Tobacco farming;
- Growing cotton—are classified in Industry 111920, Cotton farming;
- Growing sugarcane—are classified in Industry 111930, Sugarcane farming;
- Growing hay—are classified in Industry 111940, Hay farming;
- Growing sugar beets—are classified in U.S. Industry 111991, Sugar beet farming; and
- Growing peanuts—are classified in U.S. Industry 111992, Peanut farming.

112 Animal Production

Industries in the animal production subsector raise or fatten animals for the sale of animals or animal products. The subsector comprises establishments, such as ranches, farms, and feedlots primarily engaged in keeping, grazing, breeding, or feeding animals. These animals are kept for the products they produce or for eventual sale. The animals are generally raised in various environments, from total confinement or captivity to feeding on an open range pasture.

The industries in this subsector are grouped by important factors, such as suitable grazing or pasture land, specialized buildings, type of equipment, and the amount and types of labor required. Establishments are classified to the animal production subsector when animal production (i.e., value of animals for market) accounts for one-half or more of the establishment's total agricultural production. Establishments with one-half or more animal production with no one animal product or family of animal products of an industry accounting for one-half of the establishment's agricultural production are treated as combination animal farming classified to Industry 11299, All other animal production.

1121 Cattle ranching and farming

This industry group comprises establishments primarily engaged in raising cattle, milking dairy cattle, or feeding cattle for fattening.

11211 Beef cattle ranching and farming, including feedlots

This industry comprises establishments primarily engaged in raising cattle (including cattle for dairy herd replacements), or feeding cattle for fattening.

Cross-references. Establishments primarily engaged in:

- Milking dairy cattle—are classified in Industry 11212, Dairy cattle and milk production; and
- Operating stockyards for transportation and not buying, selling, or auctioning livestock—are classified in Industry 48899, Other support activities for transportation.

112111 Beef cattle ranching and farming – US

This U.S. industry comprises establishments primarily engaged in raising cattle (including cattle for dairy herd replacements).

Cross-references. Establishments primarily engaged in milking dairy cattle are classified in Industry 112120, Dairy cattle and milk production.

112112 Cattle feedlots – US

This U.S. industry comprises establishments primarily engaged in feeding cattle for fattening.

Cross-references. Establishments primarily engaged in operating stockyards for transportation and not buying, selling, or auctioning livestock are classified in U.S. Industry 488999, All other support activities for transportation.

11212 Dairy cattle and milk production

See industry description for 112120 below.

112120 Dairy cattle and milk production

This industry comprises establishments primarily engaged in milking dairy cattle.

Cross-references. Establishment primarily engaged in:

- Raising dairy herd replacements—are classified in U.S. Industry 112111, Beef cattle ranching and farming; and
- Milking goats—are classified in Industry 112420, Goat farming.

11213 Dual-purpose cattle ranching and farming

See industry description for 112130 below.

112130 Dual-purpose cattle ranching and farming

This industry comprises establishments primarily engaged in raising cattle for both milking and meat production.

Cross-references. Establishments primarily engaged in:

- Milking dairy cattle—are classified in Industry 11212, Dairy cattle and milk production;
- Raising cattle or feeding cattle for fattening—are classified in Industry 11211, Beef cattle ranching and farming, including feedlots; and
- Operating stockyards for transportation and not buying, selling, or auctioning livestock—are classified in U.S. Industry 48899, All other support activities for transportation.

1122 Hog and Pig Farming**11221 Hog and pig farming**

See industry description for 112210 below.

112210 Hog and pig farming

This industry comprises establishments primarily engaged in raising hogs and pigs. These establishments may include farming activities, such as breeding, farrowing, and the raising of weanling pigs, feeder pigs, or market size hogs.

Cross-references. Establishments primarily engaged in operating stockyards for transportation and not buying, selling, or auctioning livestock are classified in U.S. Industry 488999, All other support activities for transportation.

1123 Poultry and Egg Production

This industry group comprises establishments primarily engaged in breeding, hatching, and raising poultry for meat or egg production.

11231 Chicken egg production

See industry description for 112310 below.

112310 Chicken egg production

This industry comprises establishments primarily engaged in raising chickens for egg production. The eggs produced may be for use as table eggs or hatching eggs.

Cross-references. Establishments primarily engaged in raising chickens for the production of meat are classified in Industry 112320, Broilers and other meat type chicken production.

11232 Broilers and other meat type chicken production

See industry description for 112320 below.

112320 Broilers and other meat type chicken production

This industry comprises establishments primarily engaged in raising broilers, fryers, roasters, and other meat type chickens.

Cross-references. Establishments primarily engaged in raising chickens for egg production are classified in Industry 112310, Chicken egg production.

11233 Turkey production

See industry description for 112330 below.

112330 Turkey production

This industry comprises establishments primarily engaged in raising turkeys for meat or egg production.

11234 Poultry hatcheries

See industry description for 112340 below.

112340 Poultry hatcheries

This industry comprises establishments primarily engaged in hatching poultry of any kind.

11239 Other poultry production

See industry description for 112390 below.

112390 Other poultry production

This industry comprises establishments primarily engaged in raising poultry (except chickens for meat or egg production and turkeys).

Illustrative examples: Duck production, emu production, geese production, ostrich production, pheasant production, quail production

Cross-references. Establishments primarily engaged in:

- Raising aviary birds, such as parakeets, canaries, and love birds,—are classified in Industry 112990, All other animal production;

- Raising chickens for egg production—are classified in Industry 112310, Chicken egg production;
- Raising broilers and other meat type chickens—are classified in Industry 112320, Broilers and other meat type chicken production;
- Raising turkeys—are classified in Industry 112330, Turkey production; and
- Raising swans, peacocks, flamingos or other “adornment birds”—are classified in Industry 112990, All other animal production.

1124 Sheep and Goat Farming

This industry group comprises establishments primarily engaged in raising sheep, lambs, and goats, or feeding lambs for fattening.

11241 Sheep farming

See industry description for 112410 below.

112410 Sheep farming

This industry comprises establishments primarily engaged in raising sheep and lambs, or feeding lambs for fattening. The sheep or lambs may be raised for sale or wool production.

Cross-references. Establishments primarily engaged in operating stockyards for transportation and not buying, selling, or auctioning livestock are classified in U.S. Industry 488999, All other support activities for transportation.

11242 Goat farming

See industry description for 112420 below.

112420 Goat farming

This industry comprises establishments primarily engaged in raising goats.

1125 Animal Aquaculture

11251 Animal aquaculture

This industry comprises establishments primarily engaged in the farm raising of finfish, shellfish, or any other kind of animal aquaculture. These establishments use some form of intervention in the rearing process to enhance production, such as holding in captivity, regular stocking, feeding, and protecting from predators.

Cross-references. Establishments primarily engaged in the catching or taking of fish and other aquatic animals from their natural habitat are classified in Industry 11411, Fishing.

112511 Finfish farming and fish hatcheries – US

This U.S. industry comprises establishments primarily engaged in (1) farm raising finfish (e.g., catfish, trout, goldfish, tropical fish, minnows) and/or (2) hatching fish of any kind.

Cross-references. Establishments primarily engaged in the catching or taking of finfish from their natural habitat are classified in U.S. Industry 114111, Finfish fishing.

112512 Shellfish farming – US

This U.S. industry comprises establishments primarily engaged in farm raising shellfish (e.g., crayfish, shrimp, oysters, clams, mollusks).

Cross-references. Establishments primarily engaged in the catching or taking of shellfish from their natural habitat are classified in U.S. Industry 114112, Shellfish fishing.

112519 Other animal aquaculture – US

This U.S. industry comprises establishments primarily engaged in farm raising animal aquaculture (except finfish and shellfish). Alligator, frog, or turtle production is included in this industry.

Cross-references. Establishments primarily engaged in:

- Miscellaneous fishing activities, such as catching or taking of terrapins, turtles, and frogs in their natural habitat,—are classified in U.S. Industry 114119, Other marine fishing;
- Farm raising finfish—are classified in U.S. Industry 112511, Finfish farming and fish hatcheries; and
- Farm raising shellfish—are classified in U.S. Industry 112512, Shellfish farming.

1129 Other Animal Production

This industry group comprises establishments primarily engaged in raising animals and insects (except cattle, hogs and pigs, poultry, sheep and goats, animal aquaculture) for sale or product production. These establishments are primarily engaged in raising one of the following: bees, horses and other equines, rabbits and other fur-bearing animals, and so forth, and producing products, such as honey and other bee products. Establishments primarily engaged in raising a combination of animals with no one animal or family of animals accounting for one-half of the establishment's agricultural production (i.e., value of animals for market) are included in this industry group.

11291 Apiculture

See industry description for 112910 below.

112910 Apiculture

This industry comprises establishments primarily engaged in raising bees. These establishments may collect and gather honey; and/or sell queen bees, packages of bees, royal jelly, bees' wax, propolis, venom, and/or other bee products.

11292 Horses and other equine production

See industry description for 112920 below.

112920 Horses and other equine production

This industry comprises establishments primarily engaged in raising horses, mules, donkeys, and other equines.

Cross-references.

- Establishments primarily engaged in equine boarding are classified in Industry 115210, Support activities for animal production; and
- Equine owners entering horses in racing or other spectator sporting events are classified in U.S. Industry 711219, Other spectator sports.

11293 Fur-Bearing animal and rabbit production

See industry description for 112930 below.

112930 Fur-bearing animal and rabbit production

This industry comprises establishments primarily engaged in raising fur-bearing animals including rabbits. These animals may be raised for sale or for their pelt production.

Cross-references. Establishments primarily engaged in the trapping or hunting of wild fur-bearing animals are classified in Industry 114210, Hunting and Trapping.

11299 All other animal production

See industry description for 112990 below.

112990 All other animal production

This industry comprises establishments primarily engaged in: (1) raising animals (except cattle, hogs and pigs, poultry, sheep and goats, animal aquaculture, apiculture, horses and other equines; and fur-bearing animals including rabbits) or (2) raising a combination of animals, with no one animal or family of animals accounting for one-half of the establishment's agricultural production (i.e., value of animals for market) are included in this industry.

Illustrative examples:

- Bird production (e.g., canaries, parakeets, parrots), Combination animal farming (except dairy, poultry), Companion animals production (e.g., cats, dogs), Deer production, Laboratory animal production (e.g., rats, mice, guinea pigs), Llama production, Worm production

Cross-references. Establishments primarily engaged in:

- Raising cattle, dairy cattle or feeding cattle for fattening—are classified in Industry Group 1121, Cattle ranching and farming;
- Raising hogs and pigs—are classified in Industry Group 1122, Hog and pig farming;
- Raising poultry and raising poultry for egg production—are classified in Industry Group 1123, Poultry and egg production;
- Raising sheep and goats—are classified in Industry Group 1124, Sheep and goat farming;
- Raising animal aquaculture—are classified in Industry Group 1125, Animal aquaculture;
- Raising bees—are classified in Industry Group 112910, Apiculture;
- Raising horses and other equines—are classified in Industry 112920, Horses and other equine production; and
- Raising fur-bearing animals including rabbits—are classified in Industry 112930, Fur-bearing animals and rabbit production.

Appendix 14-B

Calculating Use-Value Guidelines for Agricultural Land Assessment

Wisconsin farmland assessment for property tax purposes is based on the land's productive capacity. Use-values are determined using an income approach to value. Net income from farming the land is capitalized to estimate a value-in-use. The valuation model is:

$$\text{Value} = \text{Income} / \text{Rate}$$

Subtracting expenses from gross income determines the net income that the land is capable of generating. Income is related to the productive capability of the soil. The capitalization rate reflects the risks with agricultural investment and includes the cost of money, the expected rate-of-return and the municipal effective tax rate.

Chapter Tax 18 specifies the use-value calculation. Rental income is based on the income an agricultural landowner receives from a crop-share lease. Under a crop-share lease, landowners and farm operators share the cost and income from growing a crop. In agreement with the agricultural industry standards for crop-share leases, gross income and direct operational costs are equally distributed between the landowner and farm operator. Property taxes are paid by the landowner, labor and machinery costs are paid by the farm operator. These specifications determine landowner net income. This appendix describes how use-values were estimated for 2019 under a crop-share lease. It explains the methodology and identifies data sources. The Town of Christiana, Dane County, is the example municipality.

Steps in the Process

Determine the estimated average gross income/acre for each county

Calculate the five year average base corn yield/acre

Calculate the five year average corn price (\$/bu)

Calculate the average county gross income per acre under a crop-share lease (\$/ac)

Yield/Acre x Price/Bushel = Gross income/Acre

Determine the estimated average net income/acre for each county

Calculate the landowner's net income per acre under a crop-share lease (\$/ac)

Subtract return to management and cost of production from gross income

Determine the capitalization rate

Determine the capitalization rate = *municipal tax rate + 5 year average ag loan rate or 11%, whichever is greater*

Estimate use-value

Calculate the return for grade 2 and grade 3 land in the municipality

Calculate the return for pasture land in the municipality

Determine preliminary use-values (\$/ac): *net income/cap rate = use value/acre*

Determine the statewide use-value percentage change.

Calculate the annual statewide percentage change in the agricultural use values.

Calculate the annual statewide percentage change in Equalized Values.

Determine final use values.

Determine the Estimated Average Gross Income/Acre by County

State law requires agricultural land values based upon the income that is or could be generated from its rental for agricultural use. The economic rent of agricultural land is related to soil productivity. With equivalent effort, productive soils will generally produce greater yields per acre than poor soils. Productive lands are generally more profitable and more valuable with higher rents in the agricultural marketplace.

County corn yields reported by the Wisconsin Agricultural Statistics Service (WASS) are the measure of productivity for estimating average gross income/acre. Annual county corn yields reflect variability in weather, changes in technology and soil conditions. County corn yield data provides the calculation of a *county* average gross income/acre for the model.

Calculate the Five-Year Average Base Corn Yield/Acre

WASS annually reports the acres of corn planted, harvested and the bushels produced in each Wisconsin county¹. WASS aggregates Wisconsin’s counties into nine agricultural statistical districts (see Attachment A). In any given year, some counties may not have yield data due to a low number of planted acres. In such cases, data from a county near the subject county will serve as a proxy. The average is adjusted by the relationship between the subject county and the substitute county or the difference between the subject and substitute when data was available for the subject. As an example, the yield function for Douglas County is:

$$Y(D) = 5.2629 + 0.8038*(\text{Sawyer County Yield})$$

5.2629 is the intercept, the slope coefficient is 0.8038. The slope coefficient implies the yield for Douglas County changes 0.8038 bushels for each change of 1 bushel in the yield for Sawyer County. Table 1 provides the linear yield equations for counties without yield data.

Table 1 Counties Without Corn Yield Data

<u>Counties Without Data</u>	<u>Replacement County</u>	<u>Linear Yield Equations</u>
Clark County	Marathon County	Y=-1.197423921+1.046069822 (Marathon County)
Taylor County	Marathon County	Y= 4.434996752+1.011681398 (Marathon County)
Milwaukee County	Racine County	Y= 47.547429+0.552679 (Racine County Yield)
Ozaukee County	Racine County	Y= 32.356227+0.665578 (Racine County Yield)
Langlade County	Oconto County	Y= 49.57750677+.49113414 (Oconto County Yield)
Sawyer County	Rusk County	Y= 13.1225867+0.784931(Rusk County Yield)
Ashland County	Rusk County	Y = 40.61410216 + 0.49530266 (Rusk County Yield)
Bayfield County	Rusk County	Y = 24.919654 + 0.699497 (Rusk County Yield)
Douglas County	Rusk County	Y = 19.66912 + 0.7324738 (Rusk County Yield)
Florence County	Oconto County	Y = 10.14054274 + .730403 (Oconto County Yield)
Forest County	Oconto County	Y = 1.65814605 + .909398981 (Oconto County Yield)
Iron County	Marathon County	Y = 15.3356485 +.7187749 (Marathon County Yield)
Oneida County	Marathon County	Y = 34.138122 +.52595750 (Marathon County Yield)
Vilas County	Marathon County	Y = 51.636098 +.28257468 (Marathon County Yield)
Menominee County	Oconto County	Y= 10.45982451+.90730401 (Oconto County Yield)
Marinette County	Oconto County	Y = 5.373012697 + .99109997 (Oconto County Yield)
Lincoln County	Marathon County	Y = 11.408238 +.83734659 (Marathon County Yield)
Price County	Marathon County	Y = 24.263335+.70107025 (Marathon County Yield)
Calumet County	Kewaunee County	Y = 18.0045525+.9064025 (Kewaunee County Yield)
Door County	Kewaunee County	Y = 8.06525668+.8424797 (Kewaunee County Yield)

¹ CORN FOR GRAIN: Acreage, Yield, and Production, By Counties, Wisconsin (WASS)

Figure 1 shows Dane County’s reported corn yield for the last five years and the five-year moving average. The calculated average yield for Dane County is 185 bushels per acre (rounded to the nearest whole bushel).

Figure 1

Calculation of 5-Year Average Corn Yield (Dane County)

<u>Year</u>	<u>Yield (bu/ac)</u>
2013	176
2014	181
2015	184
2016	192
2017	<u>191</u>
5-Year Average	<u>185</u>

Calculate the Five-Year Average Corn Price

The five-year moving average corn price per bushel is calculated on a 60-month basis. Use of a 60-month average price incorporates monthly market price fluctuations resulting in a smoother year-to-year average price than five annual averages or five single-month prices. The price of corn, like other commodities, may exhibit volatility within any particular year. A 60-month average (five years) will dampen the effect of unusual monthly price changes within a year, yet preserve the general price trend within the five-year moving average period. The United States Department of Agriculture’s National Agricultural Statistics Service (NASS) reports monthly corn prices for Wisconsin (see Figure 2).

Figure 2

**Prices received by farmers, by year, by month
(Wisconsin corn for grain, 2013-2017)**

	Year		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Corn	2013	55	6.93	7.03	7.06	6.95	6.77	6.80	6.80	6.18	5.68	4.68	4.38	4.31
Corn	2014	55	4.40	4.30	4.47	4.55	4.72	4.56	4.28	3.80	3.53	3.67	3.61	3.67
Corn	2015	55	3.74	3.75	3.72	3.73	3.48	3.48	3.78	3.67	3.58	3.57	3.42	3.38
Corn	2016	55	3.51	3.44	3.43	3.49	3.57	3.75	3.52	3.12	3.13	3.23	3.16	3.15
Corn	2017	55	3.27	3.36	3.42	3.39	3.35	3.42	3.45	3.32	3.25	3.26	3.12	3.13
60 Month Average			= \$4.11											

Calculate the Average County Gross Income per Acre for a Landowner’s Crop-Share Lease

The average gross income per acre (*GI*) is calculated for agricultural land within each county. Corn yield data from NASS does not include production information by tillable soil grade. The model assumes that corn is only grown on the best soils, namely Grade 1. Once a value for Grade 1 soil is estimated, the estimated values for other soil grades will be determined from the relationship between the productivity ratings² of each grade across the state. Figure 3 is an example of the gross income calculation for Grade 1 land in Dane County. Based on

² Land Capability and Yields Per Acre of Crops and Pasture from USDA/NRCS county soil surveys.

reported statistical data over the five-year period from 2013 through 2017 the average corn yield per acre of land in Dane County was 185 bushels (Y). The five-year average income received by a landowner under a crop-share lease, where income and direct operating costs are equally shared between the landowner and farm operator, is $\$4.11 \div 2$, or $\$2.06$ per bushel (P). As illustrated in Figure 3, a yield of 185 bushels generates a landowner an average gross income of $\$381.10$ per acre.

Figure 3

Gross income formula

$$\begin{array}{rcl}
 \text{GI} & = & \text{Y}_{5\text{-year}} \quad \times \quad \text{P}_{5\text{-year}} \\
 \text{GI} & = & 185 \text{ bu/acre} \quad \times \quad \$2.06/\text{bu} = \$381.10
 \end{array}$$

Determine the Estimated Average Net Income Per Acre by County

Calculate the Landowner’s Net Income per Acre Under a Crop-Share Lease

Once gross income per acre is calculated, subtract production and management expenses. The US Department of Agriculture publishes cost data for corn production. The five-year average cost of production is estimated $\$298.33$ per acre. Costs will vary depending on the yield for local soil and weather conditions, factors in productivity. A unit cost (cost per bushel) is calculated by dividing the average cost per acre by the average yield per acre. The unit cost per bushel is derived from five-year averages for the Northern Crescent Region.

- Northern Crescent Region five-year average corn yield (2013-2017) = 162 bushels per acre
- Five-year average direct production costs for corn = $\$298.33/\text{acre}$
- Unit cost of production per bushel = $\$298.33 \div 162$, or $\$1.85$ per bushel
- Amount paid by landowner = $\$1.85 \div 2$, or $\$.92$ per bushel

The per acre cost of production for Dane County is $\$.92 \times 185 \text{ bu/acre}$, (5yr ave of corn 2013-2017) or $\$170 / \text{acre}$ (rounded). A management expense of 7.5 percent is deducted from gross income, representing administrative and land maintenance expenses paid by the landowner. Land maintenance expenses typically include weed eradication, laser leveling, irrigation ditch construction and any other costs of maintaining or improving the land's agricultural productivity. The management expense (M) is $\$29/\text{acre}$. Figure 4 shows that the average net operating income (NOI) of $\$182$ by subtracting the cost of production and management expense from gross income. Property taxes are realized in the capitalization rate and not as an expense since the calculation is property assessment.

Figure 4

Net Income per Acre

$$\begin{array}{rcl}
 \text{NOI} & = & \text{GI} \quad - \quad \text{OE} \quad - \quad \text{ME} \\
 \text{NOI} & = & \$381 \quad - \quad \$170 \quad - \quad \$29 \quad = \quad \$182
 \end{array}$$

Determine the Capitalization Rate

The capitalization rate is the sum of an agricultural loan interest rate and the effective full value tax rate, or 11 percent, whichever is greater. The administrative rule³ for the assessment of agricultural property specifies the interest rate component as the five-year average of the effective 1-year adjustable rate mortgage interest rate for medium-sized agricultural loans. The rate is set as of January 1 of the five years prior to the assessment year. The rates are derived from a survey of each federal land credit associations (FLCA) and each agricultural credit association (ACA) in Wisconsin. For example, the current five-year interest rate history in Wisconsin is shown in Figure 5.

Figure 5

Agricultural Interest Rates on January 1

2015	4.18%
2016	4.40%
2017	4.53%
2018	5.65%
2019	<u>6.00%</u>
5-Year Average =	<u>4.95%</u>

The second component of the capitalization rate is specified as the effective full value tax rate. This is the net full value tax rate of each municipality for the property tax levied two years prior to the assessment year (the most recent data). The 2019 effective tax rate for the Town of Christiana in Dane County was 0.01272 or 1.27 percent. The overall capitalization rate (OCR) is the sum of the agricultural loan interest rate and the effective full value tax rate, or 11 percent, whichever is greater. As shown in Figure 6, the calculated rate for 2020 is 6.22 percent and lower than 11 percent. The actual 2020 capitalization rate is 11 percent.

Figure 6

Capitalization Rate Construction

2020 capitalization rate Town of Christiana	
Agricultural loan interest rate:	4.95%
Effective full value tax rate:	<u>1.27%</u>
Calculated rate =	<u>6.22%</u>
Actual rate =	<u>11.00%</u>

Estimate Use-Value

The traditional capitalization formula used to convert income into value is:

$$\text{Value} = \text{Income} / \text{Rate}$$

The first step in the process was to determine the estimated income that farmland is capable of generating from agricultural use. As it is used here, income from farming is synonymous

³ Chapter Tax 18.07 - Use-Value

with “rent.” The model estimates the net return to the land from farming, or economic rent. The economic rent, sometimes referred to as market rent, is the rental income that a property would most probably command in the open market. Net return to the land is the amount a lessee could pay in rent and still be compensated for their work effort after expenses. Economic rent, in economic terms, refers to the “rent” payments landowners received for the services of their land. Gross income is the amount of money that the land can generate before expenses. Net income, or net return to the land, is derived from gross income. The estimated average county gross income for this process is the product of the five-year average corn price (per bushel) times the county five-year average corn yield.

Calculate the Return for Grades 2 and Grade 3 Land in the Municipality

WASS’ nine agricultural districts are grouped into 3 “tiers,” North, Central and South. The use-value of grades 2 and 3 are determined by the relationships between the average soil productivity for each grade of soil within each agricultural tier. Soil productivity ratios (PR) are established by dividing the average grade 1 productivity by the average grade 2 productivity and the average grade 2 productivity by the average grade 3 productivity in each tier. The productivity ratios for Dane County by grade are shown in Figure 7.

Figure 7

Soil Productivity Ratios (PR)

Dane County - Southern Tier			
	<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>
Average productivity =	185	156	114
Productivity ratio 1:2 =		1.1854	
Productivity ratio 2:3 =			1.3734

Once the productivity relationships have been determined, the 5-year average corn yield (grade 1) in any county can be extended to impute corn yields for grades 2 and 3. Imputed corn yields on grade 2 and 3 lands are substituted into the equation from Figure 3 to derive the estimated gross income from each soil grade. Net income for each grade is calculated following the formula in Figure 4. Figure 8 summarizes these calculations for the Town of Christiana in Dane County.

Figure 8

Return Calculation for Grades 1, 2, & 3

Town of Christiana - Dane County - Southern Tier			
	<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>
5-year average corn yield (Y _{5-Year})	185	--	--
Productivity ratio (PR)	--	1.1854	1.3734
Imputed yield (Y)		156	114
5-year average corn price (P _{5-Year})	\$2.06	\$2.06	\$2.06
Gross income/Acre (GI)	\$381	\$321	\$235
Management expense (ME)	(\$29)	(\$24)	(\$18)
Production cost (OE)	(\$170)	(\$144)	(\$105)
Net return/Acre	\$182	\$153	\$112

Calculate the Return for Pasture Land in the Municipality

Wisconsin data shows typical pasture rents at approximately 30% of an area’s prevailing average cropland rent. This statistical relationship is applied to the average cropland rent for each county and estimated as the average of the net returns to grades 1, 2 and 3 lands. Following the cropland/pasture relationship, the average pasture rent is 30% of average net return across all three grades. Figure 9 shows the calculation for the Town of Christiana.

Figure 9

Pasture Return for Town of Christiana

Grade 1 net return	\$	182
Grade 2 net return	\$	153
Grade 3 net return	\$	<u>112</u>
Average cropland net return	\$	149
Pasture net return (30%)	\$	<u><u>45</u></u>

Determine Preliminary Use-Values (\$/ac)

The model assumes corn is grown on the best soils, Grade 1. The net income per acre of \$182 capitalized by 0.110 equals a Town of Christiana Grade 1 use-value of \$1,655 / acre.

Figure 10

Grade 1 Use-Value Calculation

$$\begin{array}{rclcl} \text{NOI} & \div & \text{OCR} & = & \text{UV grade 1} \\ \$182 & \div & 0.11 & = & \$1,655 \text{ or } \$1,660 / \text{acre} \end{array}$$

The returns calculated for grade 2, grade 3, and pasture are capitalized in Figure 11.

Figure 11

	Grade 1	Grade 2	Grade 3	Pasture
Return	\$182	\$153	\$112	\$45
Capitalization Rate	0.11	0.11	0.11	0.11
Use Value	\$1,655	\$1,391	\$1,018	\$409
Rounded	\$1,660/acre	\$1,390/acre	\$1,020/acre	\$410/acre

Determine the Statewide Use-Value Percentage Change

Annual changes in the use-values for agricultural land assessment is limited to the annual statewide change in equalized values less the value of agricultural land and new construction (Tax 18.07). Figure 12 provides the statewide change in Equalized Values from 2018 to 2019 less the value of agricultural land and new construction. The percentage change in the use-values for the 2019 assessment year to 2020 is 4.11 percent for all grades.

Figure 12

Annual statewide percentage change in equalized values

	2018	2019
Equalized Value	\$549,532,691,500	\$580,872,723,300
Less Net New Construction*		-\$8,775,022,800
Less Agricultural Land	-\$2,156,126,600	-\$2,212,291,500
Total	\$547,376,564,900	\$569,885,409,000
Amount of Change		\$22,508,844,100
Percentage Change		4.11%

*Net new construction equals new construction less demolition.

Determine Final 2020 Use-Values

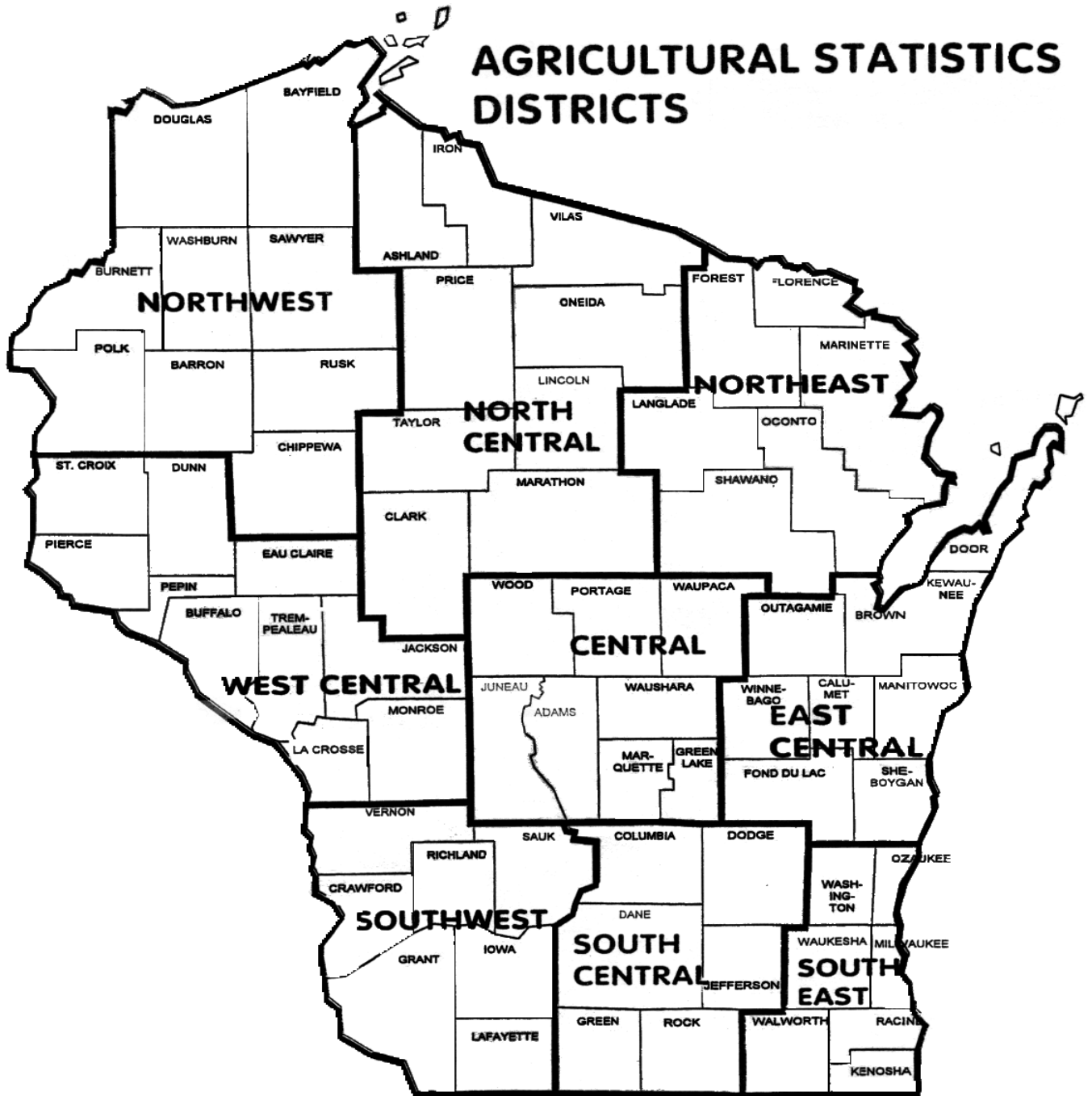
Figure 13 shows the 2020 use-value guidelines for the Town of Christiana.

Figure 13

Town of Christiana, Dane County, final 2020 Use-Values

	<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>	<u>Pasture</u>
2019 Use-Value	\$304	\$257	\$187	\$75
Amount of Change at 4.11%	\$13	\$11	\$8	\$3
2020 Use-Value	\$317/acre	\$268/acre	\$195/acre	\$78/acre

Attachment A



Attachment B Sources of Data

United States Department of Agriculture - *Corn Price, Corn Yield*

National Agricultural Statistics Service

Room 5829

1400 Independence Avenue, SW

Washington D.C. 20250

(202) 727-2707

NASS Hotline: 1-(800)-727-9540

Internet: https://www.nass.usda.gov/About_NASS/index.php

Economic Research Service - *Corn Cost of Production*

1800 M St., NW

Washington, DC 20036-5831

(202) 219-0515

Internet: <https://www.ers.usda.gov/>

USDA Economics and Statistics System at Mann Library, Cornell University.

USDA Data Available On-line

Internet: <http://usda.mannlib.cornell.edu/MannUsda/homepage.do>

Wisconsin Department of Agriculture, Trade, and Consumer Protection

Wisconsin Agricultural Statistics Service - *Corn Price, Corn Yield*

P.O. Box 8934

Madison, WI 53708-8934

(608) 224-4848

Contact: Greg Bussler, State Statistician

Internet: <http://www.nass.usda.gov/wi/>

Wisconsin Department of Revenue - *Capitalization Rate Components*

Division of State and Local Finance

Office of Technical and Assessment Services - *Agricultural Loan Rate*

P.O. Box 8971

Madison, WI 53708-8971

Contact: Mark Paulat

(608) 266-2317

Local Government Services Bureau- Municipal Property Tax Rate

P.O. Box 8971

Madison, WI 53708-8971

Contact: Valeah Foy

(608) 261-5360

Internet: <http://www.revenue.wi.gov/>

Attachment C

Farmland Advisory Council Members

Peter Barca	Chair, Secretary of Revenue
Herb Tauchen	Farmer
Amber Keller	Agricultural Lender
Kevin Bernhardt	Agricultural Economist - UW System
Tim Hanna	Mayor of a city with population more than 40,000 - City of Appleton
Jordan Lamb	Environmental Expert
Vacant	Non-Agricultural Business Person
Steven Hintz	Professor of Urban Studies
Jeff Lyon	Agribusiness Person
Michael Denor	Assessor

Appendix 14-C

Use Conversion Charge

In 1996 the Wisconsin Legislature provided for the assessment of Agricultural Land based on its “Use”, rather than its “Market”, value. The goal is to keep land in agricultural use by reducing the tax burden. A penalty was created, sec. 74.48, Wis. Stats., for converting agricultural land to another use. Effective January 1, 2003, Wisconsin Act 109 repealed sec. 74.48, Wis. Stats., and created sec. 74.485, Wis. Stats. Similar to the previous penalty, Act 109 penalized owners of agricultural land that has been valued under sec. 70.32(2r), Wis. Stats., who change its use such that it is no longer classified and valued as agricultural land. Land changing from an agricultural use (Class 4) to Undeveloped (class 5), Agricultural Forest (class 5m), Forest (class 6), or Other (class 7) is not subject to penalty. In 2007, Wisconsin Act 210 modified the language of sec. 74.485, Wis. Stats., so that what was previously referred to as a ‘penalty’ is now called a ‘conversion charge’. The statutory language follows.

Section 74.485, Wis. Stats., charge for converting agricultural land. (1) DEFINITION. In this section, “agricultural land” has the meaning given in sec. 70.32 (2) (c) 1g, Wis. Stats.

(2) CONVERSION CHARGE. Except as provided in sub. (4), a person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who converts the land’s use so that the land is not eligible to be assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., as determined by the assessor of the taxation district in which the land is located, shall pay a conversion charge to the county in which the land is located in an amount, calculated by the county treasurer, that is equal to the number of acres converted multiplied by the amount of the difference between the average fair market value of an acre of agricultural land sold in the county in the year before the year that the person converts the land, as determined under sub. (3), and the average equalized value of an acre of agricultural land in the county in the year before the year that the person converts the land, as determined under sub. (3), multiplied by the following:

- (a) Five percent, if the converted land is more than 30 acres.
- (b) Seven and one-half percent, if the converted land is 30 acres or less but at least 10 acres.
- (c) Ten percent, if the converted land is less than 10 acres.

(3) VALUE DETERMINATION. Annually, the department of revenue shall determine the average equalized value of an acre of agricultural land in each county in the previous year, as provided under sec. 70.57, Wis. Stats., and the average fair market value of an acre of agricultural land sold in each county in the previous year based on the sales in each county in the previous year of parcels of agricultural land that are 38 acres or more to buyers who intend to use the land as agricultural land.

(4) EXCEPTIONS AND DEFERRAL. (a) A person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who converts the land’s use so that the land is not eligible to be assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., is not subject to a conversion charge under sub. (2) if the converted land may be assessed as 5 - Undeveloped under sec. 70.32 (2) (a), Wis. Stats., as 5m - Agricultural Forest under sec.

70.32 (2) (a), Wis. Stats., as 6 - Productive Forest Land under sec. 70.32 (2) (a), Wis. Stats., or as 7 - Other under sec. 70.32 (2) (a), Wis. Stats., or if the amount of the conversion charge determined under sub. (2) represents less than \$25 for each acre of converted land.

(b) If a person owes a conversion charge under sub. (2), the treasurer of the county in which the person's land is located may defer payment of the conversion charge to the succeeding taxable year if the person demonstrates to the assessor of the taxation district in which the land is located that the person's land will be used as agricultural land in the succeeding taxable year. A person who receives a deferral under this paragraph is not subject to the conversion charge under sub. (2) related to the deferral, if the person's land is used as agricultural land in the succeeding taxable year. If the land of a person who receives a deferral under this paragraph is not used as agricultural land in the succeeding taxable year, the person shall pay the conversion charge with interest at the rate of 1% a month, or fraction of a month, from the date that the treasurer granted a deferral to the date that the conversion charge is paid.

(5) PAYMENT. Except as provided in sub. (4), a person who owes a conversion charge under sub. (2) shall pay the conversion charge to the county in which the person's land related to the conversion charge is located no later than 30 days after the date that the conversion charge is assessed. A conversion charge that is not paid on the date it is due is considered delinquent and shall be paid with interest at the rate of 1% a month, or fraction of a month, from the date that the conversion charge is assessed to the date that the conversion charge is paid. The county shall collect an unpaid conversion charge as a special charge against the land related to the conversion charge.

(6) DISTRIBUTION. A county that collects a conversion charge under this section shall distribute 50% of the amount of the conversion charge to the taxation district in which the land related to the conversion charge is located. If the land related to the conversion charge is located in 2 or more taxation districts, the county shall distribute 50% of the amount of the conversion charge to the taxation districts in proportion to the equalized value of the land related to the conversion charge that is located in each taxation district. A taxation district shall distribute 50% of any amount it receives under this subsection to an adjoining taxation district, if the taxation district in which the land related to the conversion charge is located annexed the land related to the conversion charge from the adjoining taxation district in either of the 2 years preceding a distribution under this subsection.

(7) NOTICE. A person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who sells the land shall notify the buyer of the land of all of the following:

- (a) That the land has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats.
- (b) Whether the person who owns the land and who is selling the land has been assessed a conversion charge under sub. (2) related to the land.
- (c) Whether the person who owns the land and who is selling the land has been granted a deferral under sub. (4) related to the land.

(8) TAXATION DISTRICT ASSESSOR. The assessors of the taxation districts located in the county shall inform the county treasurer and the real property lister of all sales of agricultural land located in the county.

(9) ADMINISTRATION. The county in which the land as described in sub. (1) is located shall administer the conversion charge under this section.

History: 2001 a. 109; 2003 a. 33.

Since the statutes require administration of the conversion charge by the county, DOR will not be directly involved in its collection. However, you may feel free to contact DOR with procedural questions. The form for conversion is PR-298 and can be found on the DOR website under state-prescribed forms. This form should be sent to the person who converted the use from agricultural to another classification. If the person converting the land is also the property owner, form PR-298 should be mailed along with the Notice of Changed Assessment.

Use-value conversion charge [common questions](#) are available on the DOR website.

Use-value [conversion charges](#) per acre by county are available on the DOR website.

Appendix 14-D

Agricultural Forest

Sec. 70.32(2)(c)1d, Wis. Stats., which defines the “agricultural forest” class of property, was amended by 2003 Wisconsin Act 230. The following definition of “agricultural forest” is effective January 1, 2005.

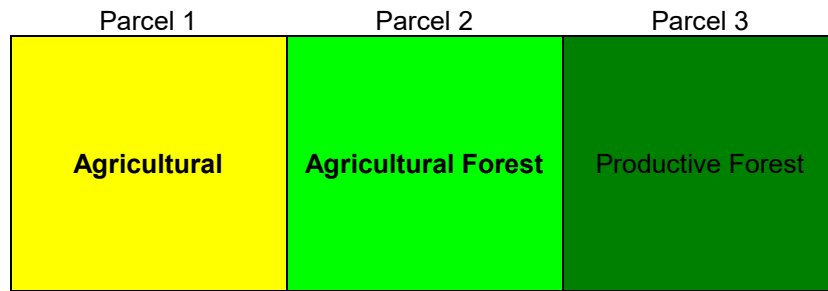
Sec. 70.32(2)(c)1d, Wis. Stats., defines “agricultural forest” as “land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions:

- a. It is contiguous to a parcel that has been classified in whole as agricultural land under this subsection, if the contiguous parcel is owned by the same person that owns the land that is producing or is capable of producing commercial forest products. In this subdivision, ‘contiguous’ includes separated only by a road.
- b. It is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1, 2004, and on January 1 of the year of assessment.
- c. It is located on a parcel at least 50 percent of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.”

The following pages contain classification scenarios. For purposes of these scenarios, a solid line designates a parcel’s boundary while a dashed line designates a change in classification within the same parcel.

See the [DOR web site](#) for updates.

Scenario 1



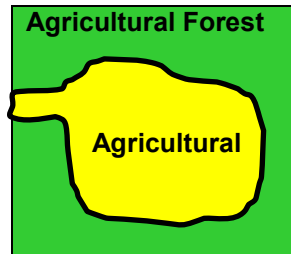
Scenario 1 contains three parcels that have the same owner. Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 2 and Parcel 1.

Parcel 3 is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to Parcel 1.

Scenario 2

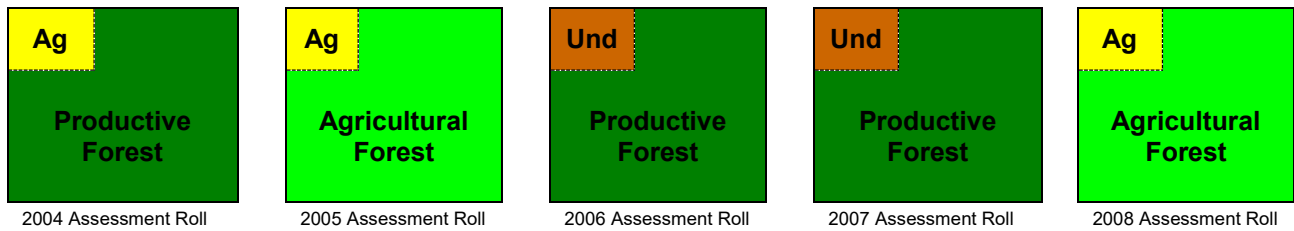


Scenario 2 contains one parcel. The forest area is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The agricultural acres are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 3



Scenario 3 contains one parcel over a 5-year period. The forest in 2005 and 2008 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The areas of forest are producing or are capable of producing commercial forest products.
2. The areas of forest are located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The areas of forest are located on a parcel that contains land that is classified as agricultural for the current assessment year.

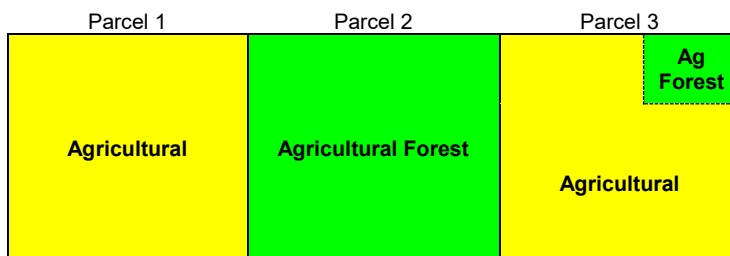
In 2004, the forest is classified as Productive Forest and is assessed at its **full** value for the following reasons.

1. The area of forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. 2003 Wisconsin Act 230 is effective for the 2005 assessment, **not** the 2004 assessment.

In 2006 and 2007, the forest is classified as Productive Forest and is assessed at its **full** value because the forest is not on a parcel with land that is classified as agricultural for the current assessment year. The land classified as undeveloped is assessed at **50%** of its full value.

The agricultural acres in 2004, 2005, and 2008 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 4



Scenario 4 contains three parcels that have the same owner. The agricultural acres in Parcel 1 and Parcel 2 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

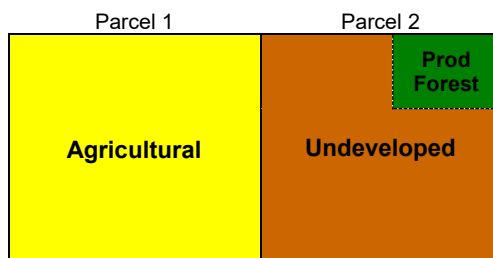
Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 2 and Parcel 1.

The forest area of Parcel 3 is also classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

Scenario 5



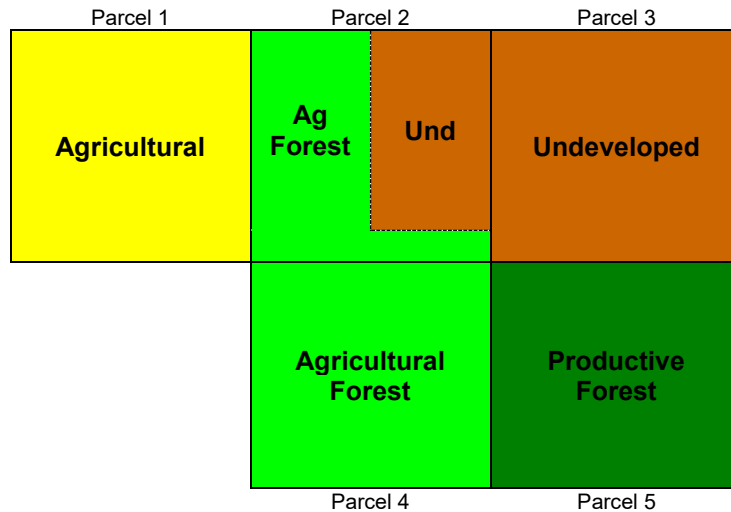
Scenario 5 contains two parcels that have the same owner. The forest area of Parcel 2 is classified as Productive Forest and is assessed at its **full** value because of the following reasons.

1. The area of forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. The area of forest is not located on a parcel with land that was classified as agricultural for the 2004 assessment year and the current assessment year.

The agricultural acres in Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The land classified as undeveloped in Parcel 2 is assessed at **50%** of its full value.

Scenario 6



Scenario 6 contains five parcels that have the same owner. Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The forest area of Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 1 and Parcel 2.

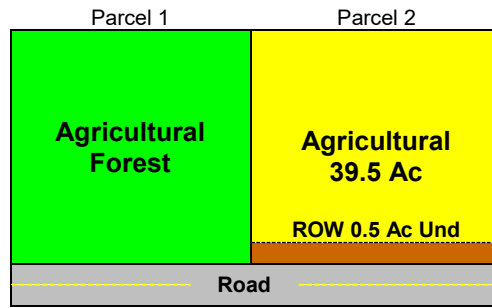
Parcel 3 and undeveloped land in Parcel 2 are assessed at **50%** of full value.

Parcel 4 is classified as Agricultural Forest and is assessed at 50% of its full value for all of the following reasons.

1. Parcel 4 is producing or is capable of producing commercial forest products.
2. Parcel 4 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 4 and Parcel 1.

Parcel 5 is classified as productive forest and is assessed at its **full** value because it is not contiguous to Parcel 1.

Scenario 7

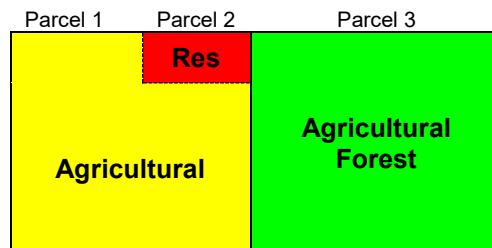


Scenario 7 contains two parcels that have the same owner. Parcel 1 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 1 is producing or is capable of producing commercial forest products.
2. Parcel 1 is contiguous to Parcel 2, a parcel that is classified as agricultural except an area of road right of way. While this example does not involve separation by a roadway, the principle is the same. Since contiguity is maintained with the separation by a road, a road that runs adjacent to or bisects a parcel should be treated similarly.
3. The same person owns Parcel 1 and Parcel 2.

The agricultural area of Parcel 2 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area of Undeveloped is assessed at **50%** of its full value.

Scenario 8

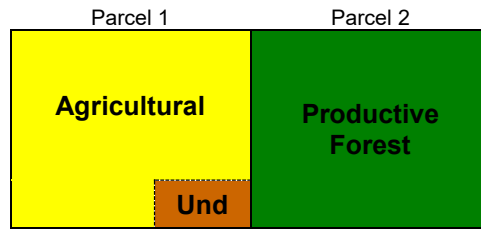


Scenario 8 has three parcels that have the same owner. Parcel 3 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 3 is producing or is capable of producing commercial forest products.
2. Parcel 3 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 3 and Parcel 1.

Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. Parcel 2 is assessed at its full value.

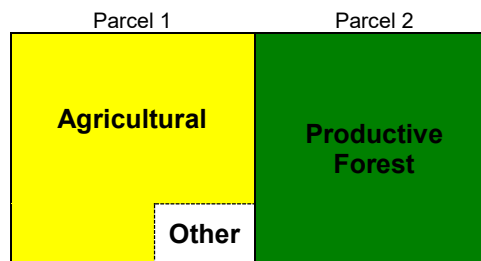
Scenario 9



Parcel 1 and Parcel 2 are owned by the same owner. Parcel 2 is classified as Productive Forest and is assessed at its **full** value because Parcel 1 is not classified in its entirety as agricultural. Parcel 1 has multiple classifications, agricultural and undeveloped.

The class 4 acres of Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped area of Parcel 1 is assessed at **50%** of its full value.

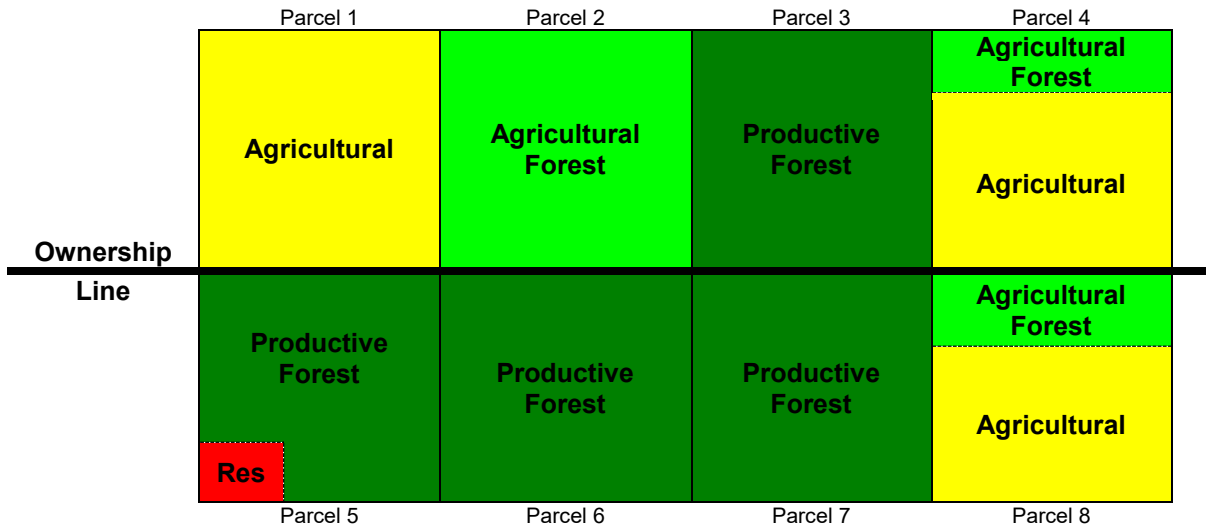
Scenario 10



Scenario 10 contains two parcels that have the same owner. Parcel 2 is classified as Productive Forest and is assessed at its **full** value because Parcel 1 is not classified in its entirety as agricultural. Parcel 1 has multiple classifications, agricultural and “other.”

The agricultural acres of Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area classified as “other” is assessed at its full value.

Scenario 11



Scenario 11 contains eight parcels with a line that designates separate ownership. The top four parcels have one owner and the bottom four parcels have a different owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. Parcel 1 and Parcel 2 are owned by the same person.

The forest areas of Parcel 4 and Parcel 8 are classified as Agricultural Forest and are assessed at **50%** of their full value for all of the following reasons.

1. The forest areas are producing or are capable of producing commercial forest products.
2. The forest areas are located on parcels that contained land that was classified as agricultural land for the 2004 assessment year.
3. The forest areas are located on parcels that contained land that is classified as agricultural land for the current assessment year.

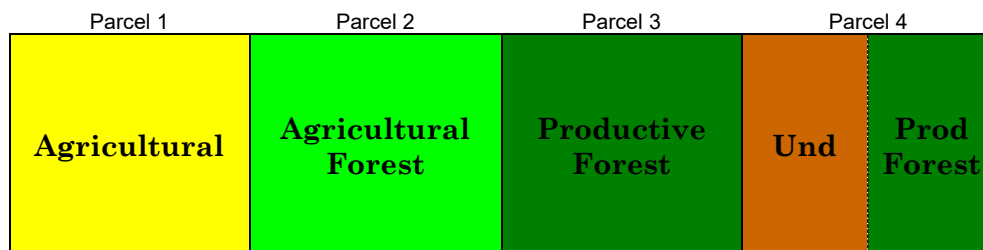
Parcel 3 is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

Parcels 6 and 7 and the forest area of Parcel 5 are also classified as Productive Forest and are assessed at their **full** value. They are not contiguous to a parcel, with the same owner, which is classified in its entirety as agricultural.

Parcel 1 and the agricultural areas of Parcel 4 and Parcel 8 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The Residential area of Parcel 5 is assessed at its **full** value.

Scenario 12



Scenario 12 contains four parcels that have the same owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. Parcel 1 and Parcel 2 are owned by the same person.

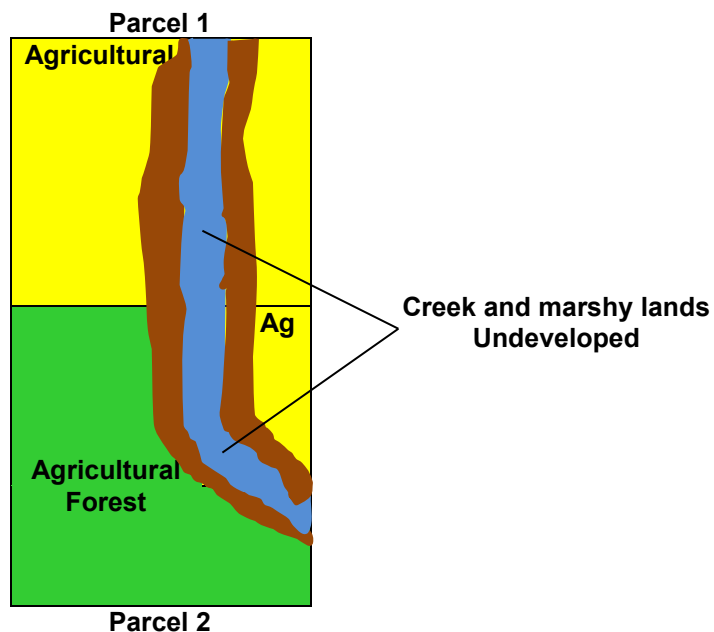
Parcel 3 and the forest area of Parcel 4 are classified as Productive Forest and assessed at **full** value for the following reasons.

1. The forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. The forest is not on a parcel with land that was classified as agricultural for the 2004 assessment year and the current assessment year.

Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The Undeveloped land is assessed at **50%** of full value.

Scenario 13

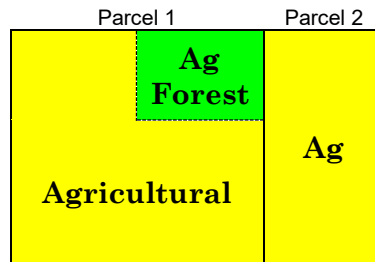


Scenario 13 contains two parcels that have the same owner. The forest area of Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The forest area is producing or is capable of producing commercial forest products.
2. The forest area is located on a parcel that contained land that was classified as agricultural land for the 2004 assessment year.
3. The forest area is located on a parcel that contained land that is classified as agricultural land for the current assessment year.

The agricultural areas in Parcel 1 and Parcel 2 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The creek and marshy land classified as Undeveloped is assessed at **50%** of its full value.

Scenario 14

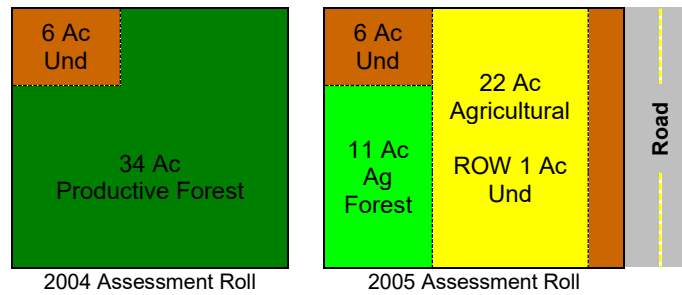
Scenario 14 contains two parcels that have the same owner. The forest area of Parcel 1 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The forest area of Parcel 1 also qualifies as Agricultural Forest because it is contiguous to Parcel 2, a parcel that is classified in its entirety as agricultural, which has the same owner.

Parcel 2 and the agricultural areas in Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 15



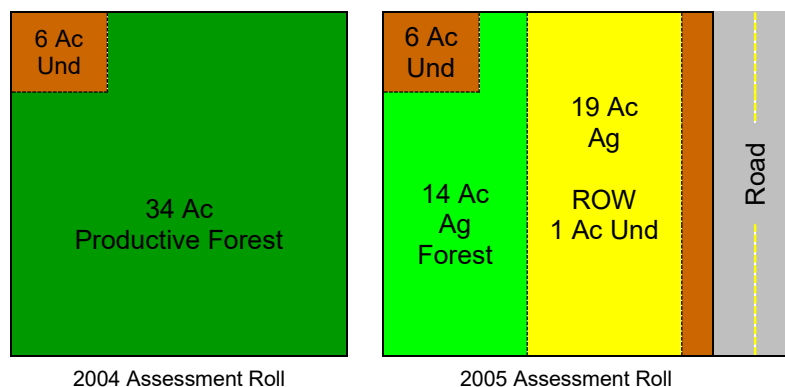
Scenario 15 contains one parcel over a two-year period. The 2004 assessment illustrates 34 acres of forest that is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 11 acres of forest that is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons.

1. The 11 acres is producing or is capable of producing commercial forest products.
2. The 11 acres is located on a parcel where at least 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment. Include any road right of way when determining the 50% agricultural acreage eligibility.

The agricultural area for the 2005 assessment is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped areas for the 2004 and 2005 assessment years are assessed at **50%** of full value.

Scenario 16



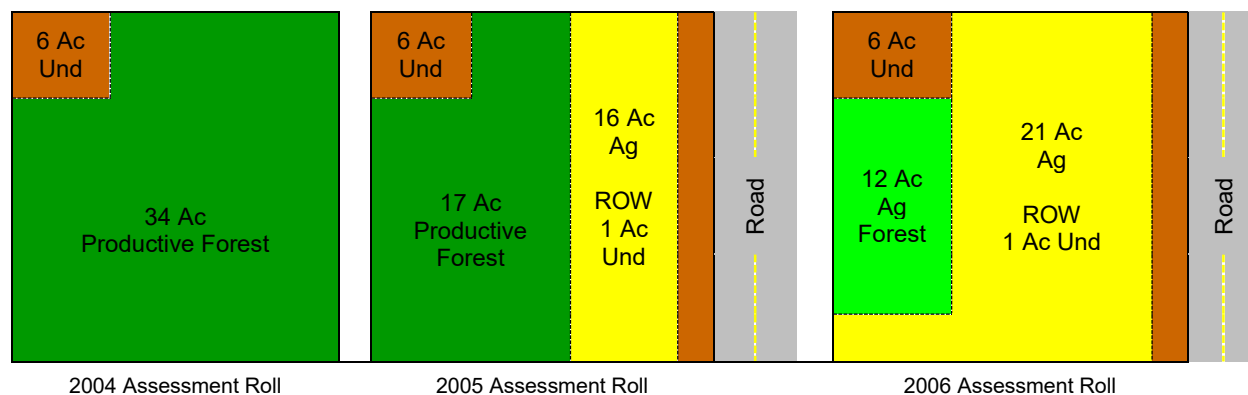
Scenario 16 contains one parcel over a two-year period. The 2004 assessment illustrates 34 acres of forest that is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 14 acres of forest that is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons.

1. The 14 acres are producing or is capable of producing commercial forest products.
2. The 14 acres are located on a parcel where at least 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment or thereafter. Include any road right of way when determining the 50% agricultural acreage eligibility.

The agricultural area for the 2005 assessment is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped areas for the 2004 and 2005 assessment years are assessed at **50%** of full value.

Scenario 17



Scenario 17 contains one parcel over a three-year period. The 2004 assessment illustrates 34 acres of forest that is classified as productive forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 17 acres of forest that is classified as productive forest and is assessed at its **full** value for the following reasons.

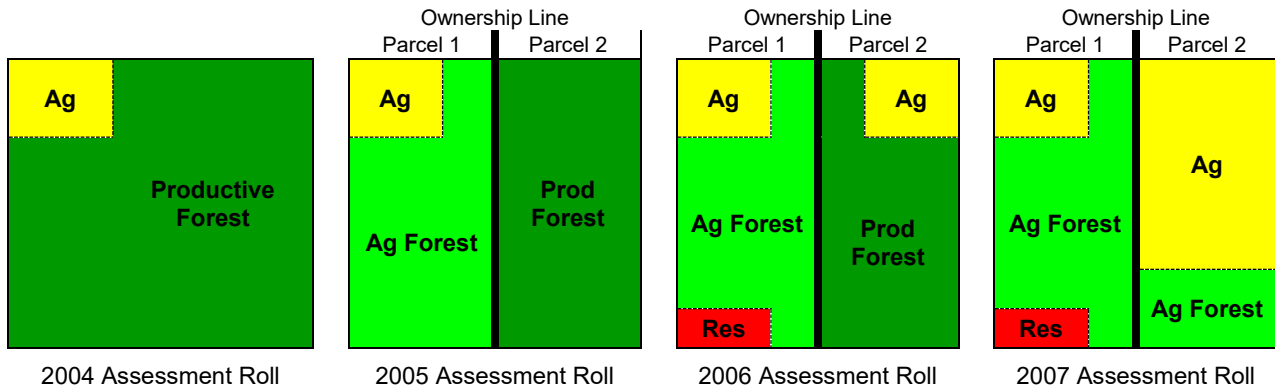
1. The 17 acres of forest are not contiguous to a parcel that is classified in its entirety as agricultural.
2. The 17 acres of forest are not located on a parcel where at least 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment.

The 2006 assessment illustrates 12 acres of forest that is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The 12 acres are producing or are capable of producing commercial forest products.
2. The 12 acres are located on a parcel where at least 50 percent of the acreage was converted to land that is classified as agricultural for the 2006 assessment. The forest land is now classified as Agricultural Forest, because more than half the acreage of the parcel is now Agricultural.

The agricultural area for the 2005 and 2006 assessments are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The undeveloped areas are assessed at **50%** of full value.

Scenario 18



2004: The 2004 assessment illustrates 35 acres of forest that is classified as productive forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

2005: The 2005 assessment illustrates that the forty acre parcel has split into two twenty acre parcels with different owners. The forest in Parcel 1 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

Parcel 2 is classified as productive forest and is assessed at its **full** value for the following reasons.

1. Parcel 2 is not contiguous to a parcel that is classified in its entirety as agricultural with the same owner.
2. Parcel 2 does not contain agricultural land.

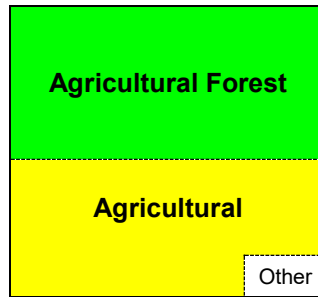
2006: The 2006 assessment illustrates a portion of Parcel 1 is now classified as residential and a portion of Parcel 2 is now classified as agricultural. The forest in Parcel 1 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year. The residential site acres do not impact this determination.

The forest area of Parcel 2 is classified as productive forest and is assessed at its **full** value because the agricultural acreage does not constitute 50 percent of the total acreage.

2007: The 2007 assessment illustrates no changes in Parcel 1 and an increase in the amount of agricultural land for Parcel 2. The forest in Parcel 2 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel where at least 50 percent of the acreage was converted to land that is classified as agricultural for the 2007 assessment. The forest land is classified as Agricultural Forest, because more than half the acreage of the parcel is now Agricultural.

Scenario 19

Scenario 19 contains one parcel. The forest area is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The agricultural acres are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area classified as “other” is assessed at its full value.

I. Assessment Process

All taxable property in Wisconsin is assessed annually to establish a value. A municipal assessor uses market value and property inspection to complete the assessment. A value is assigned after these factors are considered.

Real estate classes

Under state law (70.32 (1-7), Wis. Stats.), a municipal assessor classifies all taxable real estate into one of the following categories:

1. Full value

Land and improvements (100 percent)

- Residential, commercial, manufacturing
- Other

Land only (50 percent)

- Undeveloped
- Agricultural forest

2. Use-value

Agricultural – land only

II. Agricultural Land

- A. Valuation standard differs from other classes since its assessed value is determined by the income it will produce being used as farmland
- B. According to state law, land must be "devoted primarily to agricultural use"
- C. **Includes these agricultural uses** – tilled land devoted to crop production, pastured land for livestock or land enrolled in certain programs
- D. **Primary use** – must be one of the above agricultural uses
- E. **History**
 - » 1974 State constitution amended to allow non-uniform taxation of ag land
 - » 1995 State law amended to create use-value law, effective January 1, 1996
 - » 1996-1997 Ag land assessments frozen at 1995 values
 - » 1998-2008 Use-value phase-in period
 - » 1999 Farmland Advisory Council ends phase-in period
 - » 2000-2003 Full use-value assessment
 - » 2004-2005 Ag land assessments frozen at 2003 values
 - » 2006 Use-value formula revised – changes limited to annual change in Equalized Value
 - » 2007- present Values calculated based on revised formula
- F. **Intent**
 - » Retain Wisconsin's family farms
 - » Protect Wisconsin's farm economy
 - » Reduce urban sprawl



III. Programs and Eligibility for Use-Value Assessment

This document lists the programs and easements that can qualify as agricultural use under Chapter Tax 18.05(1)(d). There are also programs and easements that do not qualify as agricultural under Chapter Tax 18.05(1)(d). If land is enrolled in a program that is not a qualifying agricultural use, the land must be devoted primarily to an agricultural use under Chapter Tax 18.05(1) paragraphs (a), (b), or (c) to receive a use-value assessment.

IV. Tax 18.05 Definitions

Agricultural use means any of the following:

1. Activities included in subsector 111 Crop Production, set forth in the North American Industry Classification System (NAICS), United States, 1997, published by the executive office of the president, U.S. office of management and budget
2. Activities included in subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget. **Note:** Subsector 111 Crop Production and subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget, are reproduced in full in the Wisconsin property assessment manual under s. 73.03 (2a), Stats. In addition, copies are on file with the department and the legislative reference bureau.
3. Growing Christmas trees or ginseng
4. Land without improvements subject to a federal or state easement or enrolled in a federal or state program if all of the following apply:
 - a. The land was in agricultural use under par. (a), (b), or (c) when it was entered into the qualifying easement or program
 - b. Qualifying easements and programs shall adhere to standards and practices provided under the January 31, 2014 No. 697 version of s. ATCP 50.04, 50.06, 50.71, 50.72, 50.83, 50.88, 50.91, 50.96, or 50.98. The Wisconsin Property Assessment Manual, authorized under s. 73.03 (2a), Stats., shall list the qualifying easements and programs according to the ATCP provisions.
 - c.
 - 1) The terms of the temporary easement or program do not restrict the return of the land to agricultural use under par. (a), (b), or (c) after the easement or program is satisfactorily completed, or
 - 2) The terms of an easement, contract, Compatible Use Agreement or conservation plan for that specific parcel authorized an agricultural use, as defined in par. (a), (b), or (c), for that parcel in the prior year

V. Discovering Program Lands

Enrollment in Federal programs through the Federal Natural Resources Conservation Service (NRCS) and Farm Service Agency (FSA) is confidential and not available to the public or assessors. The following identifies how landowners and assessors can share information for proper classification of land.

A. Landowners

An assessor may not know land is enrolled in a program or easement that qualifies for agricultural classification and use-value assessment. A landowner should contact the assessor to discuss the land, its use, and any program and easement information.

2020 – Tax 18 Conservation Programs

Landowner should

1. Contact the [assessor](#) where the property is located
2. Provide the assessor with available land and program or easement information:
 - a. Completed Wisconsin Department of Revenue's Agricultural Classification Conservation Program Information Request ([Form PR-324](#))
 - b. Copy of program contract or recorded easement
 - c. Property information as of enrollment date:
 - » Classification » Farm Serial Number » Farm number, tract
 - » Maps (FSN) and Common and field number
 - » Aerial photos Land Unit (CLU)
 - d. Map of parcels and enrolled acres
 - e. Copy of Compatible Use Authorization (CUAs)
 - » Landowners may request to conduct certain management practices through a Compatible Use Authorization including haying and grazing
 - » CUAs apply to Easement Programs only
3. If a landowner does not have a copy of the program contract, he/she should contact the administering state or federal agency, complete the to Authorization to Release Information ([Form FSA 2004](#)) and submit to the county's United States Department of Agriculture Office
4. If a landowner disagrees with the assessor's classification, the [appeal process](#) is available

B. Assessors

Assessor should

1. Review current assessment records, classifications, available program information, and any historical information
2. For questionable program and easement enrollment, provide landowners with the Wisconsin Department of Revenue's Agricultural Classification Conservation Program Information Request ([Form PR-324](#))
3. Make sure the land meets the following for agricultural classification:
 - a. Was in a qualifying agricultural use when entering into the easement or program (ex: if the land enrolled into a program during 2018, the January 1, 2018 assessment must be agricultural)
 - b. Is in a qualifying program or easement listed in this publication on the current assessment date (ex: January 1, 2019)
 - c. **One** of the following:
 - » Easement or program allows a return to agricultural use when the easement or program is completed
 - » Land has a Compatible Use Authorization for the prior production season that allowed for an agricultural use under (a), (b) or (c) (ex: crop production, animal production, Christmas trees, ginseng)

C. Production at time of enrollment (documentation)

Examples of what an assessor can use and landowners can provide:

- Air photo with date – signs of cropping, grazing evident
- Documents identifying crop history:
 - » [Form CRP 1](#) (USDA-FSA) – farm number tract and field numbers must be identified
 - » Other crop history for year enrolled – agency documentation including:
 - Air photos
 - County Land Conservation (LCD) farm plans

D. Agricultural program classification process

1. Review existing records and classifications
2. Conduct required annual classification reviews
3. Distribute [Form PR-324](#) (Ag Program Information Request) to landowners who may have land in qualifying program
4. Review completed form and supporting documents (ex: program contract, Compatible Use Authorization, maps, plans, air photos)

E. 2020 agricultural classification if:

1. Qualifying program or easement
2. Classified agricultural at time of program or easement enrollment
3. Enrolled in program or easement during 2019 production season
4. Continues to be enrolled in qualifying program or easement on January 1, 2020 (no improvements)

VI. Compatible Use Authorization (CUA)

An agency that administers the program or easement (e.g., NRCS, Wisconsin Department of Agriculture Trade and Consumer Protection (DATCP)) can issue a CUA for the landowner to conduct certain practices on the land.

A. CUA from agency that administers program or easement will contain the following:

1. Landowner name
2. Eligible acres: may include all or part of the program acres
3. Time to conduct practice: when practices are allowed to occur, typically over a production season or one year
4. Specify practice allowed, examples:
 - a. Haying (qualifying for agricultural classification)
 - b. Grazing (qualifying for agricultural classification)
 - c. Cropping (qualifying for agricultural classification)
 - d. Brush management (not qualifying for agricultural classification)
 - e. Prescribed burn (not qualifying for agricultural classification)

B. Agricultural classification when land has a CUA

1. Qualifying program or easement
2. Classified agricultural at time of program or easement enrollment
3. Enrolled in program or easement during prior production season (2019 for 2020 assessment)
4. CUA is issued for prior production season
 - a. Qualifying CUA practice: haying, other cropping or grazing
 - b. **Note:** Land continues to qualify for agricultural classification if landowner does not implement qualifying CUA practice
5. Continues to be enrolled in qualifying program or easement on January 1, assessment date without improvements (January 1, 2020 for 2020 assessment)

VII. Rollover of Program Lands

A. Rollover into a permanent easement

Land enrolled in an eligible program may rollover into another eligible program at or before the expiration of the current program. The determination of agricultural use at time of enrollment for rollover lands is dependent on the initial program enrollment.

1. Example – CRP: Land is enrolled into CRP under a 15-year contract and practices are installed according to ATCP 50 specifications. In year 14 of the [CRP 1 contract](#), the NRCS enrolls the entire CRP acres into the Wetlands Reserve Easements (WRE). The WRE is effective on expiration of the CRP-1.

2. Land in this example is use-value eligible if:

- WRE 30-year easements do not restrict the lands from returning back into agricultural use
- CUA applies to the WRE program lands
- Program lands are subject to a state easement or enrolled in a federal or state program
- ATCP 50 practices are maintained

Note: After expiration of the CRP-1, all lands rolled into programs identified may need a CUA in place.

B. Rollover into a temporary easement

Lands enrolled in eligible programs may rollover into another eligible program for 30 years or less.

Land is use-value eligible if:

- Program does not restrict the lands from returning back into agricultural use
- Program lands are subject to a state easement or enrolled in a federal or state program
- ATCP 50 practices are maintained

Note: CUAs are **not** required for temporary state or federal easements or programs. Temporary easements or programs are less than 30 years.

C. Rollover CRP to CRP

USDA FSA may re-enroll CRP lands under various sign-up programs. In these circumstances the re-establishment of the CRP-1 authorizes a use-value classification. Any land under an active CRP-1 contract is use-value eligible.

Caution: Conservation practices are subject to review by the issuing agency. Maintenance of conservation practices apply on lands under a CRP-1. Violating the conditions of the CRP-1 may result in a penalty and the removal of the lands from the program. An assessor is not notified of CRP-1 violations and should address these removals through the landowner questionnaire.

VIII. Tax 18 Conservation Programs Administered by a Federal or State Agency

A. Natural Resources Conservation Service (NRCS)

1. Agricultural use at time of enrollment

- NRCS does not require agricultural use at time of enrollment
- Assessors need to confirm program lands were in a qualifying agricultural use at time of enrollment for agricultural classification eligibility

2. Financial Assistance Programs

- Financial assistance programs and management programs do not determine whether land qualifies for agricultural classification
- Financial assistance programs assist the landowner in developing plans and implementing goals for the farm and the practices identified

3. Additional information

- [General information](#)
- [Wisconsin specific](#)
- [Wisconsin programs](#)

B. Farm Service Agency (FSA)

1. Agricultural use at time of enrollment

- FSA does not require agricultural use at time of enrollment for all programs
- Assessors need to confirm program lands were in a qualifying agricultural use at time of enrollment for agricultural classification eligibility

2. FSA eligible programs

- SAFE
 - » Pollinator and Monarch
 - » Glacial Habitat Restoration Area
 - » Southwest Wisconsin Grassland Area
 - » Karner Blue Butterfly
 - » Western Prairie Habitat Restoration Area
 - » Central Wisconsin grassland
- Other
 - » Agricultural Conservation Program (ACP)
– closed in 1996, replaced by EQIP
 - » Conservation Reserve Program (CRP)
 - » State Acres for Wildlife Enhancement

3. Each FSA program listed above is eligible for agricultural classification once these are confirmed:

- Agricultural use at time of enrollment
- Enrollment during prior production season
- Continues to be enrolled on current assessment date

4. Additional information

- [General information](#)
- [Wisconsin specific](#)
- [Program information](#)

C. United States Fish and Wildlife Services (USFWS)

The Partners for Fish and Wildlife Act provides technical and financial assistance to private landowners to restore, enhance, and manage private land to improve fish and wildlife habitats through the Partners for Fish and Wildlife Program.

1. Agricultural use at time of enrollment

- USFWS does not require agricultural use at time of enrollment
- Assessors need to confirm program lands were in a qualifying agricultural use at time of enrollment for agricultural classification eligibility

2. USFWS eligible program

Partners for Fish and Wildlife Program

- Eligible for agricultural classification
- Temporary contract
- USFWS provides documents and contracts

3. The USFWS program listed above is eligible for agricultural classification once these are confirmed:

- Agricultural use at time of enrollment
- Enrollment during prior production season
- Continues to be enrolled on current assessment date

4. Additional information

- [General information](#)
- [Wisconsin specific](#)
- [Fish and Wildlife Program](#)

D. Wisconsin Department of Agriculture Trade and Consumer Protection (DATCP)

1. Agricultural use at time of enrollment

- DATCP does not require agricultural use at time of enrollment for all programs
- Assessors need to confirm program lands were in a qualifying agricultural use at time of enrollment for agricultural classification eligibility

2. Additional information

- [General information](#)
- Programs
 - » [Conservation Reserve Enhancement Program](#)
 - » [CREP Equivalent](#)
 - » Protecting Wisconsin's Farm and Forest Lands (PACE) – for questions related to PACE, contact DATCP at (608) 224-4621

E. Wisconsin Department of Natural Resources (WDNR)

1. Agricultural use at time of enrollment

- DNR does not require agricultural use at time of enrollment
- Assessors need to confirm program lands were in a qualifying agricultural use at time of enrollment for agricultural classification eligibility

2. Additional information

- [General information](#)
- [Habitat](#)
- [Nonpoint](#)
- [Streambank](#)

2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Agricultural Conservation Program (ACP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	Closed in 1996, replaced by EQIP	FSA
Agricultural Land Easements (ALE)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Purchase of Development Rights (PDR) • Conservation plan and program documents 	NRCS
Central Wisconsin Grassland	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA
Conservation Reserve Program (CRP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA
Conservation Reserve Enhancement Program (CREP) Contracts	<ul style="list-style-type: none"> • Yes • Permanent easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date • 15-year easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation practices • DATCP compatible use agreement • Conservation plan and program documents • For a list of DATCP CREP Perpetual easements, contact DATCP at (608) 224-4632. These are former USDA FSA CREP contracts that are no longer under the 15-year USDA FSA CRP 1 contract. • DATCP held CREP and CREP equivalent contracts have a CUA built into contract • Beginning October 1, 2016: <ul style="list-style-type: none"> » Permanent easements may not re-enroll into a CRP-1 contract » 15-year agreements may be re-enrolled into a 15-year CRP contract 	DATCP
CRP Grasslands	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP <ul style="list-style-type: none"> • 15 year agreements • Working lands program 	FSA

2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Conservation Stewardship Program (CSP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	Conservation practices that convert farmland to other cover for the life of the contract (5-10 years)	NRCS
Emergency Watershed Protection (EWP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Technical and financial assistance for flood repair • Conservation plan and program documents • Farming is not restricted unless an easement is in place. See EWP-Flood Plain Easements. 	NRCS
Emergency Watershed Protection Program – Floodplain Easements (EWPP-FPE)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Permanent Easements (see WRE) • CUA, management plan and supporting documents 	NRCS
Environmental Quality Incentives Program (EQIP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Agricultural use must be present for use-value classification • Technical and financial assistance • Conservation plan and program documents • Farming is allowed. Some practices may restrict farming for 2-10 years. 	NRCS
Farm and Ranch Lands Protection Program (FRPP) (Legacy program of ALE)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Purchase of Development Rights (PDR) • Conservation plan and program documents 	NRCS
Forest Land Enhancement Program (FLEP)	No	Cost sharing for forestry practices	NRCS
Glacial Habitat Restoration Area	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA



2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Grassland Reserve Program (GRP)	<ul style="list-style-type: none"> • Yes • 10-year, 15-year, 20-year contract and permanent, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Qualifying agricultural use for prior production season 4. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • 15-year agreements provided for haying/grazing • Working lands program • Conservation practices through a Purchase of Development Rights (PDR) • Conservation plan/management plan and program documents • Grazing and haying are the management practices • See CRP Grasslands 	NRCS
Grazing Lands Conservation Initiative (GLCI)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Technical assistance for grazing activities • Conservation plan and program documents 	NRCS
Habitat Area Easements Glacial Habitat Restoration Areas Glacial Heritage Areas Western Prairie Habitat Restoration Area Southwest Wisconsin Grassland Central Wisconsin Grassland Conservation Area Western Prairie Habitat Restoration Area	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Habitat restoration • Preservation of remnant prairie • Easement areas purchased by the WDNR are called habitat easements which may include cropland, forest, wetlands and uplands including remnant prairie • By mutual agreement each habitat easement is subject to change • Changes may include haying and grazing as management tool 	DNR
Healthy Forests Reserve Program (HFRP)	No easements in Wisconsin as of 2015	<ul style="list-style-type: none"> • 30-year contracts, 10-year agreements and permanent easements Silviculture • Silviculture programs on established forest or tree planting on cropland • Land may have crop history 	NRCS
Karner Blue Butterfly	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA
Mississippi River Basin Initiative (Funding Source)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation practices • Conservation plan and program documents 	NRCS
National Water Quality Initiative (Funding Source)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation practices • Conservation plan and program documents 	NRCS



2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Nonpoint Source Water Pollution Abatement Program	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	Erosion control	DNR
Partners for Fish and Wildlife Program	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	Provides technical and financial assistance to private landowners to restore, enhance, and manage private land to improve fish and wildlife habitats	USFWS
Purchase of Agricultural Conservation Easements (PACE)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Purchase of development rights (PDR) • Purchase of development rights is an encumbrance that may affect the current and future market value of the land the development rights are on, as well as the surrounding lands • PACE easement requires conservation compliance through a Conservation Plan • Program does not restrict agricultural use 	DATCP
Rapid Watershed Assessment (RWA)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	Farming is allowed	NRCS
Regional Conservation Partnership Program (RCPP)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation program contracts and easement agreements are implemented through: <ul style="list-style-type: none"> » Agricultural Conservation Easement Program (ACEP) » Environmental Quality Incentives Program (EQIP) » Conservation Stewardship Program (CSP) » Healthy Forests Reserve Program (HFRP) • Duration: 5-10 yrs • CUA, management plan (if available) and other and program documents 	NRCS

2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Soil and Water Resource Mgmt. Program (SWRM) 15-year agreement - CREP Equivalent (sec 50.08)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation practices • Land enrolled in state's SWRM Program in a 15-year agreement • No restrictions to return land to Tax 18 eligible agricultural use • Program enrolls cropland or pasture land into a 15- year agreement 	DATCP
Soil and Water Resource Mgmt. Program (SWRM) Permanent Easement - CREP Equivalent (sec 50.08)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Conservation practices • Land enrolled in state's SWRM Program in a permanent conservation easement (conservation easement allows a compatible use agreement) • Conservation Plan and program documents • Program enrolls cropland or pasture land into a perpetual easement 	DATCP
Southwest Wisconsin Grassland Area	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA
State Acres for Wildlife Enhancement, Pollinator and Monarch (SAFE)	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA
Streambank Protection Program	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	Erosion control	DNR
Water Bank Program (WBP)	No Wisconsin enrollments		NRCS
Western Prairie Habitat Restoration Area	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	CRP	FSA

2020 – Tax 18 Conservation Programs

Tax 18 Conservation Programs			
Programs	Eligible for Agricultural Classification	Program Information	Agency
Wetland Reserve Easements (WRE) Former Wetlands Reserve Program (WRP)	<ul style="list-style-type: none"> • Yes • 30-year easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date • Permanent easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • 30-year easements • Permanent easements 	NRCS
Wetland Reserve Program (WRP) (legacy program of WRE)	<ul style="list-style-type: none"> • Yes • 30-year easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date • Permanent easement, confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Compatible use agreement for prior production season authorizing haying, grazing or other qualifying agricultural use 4. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Easements: 30-year and perpetual • CUA, management plan (if available) and other and program documents 	NRCS
Wildlife Habitat Incentive Program (WHIP) CLOSED	<ul style="list-style-type: none"> • Yes • Confirm: <ol style="list-style-type: none"> 1. Agricultural use at time of enrollment 2. Enrollment during prior production season 3. Continues to be enrolled on current assessment date 	<ul style="list-style-type: none"> • Voluntary program to establish wildlife habitat • 5-year contracts have been rolled into EQIP • Conservation plan and program documents • Farming allowed. Some practices may restrict farming for 2-10 years. 	NRCS

Chapter 15

Undeveloped Land

Statutory Definition of Undeveloped Land

2003 Wisconsin Act 33 created the "undeveloped" class of real property, under sec. 70.32(2)(a)5, Wis. Stats. "Undeveloped land" is defined under sec. 70.32(2)(c)4 as: "bog, marsh, lowland brush, uncultivated land zoned as shoreland under s. [59.692](#) and shown as a wetland on a final map under s. [23.32](#) or other nonproductive lands not otherwise classified under this subsection". Included in this description are lands previously classified swamp waste under the prior law, sec. 70.32(2)(c)4, Wis. Stats.

2003 Wisconsin Act 33 also specified the valuation of undeveloped land for assessment. Sec. 70.32(4), Wis. Stats., states "Beginning with the assessments as of January 1, 2004...undeveloped land shall be assessed at 50% of its full value, as determined under sub. (1)." After determining the full value of the undeveloped land in accordance with sec. 70.32(1), Wis. Stats., state case law, and professionally accepted appraisal practices, the value is reduced by 50% under sec. 70.32(4), Wis. Stats. The reduced value is adjusted to the municipality's average level of assessment to meet uniformity requirements.

A view of the property and a highest and best use analysis represents the best information to determine proper classification. Sale prices for undeveloped land will vary. Assessors will set different unit value ranges depending on the location, use, and characteristics of the property. Applying an average value per acre to all undeveloped land in the municipality does not meet the statutory requirement of first establishing the full value of the parcel. The sales comparison approach is generally the best method to value undeveloped land.

Types of Undeveloped Land

The undeveloped classification applies to land only. Land with buildings or improvements is not eligible for undeveloped classification under sec. 70.32(2)(a) Wis. Stats. Undeveloped land includes several stratifications (subclasses), each with characteristics that require valuation analysis. These subclasses represent different types and uses of undeveloped land and have several ranges of value. Assessors report subclasses on the Municipal Assessment Report (MAR) for DOR to include in the Equalized Value.

The undeveloped subclasses include:

Fallow

- Description: [Black's Law Dictionary](#) defines fallow as "Land plowed, but not sown, and left uncultivated for a time after successive crops." Fallow land includes open land that does not grow crops or has been farmed and is now abandoned. It can include land transitioning from farmland to another use as evidenced by brush or other non-productive trees appearing. Land left fallow or un-pastured in the prior production season is not "land devoted primarily to agricultural use" (Ch. Tax 18.05(4)). Classify as undeveloped according to sec. 70.32(2), Wis. Stats. The assessor must be aware of situations, generally due to weather or economic conditions, when a crop may not have been produced in the

prior year. Those parcels must be reviewed to determine a classification change to undeveloped-fallow or maintain agricultural classification if an attempt is being made in the current year to continue agricultural production. Actual view provides the best information to determine classification.

- Valuation: the number of potential alternative uses results in a range of value. Farmland no longer tilled or pastured may be in transition to a hobby farm use, or to potential residential use. This land may have a similar to the market value of farmland, trending toward the value of larger residential parcels. However, small areas of fallow land on a larger parcel may not contribute as much value because of limited uses. Transitional land (moving from open ground to brushy wooded land) in an urban setting may be more valuable due to potential for development, compared to the same type of land in a rural area where hunting is the land's primary activity. In many cases, fallow land is used exclusively as recreational and with a blended value of swamp and forest. Water table changes can impact classification and require a swamp categorization and valuation.

Swamp

- Description: areas commonly called marshes, swamps, thickets, bogs, or wet meadows; areas with soils of the type identified on soil maps as histosols (peat and muck), that are not farmed; or as mineral soils that are “somewhat poorly drained,” “poorly drained,” or “very poorly drained,” or “water,”; and areas where aquatic or semi-aquatic vegetation is dominant. Frequently found plant species include cattails, bulrushes, tag alder, willow, sedges, and reeds. The wetland maps described under sec. 23.32, Wis. Stats., define wetlands as: “wetland means an area where water is at, near, or above the land surface long enough to be capable of supporting aquatic or hydrophytic vegetation and which has soils indicative of wet conditions”. This class also includes land that, because of soil or site conditions, is not producing or capable of producing commercial forest products. Actual view of the property, wetland maps, soil survey books, topographic maps, county mapping services represent the best information to determine proper classification.
 - In a few areas of central Wisconsin certain swamplands produce a species of sphagnum moss that grows in a wild state, is harvested, and has a commercial use. This crop is very slow growing, is not cultivated, and is not regarded as agricultural. Assessors should classify such lands as undeveloped-swamp subclass.
 - Certain swamplands have a potential value for muck farming where the muck is of sufficient depth and the area can be successfully drained. If they are put into agricultural production, they should be reclassified agricultural.
- Valuation: alternative uses for this type of land are limited and results in lower dollar per acre value ranges than other classes or subclasses. Swamp land is generally unbuildable and used for flood control, recreation, support lands for cranberry farms and reservoirs. Analyze the contributory value of the swamp. For example, large tracts of swamp will generally sell for less value per acre than smaller parcels. Small areas of swamp within a larger primarily agricultural parcel will contribute little to the total parcel value. Small areas of swamp on a parcel that contains primarily forestland, will generally carry a higher value per acre, because of more favorable wildlife habitat. Access also impacts value. Urban wetlands are generally more valuable than rural wetlands, because of the green space they create, and controlling runoff. Values of swamp land supporting an economic activity, such as cranberry farming, should be reviewed based on the economic climate of the industry, rather than speculative potential as another use.

Waste

- Description: barren land, inaccessible, totally non-productive, or not useable for any present purpose. Examples are depleted gravel pits, mines, and quarries, where no regeneration of productive trees is occurring, or economic activity is occurring and permanently closed landfills with no methane generation, or any economic activity.
- Valuation: land which has minimal alternative uses, its value is generally low. Depleted gravel pits, rocky barren land may only have a recreational use, may transition to forest over time. Contaminated parcels often have limitations that preclude development and will have minimal value until removal of the contamination.

Road Right of Way

- Description: use-value assessment of agricultural land requires land “devoted primarily to agricultural use,” to receive agricultural classification. “Land devoted primarily to agricultural use” means land in an agricultural use for the production season of the prior year, and not in a use that is incompatible with agricultural use on January 1 of the assessment year (Chapter Tax 18.05(4)). If the parcel subject to assessment includes in its legal description any land in the roadway right of way, that land is “incompatible” (cannot be used) for an agricultural purpose. That land in the road way right of way fronting agricultural land should be classified as undeveloped in the road way right of way subclass. Acreage of road way right of way is measured from the center line of the roadway to the actually farmed area, times the lineal feet of such frontage; then converted to acres. Right-of-way fronting any other class of land should remain in that class.
- Valuation: it has no economic or contributory value associated with the parcel. Due to its restricted use, right-of-way has a nominal value, \$100 per acre is recommended.

Conservation Easement:

- Description: the Wisconsin [Department of Natural Resources defines](#) a conservation easement as: “.... a conservation easement is a voluntary legal agreement between a landowner and a government agency, a non-profit conservation organization or a land trust that permanently limits specified current and future uses.” In this agreement, a landowner conveys some of the rights associated with ownership of his/her property to an easement holder. The easement holder is generally a government agency or a non-profit organization. If any land described elsewhere in the undeveloped classification also carries an easement that severely restricts its use, it would be included in the conservation easement subclass. Review rights transferred to the easement holder to determine what economic value remains with the parcel.
- Valuation: land is restricted with few alternative uses and may have a much different value than land with multiple uses. Creation of this subclass allows for creation of a value range specific to the very few properties it may include. A conservation easement can decrease value, by creating substantial limitations on use. It may also increase value, as it may create a privately-owned nature preserve or desirable green space. Comparable sales of similarly restricted parcels are the best approach to value.

Ponds

- Description: include both privately owned, man-made impoundments of water, as well as small bodies of naturally occurring water. Ponds are generally smaller in size than naturally occurring lakes, are maintained by the landowner, and generally found in a rural setting. The land under the surface water is classified as undeveloped. Ponds

include runoff control ponds, irrigation holding ponds, borrow pits, spring fed trout ponds (not used for fish farming), and thawed glaciated deposits (kettles). Ponds generally have well a defined area, different from small areas of standing water in a wetland. Farm ponds, where cattle are watered, are classified agricultural. Ponds used for aquaculture are classified agricultural. Ponds located on land which are part of a residential or commercial site would be classified with that site and not undeveloped.

- Valuation: can vary. Smaller water control ponds, minimizing the effect of runoff, have little alternative uses, and therefore the land under the pond will have minimal value. Spring fed ponds, often used recreationally by the landowner, will have much greater aesthetic value. Borrow pits created as a result of road construction may have some aesthetic value, offset somewhat by highway noise and lack of privacy. Kettles, found primarily in southeast Wisconsin, have aesthetic value. The assessor must determine what value, if any, the pond contributes to the overall parcel. Values can be derived from sales of specific ponds, or by extracting the residual value of the pond from sales with other classes of land included.

Lake Bed/River Bottom

- Description: submerged land under navigable water is owned by the State of Wisconsin and is exempt under sec. 70.11(1), Wis. Stats. However, the submerged land under an artificially created lake on privately owned property is not vested with the State and is assessable to the property owner. Such taxable lakebeds should be classified as undeveloped. The value of the parcel is not determined by the lakebed itself. The lakebed value is reflected by the land surrounding and/or abutting the lakebed. Sec. 30.10 Wis. Stats., as well as the Supreme Court case *State v. Bleck*, 114 Wis.2d 454, 338 N.W.2d 492 (1983), states that if a natural lake is navigable ("...any lake, stream, or river capable of floating a canoe or boat") the State of Wisconsin owns title to the lakebed to the high-water mark. The State owns the bed in trust for the people and cannot sell this right. Since the State owns title to the bed of all-natural navigable lakes, there is no need for the assessor to value the bed of the lake.
 - In *Haase v. Kingston*, 212 Wis. 585, 250 N.W. 444 (1933), the court held that title to the bed of an artificial lake remains with the owner of the land where the lake is created. If the developer owns title to all of the land where the lake is created, the developer retains title. The developer may convey the portion of the bed along with the lots, retain the title to the bed, or convey to a third party, possibly the state. The assessor must examine the legal documents creating the lake and the deeds for the lots to determine who owns title to the bed.
 - Undeveloped classification applies to the taxable lakebed portion of the parcel. Classify the remainder of the parcel as residential, commercial, undeveloped, or forest, depending on its use or probable use, based on the criteria for that class. A lakebed surrounded by undeveloped land (swamp or wetlands, etc.) is all classified undeveloped with an assessment of zero for the portion that is state-owned lakebed. The assessor needs to document what portion of the undeveloped land is lakebed.
 - Impounded surface water areas (flooded land behind dams) used for storage within defined hydroelectric project boundaries are not undeveloped. If not assessed as a utility under sec. 76.28(1)(e), Wis. Stats., these impoundments, along with associated buildings and structures, are separately described and classified as commercial.
- Valuation: generally includes two types of land 1) Land under the surface waters of man-made bodies of water, where title is retained by the landowner, and 2) Land under surface

waters of lakes that are owned by the State of Wisconsin, but whose acreage has not been removed from the legal description. Lakebed in the first situation has minimal value, as it has no economic use. The owner of record has so few of the bundle of rights that the effect of such ownership is of holding title only. Lakebed in the second situation should have no value since it is held by the state. The contributory value of both types of lakebed is carried with the frontage adjacent to the body of water.

Frac Sand

- Description: has verifiable reserves of frac sand, is not currently being mined and meets the requirements for future mining. This subclass does not include mined out frac sand land; which is considered undeveloped-waste subclass.
- Valuation: land most likely has been purchased with the intent of frac sand mining. The sales price of the property or sales of comparable properties will establish a value. Due to technology changes and economic conditions, the value may increase or decrease in a short period of time. The assessment will include the value of the frac sand with a methodology similar to valuing commercial gravel pits or quarries. See Chapter 9 for additional information.

Water Frontage

- Description: land within a subclass of undeveloped and has water frontage. An example is fallow land extending to the shoreline of a body of water. This type of land may have potential for a higher and better use than former farm land. The acreage of the water frontage is calculated by multiplying the lineal feet of water frontage times a standard depth; then converted to acreage.
- Valuation: this land meets the definition of undeveloped though has potential for uses similar to residential or commercial property. A value would be established by comparable sales of similar size parcels in the residential or commercial class and valued using the same methodology. Instances of this subclass will generally be minimal, but because of significant value differences from other undeveloped land, water frontage should be assessed with its unique value range.

Specialty

- Description: any other type of unique, nonproductive, land not described elsewhere. The MAR requires an explanation of this type of land and asks for the assessor's valuation
- Valuation: determined by the assessor based the situation from any available sources.

Valuation Considerations of Undeveloped Land

Chapter 14 of the WPAM, Agricultural Valuation, includes a section on fielding agricultural sales. A highest and best use analysis of each sale will determine whether the parcel(s) has one or multiple classifications. The example sales include typical rural acreage with multiple classifications. The acreage in each classification is valued based on the principle of contribution-what do each of the subclasses contribute to the overall value of the parcel?

Chapter 9 of the WPAM provides the following general guidance on land valuation factors:

- Topography: topography can determine the type of construction, the location of improvements and the potential uses of a property. It can also influence the cost of developing improvements. For example, if a property is lower than surrounding

properties it may need fill to make it conform to the neighborhood, adding additional cost to building a residence.

- **Soil condition:** the condition of the soil and subsoil can influence what can be built on a site or what additional costs may be necessary to build. For example, swampy conditions may require heavier and deeper foundations, or permit only light construction. The soil type and condition also help to determine the productivity of agricultural land.
- **Natural features:** the natural features of a property can impact value. Woods, water frontage, and views are just a few of the features which can affect value. For example, a buyer may pay more for a site with an attractive view of a lake. The assessor should be aware of what natural features may affect value, both positively and negatively, when deriving the assessment. See Chapter 15 for information on riparian property.
- **Size:** the size or area of a parcel can impact value. The assessor must be aware of the useable area of a property. Assessors need to review a gully or ravine that prohibit building or cultivation and determine any impact on value.
- **Shape:** the shape of a parcel can influence utility and impact value. A parcel's shape and area will affect possible and permissible uses under zoning and private use restrictions.
- **Frontage:** the distance which a property fronts a roadway, street, or body of water, will also have an effect on its value. Frontage is usually expressed in front feet, and generally in terms of a standard depth.
- **Depth:** this is the distance from the front to the rear of the parcel. When a parcel is not rectangular, the two distances from the front to the corners are averaged to give an average depth. Depth can impact value.
- **Water influence:** buyers frequently place greater value on property that has a water view or water frontage. The quality of beach, the type of view, the availability of water access, and the type of water (lake, stream, pond, etc.) can all impact value.

Productive Forest Land

Statutory Definition of Productive Forest Land

Sec. 70.32(2)(c)2, Wis. Stats., defines productive forest land as "land that is producing or is capable of producing commercial forest products and is not otherwise classified under this subsection". It is differentiated from "Agricultural Forest Land" by the agricultural forested land's location contiguous to, or part of, a parcel of agricultural land.

Since the classification of land as "agricultural forest land" versus "productive forest land" will affect value, the assessor needs to verify ownership and location to determine the correct classification. Agricultural forest land classification and valuation are discussed in WPAM Chapter 14, *Agricultural Valuation*.

Classification of Forest Lands

Productive forest lands are identified in the assessment roll as Class 6. All non-productive lands should be classed as undeveloped, Class 5.

Productive forest lands are determined primarily by the type of cover or vegetation growing on the land. [Merriam-Webster dictionary](#) provides useful guidance of the type of vegetation found on forest land: "a dense growth of trees and underbrush covering a large tract."

Historically, forest land had been valued by the quality of timber it produced, with less emphasis of alternative uses. With changing economies, timber production is no longer the primary force creating value. However, a quality woodland should still be recognized by the assessor. Characteristics of a quality woodland include:

- A wide variety of trees
- Some shrubs and ground cover
- A mixture of old and new growth
- Absence of thin, diseased, or poorly formed trees
- Some openings in the tree canopy
- A managed watershed

Forest land classification for forested areas:

- Used for hunting, fishing, recreation, or in the operation of a game preserve, unless operated as a commercial enterprise or are exempt
- Being managed or set aside to grow tree crops for the pulp and paper industries, as well as construction industries. Forest classification includes forested areas on farms, ranches, or estates, including cutover, regardless of use.
- Wet soils of bogs and forested floodplain complexes, that are characterized by trees 20 feet or more in height, such as tamarack, white cedar, black spruce, elm, black ash, green ash and silver maple. See the [DNR website](#).

The value of forest land can vary with the multiple types and uses. If the quality of the timber may be a significant contributor to value, consult with a forester for assistance in valuation. The DNR has more information about [timber management](#). DOR recommends several stratifications (subclasses) of forest land based on the land's characteristics. Assessors will need to establish a range of value for each stratification of forest. Summary information of these subclasses is reported on the Municipal Assessment report (MAR) for DOR to include in the Equalized Value. The subclasses include:

Primary Forest

- **Description:** the majority of forested acres in the municipality. Its characteristics include, but are not limited to, forest land with access, forest land that is generally high and dry, forest land with alternative highest and best uses, forest land with road frontage, forest land with utilities available to it, forest land with tree plantations, forest land located on hobby farms (if substantial acreage), forest land with creeks or streams on it, and forest land on game preserves (unless used for commercial hunting). Primary forest land will include timbered land, whether hardwood or softwood.
- **Valuation:**
 - **Alternative highest and best uses:** the first step is determining the highest and best use of the parcel. The use of the forest must be legally allowed, physically possible, financially feasible and will produce the maximum profit. The more uses of the property, the more potential buyers it attracts, therefore potentially impacting sale value. If a forested parcel has few legal restrictions on its use (e.g. zoning), few or no physical limitations (e.g. wetness, steepness), few financial barriers to its acquisition (local economy) and has a strong demand for goods (timber) or services (recreational use), the parcel should be valued at the high end of the primary forest. The limitations to achieve the highest and best use of the property will establish a value range.

- Access: parcel access impacts value. Direct access from a road is best, as potential building sites can be developed, logging trucks can gain entry and utilities may be available. An individual parcel without road access, but with a recorded easement with few limitations, is more desirable than a parcel with an unrecorded or restrictive easement. Easements may limit the type of traffic to the parcel, as well as costs of road improvements. A landowner may own several parcels of contiguous land, each further from the road. Those parcels are still accessible, but generally with lesser value per acre than those with direct access. Land with no legal access is more appropriately classified as residual forest.
- Road frontage: related to access is road frontage. Road frontage provides access, minimizes expenses of installing utilities, provides exposure if the property was developed and makes recreational activity accessible. The type of road frontage can have an impact—a heavily traveled road, with restricted access points, and more noise and visibility, may not be as valuable as a parcel that fronts a less traveled road. A hard surface road is generally more desirable than gravel.
- Utilities: forest land with public utilities available is generally more valuable than land without utilities. In urban areas, the presence of sewer, water, gas, electricity, and other utilities allows for easy hookup if the forest is developed. In rural areas, bringing electricity to the property is an expense; its presence enhances value.
- Drainage: tree quality, as well as possible uses of the forest, are dependent upon soil types. Wet soils generally result in low quality timber production and restrict development or building. Dry soils are not limiting. Dry forested is easier to manage for timber production, easier to develop and generally enhances recreational activity, when compared to a parcel of predominantly wet woods. A parcel of predominantly high and dry woods, with scattered lowland wet areas, is prime for hunting and recreational uses, and may establish the upper end of value for recreational parcels.
- Tree plantations: trees are often planted to control erosion, while providing income at harvest. This forest can be used for other purposes, most frequently timber production is the goal. The planted trees may be both hardwood (e.g. birch), or softwood (e.g. Norway pine). The comparable sales approach is the best approach to value. A timber cruiser may be a good resource to establish a value of the timber.
- Forest land on small tracts: hobby farms are smaller tracts of land, but larger than the typical residential site, with buildings residential in nature, with vestiges of an agricultural use. Those tracts may have multiple classifications. If the parcel has significant acres of forest, that forest value is generally higher than that of the average forest in the municipality, because it contributes to the sense of rural living.
- Forest land on game preserves: different from hunting preserves classified commercial, a game preserve is managed for the protection and propagation of animals. This type and quality of forest is similar to other forest in the community; the only difference may be the game preserve is fenced. The valuation is similar to other forested in the municipality.

Secondary Forest

- Description: acres may have very poor access, a substantial amount of wet woods intermixed with dryland forest, difficult access, extremely steep slope, and some limitations on use.
- Valuation: the same characteristics affecting primary forest valuation apply to secondary forest; the difference is the degree of limitations. The range of values in this subclass will

be lower than the range of primary forest values because of less desirability. An alternative to this subclass is to extend the lower range of primary forest values.

Residual Forest

- Description: the poorest quality, and generally lowest valued forest. It includes wet forests, such as black spruce forests, the nearly inaccessible forest due to distance from roads or topography, the cutover forest showing little evidence of regrowth, burned over forest, or tornado damaged forest. This type of forest will have limited potential for development as its physical restrictions limit alternative uses. Cutover, burned and tornado damaged forest may require a future subclass change as the forest recovers.
- Valuation: sales of this type of land may be difficult to discover, values range from swamp and waste upward

Conservation Easement

- Description: restricts the use of the land. Review rights transferred to the easement holder to determine the remaining economic value of the parcel.
- Valuation: land may have a much different value than land with multiple uses. This subclass allows for creation of a value range specific to the few properties it may include. A conservation easement can decrease value, by creating substantial limitations on use. It may also increase value, as it may in effect create a privately-owned nature preserve or create desirable green space in an urban setting. Comparable sales of similarly restricted parcels is the best approach to value.

Frac Sand

- Description: similar to the undeveloped classification, this subclass is forest land which might fall into some other subclass of forest land but has verifiable reserves of frac sand. This land is not currently being mined but has met the criteria to be mined in the future. This subclass does not include mined out frac sand land; such land would most likely be included in the waste subclass.
- Valuation: land most likely has been purchased with the intent of frac sand mining. The sales price of the property or sales of comparable properties will establish a value. Due to technology changes and economic conditions, the value may increase or decrease in a short period of time. The assessment will include the value of the frac sand and may include the value of harvestable timber prior to mining. The assessment methodology is similar to valuing commercial gravel pits or quarries. See Chapter 9 for additional information.

Water Frontage

- Description: land in another subclass of forest though has water frontage that enhances its value. Water front forest is generally developable, is mostly dry land, generally has some type of access, and is larger in acreage than the typical residential or commercial site. Its highest and best use is more suited to future residential use, rather than logging or hunting. It can be located on lakes, rivers, and impoundments. The acreage of the water frontage is calculated by multiplying the lineal feet of water frontage times a standard depth; then converted to acreage. The assessor may choose to describe multiple subclasses of forest on a parcel - water frontage forest is the area nearest the water, and primary forest is the remaining forest on the parcel.

- Valuation: water frontage will generally enhance the value of the forest. Valuation of tracts of land with water frontage is based on a highest and best use analysis, which most frequently will be future development out of the forest class into residential or commercial. Analyzing comparable sales will reveal what factors in the specific area affect value. Most of the factors affecting value of large tracts of water front forest are the same as those affecting residential water front value (see Chapter 12, Riparian Valuation.) Those factors include:
 - Location: tracts of undeveloped forest land, with prime water frontage, will generally be more valuable in a developed or changing use neighborhood, than in a more remote area, where more such forested frontage is available.
 - Quality of water: forest frontage located on a clear, weed free, solid bottom body of water, will generally be more valuable than a weedy or mucky water. Various depths of water are preferred over a flat bottom. Deeper lakes are preferred over shallow.
 - Type of water: forested lands on naturally occurring lakes may carry a different value than impoundments or reservoirs. Reservoirs may be subject to drawdowns and fluctuating water levels may impact value. Similarly, varying water tables on naturally occurring lakes may affect value. Waterfrontage values on seepage lakes may be affected with water vegetation typically impacting value. Channels and rivers are less valuable than wider expanses of water due to boat traffic,
 - Steepness of frontage: residential development is typically the highest and best use of forest water frontage, a gentle slope to the water is more desirable than a steep slope.
 - Direction: frontage on the north side of a body of water may command a higher value than the south side, because of the sun. The value of the frontage on a large body of water may be affected by prevailing winds, which may cause erosion.
 - Legal requirements and restrictions: municipalities may require minimum setback requirements for building, beyond those established by state law. Parcels with some frontage less than the minimum depth will be less valuable than a tract in which all of the frontage may be developable. Some water front parcels may have restrictive covenants prohibiting development and can impact value.
 - Access to the water: forest water frontage may have direct access to water, or access through channels, bays, or feeder rivers. Each situation could result in a different value – for example, while direct access to water provides easy docking, wave action and noise may impact value. Poorer quality access may limit the size and type of boat but may provide a measure of privacy.
 - Lineal feet of frontage: similar to residential valuation, smaller tracts of land will generally sell for more per lineal foot than larger tracts with more frontage. Comparable sales will help develop the contributory value of front footage above a standard amount.
 - Cover: similar to primary forest, a mixture of tree species on the waterfront parcel is more desirable than one species, and a mixture of mature and emerging trees is considered more desirable than old growth or cutover.
 - Cost of development: the highest and best use of waterfront forest land is often development. The cost of development can be an indicator of the value of the raw land. See Chapter 12, Residential Valuation. The significant modification to the example presented is that if the development has a mixture of water front lots and off water lots, the water front lots will carry more value, and some allocation of the total development value is made between the water front and non-waterfront acreage.

Specialty Land

- **Description:** allows reporting of a specific use of forest land not included in previously described subclasses. Examples are forested rocky outcropping that adds aesthetic value to a parcel, a cave on a forested parcel, or a forested parcel with a waterfall. These unique characteristics that affect value are determined by the assessor's knowledge of the situation and the available sources of information. The MAR requires an explanation of this type of land and asks for the assessor's valuation.
- **Valuation:** this stratification is unique, its valuation is also very individualized. A defense of value of properties with unique characteristics is based on sales information, which may be difficult to discover. Listings of property may extoll its unique features; that may give a clue to valuation. Many times, these parcels receive interest from the DNR, or non-profit conservatory, wildlife, or preservation organizations. Contacting those agencies or organizations for sales information may aid in valuation.

Exceptions to Forest Land Classification

Lands designated "Forest Crop Land" and "Managed Forest Land" by an order of the DNR are entered separately in the assessment roll (See WPAM Chapter 16).

Buildings or improvements cannot be classified as forest, Class 6 (sec. 70.32(2)(a), Wis. Stats.). Buildings or improvements, and supporting site land, are classified and valued according to use.

Establishments primarily engaged in performing services related to timber production are classified commercial and include: wood technology, forest economics and marketing, and other forestry services such as cruising timber, firefighting, pest control, and reforestation.

2009 Wisconsin Act 401 created sec. 70.32(2)(c)1i, Wis. Stats., which states, "Agricultural use' means agricultural use as defined by the department of revenue by rule and includes the growing of short rotation woody crops, including poplars and willows, using agronomic practices." If those types of trees are naturally occurring in the landscape, the land they are growing on would be classified as forest. However, if the same species of trees are being managed using agronomic practices, the land they are growing on is classified agricultural. Land primarily devoted to cherry orchards, apple orchards and Christmas trees are also eligible for agricultural classification. Once these activities are no longer performed in accordance with accepted agricultural practices, shift the land to the forest classification.

While maple trees producing sap for syrup appear in a forest, such land may be agricultural. The NAICS classifies maple sap gathering, Industry #111998, a crop industry. Use value applies to maple sap gathering acres when the producer practices the maple sap industry standard of tapping all qualifying acres every year. In accordance with Chapter Tax 18.05, the producer needs to be actively tapping and gathering sap in the prior production year. The number of trees tapped in a given area needs to be extensive enough such that the acreage is considered primarily engaged in maple sap gathering. Land devoted primarily to maple sap gathering is assessed in the agricultural class and categorized according to the soil type.

Some forest land can have the appearance of being pastured and require a review to determine eligibility for agricultural classification. The primary indications of forest land being actively pastured is fenced land, minimal woody undergrowth below the tree canopy,

and a predominance of grasses versus shrubs. The undergrowth in wooded pasture will be grazed down allowing the livestock to roam freely under the tree canopy. Woodland that is not grazed will have thick undergrowth. A few paths through a wooded area is not convincing evidence of wooded pasture. Also, periodic use of wooded areas is not convincing evidence of wooded pasture. The land should be pastured daily or on a reasonably periodic basis. A view of the property provides the best information to determine classification, satellite imagery will not reveal the undergrowth.

Forest Land Value Considerations

Actual view provides the best information to determine the characteristics affecting the value. The sales comparison approach is the preferred approach to valuing forest land. The assessor analyzes the sales in the same manner as the sales of other types of property in order to determine its comparability to the subject. If the assessor finds enough sales that are comparable to the subject, those sales can be used to value the subject property. Parcels selling frequently include land or buildings of other classes of property. Extract the contributory value of the forest from the sales to establish a range of values. The contributory value is dependent upon the characteristics of the forest. Chapter 14 of WPAM provides guidance in fielding sales for developing a range of values.

Final Value Correlation

The assessor can stratify forest land into many categories, each of which will have different factors affecting value. Develop a range of values for each category based upon market value indicators. While a specific parcel may have multiple categories of forest land, the assessor must determine a final value of the parcel that represents market value. Adjustments to the models for the stratifications may be necessary to reflect the fair market value. Adjust the fair market value of the forest land to the average level of assessment of the municipality to maintain assessment uniformity.

Chapter 16

Real Property Assessment – Special

The items included in this section are taxed or assessed differently than real property that is subject to the general tax rate.

The Wisconsin Constitution establishes uniformity of taxation, however, exceptions have been made by the legislature. Some exceptions, such as the taxation of forest lands, are specifically mentioned in the Constitution.

The purpose of this section is to highlight laws that impact the taxation or assessment of special property. Since most of these laws are quite detailed and managed by a variety of state agencies, a brief discussion is included with links to appropriate resources within the corresponding agencies. The assessor should contact the Supervisor of Equalization or corresponding oversight agency if there are any problems involving these respective areas.

Forest Lands

Forest land can be taxed under one of two programs: Forest Crop Law (FCL) or Managed Forest Law (MFL). FCL applies to land entered under the program prior to January 1, 1986. All lands in the program will continue to be taxed under the program until their contracts expire or are withdrawn or converted. As of January 1, 1986, all new applications for taxation of forest land are subject to MFL.

The Department of Natural Resources is statutorily tasked with managing these programs. Questions on the qualification of forest land for these programs should be directed to:

[Department of Natural Resources](#)

Forest Tax Section

P.O. Box 7963

Madison, WI 53707

608-266-3545 or 608-266-8019

Forest Crop Law (FCL)

FCL is a landowner incentive program that encourages long-term, sustainable management of private woodlands. In exchange for following an FCL management schedule outlining forest practices, the landowner pays reduced property taxes. FCL was enacted in 1927 and enrollment was closed on January 1, 1986. FCL information is on the [DNR website](#).

Managed Forest Law (MFL)

MFL is a landowner incentive program that encourages sustainable forestry on private woodlands. Together with landowner objectives, the law incorporates timber harvesting, wildlife management, water quality and recreation to maintain a healthy and productive forest. To participate in the MFL program, landowners designate property as "Open" or

"Closed" to public access for recreation, and commit to a 25 or 50 year sustainable forest management plan. The plan sets the schedule for specific forestry practices which landowners must complete. In return, MFL participants make a payment in lieu of regular property taxes. MFL information can be found on the [DNR](#) website.

Assessor Responsibility

Although not subject to the general property tax on an annual basis, the assessor must determine the assessed value of MFL. This valuation is subject to the same review as other property. The assessor enters the number of acres and the value in the assessment roll under MFL. The assessor must split the land between open and closed in the assessment roll. Any buildings on MFL are assessed and taxed as personal property.

Assessors are able to verify the current charges per acre on the [DNR](#) website. Current charges are also listed on the municipality's Statement of Assessment. Landowners with land in the MFL and FCL programs make a payment in lieu of regular property taxes.

Tax Incremental Finance

Tax Incremental Finance (TIF) is an economic development tool used to expand the tax base by providing public improvements necessary to promote development. Wisconsin first adopted TIF in 1975 as a financial tool cities and villages could use to create Tax Incremental Districts (TIDs) that eliminate blighted areas, rehabilitate areas declining in value, or promote industrial development. Since the TIF law was first adopted, it has been expanded to include: environmental remediation for cleanup of environmentally contaminated parcels, mixed-use development and to allow Towns to create TIDs under certain conditions.

When creating a TID, the property in the targeted area must meet specific conditions. Procedures for municipalities to create a TID are described in several Wisconsin Statutes - Regular TIDs in sec. 66.1105, Wis. Stats; ER TIDs in sec. 66.1105 and 66.1106, Wis. Stats.; and town TIDs in sec. 60.23 and 60.85, Wis. Stats. When creating a TID, the municipality must follow certain procedures including holding public hearings, adopting a project plan, and obtaining local legislative body and Joint Review Board approval. There are also specific equalization valuation limitations depending on the TID type.

When a TID is created, a "Tax Incremental Base" is determined. This base is the total value of all taxable property within the TID in the year the TID was created, as equalized by DOR. All taxing jurisdictions (municipality, special district, school, county, technical college) continue to receive their share of the tax levy on the base value. As the property value increases over time, the growth above the "Base Value" is the "Incremental Value". The TID receives taxes on the incremental value at the combined rate of all taxing jurisdictions. These taxes must be retained in a separate TID fund. The mill rates are the same for all property regardless of whether it is in the TID or not. TIF is not a tax freeze or a tax increase, but a special allocation method for taxes collected on property value increases within the district. The TID continues to collect taxes on the incremental value until all the TID eligible project costs have been paid or the TID's maximum life has been met, whichever comes first. After the TID terminates, the incremental equalized value is shared by the overlying taxing jurisdictions to complete the expansion of the tax base. See the [TIF page](#) for additional information.

Assessor's Duties

In the assessment roll, the assessor must identify all real estate parcels and personal property accounts in the TID by the TID number. Some businesses may have part of its personal property within the TID and part outside the TID. In this case, a separate assessment must be created on the roll that includes only the personal property located in the TID.

If the municipality has a TID, the assessor must annually file an electronic TID Assessment Report (TAR) with DOR no later than the second Monday of June. The report includes the total assessed value of all real and personal property within the TID, by school district and any special districts. The TID assessed values must also be included in the Municipal Assessment Report (MAR) for the municipality. Property within the TID is assessed in the same manner as all other taxable property in the municipality. If an assessor does not provide a TID Assessment Report by the second Monday of June, DOR will use the previous year's non-manufacturing certified Equalized Value. As a result, any non-manufacturing property value additions or corrections will be lost for the current year's computation of the increment.

Waste Treatment Facility

Certain facilities used for the treatment of waste are exempt from property taxes under sec. 70.11(21), Wis. Stats. A waste treatment facility is property (land, land improvements, building, machinery) used for the treatment of industrial waste or air contaminants as defined in secs. 281.01(5) and 285.01(1), Wis. Stats. Legislation included in the 2001 Wisconsin Act 16 changed the exemption approval process of industrial waste treatment property under sec. 70.11(21), Wis. Stats., effective January 1, 2002. DOR approval process and the PA-008 Application for Exemption of Waste Treatment Facility were eliminated for non-utility waste treatment property.

A company classified and assessed as a "manufacturer" by the DOR under sec. 70.995, Wis. Stats., will report waste treatment property on the manufacturing self-reporting forms. Waste treatment personal property costs must be reported on the M-P Wisconsin Manufacturing Personal Property Return, Schedule Y-P. Real estate costs related to waste treatment must be reported on the M-R Wisconsin Manufacturing Real Estate Return, Schedule Y-R, Part 1 and on Schedule R-6. Owners must retain a listing of assets classified as exempt waste treatment on these forms at their place of business for inspection by DOR.

Definitions

- Waste: that which is left over as superfluous, discarded or fugitive material
- Industrial waste (sec. 281.01(5), Wis. Stats.): liquid or other wastes, resulting from any process of industry, manufacture, trade, business, or the development of any natural resource.
- Air contaminant (sec. 285.01(1), Wis. Stats.): dust, fumes, mist, liquid, smoke, other particulate matter, vapor, gas, odorous substances, or any combination thereof but shall not include uncombined water vapor.
- Treatment: removing, altering, or storing waste. It is further defined as causing a physical or chemical change in sec. 70.11(21)(am), Wis. Stats.

- Facility: tangible property that is built, constructed, or installed as a unit so as to be readily identifiable as directly performing a waste treatment function.
- Waste Treatment Facility: tangible property that is built, constructed, or installed as a unit so as to be readily identifiable as directly removing, altering, or storing leftover, superfluous, discarded, or fugitive material.
- Used exclusively: to the exclusion of all other uses, except any of the following:
 - a. For other use not exceeding 5 percent of total use.
 - b. To produce heat or steam for a manufacturing process, if the fuel consists of either 95 percent or more industrial waste that would otherwise be considered superfluous, discarded, or fugitive material or 50 percent or more of wood chips, sawdust, or other wood residue from the paper and wood products manufacturing process, if the wood chips, sawdust, or other wood residue would otherwise be considered superfluous, discarded, or fugitive material.

Exceptions

This exemption does not extend to the following per Chapter Tax 12.40(3)(4)(b, c, d):

(3)(b) The exemption for industrial waste treatment facilities does not extend to “unnecessary siltation resulting from operations such as the washing of vegetables or raw food products, gravel washing, stripping of lands for development of subdivisions, highways, quarries and gravel pits, mine drainage, cleaning of vehicles or barges or gross neglect of land erosion” as provided in s. 281.01 (7), Stats.

(3)(c) The exemption for industrial waste treatment facilities does not apply to conversion of an industrial furnace from one type of fuel to another type of fuel, or to the increased height of a smoke stack to diffuse emissions over a wide area or increments to property held for the production of income but which may be indirectly related to pollution abatement. However, the installation of a scrubber or electrostatic precipitator in a smoke stack could qualify for exemption.

(3)(d) The exemption for industrial waste treatment facilities does not apply to monitoring equipment that is not a component or integral part of a waste treatment facility.

Sec. 70.11(21)(am), Wis. Stats. states, "All property purchased or constructed as a waste treatment facility used exclusively and directly to remove, store, or cause a physical or chemical change in industrial waste or air contaminants for the purpose of abating or eliminating pollution of surface waters, the air, or waters of the state if that property is not used to grow agricultural products for sale and, if the property's owner is taxed under ch. 76, if the property is approved by the department of revenue. The department of natural resources and department of health services shall make recommendations upon request to the department of revenue regarding such property. All property purchased or upon which construction began prior to July 31, 1975, shall be subject to s. 70.11 (21), 1973 stats."

Common Waste Treatment Exemption Property

This list serves as a guide for determining waste treatment facilities.

Land

Land used to:

- Spread treated wastewater if the land is not used to grow agriculture products for sale. If

the cover crop is given away or not harvested at all, the land would qualify for the exemption as long as the rest of the statutory requirements are met.

- Land containing industrial wastewater ridge and furrow systems and holding ponds.
- Store industrial waste.

Land Improvements

Land improvements used to: hold industrial wastewater such as ridge & furrow systems.

Building Structures

Building structures used to:

- Exclusively house equipment performing a waste treatment process.
- Buildings with mixed use of any kind do not qualify.

Equipment

Equipment used to:

- Treat industrial waste from plating and etching operations.
- Recover gasoline vapor at gas stations.
- Clean air contaminants from spray painting stations or booths. Note: paint heaters are taxable.
- Recover and recycle Freon.
- Eliminate contaminants like grease and oil.
- Provide for groundwater remediation. This includes such items as telemetry systems, soil vapor extraction units, ground water aeration units, granular activated carbon units & recovery, injection wells, air stripping units, and liquid phase carbon units.
- Recover waste oil.
- Burn gasses produced by industrial landfill operations. This includes such items as turbines and compressors.
- Remove and store contaminated liquids such as transfer pumps and tanks.
- Treat drained contaminants such as radiator fluid.
- Treat fly ash such as a precipitator and handling system.
- Gasify wood waste.
- Control emissions.
- Remove and store waste such as electrical, piping, and tanks.
- Collect dust.
- Control fumes such as fume hoods.
- Treat contaminated water before released into ground water—commonly referred to as remediation systems.
- Clean and sanitize medical re-useable waste containers.
- Spread treated waste over land.
- Extract and recycle radiator fluid.
- Vacuum asbestos.
- Chip and grind scrap wood into sawdust.
- Incinerate solid waste.
- Recycle paint thinner.
- Recover petroleum.

- Remove, recover, or reclaim chemicals.
- Pump sludge.
- Separate water from oil.
- De-ionize or filter water prior to using it in a process.

Supplies

- Consumable supplies used in waste treatment facilities.

Property Specifically Excluded From Exemption

Land

- Land used to dispose of industrial waste and used to grow agricultural products that are sold.
- Land used to store post-consumer waste, sewage treatment, and garbage handling such as municipal sanitary landfills.

Land Improvements

- Monitoring wells located around the perimeter of industrial landfills that monitor seepage from the landfill.

Building Structures

- Building structures used to: house equipment performing non-waste treatment functions in addition to waste treatment operations.

Equipment

- Equipment used to:
- Convert a furnace for a different fuel type.
- Treat uncombined water vapor such as steam.
- Deal with siltation resulting from operations such as washing of vegetables or raw food products, gravel washing, stripping of lands for development of subdivisions, highways, quarries and gravel pits, mine drainage, cleaning of vehicles or barges, or gross neglect of land erosion.
- Increase the height of a smokestack to diffuse emissions over a wider area.
- Monitor if it is not a component or integral part of a waste treatment facility (to be an integral or component part of a waste treatment facility, monitoring equipment must cause a reaction to take place that results in a physical or chemical change to the waste.)
- Monitor employee safety.
- Monitor the amount of discharge for reporting purpose or for charge backs such as the amount of wastewater flowing to municipal water treatment systems.
- Burn petroleum coke or tires including boilers.
- Reduce chlorine dioxide or chlorine.
- Crush, compact, or bale waste to reduce volume for ease of transportation.
- Detect leaks.

- Replace PCB filled transformers with non-PCB units.
- De-ionize or filter water.

Valuation of Property With a Contaminated Well

Sec. 70.327, Wis. Stats., states: “In determining the market value of real property with a contaminated well or water system, the assessor shall take into consideration the time and expense necessary to repair or replace the well or private water system in calculating the diminution of the market value of real property attributed to the contamination.” This means that the market value should reflect the cost to cure the problem; that is, the cost to either repair or replace the well or private water system. Assume that the assessor is valuing a property with a contaminated well and it would cost \$3,000 to drill a new well. The assessor has analyzed sales of comparable new properties with good water supplies and determined that the subject property would sell for \$66,000 if it had a good water system. The assessor would then subtract the \$3,000 cost of the new well from the \$66,000 to arrive at a replacement cost new of \$63,000 for the subject property.

This reflects the action of purchasers in the marketplace. If a purchaser can purchase a comparable property for \$66,000, the purchaser will not spend \$66,000 for the subject property plus an additional \$3,000 for a new well. However, a purchaser could be expected to spend \$63,000 for the property and then pay \$3,000 to drill a new well.

NOTE: when dealing with other than new properties, an estimate of the effective age of the well and total property must be made and the dollar values added or subtracted accordingly. See WPAM, Volume I, Chapter 9, for a more complete discussion of depreciation.

Chapter 17

Valuation of Fixed Assets

Fixed assets are assets with relatively long lives, used in the operation of a business, and not intended for resale. The characteristic that distinguishes a fixed asset from an item of merchandise or an investment is its use in the production or sale of other assets or services. Fixed assets include such tangible assets as land, buildings and equipment, and intangibles such as patents, trademarks, copyrights, and franchises.

Not all fixed assets are assessable as personal property. Fixed assets such as land and buildings are assessed as real estate and certain other fixed assets are not assessable. Chapter 70 of the Wisconsin Statutes details the fixed assets that are exempt from property tax. This would include motor vehicles, aircraft, and intangibles such as patents or franchises, among others.

Fixed Assets – Accounting

Accounting is the accumulation and reporting of financial information about an economic unit, such as a business enterprise. The environment in which accounting operates requires that the life of a business be divided into relatively short periods and that changes in revenues and expenses be measured over each period. For accounting purposes, it is assumed that a business will continue to operate as a going concern, earning a reasonable net income for a period longer than the life expectancy of any of its assets. To determine the net income for each accounting period, costs are matched with revenues for each period.

Because the useful life of a fixed asset is longer than one accounting period, it is necessary to allocate its cost to each period on some fair basis. This is done through depreciation. Depreciation is the process of systematically spreading the cost of a fixed asset over its useful life so that the cost is properly matched with revenue for each period. Primary emphasis in the depreciation process is placed on a systematic and fair apportionment of the cost of using the fixed assets.

There are two important aspects involved in accounting for fixed assets: (1) determination of the costs which should be assigned to each asset and deferred to future accounting periods and (2) determination of the amount to be allocated to each accounting period as depreciation expense.

Cost

The cost of a fixed asset includes all costs incurred in acquiring and preparing it for productive use. These costs normally include the net invoice price, transportation, installation, and test runs. Any cost which must be incurred before the asset can be used for its intended purpose, such as the overhaul of equipment acquired in a used condition or demolition of an old building on land acquired for a building site, is considered to be part of the cost of the asset. In short, the cost of an asset includes all normal, necessary, and reasonable costs incurred in getting the asset ready to produce. Cash discounts or other allowances are deducted from the cost of an asset.

Depreciation

As previously mentioned, depreciation is the systematic allocation of the cost of an asset over its useful life. The committee on terminology of the American Institute of Certified Public Accountants has defined depreciation accounting as a “system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation. Depreciation for the year is the portion of the total charge under such a system that is allocated to the year.”¹

The first step in computing depreciation is to determine the estimated useful life of the asset. The useful life of a fixed asset is the period of time it will be used in producing or selling other assets or services. This may not be the same as the assets potential life. For example, typewriters may have a potential 10 year life; however, if a company finds from a production-cost view that it is wise to trade its old typewriters for new ones every 5 years, the typewriters would have a five year useful life.

The useful life of an asset is not to be confused with the recovery period permitted for income tax purposes. The recovery period is the number of years over which the capital costs of an asset or property may be depreciated for income tax purposes. The recovery period is generally unrelated to, and shorter than the useful life of an asset and under current federal income tax provisions it is designed to encourage investments for economic expansion.

The useful life of an asset and the proceeds that may be received when it is ultimately disposed of cannot be known definitely and must be estimated. Even in those cases where the physical life of an asset may be determined accurately, estimates of the useful life must still be made so that its depreciation may be allocated over the time span which it will be used. Predicting or estimating useful life is sometimes difficult because several factors are often involved. Wear and tear and action of the elements determine the useful life of some assets; however, two additional factors, inadequacy and obsolescence, often need to be considered. Because a business may grow more rapidly than anticipated an asset may become too small or too slow to meet the productive demands of the business long before it wears out. When this happens, inadequacy is said to have occurred. Obsolescence, like inadequacy, cannot be easily foreseen because it is not possible to exactly predict technological improvements, economic changes, etc., which may cause an asset to become obsolete, making it wise to sell, scrap, or trade in an item long before it wears out.

Salvage Value

When a fixed asset has a salvage value, the depreciation of the asset is its cost minus the salvage value. The salvage value of a fixed asset is the portion of its cost that is recovered upon the sale or other disposition of the asset at the end of its productive life. Some assets such as typewriters are traded in on similar new assets at the end of their service lives. The salvage values of such assets are their trade-in values. Other assets can be sold only as scrap metal, in such cases there would be little or no salvage value. When the disposal of a fixed asset involves certain costs, such as removal, the salvage value is the amount realized from

¹Accounting Terminology Bulletin (New York: American Institute of Certified Public Accountants, 1953), p.25

the sale of the asset less the cost of removal. In cases where removal or disposal costs exceed the estimated salvage value of the asset, the salvage value is zero.

Obviously when a fixed asset is purchased, it is difficult to determine its exact salvage value; however, salvage value must be estimated so that depreciation can be estimated and allocated over the life of the asset.

Allocating Depreciation

Any reasonable method that is consistently applied may be used in computing depreciation. Acceptable methods include the (1) straight-line, (2) service hours, (3) units of output, (4) declining balance, and (5) sum-of-the-years methods.

Straight Line Depreciation

This method is the simplest for computing depreciation and is applicable to those assets that make an equal contribution to operations during each year of their useful lives. Under this method, the cost of the asset less its salvage value is generally deducted in equal annual amounts over the period of its estimated useful life.

The annual straight-line depreciation expense is computed by dividing the depreciable cost of the asset by the number of years in its productive life. Depreciable cost is the cost recorded in the asset account less the estimated net proceeds which are expected to be realized when the asset is disposed of, sold, or traded. The computation is expressed in the following formula:

$$\text{Annual depreciation} = \frac{\text{Cost} - \text{Estimated salvage}}{\text{Estimated years of life}}$$

If a company pays \$10,200 for an asset, which is expected to have a salvage value of \$200 after five years of use, the annual depreciation expense is \$2,000, computed as follows:

$$\frac{\$10,200 - \$200}{5} = \$2,000$$

Service Hours Depreciation

If the use of an asset is not uniform during its life and if its life can be estimated in terms of service hours, a logical allocation of costs results from use of the service hours method. When the method is used, an hourly depreciation rate is computed by dividing the depreciable cost of the asset by the estimated number of service hours in its life. The computation is expressed in the following formula:

$$\frac{\text{Cost} - \text{Estimated salvage}}{\text{Estimated \# of service hours}} = \text{Depreciation cost per service hour}$$

If the asset described above, a machine with a depreciable cost of \$10,000, is expected to have 50,000 service hours of productive life, the depreciation per service hour would be 20 cents (\$10,000/50,000 hours). Suppose further that during the first year of the machines life it is used 12,000 hours. The depreciation expense for the year is \$2,400 (12,000 x 20 cents). If the machine is operated 8,000 hours during the second year, the depreciation expense is \$1,600

(8,000 x 20 cents). Figure 17-1 illustrates the computation of the annual depreciation expense for the entire life of the machine, using assumed amounts for the service hours operated each year.

Figure 17-1

Year	Hours used	Cost per hour	Depreciation expense
1	12,000	\$0.20	\$ 2,400
2	8,000	\$0.20	\$ 1,600
3	11,000	\$0.20	\$ 2,200
4	13,000	\$0.20	\$ 2,600
5	6,000	\$0.20	<u>\$ 1,200</u>
Total			\$10,000

Estimation of an asset's total service hours may be subject to considerable error; consequently, this method of computing depreciation should be used only in those instances in which the assets total service hours can be estimated with some reliable degree of accuracy.

Units of Output Depreciation

The units of output method of computing depreciation are similar to the service hours method. The total life of the asset is estimated in terms of the total number of units it will produce, a unit depreciation rate is computed by dividing the depreciable cost by the estimated total units of output.

Depreciation per Unit of Product = $\frac{\text{Cost} - \text{Salvage Value}}{\text{Estimated Units of Production During Useful Life}}$

Then, the amount the asset depreciates in any given year (or other accounting period) is determined by multiplying the units of product produced during that period by the depreciation per unit. If the machine described previously, with a net depreciable cost of \$10,000, is expected to produce 20,000 units during its productive life, the depreciation expense per unit is \$0.50. Figure 17-2 illustrates the computation of the annual depreciation expense for the entire life of the machine, using assumed amounts for the units produced each year.

Figure 17-2

Year	Units	Unit cost	Depreciation expense
1	3,000	\$0.50	\$ 1,500
2	5,000	0.50	\$ 2,500
3	6,000	0.50	\$ 3,000
4	4,000	0.50	\$ 2,000
5	2,000	\$0.50	<u>\$ 1,000</u>
Total			\$10,000

Declining Balance Depreciation

The declining balance method of depreciation results in accelerated depreciation or higher depreciation charges during the early years of an assets life. Under the declining balance method, depreciation of up to twice the straight-line rate, without considering salvage value, may be applied each year to the declining book value of a new asset having an estimated life

of three years or more. Because the same depreciation rate applies to a smaller or declining balance each year, a larger depreciation deduction is taken for the first year and a gradually smaller deduction in succeeding years. If the declining balance method is followed, and twice the straight-line rate is used, the annual depreciation expense on an asset is determined by: (1) calculating the straight-line depreciation rate for the asset without considering its salvage value; (2) doubling this rate; and then (3) at the end of each year in the assets life applying this doubled rate to the assets remaining book value. The book value of an asset is its cost less accumulated depreciation.

If this method is used to compute depreciation on the machine discussed previously with a \$10,200 cost and a five-year life, a constant rate of 40% is determined. Figure 17-3 illustrates the application of the constant rate to the undepreciated balance when this method is used.

Figure 17-3

Year	Annual depreciation calculation	Annual depreciation expense	Remaining book value
1	40% of \$10,200.00	\$4,080.00	\$6,120.00
2	40% of \$ 6,120.00	\$2,448.00	\$3,672.00
3	40% of \$ 3,672.00	\$1,468.80	\$2,203.20
4	40% of \$ 2,203.20	\$ 881.28	\$1,321.92
5	40% of \$ 1,321.92	<u>\$ 528.77</u>	\$ 793.15
		\$9,406.85	

While salvage value is not taken into account in determining the annual depreciation allowances under this method, in no event may an asset be depreciated below a reasonable salvage value. For example, if instead of a \$200 salvage value as specified previously, this asset had an estimated \$1000 salvage value, depreciation for its fifth year would be limited to \$321.92, the amount required to reduce the assets book value to its salvage value.

Note that in Figure 17-3, the remaining book value of the asset is \$793.15 after five years. The remaining book value of the asset can be made to equal the salvage value by switching from the declining balance method (in this case, double-declining balance) to the straight-line method before the end of the assets estimated useful life. The switch from the double-declining balance method to the straight-line method should be made during the year when:

$$\frac{\text{Remaining book value} - \text{Estimated salvage}}{\text{Remaining useful life}} \Rightarrow \text{Double declining depreciation}$$

In the example shown in Figure 17-3, the switch would be made during the fourth year, because the annual straight-line depreciation charges of \$1,001.60 as computed below, are greater than the \$881.28 double-declining depreciation charge.

$$\frac{\$2,203.20 - \$200/2}{5} \Rightarrow \$881.28$$

$$\frac{\$2,203.20 - \$200/2}{2} \Rightarrow \$1,001.60$$

Figure 17-4 summarizes the depreciation for this asset using the double-declining method for the first three years of the assets life and straight-line depreciation for years four and five.

Figure 17-4

Year	Annual depreciation calculation	Annual depreciation expense	Remaining book value
1	40% of \$10,200.00	\$4,080.00	\$6,120.00
2	40% of \$6,120.00	\$2,448.00	\$3,672.00
3	40% of \$3,672.00	\$1,468.80	\$2,203.20
4	\$2,203.20 - \$ 200/2	\$1,001.60	\$1,201.60
5	\$2,203.20 - \$ 200/2	<u>\$1,001.60</u>	\$ 200.00
		\$10,000.00	

Sum-of-the-Years-Digits Depreciation

The sum-of-the-years-digits method is similar to the declining balance method and results in larger depreciation charges in the early years of the life of the asset.

Using the same machine as previously discussed with a \$10,200 cost, five-year useful life, and \$200 salvage value, the annual depreciation expense can be computed using the sum-of-the-years-digits method by multiplying the depreciable cost by a fraction. The numerator of the fraction is the number of years in the remaining life of the asset from the beginning of that year, and the denominator is the total of the digits representing the years of the assets useful life. The depreciable cost is the cost of the asset minus its salvage value. Figure 17-5 illustrates the computation of the annual depreciation expense by the sum-of-the-years-digits method.

Figure 17-5

Year	Fraction	Depreciable cost	Depreciation expense
1	5/15	\$10,000	\$3,333
2	4/15	\$10,000	\$ 2,667
3	3/15	\$10,000	\$ 2,000
4	2/15	\$10,000	\$ 1,333
<u>5</u>	<u>1/15</u>	\$10,000	<u>\$ 667</u>
15	15/15		\$10,000

Since the total of the fractions is 1, the total depreciation expense of all years is equal to the amount to which the fractions are applied.

The reducing charge methods, both the declining balance and the sum-of-the-years-digits methods are advocated by many accountants who argue that repairs and maintenance are greater during the latter years of the life of the asset, and that depreciation computed by the constant percentage method tends to equalize the combined depreciation expense and maintenance expense for each year of the asset's life. They also point out that in some instances, as an asset grows older, its ability to produce revenue is reduced.

Comparison of Depreciation Methods

Figure 17-6

Year	Straight line	Service hours	Units of production	Declining balance	Sum-of-the years digits
1	\$ 2,000.00	\$2,400.00	\$1,500.00	\$4,080.00	\$3,333.00
2	\$ 2,000.00	1,600.00	2,500.00	2,448.00	2,667.00
3	\$ 2,000.00	2,200.00	3,000.00	1,468.80	2,000.00
4	\$ 2,000.00	2,600.00	2,000.00	1,001.60	1,333.00
5	<u>\$ 2,000.00</u>	<u>1,200.00</u>	<u>1,000.00</u>	<u>1,001.60</u>	<u>667.00</u>
	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00

From Figure 17-6 it can be seen that the depreciation expense in any one-year can vary substantially, depending on the method by which it is computed. However, the total depreciation expense for the five years is \$10,000 (the depreciable cost) regardless of the method used. The choice of a depreciation method affects the amount of depreciation expense in any one-year but not the total amount of depreciation over the entire life of the asset. Note, for example, the variance in depreciation expense of the first year as computed by the methods previously discussed.

Group Depreciation

The depreciation calculations thus far have assumed that each asset is depreciated independently of other assets and that the total depreciation expense for the period is the sum of all the individual depreciation calculations. If a company has a large number of assets, excessive clerical effort is required to accumulate the individual depreciation amounts.

To reduce this clerical effort some companies apply a depreciation method to all assets within a specific classification. If, for example, all the assets recorded in the Furniture and Fixtures account have estimated lives from six to fourteen years, a rate based on an average life of ten years may be applied to the total cost of all furniture and fixtures. Such a method is called group depreciation. An example of group depreciation is shown in Figure 17-7.

Figure 17-7

Asset	Cost	Salvage	Total depreciation	Estimated life	Annual depreciation (Straight-line)
A	\$ 26,000	\$ 5,000	\$21,000	14 years	\$1,500
B	18,600	3,000	15,600	8 years	1,950
C	7,700	2,500	5,200	8 years	650
D	<u>1,700</u>	<u>500</u>	<u>1,200</u>	<u>6 years</u>	<u>200</u>
	\$54,000	\$11,000	\$43,000		\$4,300

$$\begin{aligned}
 \$43,000/\$ 4,300 &= 10, \text{ the average life} \\
 \$ 4,300/\$54,000 &= 0.0796, \text{ the average depreciation rate of cost} \\
 \$ 4,300/\$43,000 &= 0.10, \text{ the average depreciation rate of cost less salvage value}
 \end{aligned}$$

Using the straight-line method on a group basis, the amount of depreciation recorded annually for the group of assets shown in Figure 17-7 would be \$4,300 (1/10 of \$43,000). If there were no changes in the asset account, annual depreciation of \$4,300 would accumulate to \$43,000 over the average life of 10 years, and the assets would be depreciated to the total estimated salvage, or \$11,000.

When this method is used and an asset is retired, its full cost is removed from the asset account and from its related accumulated depreciation account. No attempt is made to determine the actual depreciation taken on the specific asset retired. The asset may have been used more or less than ten years, but regardless of its actual life it is assumed to be fully depreciated.

No gain or loss is recognized on the sale of an asset if the group method of depreciation is used. This method is based on the assumption that some assets will be over-depreciated and others will be under-depreciated, and gains and losses will be equalized over a period of time.

Valuation of Fixed Assets

Section 70.34, Wis. Stats., requires that “all articles of personal property shall, as far as practicable, be valued by the assessor upon actual view at their true cash value...” To aid the assessor in the discovery and valuation of the various classes of personal property the Department of Revenue (DOR) has developed the Statement of Personal Property form. A sample copy of this form is included at the end of this chapter.

The Statement of Personal Property can be the source document for the data necessary to value fixed assets; however, the assessor is not required to accept the reported figures, or to wait until the form is returned before making an assessment. The assessor may use various sources in determining the cost of fixed assets. These include general ledger accounts or asset cards, bills of sale, statements of the business, interviews with owners or those who sell, lease, or manufacture certain items of personal property, and conditional sales contracts and chattel mortgages recorded at the Register of Deeds Office.

It is important that assessors know what is being reported to them on the Statement of Personal Property and that the information be verified to be sure that the assets have been properly identified. This is necessary so an appropriate useful life can be selected, and to ensure that exempt items have not been included or taxable items omitted. In addition, since the law permits certain fixed assets to be classified as real estate in some situations and as personal property in others, the assessor must know what is included on the statement so that items are not assessed twice. For example, if a property owner includes the cost of an asset, such as air conditioning on Schedule D-Furniture, Fixtures, and Equipment, and the assessor has included the value of the air conditioning in the value estimate of the property owner’s real estate improvement, a double assessment could result. A check should also be made of all deletions indicated on the statement to ensure that they are valid, and not simply write-offs of fully depreciated assets. Fully depreciated assets that have been removed from the books but are still in use are assessable.

When verifying the assets reported on the Statement of Personal Property, the assessor should be aware that due to changes made in the federal income tax by the Economic Tax

Recovery Act (ETRA) of 1981, businesses may be expensing some assets rather than carrying them on the books in asset accounts. ETRA allows a taxpayer (for income tax purposes) the option of expensing qualifying property rather than charging the property to a capital asset account. This allows the taxpayer to claim the cost as an income tax deduction for the taxable year in which the property is placed in service rather than recovering the cost of the property over its useful life. The dollar limitation on the amount that can be expensed is \$5,000 a year (\$2,500 in the case of a married individual filing a separate return) for 1984 and 1985, and \$10,000 (\$5,000 in the case of a married individual filing a separate return) for 1986 and later. If a taxpayer elects to expense qualifying personal property rather than including it in an asset account, the value of the property in the asset accounts will be understated. The assessor should verify that the personal property reported on the Statement of Personal Property includes those fixed assets which have been expensed as well as those carried on the books in the asset accounts.

The assessor must also verify that the costs reported for fixed assets on the Statement of Personal Property are in fact acquisition costs, and not book values. Acquisition costs are used because book values for identical assets can vary greatly, depending upon the method of depreciation used by the taxpayer. Figure 17-8 illustrates what could happen if book values are reported on the statement of personal property.

Following across the four year line in Figure 17-8 it can be seen that by using different methods of depreciation, all permissible for income tax purposes, very different net book values are created on assets that are identical in all respects. If used by the assessor without investigation, these values could produce assessments 55.6% apart, even though the property owners reported fully and honestly. A uniform and equitable base is not established by this procedure. For this reason, it is important that the assessor obtain asset costs by year of acquisition.

Figure 17-8

	Straight line method	Declining balance method	Years digit method
Cost of Asset	\$10,000	\$10,000	\$10,000
Bonus in year of purchase 20%	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Depreciation Base	8,000	8,000	8,000
1st year's depreciation	<u>1,000</u>	<u>2,000</u>	<u>1,778</u>
Book value end of first year	7,000	6,000	6,222
2nd year's depreciation	<u>1,000</u>	<u>1,500</u>	<u>1,555</u>
Book value end of second year	6,000	4,500	4,667
3rd year's depreciation	<u>1,000</u>	<u>1,125</u>	<u>1,334</u>
Book value end of third year	5,000	3,375	3,333
4th year's depreciation	<u>1,000</u>	<u>844</u>	<u>1,111</u>
Book value end of fourth year	4,000	2,531	2,222

Once acquisition costs for fixed assets have been determined, whether from the statement of personal property, the owner's books, or other sources as previously discussed, the assessor

must adjust the costs for price changes and average depreciation over the years to reflect current values.

The method recommended by DOR is through the use of price indexes. Through an index factor, the original cost by year of acquisition is brought up to a current replacement cost level with depreciation from all causes deducted. Price indexes and their development are discussed later in this chapter.

Briefly, the valuation process using price indexes is summarized as follows: property owners are requested to list by year of acquisition the cost of their fixed assets such as furniture and fixtures. The costs for each year are multiplied by a conversion factor, which adjusts the costs for price changes and depreciation, to obtain current market values. If the assessor is valuing property at an assessment level other than 100%, the market values obtained using the above method must be reduced to the same level by multiplying them by the percentage that the assessor is attempting to obtain.

This section has focused on the valuation of fixed assets using the original selling price adjusted by an index factor to adjust for price changes and depreciation. Emphasis has been placed on this method since the data necessary to use it is readily available to the assessor, and because it can be consistently applied to all such property. The assessor should be aware, however, that there are other methods available for the valuation of fixed assets. The current selling price less normal depreciation, gross rent multipliers, or income capitalization may all be used when the required data is available. Each of these methods has been discussed in Chapter 19.

Explanation of a Price Index

A price index is a series of numbers that represent the change in cost of a commodity or group of commodities, over a definite period of time. A price index can be compared to a percentage figure in which 100% is the price in a selected year and prices in other years are measured as over 100% or under 100%. Figures greater than 100% represent a higher price than the base year. A price index written as 100 may be better understood if written as 1.00 or 100%.

Most price indexes in use are the results of combining several commodity indexes. The index constructed by DOR is based on a series of price indexes for various types of assets which have been integrated into one series. The six indexes which have been utilized in formulating the price index are for assets which are included in the following classes: (1) Construction, (2) Metal Working, (3) General Purpose, (4) Electrical, (5) Miscellaneous, and (6) Commercial Furniture. These classes are as grouped by the U.S. Bureau of Labor Statistics and are assumed to measure accurately the relative price changes for machinery and equipment for the average firm in Wisconsin. The source of this data is the Bureau of Labor Statistics wholesale price index. In order to integrate these various indexes into one price index, an average of the six has been taken each year to produce one index figure instead of six for each year.

The yearly average produced is a weighted average. This means that each of the six classifications is weighted in relation to its share of the total value of all machinery and equipment for an average firm in the state. For example, if the average firm has twice as

much general-purpose machinery as metal working machinery, then the general-purpose machinery would be given a weight of two and the metal working machinery a weight of one. The six components (classifications) are averaged in the following manner.

$$\frac{(\text{Index Number} \times \text{Weight}) + (\text{Index Number} \times \text{Weight}) + (\text{Index Number} \times \text{Weight}) + (\text{Etc.})}{\text{Total of All Weights}}$$

An example of one year’s computation of the single yearly price index is illustrated in Figure 17-9.

The 1107.2 total is then divided by the 9.516 total of all weights, which gives the price index of 116.35 for the year.

To produce the final index as it appears on the “Schedule of Composite Conversion Factors for Valuation of Fixed Assets” as published yearly by DOR, the current price index is divided by the price index for each of the previous 28 years to determine the relationship of each year to the present. The indexes for years prior to these have been averaged since they are generally considered together on the final schedule. An alternate, unindexed schedule of depreciation is also available from DOR for those who wish to use it.

Figure 17-9
Computation of a price index

	Machinery and Equipment						
	Construction	Metal working	General purpose	Miscellaneous	Electrical	Commercial furniture	Totals
Index	135.5	133.4	121.4	118.1	104.0	120.0	
Weight	.807	1.469	1.665	.697	4.462	.416	9.516
Row 1 (Index) times Row 2 (Weights) will equal as follows:							
	109.3	196.0	202.1	82.3	467.6	49.9	1107.2

Developing Composite Conversion Factors

The basic formula for determining the conversion factor is as follows: Conversion Factor = Price Index × Loss of Value Factor

Conversion factors are constructed to include both the price index and the loss in value so that the current market value can be obtained by multiplying the cost of acquisition directly by the conversion factors found on the schedules. The loss in value factors used to develop the conversion factors provided as a guide by DOR are based on 150% declining balance depreciation.

Using the above formula, it is possible to see how the conversion factors as shown on the conversion schedule were developed. For example, the conversion factor for assets acquired in 1992 with a ten year life is .268. This can be seen on the sample conversion schedule in Figure 17-10 by referring to the 10-year column on the right hand side of the schedule on the 1992-year line.

To show how this factor was derived, it is necessary to know the price index and the loss of value factor. The price index for 1992 is 106, and is shown on the conversion table in the column headed "Price Index." To determine the loss in value factor, it is necessary to know how much of the assets useful life has been used up. The schedule of months of depreciation in Figure 17-10 is set up so that all assets purchased in 1992 are treated as though they are 102 months old as of January 1, 2001. Since the full life in the 10 year column is 120 months, 102/120 of the asset life has been used up, or 85%. The loss in value factor can be read from the heavy curve in Figure 17-11 by finding 85% on the horizontal scale (percent of composite useful life) and then following this line up until it crosses the heavy curved line. At this point, read across to the left and a percent residual of approximately 25% (actually 25.28%) is found. This indicates that at 85% of the assets life it is estimated that 25% of the assets full value is still remaining.

The conversion factor is computed as follows:

$$\begin{aligned}\text{Conversion Factor} &= 1.06 \times 25.28\% \\ \text{Conversion Factor} &= 268\end{aligned}$$

In viewing Figure 17-10, it can be seen that the conversion factors generally follow a steady downward trend, but some of them start to climb again in the earlier years. This is due to variations in the price index over the years. Since all assets are adjusted to a common starting point, namely, the cost of replacement as of January 1, 20__, these variations should not cause concern. If there had been no change in price level over the years, then all the conversion factors would follow the steady downward trend illustrated by the straight-line loss-of-value curve on Figure 17-11.

To obtain reasonable and accurate valuations for assessment purposes, the conversion factor schedule requires the selection of a composite useful life that is realistic and which conforms to actual experience and actual rates of replacement. As an aid to the assessor, DOR provides a list of the [composite useful lives](#) for equipment used by retailers, wholesalers, and service organizations on its website. To facilitate use of the list, it has been arranged in two parts. The first part of the list includes retailers, wholesalers and service organizations listed in alphabetical order. The second part of the list groups retailers, wholesalers, and service organizations according to their major Standard Industrial Classification (SIC) code.

The Standard Industrial Classification is used to classify establishments by the type of activity in which they are engaged and is intended to cover the entire field of economic activities. Each establishment is assigned an industry code on the basis of its primary activity, which is determined by its principal product or group of products produced or distributed, or services rendered. The purpose of Standard Industrial Classifications is to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments. To obtain more information on the Standard Industrial Classification and the specific establishments that comprise each major group classification, reference should be made to the *Standard Industrial Classification Manual* which is published by the Executive Office of the President, Office of Management and Budget.

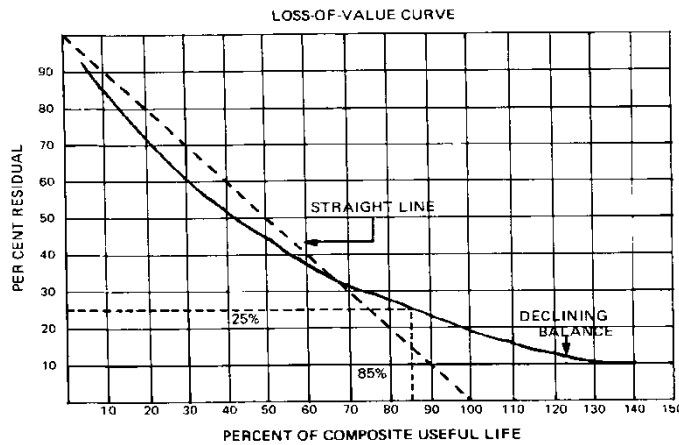
Composite useful lives for manufacturing machinery and equipment have also been developed by DOR and are published in the Manufacturing Personal Property Return.

Figure 17-10

Wisconsin Department of Revenue, Office of Technical and Assessment Services
 Schedule of Composite Conversion Factors for Valuation of Fixed Assets
 as of January 1, 2013

DATE OF ACQUISITION	PRICE INDEX	MONTHS OF DEPREC.	YRS. 2									
			MOS. 24	36	48	60	72	84	96	108	120	
2012	100	6	0.625	0.750	0.813	0.850	0.875	0.893	0.906	0.917	0.925	
2011	102	18	0.159	0.383	0.518	0.607	0.669	0.716	0.751	0.779	0.802	
2010	103	30		0.194	0.327	0.430	0.507	0.568	0.616	0.656	0.688	
2009	103	42			0.204	0.301	0.380	0.446	0.501	0.546	0.585	
2008	107	54				0.218	0.296	0.364	0.423	0.473	0.517	
2007	108	66					0.225	0.288	0.347	0.397	0.443	
2006	111	78						0.233	0.290	0.341	0.387	
2005	114	90							0.242	0.292	0.339	
2004	117	102								0.249	0.295	
2003	117	114									0.250	
2002	117	126										
2001	117	138										
2000	118	150										
1999	118	162										
1998	118	174										

Figure 17-11



Statement of Personal Property

Section 70.34, Wis. Stats. requires the assessor to value personal property at its “true cash value,” which courts have ruled means the same as market value. It is very difficult, however, to apply appraisal principles to personal property.

In valuing real estate, there usually are sales the assessor can use to estimate market value. Personal property, however, seldom sells. Most sales of personal property involve trade-ins or sales of personal property that the seller no longer needs, which do not meet the criteria of arm’s-length sales. In addition, applying a comparable sales approach to

individual personal property items is extremely time consuming for both the taxpayer and the assessor.

This does not mean the assessor should ignore all sales. There are sales that usually involve large personal property items such as boats and mobile homes. When evaluating these sales, the assessor uses the same criteria used for evaluating real property. These criteria include time on the market, knowledgeable buyers and sellers, willing buyers and sellers with neither parties compelled to act, payment in cash or typical of normal financing, and the sales price must include all of the rights, privileges, and benefits of the property.

To provide a uniform estimate of the market value of personal property, according to sec. 70.35, Wis. Stats., DOR recommends the use of [Composite Conversion Factors](#). These factors combine a 150% declining balance depreciation schedule with an inflation factor based on the Producer Price Index and are incorporated into the [Statement of Personal Property \(PA-003\)](#). The assessor can obtain a supply of the Statement of Personal Property forms from the municipal clerk or county clerk and should obtain an adequate supply for all of the personal property accounts in the municipality. The form is also available on DOR's website under state prescribed forms.

Before mailing returns to the owner, the assessor should complete the top portion of page 1 with the municipal and county name, school district number, assessor's name, address and telephone number and the name and address of the owner. The assessor should send multiple returns if the owner has personal property in more than one school district or within a Tax Incremental District and outside a Tax Incremental District with the district clearly identified on each return. Completed returns should be checked to ensure that the correct property for each district is reported and the name and address of the owner are correct.

Having the improper name and address may make personal property tax uncollectable. Thus, the assessor must correct the records and the assessment roll to reflect any changes. If the owner has sold the property and returned the form with the new owner's name and address, the assessor should mail a form to the new owner prior to the assessment date to provide sufficient time to complete and return the forms by the March 1 due date. The assessor may enter the type of business and the property address, or leave these lines blank for the owner to complete.

Individual Schedules

This section explains how to complete the individual schedules. The procedures for the schedules are included with each schedule. Chapter 19 contains additional information on classifying and valuing personal property.

Schedule A is the Summary of Personal Property that the owner completes by transferring the amounts from the supporting schedules in the return. Classes of property are identified by 1, 3, and 5. There is a blank area for the assessor to correct any errors. Below Schedule A is an area for the owner, or person in charge, to sign the form to declare the truth and correctness of the return. The form must also be signed by the preparer, if other than the owner, and a phone number with fax number should be provided in case questions arise during the review.

Schedule B provides an area for the owner to report taxable Boats and Watercraft. The owner provides a description of the boat or watercraft, the year acquired, the cost when acquired, conversion factor, and the estimated value as of the assessment date. The assessor can contact boat dealers or consult *Blue Book* publications to obtain information on the current market value of boats.

Schedule C provided an area to report Machinery, Tools, and Patterns. 2017 Wisconsin Act 59, effective January 1, 2018, exempted machinery, tools and patterns and the property reported on Schedule C of the 2017 Statement of Personal Property. The 2018 Statement of Personal Property was updated to exclude Schedule C.

Schedule D provides an area for the owner to report all Furniture, Fixtures, and Equipment that has market value. This includes items that have been fully depreciated for income tax purposes. The only exceptions are items so worn out or obsolete that they have no market value.

In reviewing Schedule D, the assessor should compare the amounts in Column 2 of this year's return with the amounts in Column 4 of last year's return. These amounts must be the same. The assessor should check the property owner's mathematics for computational errors, including addition or subtraction errors in combining Columns 2 and 3 or errors in multiplying the amounts in Column 4 by the Factors in Column 5. Corrections are entered in Column 7.

Schedule D-1 provided an area to report Exempt Computer Equipment and Software, Cash Registers and Single-Function Fax Machines. 2017 Wisconsin Act 59, effective January 1, 2018, removed the requirement to report this property. The 2018 Statement of Personal Property was updated to exclude Schedule D-1.

Schedule D-2 provides an area for the owner to report multifunction faxes, copiers, postage meters, phone systems, and equipment with embedded computerized components. DOR recommends using six-year Composite Conversion Factors for this equipment.

Schedule E provides an area for the owner to report Buildings on Leased Land, which are assessed as personal property because the land is owned by someone other than the building owner. The assessor uses the same principles to value these types of buildings as other buildings by using arm's-length sales of the subject or of comparable properties to estimate the market value of the building. When using arm's-length sales of buildings not on leased land as comparables, the assessor must subtract the value of the land from the comparables during the adjustment process. In the absence of sales information, the assessor should consider any information that has an effect on value, including the cost approach, the income approach, asking prices, and other relevant information. Schedule E provides an area for the owner to estimate the market value of the property.

Schedule F provides an area to report Leased Equipment that the owner is in charge of but does not own. Leasing equipment rather than purchasing it has become a widespread practice and can represent a substantial amount of value. The assessor should note the name and address of the lessor and send a Statement of Personal Property to the lessor, because the

lessor may lease additional equipment. The lessor of the equipment will have more information on its value than the lessee.

The assessor should attempt to assess property to the person responsible for paying the taxes. This is usually specified in the lease agreement and the information can be obtained by contacting the lessor or lessee. Although sec. 70.18, Wis. Stats., permits the assessor to assess leased equipment to either the lessor or the lessee, there are several advantages to assessing property according to the lease agreement: 1) there is less possibility of a double assessment especially when both the lessor and lessee report the same equipment; 2) there is less possibility of confusion in collecting taxes, especially when the lessee expects to pay the tax as part of the lessee's tax and later receives a separate bill from the lessor for this equipment; and 3) the lessor and lessee are more likely to cooperate in providing information about leased equipment if the assessor makes the assessment according to the lease agreement.

Schedule G provides an area for the owner to report Supplies that are on hand on the assessment date. Supplies are items that are not subject to resale by the taxpayer, but are necessary to the business including office supplies, shipping supplies, medical, dental, selling and advertising supplies, and cleaning supplies. Supplies are not considered merchant's or manufacturer's stock and are not exempt. In general, the owner maintains a supply inventory equal to one-twelfth of the supplies purchased during the year.

Schedule H provides an area for the owner to list All Other Personal Property. The owner estimates the value of the leasehold improvements in Column 3. An appropriate conversion factor can be obtained from the DOR Website and entered in Column 4. The assessor should obtain a list of items included with the leasehold improvements, and compare these items with the real estate assessment to ensure that the property is not assessed as both real estate and personal property. The owner also uses Schedule H to report any other personal property for which there is not a schedule, such as leasehold improvements, other improvements on leased land (exempt), abstract records, professional libraries, videotapes, signs, billboards, mobile homes assessed as personal property and logs/forest products. The logs and products applies only to property owners whose principal activity is not related to the buying, selling, or manufacturing use of the property, since these uses are exempt as merchant's or manufacturer's stock. The declared value as of January 1 can be calculated by multiplying Column 3 and Column 4.

The assessor must review this area to prevent double assessments of property as both real estate and personal property; especially items that are typically considered real property. For example, assume that an owner reports cranes as personal property, and the assessor has included them in the real estate assessment. The assessor must either deduct the cranes from the real estate assessment or make sure that the owner does not include them in the personal property return.

Directly below Schedule H is an area for the owner to report lease provisions including the term, square feet of leased area, annual or percentage rental, and if the lease includes utilities, taxes or other items.

Summary Procedures

If the assessor has revised the amounts, the assessor should contact the owner to discuss. It is good public relations for the assessor to explain any revisions. This also provides an opportunity for the property owner and the assessor to informally discuss the revisions prior to the Board of Review, which may reduce the number of appeals.

Wisconsin law requires the assessor to assess personal property at the same level as real property. After reviewing the Statement of Personal Property, the assessor must adjust the amounts on Schedule A to the same level of assessment as real property. If the assessor is assessing real property at 95 percent of market value, the assessor must multiply the amounts on Schedule A by 95 percent before putting the amounts on the assessment roll.

After completing the review, the assessor should consider sending a Notice of Personal Property Assessment (PR-299) to the personal property owner. Although Wisconsin law does not require the assessor to notify personal property owners of their assessment, DOR recommends mailing this Notice as an element of a good public relations program. DOR encourages the assessor to send the Notice when the assessor has revised the Statement of Personal Property.

Links

[Statement of Personal Property \(PA-003\)](#). State prescribed form. Property Owner must file this annually.

[Composite Conversion Factors](#)

Table containing the Composite Conversion Factors for Fixed Asset Valuation computed annually by DOR and available under 'Reports' on the DOR website.

[Composite Useful Lives](#) This table is ordered by SIC Code and is published annually by DOR. It can be found under 'Reports' on the DOR website.

Chapter 18

Manufacturing and Utility Assessment

The assessment of manufacturing property for the local property tax is the responsibility of the Wisconsin Department of Revenue (DOR). Manufacturing property is subject to the general property tax administered under Wisconsin Statutes Chapter 70.

Utility property is not subject to the general property tax. The assessment and taxation of utility property is administered under Wisconsin Statutes Chapter 76.

The Manufacturing & Utility Bureau (Bureau) assesses telephone company property in using methods similar to manufacturing property under sec. 70.995, Wis. Stats.

This chapter includes an overview of the assessment process, calendars of events, statutes and standards. The laws and standards apply to classifying businesses, activities, real estate and personal property as manufacturing and telephone company properties, and to property valuations.

Manufacturing Assessment

Overview of the Assessment Process

DOR classifies and assesses all manufacturing property statewide and annually furnishes municipalities with assessment rolls for property taxation. DOR administers the exemption for manufacturing machinery and equipment, waste treatment facilities, and computer equipment located at manufacturers.

Annual Market Value Assessment

The basis for annual real estate assessments is an inspection (field audit) of each parcel once every five years or more often at DOR's discretion. In the intervening years, DOR adjusts assessments based on:

- changes reported on the Wisconsin Manufacturing Real Estate Form M-R
- sales, cost and income information
- building permits
- subject property appraisals
- market changes

The basis for annual personal property assessments is the Wisconsin Manufacturing Personal Property Return Form M-P submitted by each business, and a reconciliation of assets at the field audit. The following lists steps of the DOR process of reconciling the M-P:

- Determining the personal property assessment by reviewing the required Form M-P
- Contacting property owners for clarification or verification
- Reviewing the Wisconsin Leased Rented or Loaned Personal Property Return Form M-L

Assessment Notification

- DOR sends a notice of assessment for every real estate and personal property account it assesses
- The notice indicates 100% full market value
- DOR issues penalties to late filers and non-filers of M-Forms
- DOR uploads real estate and personal property assessment rolls to the website

Field Audit and Assessment

The inspection of real estate includes the following:

1. Interviewing the owner or agent, inspecting the property, reviewing or completing a listing of the physical characteristics of the property, and estimating depreciation/obsolescence.
2. Completing an assessment of the property by considering and documenting the following:
 - a. sales of the subject property;
 - b. sales of reasonably comparable property;
 - c. all data relevant to value collectively, which may include using a cost approach, a sale of similar property, an income approach, the actual costs and other data; and
 - d. a final value estimate, which takes into account the Markarian hierarchy and all relevant data. *See Markarian v. City of Cudahy*, 45 Wis.2d 683, 173 N.W.2d 627 (1970).

If a property has sold, DOR assessors apportion the sale price between land value and improvement value. When, in the valuation of manufacturing property, the assessor applies the sales comparison method, DOR employs procedures consistent with accepted assessment methods, including the procedure outlined in *Property Assessment Valuation* published by the International Association of Assessing Officers (2010, Third Edition, Chapter 8 – The Sales Comparison Approach to Value, pages 218-219). This includes separately estimating value of the land, and calculating the contributory value of the improvements. Adjustments are made to comparable sales using the cumulative percentage method. Percentage adjustments are calculated on the unit sales price (sale price per square foot) of comparable properties. Land and improvement values are then listed separately on the manufacturing assessment roll according to sec. 70.32(2a), Wis. Stats.

The field audit of personal property includes interviewing the owner or agent, conducting a physical inspection of the property, reviewing applicable accounting records, and reconciling the Form M-P.

Manufacturing Assessment Appeal Process

Property owners and municipalities may appeal manufacturing property assessments. If there is a question about the assessment, the first step should be contacting the district office that made the assessment. In some cases, the question arises because of a mathematical error made either in completing or auditing the return or because of a misunderstanding of the manufacturing assessment process. These situations can be resolved without the need for formal appeal. If not satisfied, or if the question concerns the valuation or taxability of the property, then the owner or municipality can go through the appeal process.

Manufacturers and municipalities may appeal the market value indicated on the assessment notice, or the taxability of the property, within sixty days of issuance of the notice. Appellants should submit supporting data with the appeal. Supplemental information must be filed within 60 days from the date the objection is filed. Sec. 70.995(8)(d), Wis. Stats., states "If the person assessed files an objection and the municipality affected does not file an objection, the municipality affected may file an appeal to that objection within 15 days after the person's objection is filed..." Appeals are filed with the State Board of Assessors (BOA) and a \$45.00 fee must be paid when the objection is filed. A separate objection form and fee is required for each parcel, personal property account and penalty notice. BOA action includes the following steps:

1. Assignment of the appeal to the district where the property is located.
2. Assignment of a Property Assessment Specialist (PAS) to the case.
3. PAS investigation of the objection and data submitted and preparation of a recommendation.
4. Supervisory review of the PAS recommendation and distribution to all board members.
5. Review of the PAS recommendation by all Board members prior to board action.
6. Board action on the recommendation at a meeting or by telephone conference.
7. Mailing the determination to the appellant and any second party who may be either a municipality or a taxpayer depending on who appealed. Either party may appeal the determination to the Wisconsin Tax Appeals Commission within sixty days of receipt.
8. Attend hearings before the Wisconsin Tax Appeals Commission, preparation of exhibits and written appraisals, and testimony at hearings and depositions in defense of assessments.

Calendar of Events for Manufacturing Assessment

Date	Activity
January 1	Date of assessment of manufacturing property.
February 15	Notification Rolls delivered to Municipal Assessors (via DOR website).
March 1	M-forms due, last day to request filing extension, and last day to request manufacturing classification.
March 1 - Mid June	Processing of M-forms. Determine annual full value assessments.
March - June	Full value assessment notices sent to owners and respective municipalities. Full value assessment rolls distributed via DOR website.
April - August	Objection to assessment to be filed with State Board of Assessors within 60 days of issuance of assessment notice.
May - April	Board of Assessor investigation of objections.
May - January	Appraisal and audit of manufacturing.

October - November Manufacturing assessment rolls equated to the local level of assessments and delivered to the municipal clerk (via DOR website).

On-going Tax Appeals Commission Hearings.

Property Classification

Initial Classification

Cut-off Date for First Time Classification

The due date for filing manufacturing property report forms (M-forms) is March 1 of each year. In order for an establishment to be classified manufacturing for the first time for a specific assessment year, one of the following requirements must have been met:

- the department must have classified the establishment manufacturing by March 1 for the specific assessment year; or
- per sec. 70.995(5), Wis. Stats., the establishment must have contacted the department in writing requesting classification on or before March 1 and subsequently have been granted manufacturing classification for that year.

The above requirements do not apply to establishments previously classified manufacturing that simply have a change in ownership, a name change, or a change in location.

Business Classification

Specifically Classified Manufacturing by Law and the SIC Manual

Sec. 70.995(2), Wis. Stats., states, “In addition to the criteria set forth in sub. (1), property shall be deemed prima facie manufacturing property and eligible for assessment under this section if it is included in one of the following major group classifications set forth in the Standard Industrial Classification (SIC) Manual, 1987 Edition, published by the U.S. Office of Management and Budget. For purposes of this section any other property described in this subsection shall also be deemed manufacturing property and eligible for assessment under this section.”

This section of the statutes lists all the major manufacturing groups in the SIC Manual, plus certain activities listed as non-manufacturing in the SIC Manual but classified as manufacturing for property tax purposes. Those activities are metal mining, mining and quarrying of non-metallic minerals, photo finishing laboratories, scrap metal, wastepaper, and plastic processing, and hazardous waste facilities.

Sec. 70.995(2)(w), Wis. Stats., classifies as manufacturing, #7384 - Photo finishing laboratories. The SIC Manual describes these as “Establishments primarily engaged in developing film and in making photographic prints and enlargements for the trade or for the general public.” This includes one-hour film processors, but does not include film pick-up or drop-off sites, commercial photography nor portrait photography studios.

Some photo finishing establishments are part of a retail store. They develop film

(Manufacturing), serve as a film pick-up and drop-off site (Services) for film developed at an outside photo finishing laboratory, and sell photographic equipment and supplies (Retail Trade). They are classified manufacturing if, they meet all of the following criteria:

- The photo finishing laboratory is separate and distinct from the retail store and separate reports can be prepared on the sales or receipts, number of employees, their wages and salaries and other data.
- More than 50% of the revenue comes from on-site photo finishing versus off-site photo finishing and retail sales of photographic equipment and supplies.
- The photo finishing laboratory has at least one full-time employee totally dedicated to the photo finishing process. Retail sales and collecting film for outside processing does not count towards the one full-time employee requirement.
- Primary (more than 50%) employment is in developing film, versus retail selling and collecting and sending film to outside photo finishing laboratories.

Sec. 70.995(2)(y), Wis. Stats., classifies as manufacturing, “Processors of waste paper, fibers or plastics using large machines for recycling purposes.” This includes establishments that sort, grade, compact or bale clean wastepaper, fibers or plastics, not mixed with other solid waste, for sale or use for recycling purposes. Establishments that collect waste paper, fibers or plastics or sort them from non-usable portions of solid wastes are not included. Therefore, the following are not classified as manufacturing:

- collecting and sorting waste paper, fibers or plastics from non-usable solid waste or compacting these materials by supermarkets or other places of business;
- collecting of waste paper, fibers and plastics at various collection points by processors and the transporting of the waste to the processing facility;
- handling, stockpiling or disposal of non-usable portions of solid waste at transfer stations or other places; nor
- storing processed material (a component of solid waste that has been collected, transported to a waste processing facility and prepared for sale to a broker, dealer or manufacturer) by a manufacturer who uses the processed materials as a raw material for producing a product that is known as “recycled material.”

Specifically Classified as Nonmanufacturing by Law and the SIC Manual

Sec. 70.995(1)(d), Wis. Stats., states that “Except for the activities under sub. (2), activities not classified as manufacturing in the SIC Manual, 1987 edition, published by the U.S. Office of Management and Budget are not manufacturing for this section.”

The SIC Manual classifies many operations or activities under Retail Trade, Wholesale Trade, Services and Construction even though they may perform manufacturing type processes. For example, wholesale establishments may also physically assemble, sort, grade goods in large lots and break bulk and redistribute in smaller lots. Retail, service and construction establishments may have some form of processing that is incidental or subordinate to the primary activity of the business.

Sec. 70.995(1)(b), Wis. Stats., says “Manufacturing production is usually carried on for the wholesale market, for interplant transfer, or to order for industrial users.” The SIC Manual on page 67 makes the same statement and adds, “rather than for direct sale to the domestic consumer.”

Retail Trade

The SIC Manual on page 68 regarding retail trade says, “Also included in Retail Trade are establishments primarily engaged in selling, to the general public, products produced on the same premises from which they are sold, such as bakeries, candy stores, ice cream parlors, and custom tailors.” Also, any production process involved in such retail activities as listed above cannot be treated as separate and distinct establishments for classification purposes, because the SIC Manual includes the processes as part of the retail business.

Other examples of these types of retail businesses include, but are not limited to:

- wine producers who sell the wine primarily at or adjacent to the premises where it is produced;
- beer producers who sell the beer primarily at or adjacent to the premises where it is produced;
- slaughtering operations that sell meat primarily over the counter;
- ceramic shops that sell products primarily on the premises;
- cabinet shops primarily building custom cabinets for individual consumers;
- mattress makers making primarily custom mattresses for individual consumers or selling mattresses primarily at or adjacent to the place where they are produced;
- optical goods stores that also grind lenses;
- any establishment primarily making products to order for domestic consumers or the general public and sold from the premises where produced

Sec. 70.995(1)(a), Wis. Stats., states, "Establishments engaged in assembling component parts of manufactured products are considered manufacturing establishments if the new product is neither a structure nor fixed improvement." Some construction related establishments do off-site prefabrication (manufacturing) and on-site installation of the materials (construction). They are classified manufacturing if, primary (more than 50%) employment is in off-site prefabrication.

The shop versus installation criteria also applies to the total employment of all closely related establishments owned by the same individual or the same group of individuals. The shop versus installation rule does not apply to cabinet shops that build custom cabinets to order for individual consumers, because the SIC Manual classifies those cabinet shops as retail trade (see Figure 18-1).

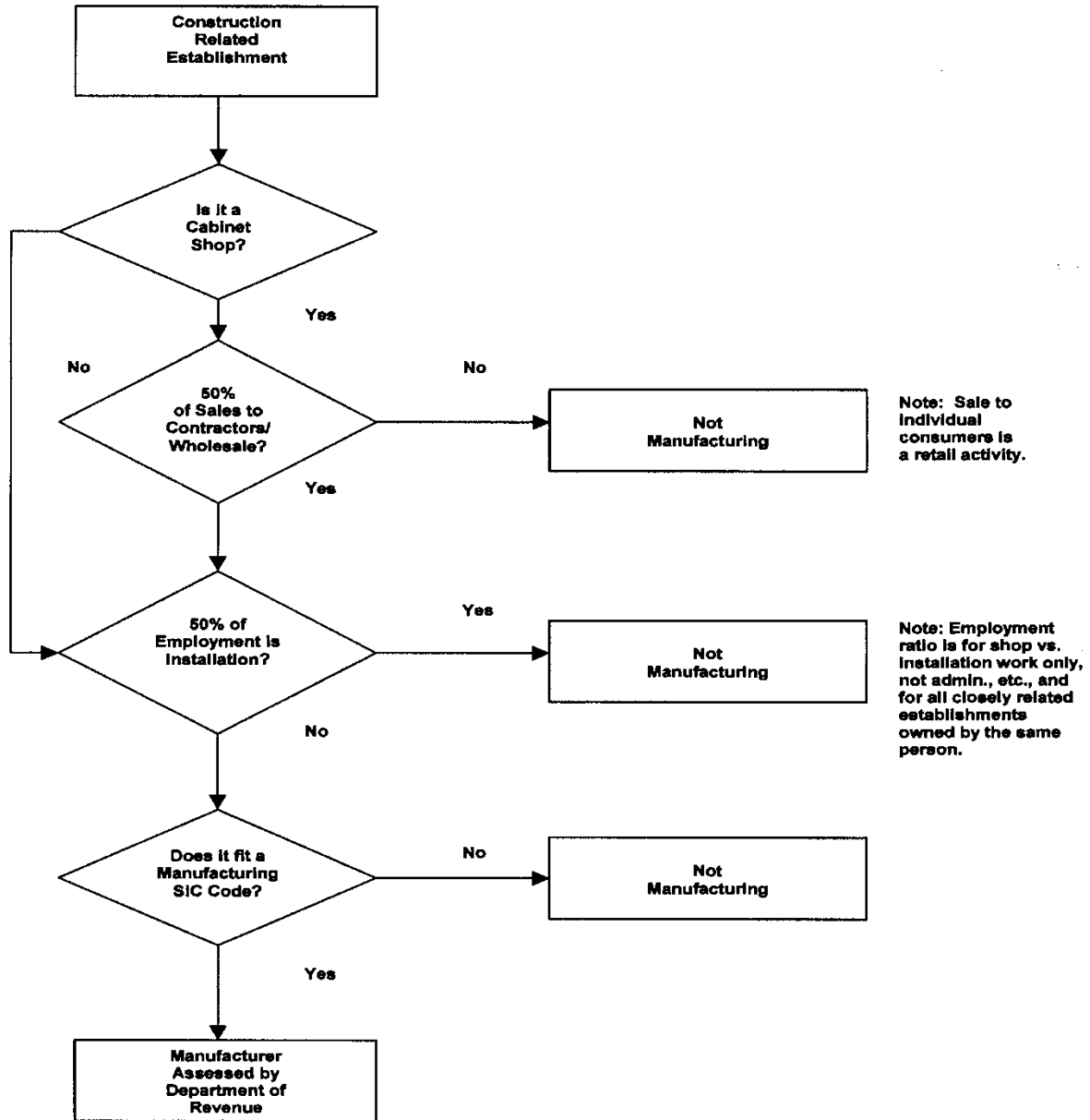
The basis for the shop versus installation rule comes from several references in the SIC Manual, including:

- Construction Division, page 54, “The installation of prefabricated building equipment and materials by general and special trade contractors is classified in this division. Similar installation work performed as a service incidental to sale by employees or an establishment manufacturing or selling pre-fabricated equipment and materials is classified according to the primary activity in the manufacturing or trade divisions.”
- Construction Division, page 54, “Establishments primarily engaged in the distribution and construction or installation of equipment often present classification problems. Since the value added is not available for distinguishing the relative importance of sales versus installation for construction activities, payroll or employment may be used as measures yielding approximately the same results.”
- Construction Division, page 61, “Special trade contractors for the most part perform their

work at the site of construction, although they also may have shops where they perform work incidental to the site.”

- Construction Division, page 68, “Fabricating operations performed at the site of construction by contractors are not considered manufacturing, but the prefabrication of sheet metal, concrete, and terrazzo products and similar construction materials is included in the manufacturing division.”
- Manufacturing Division, page 107, “Woodworking in connection with construction, in the nature of reconditioning and repair, or performed to individual order, is classified in nonmanufacturing industries.”
- Manufacturing Division, page 109, Wood Kitchen Cabinets, “Establishments primarily engaged in manufacturing wood kitchen cabinets and bathroom vanities, generally for permanent installation. Establishments primarily engaged in manufacturing freestanding cabinets and vanities are classified in Major Group 25. Establishments primarily engaged in building custom cabinets for individuals are classified in Retail Trade, Industry 5712.”

Figure 18-1



Not Specifically Mentioned by Law or the SIC Manual

Sec. 70.995, Wis. Stats., and SIC Manual may not cover every type of business in existence. For those not mentioned in either place, the criteria and general definitions included in secs. 70.995(1)(a) and (b), Wis. Stats., shall be considered, which include:

- Sec. 70.995(1)(a), Wis. Stats., "...manufacturing, assembling, processing, fabricating, making or milling tangible personal property for profit."
- Sec. 70.995(1)(a), Wis. Stats., "Establishments engaged in assembling component parts of manufactured products are considered manufacturing establishments if the new product is neither a structure nor other fixed improvement."; and
- Sec. 70.995(1)(b), Wis. Stats., "Materials used by a manufacturing establishment may be purchased directly from producers, obtained through customary trade channels or secured without recourse to the market by transfer from one establishment to another under the same ownership. Manufacturing production is usually carried on for the wholesale market, for interplant transfer or to order for industrial users rather than for direct sale to a domestic consumer."

Three questions that should be asked to apply these criteria are:

1. Is the activity more similar to those specifically classified manufacturing by law and the SIC Manual, or more similar to those specifically classified nonmanufacturing by law and the SIC Manual?
2. Is the activity more closely aligned with the general description of producing, assembling, fabricating, making or milling by machinery and equipment of a new article with a different form, use and name from existing materials, or is it more aligned with the general activities involved with services as generally described in the SIC Manual, wholesale trade, retail trade, agriculture, or construction?
3. Does the activity produce products more for wholesalers, interplant transfer, to order for industrial users or more for direct sale to domestic consumers?

Activity Classification

Activities in Support of the Manufacturing Operation

Sec. 70.995(1)(a), Wis. Stats., says in part, "Manufacturing property also includes warehouses, storage facilities and office structures when the predominant use of the warehouses, storage facilities or offices is in support of the manufacturing property ..."

Sec. 70.995(3), Wis. Stats., says, "For purposes of subs. (1) and (2) 'manufacturing, assembling, processing, fabricating, making or milling' includes the entire productive process and includes such activities as the storage of raw materials, the movement thereof to the first operation thereon, and the packaging, bottling, crating or similar preparation of products for shipment."

Some establishments are "in support of the manufacturing property," (called auxiliaries in the SIC Manual). Others are part of "the entire productive process" described in sec. 70.995(3), Wis. Stats., although not part of the exempt "production process" described in sec. 70.11(27), Wis. Stats. Such establishments include but are not limited to the following:

1. Central administrative activities performing management and general administrative

functions such as general management; accounting; computing, tabulating, or data processing; purchasing; engineering and systems planning; advertising; public relations or lobbying; and legal, financial, or related managerial functions.

2. Warehouses and storage activities including potato cellars.
3. Research, development and testing activities.
4. Maintenance and repair activities for machinery and equipment.

Activities Not in Support of the Manufacturing Operation

Activities that do not qualify as being “in support of the manufacturing property” under sec. 70.995(1)(a), Wis. Stats., or as being part of “the entire productive process” under sec. 70.995(3), Wis. Stats., include but are not limited to:

1. Sales branches and sales offices of manufacturing companies.
2. Transportation activities including but not limited to those of the following:
 - newspaper collection and pickup stations for carriers;
 - balers and collection containers for collecting and transporting waste paper, fibers, or plastics to a waste processing facility;
 - milk receiving stations for transporting milk to dairies;
 - airplane hangars; and
 - motor vehicle garages and repair shops.
3. Recreation activities, such as gymnasiums, golf courses, and swimming pools, maintained for the benefit of employees.
4. Establishments primarily engaged in news collection, editorial work, or advertising sales related to publishing activities, but who don't publish or print.

Manufacturers may include activities not “in support of the manufacturing property” on the same self-reporting form for the manufacturing property, when they are in the same municipality and located at the site of the manufacturing activity. However, when the nonmanufacturing activity is in a different municipality, a separate municipally assessed personal property account is mandatory. Real estate parcels for nonmanufacturing activities are assessed by the municipal assessor regardless of location.

Activities Done on Behalf of Primary Manufacturer

Establishments doing one part of the manufacturing process on behalf of the primary manufacturer are classified as manufacturing. Establishments manufacturing on the behalf of others include but are not limited to:

- metal cutting and finishing on a job basis for the primary manufacturer;
- balancing of manufactured parts such as pump impellers, blower wheels; motor rotors, fan blades and brake drums on a job basis for a primary manufacturer;
- packaging on a job basis for a primary manufacturer;
- aging of cheese.

Remanufacturing Activities vs. Repair Activities

Remanufacturing on a "factory basis" occurs where the activity resembles a production line or uses mass production techniques, while a repair activity does not. Usually, in remanufacturing, the customer receives a different rebuilt item from the one they brought in, while in repair, they receive the same item back. Two examples of remanufacturing where

the customer receives a different item include barrel reconditioning and automotive starter rebuilding. Examples of remanufacturers where the customer receives the same item back, include:

- repair in conjunction with ship or boat building;
- rebuilding machinery, equipment, including automotive engines, on a factory basis;
- industrial machine shop manufacturing and repairing

Personal Property Account and Real Estate Parcel Classification

Personal Property Account Classification

Multiple Activities Are Separate and Distinct

For purposes of business classification, the SIC Manual defines an establishment as an economic unit, generally at a single physical location where business is conducted or where services or industrial operations are performed. It says where distinct and separate economic activities are performed at a single physical location, each activity should be treated as a separate establishment wherever all the following occur (also see Figure 18-2):

- no one SIC industry description includes such combined activities;
- employment in each such economic activity is significant; and
- separate reports can be prepared on the sales or receipts, number of employees, their wages and salaries and other establishment type data.

DOR defines the SIC Manual's criteria of "significant employment" as at least one full-time employee totally dedicated to the manufacturing activity.

DOR may assess the personal property of a separate and distinct manufacturing activity at the same location as a nonmanufacturing activity. Examples include, but are not limited to the following:

- a separate and distinct waste paper, fiber or plastics processing activity (manufacturing) in a waste transfer station that also collects and transfers non-usable solid waste for disposal in a landfill or by incineration (nonmanufacturing);
- a separate and distinct flange fabricating activity (manufacturing) in a sheet metal contractor's shop (nonmanufacturing) (see Figure 18-3);
- a separate and distinct truss manufacturing activity (manufacturing) at a lumberyard (nonmanufacturing) (see Figure 18-4);
- a separate and distinct quarry operation, asphalt batching plant or crushing plant that crushes and recycles concrete or asphalt slabs or roadbeds into new crushed base course (manufacturing) performed by a road contractor (non-manufacturing).
- a separate and distinct printing-for-the-trade operation (manufacturing), in an advertising agency or other creative service (nonmanufacturing), when the two activities use different equipment; and
- a separate and distinct newspaper operation (manufacturing) that also provides an on-line computer news service (nonmanufacturing).

The SIC Manual says establishments with "physically dispersed operations" have permanent main offices and individual sites, projects, networks or systems for the dispersed operations. All are considered part of the total manufacturing establishment. An example is an establishment with large aluminum recycling machines dispersed throughout an area.

Multiple Activities Are Not Separate and Distinct

The SIC Manual classifies establishments by their primary activity. Principal product produced or distributed, or services rendered determines primary activity. “Value added” best determines principal product of the establishment. Other criteria to determine the primary activity are value of production, value of receipts or revenues, value of sales, and employment or payroll.

There are businesses with manufacturing and retail activities that are not separate and distinct. Manufacturing classification depends on the primary (more than 50%) source of revenue. Wholesale revenues are manufacturing and retail revenues are not. Retail includes sales on the premises, by mail, or by the internet to domestic consumers. Examples of such businesses include, but are not limited to the following:

- bakeries whose sales occur both on a wholesale basis and over the counter (see Figure 18-5);
- beer or wine producers whose sales occur on a wholesale basis and also at or adjacent to the place where the product is produced; and
- photo finishing laboratories that also process film for their own commercial or portrait photography studio.

Examples where the nonmanufacturing activity is services or wholesale trade are the following:

- prototype makers (manufacturing) who also provide research and development services (services);
- water bottlers producing distilled water (manufacturing) and also bottling natural spring and mineral waters (wholesale trade);
- printers (manufacturing) who also provide direct mail advertising services (services); and
- printers (manufacturing) who also do writing and creating (services) with the same equipment.

Classification of Equipment Used But Not Owned by a Manufacturer

Equipment leased, rented, or loaned to a manufacturer, or possessed but not owned by a manufacturer, and used by the manufacturer is usually classified manufacturing property. DOR assesses manufacturing leased equipment to the lessee according to sec. 70.995(4), Wis. Stats. Lessors must file a leased equipment self-reporting form.

For the benefit of all parties, DOR will allow municipal assessment of some lessors. Lessors of low value, taxable, mostly municipally assessed equipment on a short term lease (less than a year) may qualify. A list of these lessors is on the DOR website.

Figure 18-2

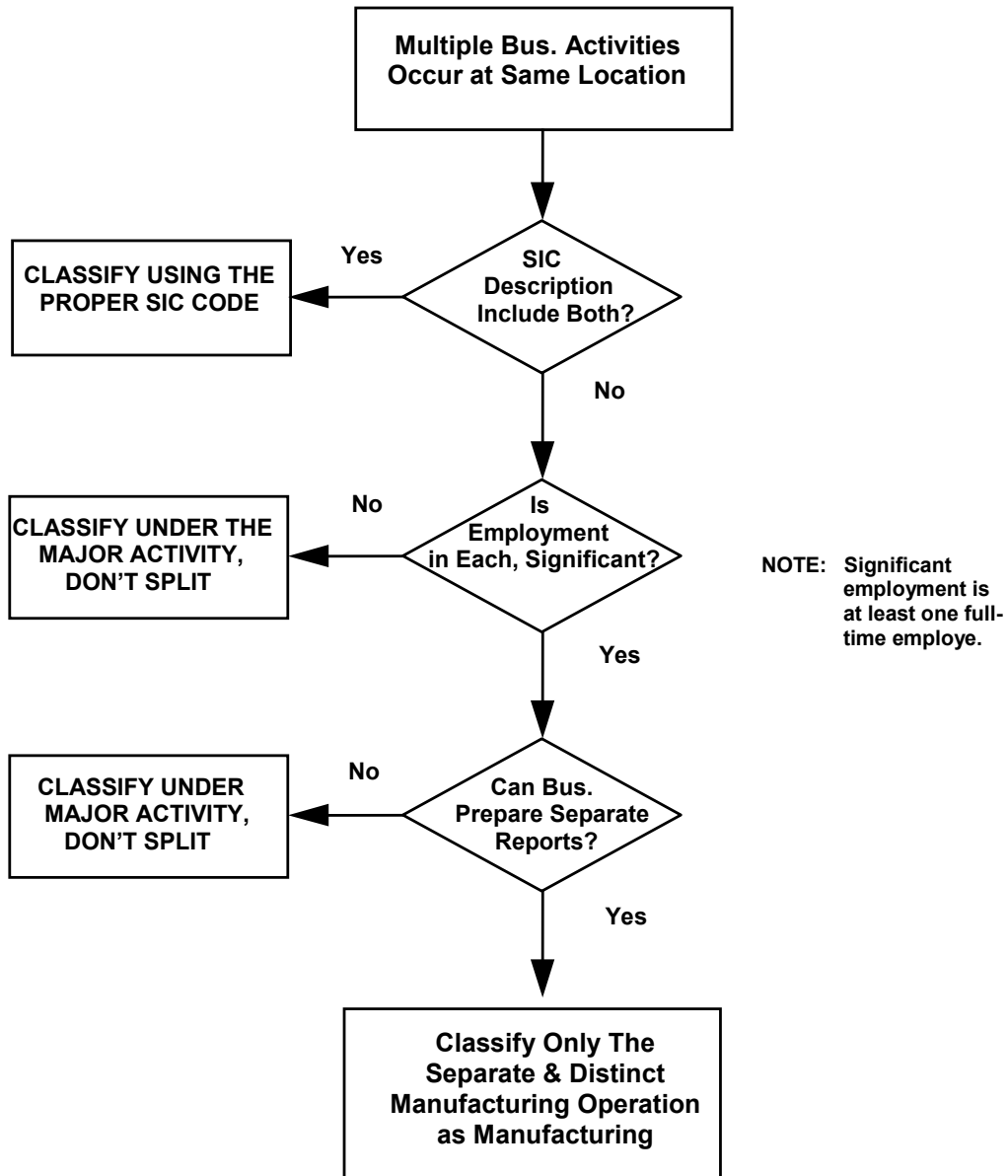


Figure 18-3
Multiple Activities
Separate and Distinct

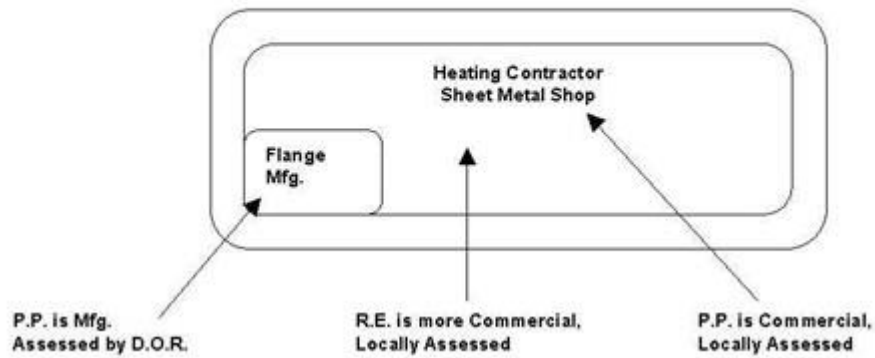
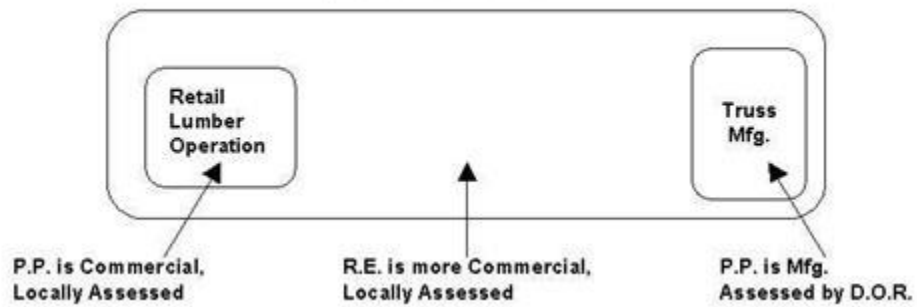
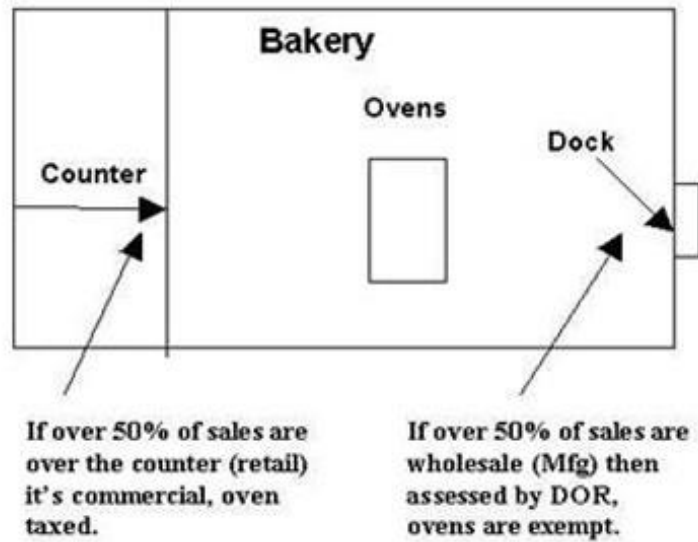


Figure 18-4

Multiple Activities
Separate and Distinct



**Figure 18-5
Multiple Activities
Not Separate and Distinct**



Real Estate Parcel Classification

Sec. 70.995(1)(a), Wis. Stats., says, “In this section ‘manufacturing property’ includes all lands, buildings, structures and other real property used in manufacturing, assembling, processing, fabricating, making or milling tangible personal property for profit. Manufacturing property also includes warehouses, storage facilities and office structures when the predominant use of the warehouses, storage facilities and offices is in support of the manufacturing property.” Since the statute requires property to be “used” in manufacturing, vacant quarries and unused mines are not classified manufacturing. Parcels representing future quarries or mines where mining use is not imminent are not classified manufacturing.

Sec. 70.995(4), Wis. Stats., says in part, “Whenever real property or tangible personal property is used for one, or some combination, of the processes mentioned in sub. (3) and also for other purposes, the department of revenue, if satisfied that there is substantial use in one or some combination of such processes, may assess the property under this section. For all purposes of this section the department of revenue shall have sole discretion for the determination of what is substantial use and what description of real property or what unit of tangible personal property shall constitute ‘the property’ to be included for assessment purposes...”. For property used for a manufacturing activity and other activities “substantial use” is defined as majority use (more than 50%) of the area occupied. When separate and distinct manufacturing and nonmanufacturing activities occur on an unimproved parcel, manufacturing classification depends on the majority use (more than 50%) of the acreage. When multiple uses occur in buildings, majority use of the floor area determines classification.

Property owned by a manufacturer, but not classified manufacturing by the Department, is under the jurisdiction of the municipal assessor. If the Department assesses the property the following year, it will not make an omitted assessment for the year under municipal jurisdiction.

Exempt Machinery and Equipment (M&E) Classification

Section 70.11(27)(b), Wis. Stats., provides for exemption of certain manufacturing machinery and equipment and states, “Machinery and specific processing equipment; and repair parts, replacement machines, safety attachments and special foundations for that machinery and equipment; that are used exclusively and directly in the production process in manufacturing tangible personal property, regardless of their attachment to real property, but not including buildings. The exemption under this paragraph shall be strictly construed.” Sec. 70.11(27)(a), Wis. Stats., provides definitions of terms for the machinery and equipment exemption.

Termination of Manufacturing Classification

Returning Property to Municipal Assessment

Sec. 70.995(4), Wis. Stats., says in part, “Vacant property designed for use in manufacturing, assembling, processing, fabricating, making or milling tangible property for profit may be assessed under this section or s.70.32(1), and the period of vacancy may not be the sole ground for making that determination. In those specific instances where a portion of a description of real property includes manufacturing property rented or leased and operated by a separate person who does not satisfy the substantial use qualification for the entire property, the local assessor shall assess the entire real property description and all personal property not exempt under s. 70.11(27).”

Classification as manufacturing real or personal property will be terminated under any of the following conditions:

- An individual parcel or one of multiple parcels owned by a manufacturing establishment has had its use changed. The new use is not manufacturing nor in support of the manufacturing operation;
- The prior manufacturing establishment has ceased manufacturing operations and nonmanufacturing use is likely;
- The area of a building for lease that is rented to manufacturing lessees falls below 50% of the total floor area; and
- DOR discovers it mistakenly classified a business as manufacturing.
- DOR is not permitted to verify continuing manufacturing operations from actual view after written request by DOR

After terminating manufacturing classification, DOR transfers copies of the real property valuation information to the municipality. If DOR transfers a mistakenly classified property to municipal assessment, it will not retroactively tax machinery and equipment exempted in prior years.

Definition of “Manufacturing”

Sec. 70.11(27)(a)3, Wis. Stats., says “ ‘Manufacturing’ means engaging in an activity classified as manufacturing under s. 70.995.”

A business owned by a manufacturer, but not classified manufacturing by DOR does not qualify for the machinery and equipment exemption. It is not considered “classified as manufacturing under sec. 70.995, Wis. Stats.” If DOR does classify that business manufacturing in later years, it will not retroactively exempt machinery and equipment taxed in earlier years.

Equipment used by the public, like walk-up copy machines at a printing establishment, are not “used by a manufacturer” and are considered taxable.

Definition of “Machinery”

Sec. 70.11(27)(b), Wis. Stats. states, “ ‘machinery’ means a structure or assemblage of parts that transmits forces, motion or energy from one part to another in a predetermined way by electrical, mechanical or chemical means, but “machinery” does not include a building.”

Sec. 70.11(27)(b), Wis. Stats. further clarifies the definition:“ ‘machinery includes ‘repair parts, replacement machines, safety attachments and special foundations for that machinery and equipment””.

Case law has ruled the following to be machinery: power wiring for exempt machinery and equipment; brewery aging and fermentation cellars; malt aging silos, head houses, resting bins, attemporators, kilns and germination compartments; and graving docks.

Definition of “Power Wiring”

Sec. 70.11(27)(a)4, Wis. Stats., says “ ‘Power wiring’ means bus duct, secondary service wiring or other wiring that is used exclusively to provide electrical service to production machines that are exempt under par. (b). “Power wiring’ does not include transformers.”

Definition of “Specific Processing Equipment”

Sec. 70.11(27)(a)6, Wis. Stats., states, “ ‘Specific processing equipment’ means containers for chemical action, mixing or temporary holding of work in process to ensure the uninterrupted flow of all or part of the production process, process piping, tools, implements and quality control equipment.”

Electric motors, air compressors and computers used exclusively to power or operate exempt machines are considered part of the machine and also exempt. Exempt machinery and specific processing equipment includes, but is not limited to the following unique or specialized property:

- packaging equipment, including equipment used for printing product labels and instructions for the product;
- small tools, hand tools such as drills, saws, micrometers, hammers, etc., unless also used for machine repair or general maintenance;
- spare machines and parts that when in use, meet the criteria for exemption, but not machinery in vacated plants that have been returned to local assessment; and
- equipment used to clean food processing equipment between batches which is embedded within and part of the production machine.

- refrigeration equipment cooling cheese during the aging process.

Exempt quality control equipment includes equipment that ensures the manufacturer's processes are working properly, but not equipment used to measure or check raw materials received by the manufacturer.

Definition of "Building"

Sec. 70.11(27)(a)1, Wis. Stats., states, " 'Building' means any structure used for sheltering people, machinery, animals or plants; storing property; or working, office, parking, sales or display space."

Case law has ruled that a structure is a machine if it does work. The incidental or occasional presence of employees does not destroy the exemption, but permanent work stations would. One case said that steel columns supporting both a building and an exempt crane are taxable as part of the building. Unique or specialized type structures ruled to be classified exempt machinery and equipment by case law includes, but are not limited to the following:

- attemporators functioning as giant air conditioner/humidifier;
- malt aging silos that house an organic change;
- kilns functioning as giant ovens;
- beer aging/fermentation cellars;
- malt houses functioning as germinating compartments; and
- graving docks functioning as conveyors (launching), work platforms (like a hoist), and huge measuring instruments (plane for alignment of parts).

Parts of buildings can be exempt. Sec. 70.11(27), Wis. Stats., states in part, "Machinery and specific processing equipment; ... regardless of their attachment to real property, but not including buildings." Sec. 70.11(27)(a)2, Wis. Stats., states in part, "Machinery" means a structure or assemblage of parts..." Therefore, a machine can be a structure. An example of a machine being a structure and part of a building is a three story building with the second floor functioning as a germination compartment. The second floor is an exempt machine while the first and third floors are taxable as buildings.

The term "buildings" includes all structural and mechanical components as well as components used for sanitary requirements, human comfort, human safety, storage or necessary for the protection or operation of processing machinery and equipment. Building structural and mechanical components include heating, air conditioning, ventilating humidification and dehumidification components.

If an exempt machine has an external "skin" directly affixed to it, the "skin" is considered part of the machine and exempt, but if the machine is free standing within a structure, the structure is considered a taxable building.

Definition of "Production Process"

Sec. 70.11(27)(a)5, Wis. Stats., states, " 'Production process' means the manufacturing activities beginning with conveyance of raw materials from plant inventory to a work point of the same plant and ending with conveyance of the finished product to the place of first storage on the plant premises, including conveyance of work in process directly from one

manufacturing operation to another in the same plant, including the holding for 3 days or less of work in process to ensure the uninterrupted flow of all or part of the production process and including quality control activities during the time period specified in this subdivision but excluding storage, machine repair and maintenance, research and development, plant communication, advertising, marketing, plant engineering, plant housekeeping and employee safety and fire prevention activities; and excluding generating, transmitting, transforming and furnishing electric current for light or heat; generating and furnishing steam; supplying hot water for heat, power or manufacturing; and generating and furnishing gas for lighting or fuel or both.”

For purposes of defining the production process, a “plant” is a manufacturing facility at a single physical location. A “single physical location” is defined as one that receives material to be processed or stored via public street, airway, railway or waterway. A “single physical location” may be comprised of separate buildings on one parcel or several contiguous parcels (See Figure 18-6). However, when stored or processed material moves on a public street, airway, railway or waterway, regardless of type of vehicle, its destination is considered a “single physical location” different from its point of origin (See Figure 18-7). If a manufacturer has received permission from a municipality to move material across a public street by unlicensed vehicle, i.e., forklifts going across a dead-end street, then the “single physical location” would extend across that public street.

The beginning of the production process is illustrated by, but not limited to the following:

- in dairies, it begins where the unprocessed milk is moved from a storage tank. The act of adding a skim powder to the unprocessed milk is incidental to the primary purpose of the tank which is raw material storage;
- in mining, it begins with the stripping off of the overburden;
- in publishing and printing, it begins after the written material, artwork or photograph has been created and selected for printing;
- in typesetting, it begins with converting images into standardized letter forms of a certain style which are usually hyphenated, justified and indented automatically by mechanical or electronic means; and
- in plate making, it begins when camera ready copy is photographed.

The end of the production process is illustrated by, but not limited to the following:

- in magazine and catalog printing it ends with the packaging of the printed material in postal carrier order. Demographic or customer specific binding and ink-setting are included in the production process.

The production process does not include the removal of waste material from an exempt machine. Equipment performing this function would likely qualify as exempt waste treatment equipment (see Manufacturing Equipment Versus Waste Treatment Equipment later in this chapter).

“Research and development” means:

- developing a new product or improving an existing product, including manufacturing the sample product at pilot plants for employee or consumer testing (unless sold to consumers);
- designing specifications for products at testing labs;

- designing new products with computers or mainframe terminals; and
- creative work done by authors, reporters, artists, ad agencies, photographers and similar activities.

“Plant engineering” means designing products, producing blueprints, determining product specifications and determining manufacturing instructions, processes or steps by manual or electronic means.

“Plant communication” means delivering or transferring product specifications or instructions for the step by step flow of the production line. It may be done by manual, mechanical or electronic means. A computer that actually operates an exempt machine is exempt as part of the machine.

“Research and development”, “plant engineering” and “plant communication” do not include the following activities which are considered exempt:

- reporters and ad takers at newspapers using mainframe terminals that replace typesetting equipment where little of the text is subsequently changed;
- processing of a photograph at a newspaper after it has been selected as the one to print;
- production of software that will be permanently imbedded in a computer as a component of a manufactured product such as an automobile or a computer numerically controlled machine product; and
- production of electronic templates or patterns for a specific machine by computer. The production of jigs, fixtures and patterns is a manufacturing process regardless of the method of production.

“Advertising” and “marketing” includes the printing of advertisements or brochures by a manufacturer who does not print material for the trade.

Definition of “Storage”

Sec. 70.11(27)6m, Wis. Stats., states, “ ‘Storage’ means the holding or safekeeping of raw materials or components before introduction into the production process; the holding, safekeeping or preservation of work in process or of components outside the production process; and the holding or safekeeping of finished products or of components after completion of the production process; whether or not any natural processes occur during that holding, safekeeping or preservation; but ‘storage’ does not include the holding for 3 days or less of work in process to ensure the uninterrupted flow of all or part of the production process” (See Figure 18-8).

Only the normal workdays of a specific manufacturer’s normal workweek are considered in application of the 3 day rule for work in process.

Property used to store raw material or finished product is taxable regardless of the length of time the material or product is stored (the 3 day rule only applies to storage of work in process).

“The holding or safekeeping of raw materials or components before introduction into the production process” may occur at the beginning or anywhere along a plant’s production line.

Hopper-feed tanks directly affixed to an exempt machine are part of the machine and exempt. Directly affixed means bolted, welded or permanently fastened to the machine. It doesn't mean connected by pipes, wires or hoses. A hopper-feed tank that is freestanding from the exempt machine is taxable raw material storage equipment. The production process begins where the conveyor begins movement of material from the freestanding tank.

Taxable storage equipment includes equipment used to create an artificial environment for preserving raw material, work-in-process more than three days and finished product. It also includes equipment used to maintain that material in a certain physical state (gas, liquid, powder, etc.). Storage equipment includes equipment for heating, cooling, humidifying, dehumidifying, etc. such material. It also includes structures or equipment used to dry grain for storage purposes.

Figure 18-6

Single Physical Location – Multiple Buildings

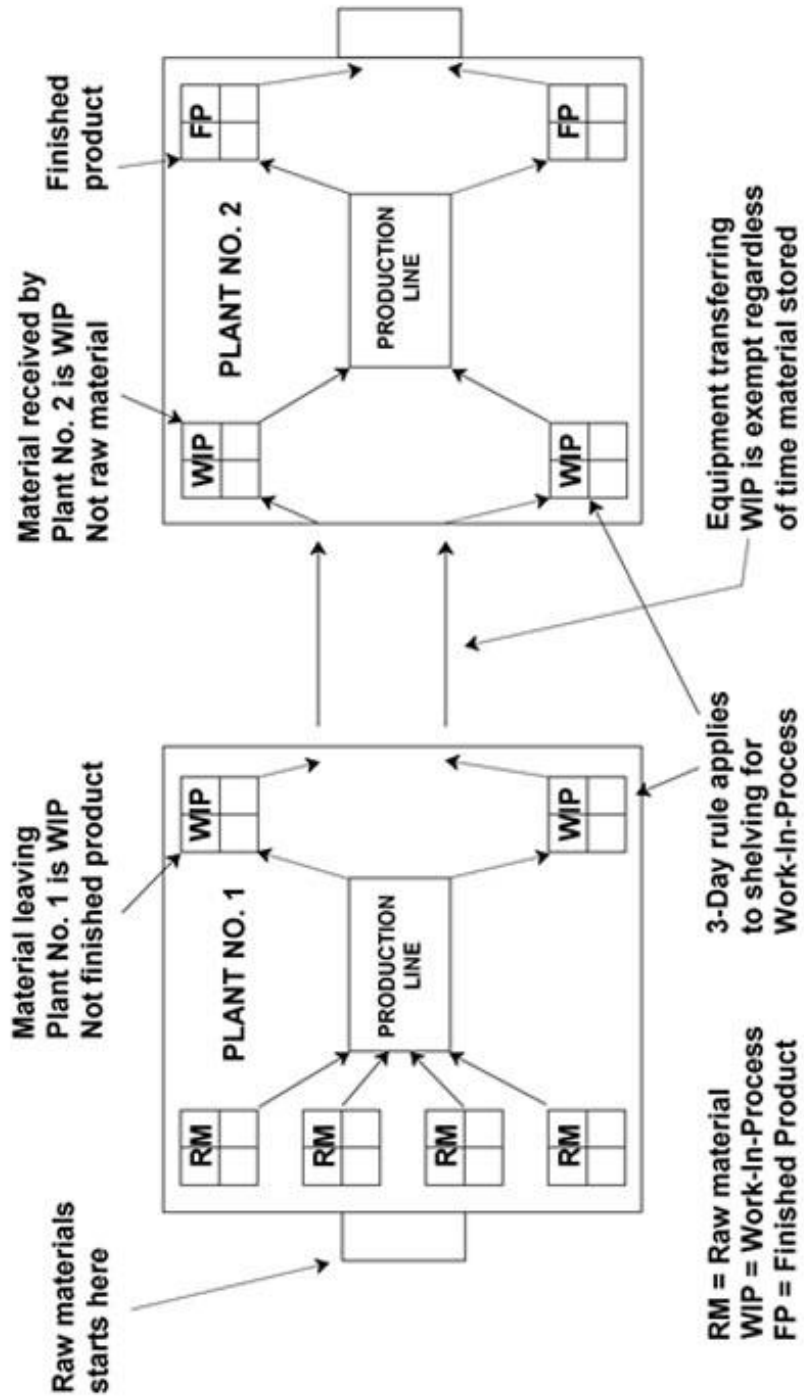


Figure 18-7

Two Physical Locations for One Manufacturer

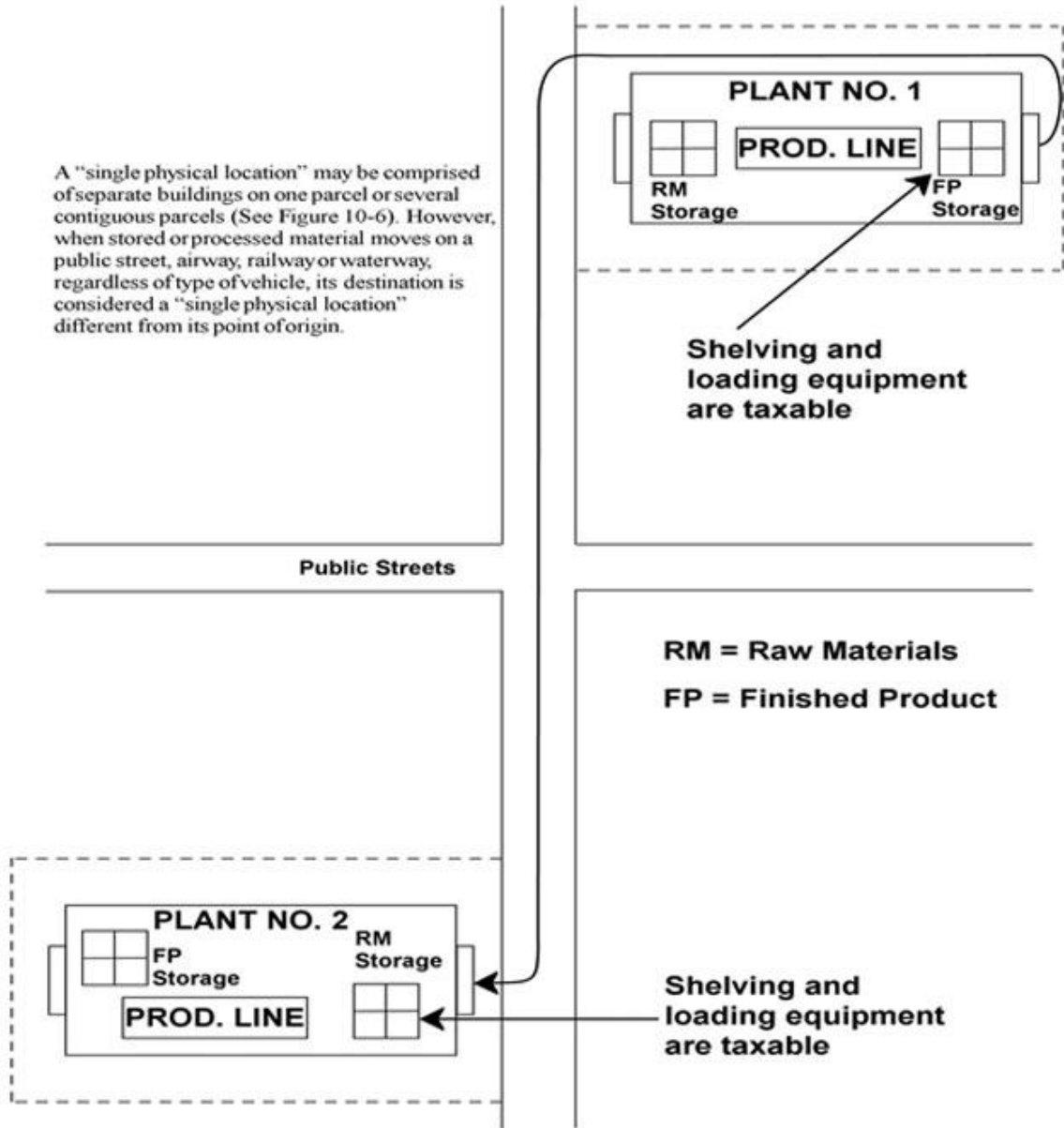
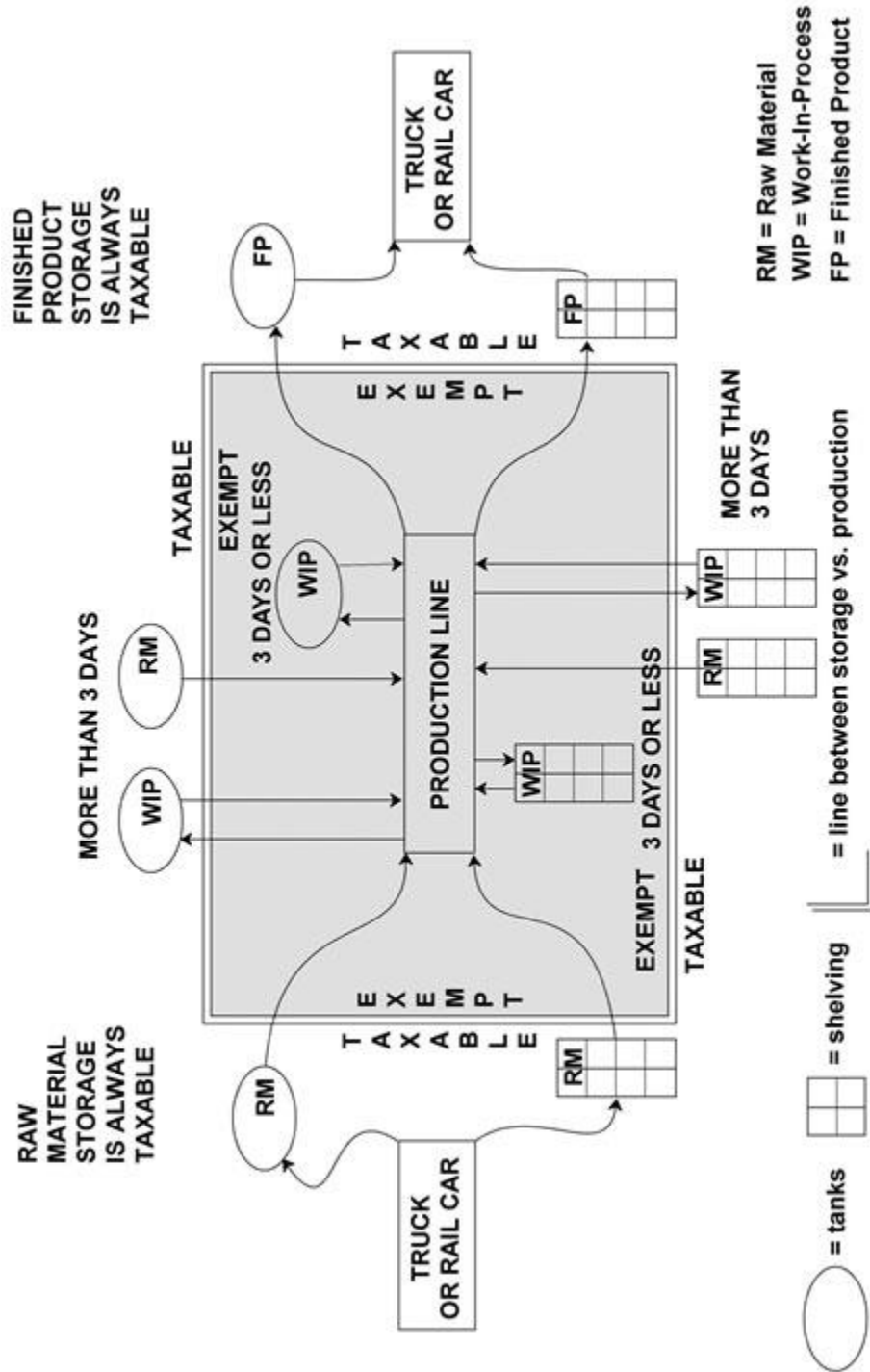


Figure 18-8

Interpreting sec. 70.11(27) Wis. Stats.

“3 Day Storage” for Work in Process



Computer related storage equipment that is exempt under sec. 70.11(39), Wis. Stats. includes, but is not limited to the following:

- F storage units at a newspaper that hold wire service news items typically more than 3 days;
- computer disk storage units that store software modules before being processed into finished product software. The finished product software, a component of a manufactured product, is then loaded into a computer.
- file servers used in pre-press work for the printing industry that store image files as raw material, work-in-process, or finished product; and
- file servers used in the machining industry to store exempt machining (application) software when not in use.

Definition of “Used Directly”

Sec. 70.11(27)(a)7., Wis. Stats., states, “‘Used directly’ means used so as to cause a physical or chemical change in raw materials or to cause a movement of raw materials, work in process or finished products.”

Property used to create an artificial environment that directly causes necessary changes to work in process (value added) is “directly used”. Property that does not add value, but only maintains or preserves value is not “used directly,” but is taxable storage equipment. Examples of preservation include preventing spoilage, maintaining a specific physical state or preventing the occurrence of unnecessary natural processes. Property used to protect materials from the weather or elements is buildings or building components. “Directly used” to create an artificial environment that directly changes work in process (value added) includes, but is not limited to the following:

- kilns used for drying or heating bricks, lumber, malt, pottery or other material that is work-in-process;
- heating equipment that slowly dries lumber (pre-dryers) or that cures or smokes meat that is work in process;
- humidification/dehumidification equipment that causes a necessary change to work in process, such as the germination of malt, curing of meat, creating flexibility in wood necessary for the woodworking process, or reduces static electricity in materials used in the printing process;
- refrigeration equipment that controls the necessary fermentation or aging of beer, that causes the rigidity in foodstuffs necessary for the manufacturing process or that quick freezes food stuff as part of the packaging process;
- air filtering equipment and building components exceeding that needed for normal building functions. They must reduce contamination of work-in-process from dust or foreign particles normally found in the air, not that resulting from a process. An example is equipment used in the assembly and production of electronic devices; and
- structures directly containing artificial environments such as those described above, when the use for sheltering people, machinery or for storing property is less than 5% of total use and there are no fixed or permanent work stations.

Property that preserves, maintains or protects, that is not “used directly” includes, but is not limited to the following:

- refrigeration equipment that preserves foodstuffs as work in process such as that found

- in meat packing plants, frozen food plants or canning plants;
- equipment maintaining work in process in the same gaseous or liquid state it was as raw material;
 - clean in place (CIP) chemical storage vessels and CIP pumps and piping not affixed to and not an integral part of an exempt manufacturing machine; and
 - air filtering equipment that reduces air contamination of work in process from dust or foreign particles produced by a manufacturing process (may qualify under waste treatment exemption).

Definition of “Used Exclusively”

Sec. 70.11(27)(a)8., Wis. Stats., states, “‘Used exclusively’ means to the exclusion of all other uses except for other use not exceeding 5% of total use.”

When equipment or structures are directly used to create an artificial environment to cause a necessary change to work in process (value added and exempt) and also storage (no value added and taxable), taxability is determined by whether the taxable use is more than 5% of total use. Two criteria that can be used to apply the 5% rule are time and floor area.

If the equipment or structures perform the dual uses sequentially and not simultaneously, then time is the proper criterion. Two examples are the following:

- a freezer structure or room is used first for quick freezing a foodstuff (exempt) and then for frozen storage of the foodstuff (taxable). If the average unit produced spends more than 5% of total time in frozen storage, the refrigeration equipment would be taxable. The structure would be a taxable building; or
- a structure or room is used part of the year for pre-drying lumber (exempt) and part of the year for simple storage of the lumber. If it is used more than 5% of the year for storage as opposed to drying, the structure would be a taxable building. The heating equipment is taxable unless only operated during the pre-drying process, then it would meet the exclusivity test and be exempt.

If the equipment or structures perform dual uses simultaneously then floor area is the proper criterion. Two examples are the following:

- the taxable and exempt uses occur in separate and distinct areas of a structure. If the taxable use occupies more than 5% of the floor area, the equipment and structure are taxable. A structure divisible by walls or floors, is partially exempted.
- dual uses occur simultaneously, but not in separate and distinct areas. If taxable use occupies more than 5% of the floor area daily the equipment and structure are taxable.

Manitowoc Co. v. City of Manitowoc (Court of Appeals) (1985) regarding the taxability of steel columns that simultaneously supported both exempt cranes and the building said, “The court noted that the columns supporting the building cannot be segregated into ‘building columns’ and ‘crane columns.’ The columns used for the crane work also support the building. They are therefore part of the building and, hence, they are ‘building components’”. Therefore, when dual uses occur simultaneously and there is no unit of measure for the two uses, the property should be taxed.

In construing a statute, an agency should avoid an interpretation which would lead to an absurd result even though it must disregard the strictest reading of the law. Therefore, there

are two cases where something less than absolute exclusivity is allowed exemption. One is when a manufacturer has a group of fungible (any unit can replace another unit) machines used at different times for exempt and taxable purposes. The allocation of the machines between exempt and taxable uses is determined by the number of machines normally performing each function. For example, if 10 forklifts are used for production and warehouse activities, and 2 forklifts are normally found in the warehouse and 8 in the production line, then 2 are allocated taxable and 8 exempt. It would be absurd to require the manufacturer to keep the machines segregated. The other case is when an establishment produces products that are sold both on a wholesale basis (manufacturing) and on a retail basis (retail trade), and the two activities are not separate and distinct. And, the establishment is classified manufacturing because more than 50% of the sales are on a wholesale basis. Even though the production equipment produces product at times for retail sale, the equipment still qualifies for exemption. To classify an establishment manufacturing and then determine that there was no exempt manufacturing equipment would be an absurd result.

Manufacturing Computers Versus Exempt Administrative Computers

Sec. 70.11(39), Wis. Stats., exempts specific computers, including, " ...mainframe computers, minicomputers, personal computers, networked personal computers, servers, terminals, monitors, disk drives, electronic peripheral equipment, tape drives, printers, basic operational programs, systems software and prewritten software..." The section excludes from exemption the following, "...custom software, fax machines, copiers, equipment with embedded computerized components or telephone systems, including equipment that is used to provide telecommunications services as defined in sec. 76.80(3) Wis. Stats." Computer equipment used in a manufacturing "production process", (sec. 70.11(27)(a)5., Wis. Stats.) qualifies as an exemption as manufacturing "machinery", (sec. 70.11(27)(a)2., Wis. Stats.) Qualifying computer equipment not exempted as manufacturing equipment under sec. 70.11(27), Wis. Stats., is exempt under sec. 70.11(39), Wis. Stats.

A computer may perform both manufacturing and non-manufacturing functions. Computers used more than 5% for non-manufacturing functions do not qualify as exempt manufacturing equipment, but are exempt under sec. 70.11(39), Wis. Stats.

Manufacturing Equipment Versus Waste Treatment Equipment

There is an exemption for property used to treat industrial waste described in sec. 70.11(21), Wis. Stats. Chapter 16 of this manual provides waste treatment exemption information and definitions.

Sec. 70.11(21)(a), Wis. Stats., states, "All property purchased or constructed as a waste treatment facility used exclusively and directly to remove, store, or cause a physical or chemical change in industrial waste or air contaminants for the purpose of abating or eliminating pollution of surface waters, the air, or waters of the state if that property is not used to grow agricultural products for sale and, if the property's owner is taxed under Chapter 76, if the property is approved by the department of revenue..."

According to sec. 70.11 (21)(ab), Wis. Stats., "Industrial waste" means waste resulting from

any process of industry, trade or business, or the development of any natural resource, that has no monetary or market value, except as provided in subd. 3.b., and that would otherwise be considered superfluous, discarded or fugitive material. "Industrial waste" does not include other wastes, as defined in sec. 281.01(7), Wis. Stats." It also states, "Used exclusively" means to the exclusion of all other uses except any of the following:

- a. For other use not exceeding 5 percent of total use.
- b. To produce heat or steam for a manufacturing process, if the fuel consists of either 95 percent or more industrial waste that would otherwise be considered superfluous, discarded, or fugitive material or 50 percent or more of wood chips, sawdust, or other wood residue from the paper and wood products manufacturing process, if the woodchips, sawdust, or other wood residue would otherwise be considered superfluous, discarded, or fugitive material.

If a manufacturer's process produces waste, any property used to remove the waste from the production line, store it or treat it to cause a physical or chemical change is exempt waste treatment property.

If a manufacturing process produces waste which is processed into a by-product for sale or reuse by the manufacturer, property moving the waste from the primary production line or storing it prior to further processing is exempt waste treatment property. Property used to further process the material into a by-product and move it to storage is exempt machinery and equipment. Property used to store the by-product as raw material when it is re-used or as a finished by-product if it is sold, is taxable machinery and equipment. A hypothetical example could be a paper manufacturer who collects the waste sludge, completes a granulation process on the sludge (adds value) and then sells the resultant by-product as cat litter or as a carrier for agricultural chemicals. Processing a waste into a by-product which is sold is manufacturing even if the activity does not turn a profit. This may occur when it's less expensive to process the waste into a by-product than it is to ship it to a landfill.

The compacting or baling of clean waste paper, not mixed with other solid waste, at the plant of a waste processor is an exempt manufacturing activity and not a waste treatment activity. Compacting or baling waste paper or cardboard at non-waste processing businesses or at collection points of waste processors, is not an exempt manufacturing activity or an exempt waste treatment activity. It is a transportation activity because the primary purpose is maximizing the load transported.

Manufacturing Property Valuation

Annual Market Value Assessment

Annual assessment of manufacturing property is based on an analysis of self-reporting forms along with cyclical audit, physical inspection and appraisal. Self-reporting forms are used by manufacturers to report property they own and any changes that have taken place since the last assessment date. DOR has issued three forms to be used by the owners of manufacturing property.

Manufacturing Real Estate Form (M-R)

Owners of manufacturing real estate report any changes in name and address; whether the property is vacant; if it was bought, sold or listed for sale; and if any appraisals were completed in the last year.

Schedule B: This schedule summarizes changes made to the real property. The value derived on each of the schedules is carried forward to Schedule B.

Schedule YR: This schedule lists the real estate asset accounts for a parcel, such as land and buildings. The owner reports the original cost balance in each of these accounts as of the last assessment date, all additions and deletions, and the balance as of this assessment date.

A page is provided for a sketch of new construction begun or completed in the last assessment year.

Schedule R-1: The owner lists the cost and type of materials used in the new construction. The owner reports the total cost of construction upon completion and the percent complete as of the assessment date.

Schedule R-2: The owner lists remodeling of existing structures. The owner describes the changes made, the cost and an estimate of the increase in value resulting from the remodeling.

Schedule R-3: The owner reports in detail any demolition of real property. The extent of demolition, area affected and the cost to raze.

Schedule R-4: The owner reports new land improvements that include the costs of paving, landscaping, railroad siding, sewer and water systems, and other miscellaneous improvements to the land site.

Schedule R-5: The owner reports all current lease information on Schedule R-5.

Schedule R-6: The owner reports changes in the status of waste treatment real estate items on the parcel. It may include new buildings, building additions or demolitions, change in area of land used for waste treatment, change in use of crops on vacant land or the fact that it is no longer being used for waste treatment.

Manufacturing Personal Property Form (M-P)

This form is used by the manufacturer to report all manufacturing personal property located in a municipality. The owner must report any change in name or address and the location(s) of the manufacturing property. In addition, there are a number of schedules for different categories of personal property for the owner to complete.

Schedule A: Summarizes total taxable value from all schedules completed in the M-P Form.

Schedule P: Owners provide the physical location(s) (situs address(es)) of their

manufacturing personal property. Multiple locations that are located within the *same* underlying taxation districts are reported on one M-P return. Where underlying taxation districts differ, multiple M-P returns are required. Schedule P requires real estate ownership information.

Schedule LB - For reporting all buildings on leased land. They are real estate items owned by someone other than the landowner. DOR may assess them as personal property. Buildings on leased land are valued like other real estate.

Schedule LI - For reporting all leasehold improvements. These are real estate components owned by someone other than the land and building owner.

Schedule B - For reporting boats and watercraft subject to Wisconsin general property taxation.

Schedules M, N, D, F, and C are used for the following personal property:

M – Machinery, Tools, Patterns and Shop Equipment (10 year life)

N – Boilers, (Process boilers only) (20 year life)

D – Copiers, Telephone Systems and Equipment (6 year life)

F – Furniture, Fixtures, and Office Equipment (10 year life)

C – Computers and software exempt under sec. 70.11(39), Wis. Stats., computers and software exempt as manufacturing production equipment and fax machines not used as copiers (4 year life). Under 2017 Act 59, reporting of these items is no longer required.

Schedule S: For reporting non-production supplies. Included are items used in the normal course of business such as office supplies, research and development materials, wrapping materials, selling and advertising supplies, and janitorial and cleaning supplies. Also included on Schedule S is expensed assets.

Schedule O - For reporting all other personal property not reported on another schedule. The manufacturer should give an adequate description of the property to enable the Department to determine if it should be assessed as real or personal property and whether it is taxable or exempt.

Schedule L is used for leased personal property. The manufacturer should report: the name and address of the owner; the type of equipment; the quantity; the brand name and model number of the equipment; the gross annual rent; and the manufacturer's estimate of value as of the assessment date.

Schedule LC was used for leased computers. Under 2017 Act 59, reporting of these items is no longer required.

Schedules B, LI, O and LB use similar formats for reporting assets. The manufacturer reports a description of the property, the year acquired, the cost of acquisition, and the manufacturer's estimate of value as of the assessment date. The original cost of assets is reported by year of acquisition as of the last assessment date. The original cost of additions and deletions are reported by year of acquisition. The additions and deletions are either added to or subtracted from the original costs as of last year's assessment date to yield the original cost by year of acquisition as of the current assessment date. Exempt assets are noted in a separate column on Schedule M and then deducted. The resulting balance is multiplied by a conversion factor which adjusts for cost increases and depreciation to produce an estimate of the "true cash value" of the assets. This procedure is more fully explained in Chapter 17, Valuation of Fixed Assets. For field audit purposes, the manufacturer must keep an asset list at their place of business showing all personal property and whether the assets are reported as taxable or exempt.

Schedule YP: Lists all personal property capitalized within the municipality, such as machinery and equipment; furniture, fixtures, and office equipment; leasehold improvements; and projects in progress. The owner lists the original cost balance in each account as of the last assessment date, all additions and deletions, and the balance as of the current assessment date. All additions and deletions reported on Schedule YP must be reflected in a corresponding schedule. The owner also reports the total of all equipment lease or rent payments.

Sec. 70.35(3), Wis. Stats., states that personal property returns filed with the local assessor are confidential records of the assessor's office. This statute also applies to manufacturing personal property forms (M-P) filed under sec. 70.995(13), Wis. Stats.

Personal Property Asset List

To receive the machinery and equipment exemption, a manufacturer must file a personal property asset list with the Form PA 780 Questionnaire for Potential Manufacturers, or with the manufacturer's first Form M-P filing. Failure to file the asset list results in DOR taxing all of the manufacturer's machinery and equipment. Listings provided in subsequent years will not result in retroactive exemption. Simply completing the M-P form's Schedule M is not adequate because it only includes costs and does not identify the assets reported. Since first-time filers lack experience regarding the manufacturing machinery and equipment exemption, DOR reviews their initial classification of assets. This prevents erroneous exemption or taxation, and omitted property assessments. The manufacturer must update and maintain the personal property asset list annually. Failure to provide a complete and usable list for the field audit may result in the taxation of all the manufacturer's machinery and equipment.

Leased Equipment Form (M-L)

This form is used by anyone who owns and leases personal property to a manufacturer. On this form the owner reports: the name of the lessee and where the equipment is located; the type of equipment; the quantity; the brand name and model number of equipment; lease dates and number; the year manufactured or acquired; the cost or price; the gross rent; whether it is a capitalized lease; and the owner's estimate of value.

Equipment lessors must file one M-L form for each of the Department's administrative areas where they lease to a manufacturer. Failure to file could result in issuance of a filing penalty.

Penalties

The law provides penalties for failure to file required forms by the due date or by any extension granted. Sec. 70.995(12)(c), Wis. Stats., states, "...the taxpayer shall pay to the department of revenue a penalty of \$25 if the form is filed 1 to 10 days late; \$50 or 0.05% of the previous year's assessment, whichever is greater, but not more than \$250 if the form is filed 11 to 30 days late; and \$100 or 0.1% of the previous year's assessment, whichever is greater, but not more than \$750, if the form is filed more than 30 days late. Penalties are due and payable to the department 30 days after they are assessed and are delinquent if not paid on or before that date. The department may refund all or part of any penalty it assesses under this paragraph if it finds reasonable grounds for late filing." DOR will not enter a penalty if the department did not assess the property during the previous year.

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Telephone Company Assessment

Assessment Notices, Tax Bills, and the Appeal Process

Sec. 76.81, Wis. Stats., says “There is imposed a tax on the real property of, and the tangible personal property of, every telephone company... Except as provided in s. 76.815, the rate for the tax imposed ... is the net rate for the prior year for the tax under Chapter 70 in the taxing jurisdictions where the description or item is located.” Taxing jurisdictions consist of the municipality, county, state, school district, technical college district, town sanitary district, public inland lake protection and rehabilitation district, and metropolitan sewerage district.

The first step in the tax calculation process is equating the full-value assessments to the assessment level for all other property within the individual taxation district. Then the equated assessment is multiplied times the combined tax rate (based on assessed value) for the taxation district.

Assessment notices and tax bills are generally mailed to telephone companies by October 1. Payment of the tax bill is due November 10. DOR attaches a property list with all assessments to each company's tax bill. Companies may appeal assessments. A company with a question about the assessment should first contact the DOR office that made the assessment. Sometimes, the question arises because of a mathematical error made either in completing or auditing the return or because of a misunderstanding of the assessment process. DOR can resolve these situations without the need for formal appeal. If not satisfied, or if the question concerns the valuation of the property, then the company can go through the appeal process. Companies may appeal the market value shown on the assessment notice to Dane County circuit court within 30 days of issuance of the notice.

Reference of Other Statutes in the Telephone Company Tax Sections

Sec. 76.84(4), Wis. Stats., says, "Sections 76.03(4), 76.05, 76.06, 76.075, 76.08, 76.09, 76.13(1), (2) and (3), 76.14, 76.18, 76.22, 76.23, 76.25 and 76.28(4) to (6), as they apply to the tax under subchapter I, apply to the tax under this subchapter." Subchapter I covers Public Utilities and Subchapter IV covers the Telephone Tax. Therefore, even though a cross-referenced section may say light, heat and power companies and not mention telephone companies, under sec. 76.84, Wis. Stats., that section applies to telephone companies.

Calendar of Events for Telephone Company Assessment

Date	Activity
January 1	DOR makes telephone property report form (T-forms) available in online filing system. Date of assessment of telephone company property.
March 1	Completed T-forms must be filed with DOR. Last day for telephone company to request filing extension from DOR.
March-Sept.	DOR processes T-forms and determines annual assessments.
May-Jan.	Appraisal and field audit of telephone company property.
Early Oct.	Assessment notices and tax bill sent to telephone companies.
Oct. – Nov.	Appeals must be filed within 30 days of notice of assessment.

Definition of Telephone Company

Activities Included in the Definition of Telephone Company

Sec. 76.80(4), Wis. Stats., states, "Telephone company' means any person that provides to another person telecommunications services, including the resale of services provided by another telephone company." Sec. 76.80(3), Wis. Stats., states, "Telecommunications services' means the transmission of voice, video, facsimile or data messages, including telegraph messages, ..." To qualify as a telephone company, a business must have "transmission facilities," or provide "telecommunications facilities," or provide "telecommunication services."

Telephone companies include local exchange, competitive local exchange, inter-exchange, digital subscriber line, commercial mobile service (cellular), reseller and pay phone companies. Also included as part of a “telephone company” are service centers, stores or kiosks they operate to provide customer service, in addition to selling telephones.

Subsidiary Activities in Support of the Telephone Company

A circuit court decision in *T. Pewaukee v. Ameritech Services Inc.*, case number 98CV646, said subsidiary support services done for a telephone company are included as telephone company operations. The decision said a subsidiary that “provides centralized computer, purchasing and other services for the benefit of the AOC telephone companies” is exempt from taxation pursuant to section 70.112(4) which includes property of a telephone company.” The court said these activities meet the standard of “used and useful” in the operation of the telephone companies business.

Activities Excluded From the Definition of Telephone Company

Sec. 76.80(3), Wis. Stats., states, “ ‘Telecommunications services’ means ..., except that ‘telecommunications services’ does not include cable television, radio, one-way radio paging or transmitting messages incidentally to transient occupancy in hotels, and defined in s. 354.61(3).”

Sec. 76.80(4), Wis. Stats., states, “ ‘Telephone company’ does not include a person who operates a private shared telecommunications system, as defined in s.196.201(1), and who is not otherwise a telephone company.” Sec. 196.201(1), Wis. Stats., states “In this section, ‘private shared telecommunications system’ means ... to provide telecommunications service through privately owned customer premises ...or ... where the cost of service is shared ... persons who are not affiliated interest under s. 196.52, and where ... not used to offer telecommunications service for sale directly or indirectly to the general public.” Therefore, a trucking company’s 2-way radio service used solely for its own business, is not a telephone company. Neither is a company providing 2-way radio service to trucking companies or others, unless interconnected with the public switched networks. To qualify as a “commercial mobile service” the system must interconnect with public switched networks.

Internet Service Providers (ISP) are not telephone companies and are subject to local assessment. An ISP provides content but not transmission. Examples of ISP’s include businesses like America On-Line (AOL), Excite, and Yahoo! Such things as computers, modems, and routers are exempt as computer equipment under sec. 70.11 (39), Wis. Stats. The exemption, however, terminates at the hub connecting the computer equipment to the transmission line. If a telephone company offers a separate and distinct ISP service, it should be locally assessed. A definition of “separate and distinct” follows under the description of Personal Property Account Classification. Other non-telephone company activities include but are not limited to:

- Service centers, stores or kiosks operate by non-telephone companies or “Authorized Dealers,” (Radio Shack, etc.) on behalf of a telephone company;
- Printing and publishing telephone book yellow pages;
- Bars, restaurants and gas stations that secondarily own semi-public pay phones

Personal Property Account Classification

Multiple Activities Are Separate and Distinct

DOR uses a 2-step process to classify the personal property of companies with multiple activities. The first step is to determine if the two activities are separate and distinct. For purposes of business classification, an establishment is defined as an economic unit, generally at a single physical location where business is conducted or where services are performed. Where distinct and separate economic activities are performed at a single physical location, each activity should be treated as a separate establishment wherever all the following occur:

- Employment in each economic activity is significant; and
- Separate reports can be prepared on the sales or receipts, number of employees, their wages and salaries and other establishment type data.

DOR defines “significant employment” as at least one full-time employee totally dedicated to the activity.

DOR will assess and tax the personal property of separate and distinct telecommunications activities at the same location as a non-telecommunication activity. Likewise, municipalities will tax separate and distinct non-telecommunication activities at the same location as a telephone company.

Examples include, but are not limited to the following:

- A separate and distinct internet service provider activity (non-telecommunications) at a telephone company (telecommunications) is taxed locally;
- A separate and distinct cable television activity (non-telecommunications) at a telephone company is taxed locally;
- A separate and distinct internet access provider activity (telecommunications) at a cable television company (non-telecommunications) is taxed by the State.
- A separate and distinct telephone service activity (telecommunications) at a cable television company (non-telecommunications) is taxed by the State.

Multiple Activities Are Not Separate and Distinct

The Department classifies establishments by their primary activity. The principal service rendered determines primary activity. “Value added” best determines principal product of the establishment. Value added is rarely possible to obtain. Other criteria to determine the primary activity are value of production, value of receipts or revenues, value of sales, and employment or payroll.

There are businesses with telecommunications and non-telecommunications activities that are not separate and distinct (converged services). Telephone company classification depends on the primary (more than 50%) source of revenue. Examples of such businesses include, but are not limited to the following:

- Telephone companies who also provide cable television activity using the same distribution/transmission system;
- Telephone companies who also provide an internet service provider activity using the same equipment;

- Cable television companies who also provide telephone service using the same distribution/transmission system.
- Cable television companies who also provide high-speed internet access using the same distribution/transmission system.

Assessment of Leased Property and Property on Easements

Section 76.03(4), Wis. Stats. says, “Every person, company or companies, as defined in s.76.02, shall be the representative of every title and interest in the property so operated or used either as owner, lessee or otherwise, and notice to the operating and using company or companies shall be notice to all interests in the property for the purposes of taxation. The assessment and taxation of the property of any company in the name of the operating or using company or companies shall be deemed and held an assessment and taxation of all the title and interest in such property of any kind or nature.” According to *Wisconsin Telephone Company vs. Milwaukee*, 85 Wis.2d 447, 271 N.W. 2d 362 (1978), use is the criterion for classification as property subject to the telephone company tax, not ownership. Property owned by a telephone company and leased to a non-operator is not subject to the telephone tax. Where a telephone company is the lessee of personal operating property, the telephone company is listed on the state assessment roll, not the owner. Government property leased and used for operating property is taxable to the telephone company, except for property leased from a water utility formed under sec. 198.22, Wis. Stats.

Some telephone company property is on right-of-way easements. Such property is assessed to the telephone company as personal property and the land is assessed by the municipal assessor to the owner of the land.

Some businesses lease tower space to telephone companies for placement of antennae. The Bureau assesses towers predominantly used by telephone companies. A tower may be predominantly used by telephone companies, also have non-telephone company users, and be owned by a non-telephone company business. In that case, the Bureau will assess the tower to the non-telephone company business. Municipal assessors assess towers predominantly used by non-telephone company businesses. Factors the Bureau considers in deciding predominant use include, but are not limited to, number of users and income.

Classification of Real Estate with a Combination of Uses

Sec. 70.112(4)(b), Wis. Stats., states, “If real or tangible personal property is used more than 50%, as determined by the department of revenue, in the operation of a telephone company that is subject to the tax imposed under s. 76.81, the department of revenue shall assess the property and that property shall be exempt from the general property taxes imposed under this chapter. If real or tangible personal property is used less than 50%, as determined by the department of revenue, in the operation of a telephone company that is subject to the tax imposed under s. 76.81, the taxation district in which the property is located shall assess the property and that property shall be subject to the general property taxes imposed under this chapter.”

Sec. 70.11(39), Wis. Stats., Computer Exemption and Telephone Companies

Sec. 70.11(39), Wis. Stats., exempts specific computers, including, “... mainframe computers,

minicomputers, personal computers, networked personal computers, servers, terminals, monitors, disk drives, electronic peripheral equipment, tape drives, printers, basic operational programs, systems software and prewritten software.”

The exemption under sec. 70.11(39), Wis. Stats., does not apply to " ... custom software, fax machines, copiers, equipment with embedded computerized components or telephone systems, including equipment that is used to provide telecommunications services, as defined in s. 76.80(3)."

A computer may perform both telecommunications services (transmission) and non-telecommunications functions (administration). Computers used more than 50% for telecommunications services are taxable.

Internet Access Versus Internet Service Provider Equipment

Internet access provider equipment, whether digital subscriber line equipment used by telephone companies or similar equipment used by cable television companies, is taxable telecommunications equipment. Computer equipment such as servers and routers involved in the transmission of 2-way communications is taxable telecommunications equipment. At the customer's premises, the high-speed internet access telecommunications activity ends at the outside of the customer's building.

An internet service provider's, computers, modem banks, routers, etc. are exempt under sec. 70.11(39), Wis. Stats., however that exempt activity ends at the hub which connects the computer equipment to a transmission line.

Assessment Procedures According to Sec. 70.995, Wis. Stats.

Sec. 76.82, Wis. Stats., states, "The department, using the methods that it uses to assess property under s.70.995, shall assess the property that is taxable under s. 76.81, including property that is exempt under s. 70.11(27) from the tax under chapter 70, at its value as of January 1."

5-Year Cycle

Sec. 70.995(7)(b), Wis. Stats., states, "Each 5 years, or more frequently if the department of revenue's workload permits and if in the department's judgment it is desirable; the department of revenue shall complete a field audit or on-site appraisal at full value under ss. 70.32(1) and 70.34 of all manufacturing property in this state."

Self-Reporting Form and Penalty

Filing and Extensions

Sec. 76.83, Wis. Stats., states, "On or before March 1, every telephone company shall send to the department a completed form that the department prescribes. Upon written request, the department may extend the time for filing the report by no more than 30 days." Telephone companies will file separate self-reporting forms for real estate and personal property.

Penalty for Late Filing and Failure to File

Sec. 76.28(6), Wis. Stats., applies to subchapter IV and says, "(a) The records, books, accounts

and papers of any ... company are subject to inspection... (b) If any ... company ... fails to file a report within the time prescribed ... unless ... due to reasonable cause ... there shall be added ... 5% of the amount of such fees ... for not more than one month, with an additional 5% for each additional month or fraction thereof ... not exceeding 25% in the aggregate. (c) If any ... company fails to make a report ... the department may enter ... a sum representing ... the license fees [property tax], together with penalties and interest ... as estimated by the department. Notice ... shall be given by certified mail, and unless a report ... is filed within 15 days of such notice, such estimated assessment shall become final. Thereafter the ... company assessed shall be forever barred from questioning the correctness of the same in any action or proceeding.”

No Appeal Without Filing

Sec. 76.05(1), Wis. Stats., states “If any company ... shall refuse or neglect to make any reports required by s. 76.04 [s. 76.83] ... such company shall be estopped to question or impeach ... the department except upon satisfactory proof of fraud or mistake injurious to the company.” (2) says, “No company shall be allowed in any action or proceeding ... unless such company ... filed ... a ... complete report of the facts and information prescribed by s.76.04 [s.76.83]...”

Statutes for Assessment Notices, Tax Bills, and Appeals

Sec. 76.84, Wis. Stats., states (1) “On or before October 1, the department shall notify each telephone company ... of the assessed value of its property. (2) On or before November 1, the department shall notify each telephone company ... of the amount of that tax.” Section 76.08, Wis. Stats. says, “Notice of the assessments ... shall be given by certified mail to each company ... on or before the assessment date...” On or before October 1, the department will notify each telephone company of the assessed value of its property. Tax bills will generally be included in that mailing. Payment of the tax bill is due November 10.

Failure of DOR to Meet Date of Mailing Notices Does Not Invalidate the Tax

Sec. 76.18, Wis. Stats., states “The provisions in this subchapter prescribing a date ... an act shall be performed ... by the department shall be deemed directory only, and no failure to perform any such act ... within the time prescribed therefore shall affect the validity of such act ... unless it appears that substantial injustice has resulted therefrom...”

Appeal Process

Sec. 76.84, Wis. Stats., applies the appeal process from sec.76.08(1), Wis. Stats., which says, “Any company aggrieved by the assessment ... may have its assessment ... redetermined by the Dane County circuit court if within 30 days after notice of assessment ... is mailed to the company... Upon the filing of the summons and complaint the court shall set the matter for hearing without a jury. ... The department may be named as the defendant ... on the request of the secretary of revenue, the attorney general may participate with or serve in lieu of departmental counsel.

Payment of Taxes

Sec. 76.13(2a), Wis. Stats., states “taxes levied under this section shall be paid to the department in semiannual installments, on May 10 and November 10, on a partially estimated basis. The May 10 payment shall be at least 50% of the total tax assessed for the previous calendar year or 40% of the tax assessed for the current calendar year. Any amounts

not paid when due shall become delinquent and shall be subject to interest under s.76.14. ... Companies with a tax liability under this section of less than \$2,000 are not required to make semiannual payments but shall pay the full amount of taxes due on or before November 10.”

Omitted Property

Sec. 76.09, Wis. Stats., states “Any property ... which has been omitted from assessment ... in any of the 5 next previous years ... shall be entered by the department upon its assessment and tax roll once additionally for each year so omitted...”

Utilities, Pipelines, Railroads, and Airlines

For purposes of property taxation, railroads and airlines are included under utilities, along with traditional utilities such as power and light companies, pipelines, and rural electric associations (REA).

DOR requires utility companies to identify whether property owned or leased is used in the operation of the utility. If it is operating property, it is exempted from the general property tax under Sec. 70.112 (4) Wis. Stats., and is instead taxed under various other statutes including those in sec. 76.01 to 76.26 and sec.76.28, Wis. Stats.

Each utility determines whether a property is operating or non-operating and that determines how they report their taxable assets and/or gross receipts to the Department of Revenue. DOR requires the utility to report operating property on state prescribed forms UT-1490 (Operating Utility - Owned Real Property) or form UT-149 (Operating Utility, Leased Real Property). Property recorded on these two forms *should not be assessed locally*. Utility companies that own or lease real property but do not use it in their operations are required to complete form UT-149NO. This property *should be locally assessed*.

If the assessor has questions regarding use of the property, whether based on inspection or other knowledge, the assessor should direct questions to the contact person shown on the form. The assessor should also monitor lease expiration dates on form UT-149 to ensure that property no longer being leased is returned to the roll and assessed for property tax purposes.

In order to ensure that assessors have the needed information, the revised forms require that the utility provide the assessor with a copy of UT-149 and/or UT-1490. The forms should be filed by February 15 whenever there is a change in the status of real property (new purchase or lease, lease expiration, discontinued use). The exemption is effective even if the utility fails to meet the February 15 deadline. If discovered after the extension of the current year’s tax roll, the assessor adjusts the late exemption discovery through a correction to the following year’s assessment roll (Sec 70.43 Wis. Stats)

Administrative Structure of the Manufacturing & Utility Bureau

The Manufacturing & Utility Bureau is in the Division of State and Local Finance. The Bureau consists of four district offices. For more information, please see [Manufacturing and Utility Bureau](#).

Chapter 19

Personal Property Assessment

Sec. 70.34, Wis. Stats., requires that “All articles of personal property shall, as far as practicable, be valued by the assessor upon actual view at their true cash value.” The term “personal property” as defined in sec. 70.04, Wis. Stats., includes all goods, wares, merchandise, chattels, and effects, of any nature or description, having any real or marketable value, and not included in the term “real property.”

Sec. 70.30, Wis. Stats., states that “Every assessor shall ascertain and set down in separate columns prepared for that purpose on the assessment roll and opposite to the names of all persons assessed for personal property the number and value of the... items of personal property assessed to such person, which shall constitute the assessed valuation of the several items of property therein described...” The items of personal property with which the assessor must be concerned are:

- The number and value of steam and other vessels (boats and watercraft).
- The value of furniture, fixtures, and equipment.
- The value of all other personal property except such as is exempt from taxation.

These basic items will be more fully described later in this chapter.

To properly perform the personal property assessments, the assessor must be able to distinguish between real and personal property. The correct classification of property as realty or personalty is important, for in some cases it determines whether the property is taxed at all. The question of whether a particular kind of property is assessed as real or personal property is not a question of optional choice on the part of the assessor. It is a matter of definition as written in the statutes and as clarified by interpretation of the courts. There will be cases where it is not clear whether a property is realty or personalty; therefore, the assessor must have a sound understanding of the law of fixtures and applicable court cases and opinions which may prove helpful in making the distinction. These have been discussed in detail in WPAM Chapter 22-Legal Reference.

Another area that sometimes poses problems for the assessor is how to distinguish merchants’ stock-in-trade and manufacturers’ materials and finished products (which are exempt) from the various items of personal property which are assessable. This issue has also been addressed in some detail in the Legal Reference (WPAM Chapter 22). The assessor should carefully study that section.

When Assessment Made

The rule for the assessment of personal property is the same as that for real property, that is, as of the close of January 1. The timetable on page 19-2 is included to aid the assessor in planning the work schedule.

Where Personal Property Assessed

Sec. 70.13(1), Wis. Stats., says “All personal property shall be assessed in the assessment

district where the same is located or customarily kept except as otherwise specifically provided. Personal property in transit within the state on the first day of January shall be assessed in the district in which the same is intended to be kept or located, and personal property having no fixed location shall be assessed in the district where the owner or the person in charge or possession thereof resides, except as provided in subsection (5) of this section.” Thus, the tax situs of personal property may or may not be the tax district in which it happened to be physically present as of the close of January 1.

Sec. 70.13, Wis. Stats., would appear to establish a very strong presumption in favor of the assessment district where the personal property is located at the close of the first day of January. However, if other facts can be established which overcome that presumption, then the property may be legally assessed in another assessment district. But, if no one comes forth with facts to rebut this presumption, then the physical location of the property on January 1 is the assessment district where the property should be assessed for that year. In most cases the assessor will have no problem in this respect; however, the law has provided rules for the exceptional cases. See the legal section (Chapter 22) for further definition.

Assessor’s Timetable – Personal Property Assessment

Period or Date	Activities or Comment
September-October	Obtain personal property forms from County Clerk or refer property owners to the online form available on Wisconsin Department of Revenue’s (DOR’s) website. The online form is an excel spreadsheet that computes totals from the values entered by the property owner. City, town or village forms that vary from the state prescribed form must be approved by the DOR.
September-December	Occupancy Check: Prepare names and addresses of personal property accounts for next year’s roll. Add new accounts, do address changes, and remove accounts that moved out of district or went out of business. Make note of vacant business locations.
December	Distribute personal property returns timely so taxpayer has receipt of forms prior to January 1.
January 1 thru March 1	Receive, date, and office audit all forms as they are returned. Note any address and/or owner changes.
February 1	Send delinquent notice to occupational tax accounts.
March 1	Personal property filing due date. Mailing a delinquency notice to non-filers is advised. Contact filers of unacceptable reports for additional information.
March-April	Finalize value and enter into the roll. Mail notice of assessment to the following: <ul style="list-style-type: none"> • Doomages

- New Accounts
- All Accounts (Highly Recommended)

On or before 1st Monday
in May

Assessment roll completed and submitted to municipal clerk.
Assessment roll open for public inspection.

On or after 4th Monday
in April

Assessor signs affidavit in assessment roll and attends Board of
Review (BOR).

Year-Round

Review of media reports, telephone book, city directory,
newspaper ads, etc. for new accounts or deletion of old accounts.

When No Fixed Location

When personal property is determined to have no fixed location, sec. 70.13(1), Wis. Stats., says it "...shall be assessed in the district where the owner or the person in charge or possession thereof resides, except as provided in subsection (5) of this section." Subsection (5), Wis. Stats., says, "As between school districts, the location of personal property for taxation shall be determined by the same rules as between assessment districts; provided, that whenever the owner or occupant shall reside upon any contiguous tracts or parcels of land which shall lie in two or more assessment districts, then the (personal property)... of such owner or occupant used, kept, or being upon such contiguous tracts or parcels of land, shall be assessed in the assessment district where such personal property is customarily kept."

When in Transit

Saw logs: sec. 70.13(2), Wis. Stats., "Saw logs or timber in transit, which are to be sawed or manufactured in any mill in this state, shall be deemed located and shall be assessed in the district in which such mill is located..."

To Whom Personal Property is Assessable

Personal property may be assessed to the owner or to some other person who is in charge or in possession of the personal property. Frequently, leases state whether the owner or the lessee is responsible for the personal property taxes. The assessor may wish to consider the lease provisions when determining who to assess for the personal property. The following material discusses the provisions of Chapter 70 relating to whom personal property is assessable.

To Actual Owner

Normally, "Personal property shall be assessed to the owner thereof, except that when it is in the charge or possession of some person other than the owner it may be assessed to the person so in charge or possession of the same...", as provided by sec. 70.18(1), Wis. Stats.

When a Person is Considered to be an "Owner"

Since the term "owner" has several meanings such as legal, equitable, complete, and beneficial, it is necessary to know what the legislature meant by the term "owner". A strong clue to the legislative meaning of "owner" can be found in sec. 70.19, Wis. Stats., which equates the term "owner" to the person beneficially entitled to the property. Therefore, the term "owner" means more than the mere holder of the bare legal title.

When "Owner" is a Partnership

Sec. 70.21, Wis. Stats., says, "The personal property of a partnership may be assessed in the names of the persons composing such partnership, so far as known or in the firm name or title under which the partnership business is conducted, and each partner shall be liable for the taxes levied thereon..."

When "Owner" is Deceased

Sec. 70.21, Wis. Stats., says, "Undistributed personal property belonging to the estate of a person deceased shall be assessed to the executor or administrator if one shall have been appointed and qualified, on the first day of January in the year in which the assessment is made; otherwise it may be assessed to the estate of such deceased person, and tax thereon shall be paid by the executor or administrator if one be thereafter appointed, otherwise by the person or persons in possession of such property at the time of the assessment."

Sec. 70.22(1), Wis. Stats., lists several alternate ways in which personal property of an estate which is being administered may be assessed by the local assessor. In case one or more of the executors of a will, or administrators or trustees of the estate are no longer residents of the state, the taxable personal property of the estate is assessed to the executors, administrators or trustees residing in the state. If there are two or more executors, administrators, or trustees residing in the state but in different assessment districts, the assessment of the personal property is in the name of all such executors, administrators or trustees. When none of the executors, administrators or trustees live in the state, the personal property assessment is in the name of either the estate, or the executors, administrators, or trustees.

For personal property which a deceased person owned but was omitted from the assessment roll, it was held in the case of *Bogue v. Laughlin*, 149 Wis. 271, 136 N.W. 606 (1912), that such property can be assessed against the executors.

Some Other Person in Charge or Possession

Sec. 70.18(1), Wis. Stats., also provides that "Telegraph and telephone poles, posts, railroad ties, lumber, and all other manufactured forest products shall be deemed to be in the charge or possession of the person in occupancy or possession of the premises upon which the same shall be stored or piled, and the same shall be assessed to such person, unless the owner or some other person residing in the assessment district, shall be actually and actively in charge and possession thereof, in which case it shall be assessed to such resident owner or other person so in actual charge or possession; but nothing contained in this clause shall affect or change the rules prescribed in s. 70.13 respecting the district in which such property shall be assessed."

When personal property is assessed to someone other than the “owner”, then, according to sec. 70.19(2), Wis. Stats., “The person so assessed is personally liable for the tax on the property. The person has a personal right of action against the owner or person beneficially entitled to the property for the amount of the taxes and has a lien for that amount upon the property with the rights and remedies for the preservation and enforcement of that lien provided in sections 289.45 and 289.48 and is entitled to retain possession of the property until the owner or person beneficially entitled to the property pays the tax on the property or reimburses the person assessed for the tax if paid by that person.”

However, by virtue of the language in sec. 70.20(1), Wis. Stats., an “owner” of personal property can have a personal property tax liability even though the property was assessed to a different person who was “in charge or possession” on January 1. Section 70.20(1), Wis. Stats. says, “When personal property shall be assessed to some person in charge or possession thereof, other than the owner, such owner as well as the person so in charge or possession shall be liable for the taxes levied pursuant to such assessment; and the liability of such owner may be enforced in a personal action as for a debt. Such action may be brought in the name of the town, city or village in which such assessment was made... .”

Discovery of Personality

Personal property, as a class, presents problems in discovery and valuation that are not present in real estate. The many items to be valued, the movable nature of the property owned or leased, and the fact that property owners are not required to come to the assessor, requires that the assessor be alert and resourceful to be certain that all taxable property has been discovered, valued and listed on the assessment roll. Chapter 70 should be reviewed regularly for statutory changes affecting taxation or exemption of personal property.

When preparing to assess personal property, one of the first things to be done each year is to draw up a list of personal property owners as of January 1, using the previous year’s personal property assessment roll as a beginning. The alert assessor will have made observations during the past year as to those opening a new business or a business that has changed hands or has been discontinued and can make additions or deletions to the list as necessary. Additional personal property may also be located when visiting business locations, or by checking telephone listings, a street address directory, license lists, building permits, newspaper ads, trade directories, professional directories, and private rating companies (i.e., Dunn & Bradstreet). A check should also be made of exempt institutions since they may contain assessable personal property owned by others. When making a check to locate personal property, it is recommended that a record be maintained of vacant locations, exempt institutions, and construction in progress for future reference.

Actual View

Sec. 70.34, Wis. Stats., states in part that “all articles of personal property shall, as far as practicable, be valued by the assessor upon actual view...” A personal visit may disclose facts which an office examination of the return does not reveal. Additional new accounts may be discovered, claims for obsolescence and depreciation may be discounted after discussion with the owners. The property owners may also have questions to be answered. The personal visit may have a beneficial effect on property tax administration work in general as well as from a public relations standpoint. However, notice requirements included in Chapter 5-10 must be considered prior to achieving actual view.

Personal Property Returns

It may not always be practical for the assessor to view all personal property in the district. State law allows the assessor to require certain property owners to file a personal property form as to the value of the personal property, owned by them and in their possession. Sec. 70.35(1), Wis. Stats., states in part “To determine the amount and value of any personal property for which any person, firm or corporation should be assessed... the assessor may require such person, firm or corporation to submit a return of such property and of the taxable value thereof. There shall be annexed to such return the declaration of such person or of the managing agent or officer of such firm or corporation that the statements therein contained are true.”

The personal property form, called the “Statement of Personal Property,” is not required from farmers, firms, or corporations assessed under Chapter 76 (utilities), or any person, firm, or corporation whose personal property is not used for the production of income in industry, trade, commerce, or professional practice. Any property owner required to file a statement of personal property who fails to do so shall be denied any right of abatement at the BOR hearing unless the form is filed at that time with a statement of the reasons for failure to file in the manner required.

The form of the personal property statement is described by sec. 70.35(2), Wis. Stats., and reads as follows: “The return shall be made and all the information therein requested given by such person on a form prescribed by the assessor with the approval of the department of revenue which shall provide suitable schedules for such information bearing on value as the department deems necessary to enable the assessor to determine the true cash value of the taxable personal property that is owned or in the possession of such person on January 1 as provided in s. 70.10. The return may contain methods of deriving assessable values from book values and for the conversion of book values to present values, and a statement as to the accounting method used. No person shall be required to take detailed physical inventory for the purpose of making the return required by this section.”

The electronic personal property form is available on the DOR website. Paper copies can be obtained from the county designee. Assessors distribute the form to owners of property before January 1. Assessors may use regular mail to provide the paper form or provide information on completion of the electronic version. Assessors may also use electronic mail for this distribution. These methods allow property owners enough time to properly complete the forms and return them by the March 1 due date provided by sec. 70.35(3), Wis. Stats. It states: “Each return shall be filed with the assessor on or before March 1 of the year in which the assessment... is made. The assessor, for good cause, may allow a reasonable extension of time for filing the return. All returns filed under this section shall be the confidential records of the assessor’s office, except that the returns shall be available for use before the board of review as provided in this chapter. No return required under this section is controlling on the assessor in any respect in the assessment of any property.” Filings received on or before March 1 by electronic filing, fax, mail or physical delivery are timely. If March 1 is a Saturday or Sunday, state law (sec. 990.001(4), Wis. Stats.), allows taxpayers to file on the next day that is not a Saturday or Sunday. Under this situation, filings received on or before the next day that is not a Saturday or Sunday by electronic filing, fax, mail or physical delivery are timely.

The assessor may find it practical to personally deliver the statements to personal property owners. By doing so, the assessor can more readily discover address changes, changes in existing accounts, new accounts, accounts which no longer exist, and can be sure that each taxpayer required to file a statement of personal property actually receives the statement.

The assessor should follow-up on any which are not returned in a timely manner. This will help to avoid delay in completion of the assessment roll and BOR proceedings.

When a personal property return is received by the assessor, it should be checked for accuracy in arithmetic and procedure by someone familiar with accounting principles and property tax laws. This must not be neglected. The return should be signed and dated. The correct name of the owner is important. Trade names such as “Jack’s Tap” should not be used for a sole proprietorship, rather the owner’s name, should be used.

There may be times when the assessor is unable to determine the amount of personal property owned by a taxpayer. This may be due to the taxpayer’s failure to file the statement of personal property, improper completion of the statement, and/or inability or unwillingness on the part of the taxpayer to submit to examination under oath or to allow the assessor to view the personal property for the purpose of making an assessment. When this happens, it will be necessary for the assessor to arrive at an assessment independent of these means, from whatever information is available. Resources available for setting the value in these circumstances includes, but is not limited to: (1) prior year filings, (2) comparison to similar businesses, (3) site visit to determine an estimate on site, and/or (4) percent increase over the prior year. . If the assessor is reasonably certain that unreported personal property exists, it is a procedural error to omit that property from assessment. The intentional omission of any property could result in revocation of certification proceedings on the basis of misconduct or negligence.

DOR prescribes an assessment notice form for personal property. Providing a Notice of Personal Property Assessment ([DOR Form PR-299](#)) is considered a best practice and highly recommended. Sec. 70.35(6), Wis. Stats., states in part, “The return required by this section shall not be demanded by the assessor from... any person, firm or corporation whose personal property is not used for the production of income in industry, trade, commerce, or professional practice.” If an individual or firm owns personal property for the purpose of producing gross income, the owner must file a return even though the business may have operated at a loss for the year.

This means the assessor cannot require a return for personal property owned by individuals for their personal use or by individuals or entities exempt under secs. 70.11, 70.111, or 70.112, Wis. Stats. If an individual or firm owns personal property for the purpose of producing gross income, the owner must file a return even though the business may have operated at a loss for the year. Returns should also be required from seasonal operations that are closed on January 1.

Personal property must meet the statutory criteria, primarily secs. 70.11, 70.111, and 70.112, Wis. Stats., to be exempt. If the property is converted to an exempt use, such as a personal use of a hobby, it may qualify for exemption. However, if the property is used for business purposes, it is assessable. For example, a real estate appraisal firm operating out of the owner’s home uses office furniture which is assessable. If the firm goes out of business and

the furniture is converted to personal, non-business use, it would be exempt as household furnishings.

If an appraisal firm with desks, tables, and file cabinets goes out of business, the furniture remains assessable if this is not converted to an exempt use. Assessors may consider the applicability of sec. 70.35(1), Wis. Stats., which allows the assessor to examine the person or firm under oath if a prior year return is not sufficient to determine the current year value subject to tax.

Forfeitures

Section 70.36 (1), Wis. Stats., defines a forfeiture for “Any person, firm, or corporation in this state owning or holding personal property of any nature or description, ..., which property is subject to assessment, who shall intentionally make a false statement to the assessor of that person’s, firm’s, or corporation’s assessment district or to the board of review thereof with respect to such property, or who shall omit any property from any return required to be made under s. 70.35, with the intent of avoiding the payment of the just and proportionate taxes thereon, shall forfeit the sum of \$10 for every \$100 or major fraction thereof so withheld from the assessor or board of review.”

Under sec. 70.36(2), Wis. Stats., it is the duty of the district attorney to investigate complaints made by the assessor or by a member of a BOR regarding an owner of personal property subject to assessment, who intentionally make a false statement to the assessor regarding that property, or who fails to report information on property under secs. 70.35, Wis. Stats. All forfeitures collected under sec. 70.36(1), Wis. Stats., are paid to the treasury of the taxation district in which such property had its situs for taxation.

Classification of Property

As part of the discovery process, the assessor should be sure that all items are properly classified as real or personal property. This is discussed in Chapter 22. The important point is that both the assessor and the taxpayer know the classification of various items for reporting purposes. Misunderstandings between the assessor and the taxpayer can lead to double assessments and omitted property.

To help prevent this from happening, the assessor must carefully review the taxpayer’s personal property return and all notes made during the actual view of the property. The assessor must review this schedule with the owner and resolve any items on which the assessor and the taxpayer disagree. Problems can be resolved either by the assessor adjusting the assessment to coincide with the taxpayer’s return or by the taxpayer changing the way the items are reported. For some items there is no choice (see sec. 70.04, Wis. Stats.) as the Legislature has defined them as personal property and they must be assessed as such.

Leasehold Improvements

According to IAAO Standard on Valuation of Personal Property, leasehold improvements are defined as, "Items of personal property, such as furniture and fixtures associated with a lessee (the tenant), that have been affixed to the real property owned by a lessor."

Tenant leasehold improvements should be included in the personal property assessment.

1. The reporting of leasehold improvements on personal property returns is necessary so that the leasehold improvements in question can be identified in order to avoid taxation of these items both as real and personal property.
2. Specialized equipment such as dental chairs, laboratory fixtures, etc., may be assessable on the personal property roll.
3. It should be recognized that items other than basic real estate items may have limited value to subsequent tenants.

The assessor should, at the very least, include “White Boxed” items in the real estate assessment. White Box is a term used to describe the condition a landlord delivers rentable premises. The term can have different meanings for different landlords or different commercial real estate brokers. For real estate assessment purposes the term shall include the following:

- Four walls, including two demising walls, ready for paint and/or wall covering.
- Finished floor system, to include concrete floor and floor covering.
- Finished ceiling system, to include drop ceiling system and panels or drywall ceiling.
- Standard electrical system with adequate output capacity and adequate/standard lighting.
- Standard plumbing system to include restroom(s) which are fully functional and to code.
- Standard HVAC system to include ductwork for heating/cooling and air conditioning system with adequate output capacity.
- Fire sprinklers.
- All work exterior to the rentable premises completed, to include storefront entries commensurate with the quality of the development, and rear employee/ delivery entrances.

This definition does not include wall coverings, interior partitions and trade fixtures.

Classification Guide – Real vs. Personal

In most cases, a particular piece of property is obviously either personal property or real property. In some instances, however, the lines appear blurred. When this happens, distinguishing between real and personal property becomes a significant challenge.

Definitions

Real property as described in sec. 70.03, Wis. Stats., includes not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto.

Personal property as defined in sec. 70.04, Wis. Stats., includes all goods, wares, merchandise, chattels, and effects, of any nature or description, having any real or marketable value and not included in the term “real property”.

The conclusion from these two definitions is that classification as real estate is the primary focus for the assessor, as personal property is defined by the statutes as those items not included in the term real property. The thought process that the assessor should give primary consideration to classifying assets as real estate is consistent with established practices and Wisconsin case law.

The basic factors for determining whether an item should be classified as real or personal property are designed use and purpose. Normally, the land and all permanent structures on the land, all mechanical and other features within the structures designed for the safety and comfort of the occupants, and all permanent land improvements added for the utilization of the land are considered real estate.

Land improvements generally considered real property include retaining walls, piling and mats for general improvements of the site, private roads, paved areas, culverts, bridges, viaducts, subways, tunnels, fencing, reservoirs, dikes, dams, ditches, canals, private storm and sanitary sewers, private water lines for drinking, sanitary and fire protection, fixed wharves and docks, permanent standard gauge railroad tracks, and yard lighting.

Building components generally considered real property include foundations, walls, floors, roof, insulation, stairways, catwalks, skywalks, partitions, loading and unloading platforms and canopies, systems designed for occupant comfort such as heating, lighting, air conditioning, ventilating, sanitation, fixed fire protection, plumbing and drinking water, elevators, and escalators.

Testing to Determine Classification

Wisconsin case law (please see the Fixtures Section in WPAM Chapter 22) suggests three tests to determine whether a piece of property should be classified real or personal.

First test – Annexation. Is the method of attachment such that removal from the real estate will not damage the article being removed or to the realty from which it is removed? (Damage implies loss in value). Attachment may be by:

- Gravity or weight of the object itself.
- Physical connection.
- Incorporation to the real estate.

Examples of physical attachment include: water pipes, electrical wiring, linoleum, heavy industrial machinery kept in place by their own weight.

Second test – Intention of the parties. Is the article attached with the intention of making it a permanent part of the building? Would the average person consider this article a permanent fixture?

For example, wall-to-wall carpeting, whether hardwood, concrete slab or Masonite is underneath, is generally considered part of the real estate.

Third test – Relationship of the property. Is there any special adaptation between the article and the premises? Personal property designed for and used in the “normal use” of a parcel of land may be classified as real property. Permanent physical attachment is not always necessary for personal property to become a fixture to the real estate.

Examples include storms and screens, specifically built for a house, a built-in oven which merely sits in a cabinet specifically built to hold it, house keys, and church pews.

In summary, in order to decide whether items are assessable as real estate, you must ask the following questions:

- How attached is this article to the real estate?
- Would there be damage to the article and/or the real estate if the article were removed?
- What would the typical owner's intent be in installing this article? Would it remain as an integral part of the real estate if sold?
- Was this article specifically adapted to this particular real estate?

It should be recognized in classifying items, that a particular property may have unique characteristics and circumstances. The unique characteristics and circumstances may make your decision as to real or personal property different than in other instances where there are no unique characteristics and circumstances. Buildings on leased land may be one of those instances.

The assessor should also be aware that the use of a particular valuation approach does not automatically preclude classification as real or personal property. For example, leasehold improvements are appropriately classified as real estate for all the above stated rationale and the assessor uses a market rent for improved space when using an income approach. If a cost approach is used, items can be costed out for real estate as well as personal property.

Real Property vs. Personal Property Classification Guide

The use and purpose determine whether items should be classified as real or personal property. Normally, the land and all permanent structures on the land and all permanent land improvements are considered real estate.

For example, land improvements generally considered real property include retaining walls, piling and mats for general improvements of the site, private roads, paved areas, culverts, bridges, viaducts, subways, tunnels, fencing, reservoirs, dikes, dams, ditches, canals, private storm and sanitary sewers, private water lines for drinking, sanitary and fire protection, fixed piers, fixed wharves, and fixed docks, permanent standard gauge railroad tracks, and yard lighting.

Building components generally considered real include foundations, walls, floors, roof, insulation, stairways, catwalks, skywalks, partitions, loading and unloading platforms and canopies, systems designed for occupant comfort such as heating, lighting, air conditioning, ventilating, sanitation, fixed fire protection, plumbing and drinking water, elevators, and escalators.

Sec. 70.03, Wis. Stats., defines real property as the land, buildings, improvements, and fixtures thereon. Sec. 70.04, Wis. Stats., defines personal property as all goods, wares, merchandise, chattels, and effects that are not real property.

The following guidelines contain recommendations for classifying individual items. The assessor should also consider the specific facts of each situation when determining the classification of individual items. However, the rationale as described in this section, clarifies that some items, such as tavern bars and back bars, gas station pumps and tanks, safety deposit boxes, apartment furnishings and appliances, are properly classified as real property. The assessor should also refer to their real estate costing manuals for guidance and Chapter 22 for relevant court cases and Attorney General Opinions concerning this subject.

Category	Item	Classification	
Buildings	Air conditioning – central	Real	
	Air conditioning – wall	Real	
	Air conditioning – window	Personal	
	Security system (cameras, monitors, alarms)	Personal	
	Boiler – for heating building	Real	
	Cold storage – built-in	Real	
	Cold storage – walk-in coolers	Personal	
	Cold storage – free standing	Personal	
	Cold storage – movable (knock-down type)	Personal	
	Dock leveler	Real	
	Door – automatic	Real	
	Dumbwaiter	Real	
	Elevator	Real	
	Escalator	Real	
	Man lift	Real	
	Internal wiring for sound, intercom, surveillance & music systems	Real	
	Equipment for sound, intercom & music systems – free standing	Personal	
	Sidewalk lift	Real	
	Sprinkler system	Real	
	Cooking range – free standing	Personal	
	Cooking range – built-in	Real	
	Furnace – free standing	Personal	
	Furnace – built-in	Real	
	Surveillance equipment – free standing	Personal	
	Water heaters – general purpose	Real	
	Water heaters – special purpose only (Laundromats, car wash)	Personal	
	Yard items	Loading docks	Real
		Bulkheads	Real
		Fencing	Real
		Incinerator	Real
Overhead walkway		Real	
Satellite dish		Personal	
Satellite receiver		Personal	
Scale house		Real	
Scale – platform – built-in		Real	
Scale – platform – portable		Personal	
Sign – attached to building		Personal	
Sign – billboard		Personal*	
Sign – pylon (sign face)		Personal	
Sign – pylon (footing, foundation, pole structure)		Real	
Tower – communication		Personal	
Tower – radio station	Personal		
Tower – television station	Personal		
Railroad siding	Real		

	Tunnel	Real
	Skywalk	Real
	Utility shed	Real
Bowling lanes	Lane and return	Real
	Pinspotter	Personal
Car washes	Equipment	Personal
	Plumbing, piping & wiring	Real
Commercial greenhouses	Glass on framing	Real
	Plastic on framing	Real
	Heating system	Real
Commercial fishing	Nets	Personal
	Boat hoists (portable)	Personal
	Boat hoists (fixed)	Real
	Processing tables or benches	Personal
Manufactured or Mobile home	In community, check local ordinances	Personal
	Owner's lot, permanent foundation & utilities	Real
Manufactured or Mobile home community	Laundry building, bathhouse, swimming pool, etc.	Real
	Poles and lighting	Real
	Sewer system	Real
	Water system	Real
	Walk, driveway and parking area, streets	Real
Oil bulk & refining	Loading rack (frame and canopy)	Real
	Oil storage tank	Real
	Piping	Real
Restaurants & Bars	Bar and back bars – built-in	Real
	Equipment	Personal
	Sink used in conjunction with business operation – built-in	Real
Theaters - indoor	Equipment	Personal
	Seats	Personal
Theaters - outdoor	Concession stand & other buildings	Real
	Screen	Real
	Speaker, post and underground wiring	Real
Special items	Craneway – independent of building structure	Personal
	Craneway – integrated with building structure	Real
	Crane motor and mechanism	Personal
	Grain elevator	Real
	Kiln	Real

	Silo – farm only	Real
	Swimming pool – in-round	Real
	Tank – storage – above ground	Personal
	Tank – storage – underground	Real
Auto services	Compressor	Personal
	Lift/Hoist – built-in	Real
	Lift/Hoist – surface mounted	Personal
	Pump	Personal
	Service station yard lighting	Real
	Tank – above ground	Personal
	Tank – underground	Real
Apartments	Carpeting – installed and attached	Real
	Appliances – built-in (ranges, dishwashers, etc.)	Real
	Appliances – freestanding	Personal
Banks	Counter – built-in	Real
	Alarm systems	Personal
	Night depository	Real
	Safe – built-in	Real
	Safe – movable	Personal
	Safe deposit boxes	Real
	Surveillance system	Personal
	Vault	Real
	Vault door	Real
	Window – walk-up	Real
Beauty shop	Built-in basins and sinks used in conjunction with business	Real

Advertising Signs - Billboards

Advertising signs (billboards) offer a unique circumstance for the assessor. [Sec. 70.03 \(2\), Wis. Stats.](#), states that real estate and real property do not include the permits and the value of the permits required for personal property under [sec. 70.04 \(3\), Wis. Stats.](#) [Sec. 70.04 \(3\), Wis. Stats.](#), states that personal property includes off-premises advertising signs. Off-premises advertising signs do not advertise the site where the sign is located.

Consideration of the following guidance regarding advertising signs is necessary for accurate assessments:

1. Categorize as Real Estate or Personal Property

- Real estate:
 - Advertising signs attached to land owned by the owner of the advertising sign
 - Advertising signs attached to buildings owned by the owner of the advertising sign
- Personal Property:
 - Off premise advertising signs, not advertising any activity done on the site of the sign

- On premise advertising signs per activity on the premises and the sign is on leased land
 - The sign could be an on premises advertising sign, owned by the owner of the business, but be assessed as personal property by nature of the rental agreement
- 2. Real Estate Classification**
- Commercial: land necessary for location and convenience of the improvement, advertising sign.
 - Remainder of parcel: classification does not change. Classify according to the requirements of [sec. 70.32, Wis. Stats.](#), and the standards in the Manual.
- 3. Advertising Sign Valuation**
- State law provides the requirements for valuation of real estate ([sec. 70.32, Wis. Stats.](#)) with sales providing the best indicator of value and personal property ([sec. 70.34, Wis. Stats.](#)) according to true cash value with a depreciated cost typically providing the best indicator of value.
 - If personal property or real estate, regardless of permit ownership, there is no value attached to the permit for assessment purposes
 - Income produced by holding the permit cannot be capitalized

Chapters 9 and 13 provide information on the approaches to value.

Data Collection and Review

To aid the assessor in determining the amount and value of personal property for which any person, firm, or corporation should be assessed, [sec. 70.35 Wis. Stats.](#), gives the assessor the authority to examine such person or the managing agent or officer of any firm or corporation under oath as to all such items of personal property and the taxable value. In the alternative, the assessor may require such person, firm, or corporation to submit a personal property return.

If the taxpayer refuses to discuss the amount and value of personal property, or to allow the assessor to view the personal property, the assessor is forced to make an assessment on the next best information available. When the BOR meets, whether or not the taxpayer appeals the assessment, the assessor may then request the BOR to subpoena from the taxpayer the production of all books, inventories, appraisals, documents, and other data which may throw light upon the value of property as provided by [sec. 70.47\(8\)\(d\), Wis. Stats.](#) Keep in mind that at this point, the assessor has signed the assessment roll and cannot impeach the affidavit. It would then be up to the BOR to call upon the assistance of an expert to review the taxpayer's books, come up with an opinion of market value, and then present sworn testimony to the Board regarding the value of the property. The taxpayer must be given proper notice as required by [sec. 70.47\(10\), Wis. Stats.](#), and be given an opportunity to present testimony if so desired.

In cases where the taxpayer is willing to meet and provide information on the property or even allow access to the books, the assessor must be prepared to ask the right questions and know what to look for when reviewing the taxpayer's books and viewing the property. The following on audit procedures is provided to assist the assessor in meeting with the taxpayer.

Audit Procedures

1. Contact the taxpayer and find out where the accounting records are located and the name of the person to contact.
2. Contact the taxpayer ahead of time so the taxpayer has time to prepare and gather together all of the necessary records.
3. During the initial contact, specify exactly what records you want to see and for what time period.
4. Prior to beginning the audit, hold an interview with the contact person to get general types of information:
 - A. Capitalization policy
 - Does the company expense or capitalize asset purchases? If the assets are recorded as expenses, they will not show up on the personal property form. The assessor will have to add these items to the asset accounts to get a true valuation of the assets.
 - Does the company expense or capitalize sales and use taxes and freight charges? These items are a normal part of the acquisition cost of the assets and should be added to the assets cost.
 - Does the company write off fully depreciated assets? Assets may be fully depreciated for accounting purposes and still be used. Therefore, the value of fully depreciated assets must be included with other assets.
 - What is the company policy for writing off scrapped or sold assets? The assessor must make sure that scrapped or sold assets have been disposed of prior to the assessment date. If these items are still located on the company's premises, the assessor should include them in the valuation of assets.
 - Does the company capitalize or expense equipment repairs? Any repair that increases the value of the asset, i.e., lengthens its life or improves its productivity, must be capitalized or added to the value of the asset. Normal maintenance, such as minor adjustments or tune-ups, may be expensed.
 - What is the company policy for trade-in allowances? The trade-in allowance should be used to offset the salvage value of the asset traded in. It should not be a deduction from the value of the asset purchased.
 - B. Is there a reconciliation schedule between book amounts and the amounts reported on the statement of personal property? The amounts reported on the personal property statement should be the original cost of acquisition. Any differences should be closely scrutinized to verify their validity.
 - C. Are purchases recorded as goods are received, as goods are ordered, or as goods are invoiced? The assessor is required to assess the property that is located at the company as of January 1. If the purchases are recorded as goods are ordered, the asset may be on the books but not at the company as of January 1. If the purchases are recorded as goods are invoiced, they may be at the company and in use but not on the books.
 - D. Find out if the company is carrying assets on the books that are normally located outside of the municipality (be sure that assets which are located in another municipality are not assessed in your district).
 - E. Ask general questions about the company including: number of employees, how long the company has been in operation, sources of supplies and types of equipment used.

5. After the interview and with any required notice given (see Chapter 5-10), take a tour of the company's facilities and view property to verify condition. Ask questions. Try to find out the age, type of equipment, whether there have been improvements to that type of equipment which would render the present equipment obsolete. Observe smaller items that may have been expensed at the time of purchase and do not appear on the books--they are assessable. When viewing property, ask which equipment, if any, is leased (be sure that it is assessed to the proper person). When viewing the property, it will be helpful to use some type of data collection form on which to record information.

During the tour, select some very old and some very new equipment for tracing through the records to determine whether the old equipment is on the books or written off. Trace new equipment to the invoices to determine whether the date received coincides with the date entered in the records. Trace a sampling of the more expensive pieces of equipment to the purchase invoices to verify that the recorded costs incorporate taxes (including sales taxes) and freight. Be sure that installation costs are also included.

6. Following the interview and tour of facilities, begin the audit. There are a number of different types of records you may encounter:
 - A. General ledger--This is used by the company to prepare financial statements.
 - B. Subsidiary ledger--Supports the general ledger.
 - C. Books of original entry--These are the sales, purchases, cash disbursements and general journals from which the ledger entries are derived.
 - D. Primary source documents--i.e., invoices.
 - E. Substantiating Documentary Evidence--Sales orders, shipping records, bills of lading, sales contracts, purchase orders, receiving records, etc.
 - F. External Evidences--Tax returns, fire insurance policies, statements for credit reports.
 - G. Company policies and practices--Minutes of board meetings, budgets, accounting procedures.
 - H. Computer generated records.
7. Select one year to audit and request a chart of accounts, financial statements prepared around January 1, the general ledger, and the supporting ledgers. Using these documents, verify the accuracy of the property statement.
 - A. Be sure that all purchases received prior to January 1 and any goods purchased but in-transit on January 1 are included (this may require a check of suppliers invoices and the purchase journal). Verify that all purchases have been reported. Remember that inventories are exempt from property taxes.
 - B. Be sure that supplies are not included as exempt inventory. Supplies may be charged to a separate inventory account or they may be expensed as they are purchased. Supplies on hand are assessable.
 - C. Verify the amounts reported and the year acquired as shown on the property statement against the detail equipment ledger.
 - D. Remember that the asset costs of acquisition as listed on the books are historical costs.

Listing of Personal Property

Sec. 70.29, Wis. Stats., says, "The assessor shall place in one distinct and continuous part of the assessment roll all the names of persons assessed for personal property, with a statement

of such property in each village in his assessment district, and foot up the valuation thereof separately; otherwise he shall arrange all names of persons assessed for personal property on his roll alphabetically so far as he conveniently can. He shall also place upon the assessment roll, in a separate column and opposite the name of each person assessed for personal property, the number of the school district in which such personal property is subject to taxation.”

The assessor should take special note of sec. 70.19(1), Wis. Stats., which relates to listing personal property which is to be assessed to some person in charge or possession who is not the owner or person beneficially entitled to the property. It says, “...the assessment thereof shall be entered upon the assessment roll separately from the same person’s assessment of the person’s own personal property, adding to the person’s name upon such roll words briefly indicating that such assessment is made to the person as the person in charge thereof as occupant or possessor of the premises on which such property is stored or piled or as the spouse, agent, lessee, occupant, mortgagee, pledgee, executor, administrator, trustee, assignee, receiver or other representative of the owner or person beneficially entitled thereto; but a failure to enter such assessment separately or to indicate the representative capacity or other relationship of the person assessed shall not affect the validity of the assessment.”

Valuation of Personal Property

The statutory standard for the valuation of personal property is true cash value. In view of the fact that many districts assess property at some fraction of full value, the assessor must exercise particular care so that the assessments of personal property as a class bear the same relation to statutory value as real property as a class. Of note: The assessor is not limited to using the value submitted by the property owner. If the assessor has sales or rental income on like property, that information can be used to determine value. In the case of rented boat slips and airplane hangers, if there are sales or rent information available, it may be the best evidence of value. See *State ex rel. Berg Equipment Corp. v. Board of Review, Town of Spencer*, 53 Wis.2d 233, 191 N.W.2d 892 in WPAM Chapter 22, “Tax assessment must be based on market value and not on depreciated book value.” The personal property has value if it is still in use regardless of the accounting book value. To assist the assessor in determining the relationship between real and personal property, the DOR makes available to local assessor’s information on the level of assessments.

Boats and Other Watercraft – Not Exempt

Sec. 70.111(3), Wis. Stats., exempts watercraft employed regularly in interstate traffic, watercraft laid up for repairs, all pleasure watercraft used for recreational purposes, and commercial fishing boats and equipment that is used by commercial fishing boats, charter sailboats and charter boats, other than sailboats, that are used for tours. Outboard motors used for recreational purposes are also exempt. Recreational purposes do not include renting boats or watercraft to others for their recreational use, nor use by businesses for customer pleasure.

Sec. 70.111(3m), Wis. Stats., exempts motor boats, and the equipment used on them, which are regularly employed in carrying persons for hire for sport fishing in and upon outlying waters as defined in sec. 29.001(63), Wis. Stats., and the rivers and tributaries specified in sec. 29.2285(2)(a) 1 and 2, Wis. Stats., if the owner and all operators are licensed guides under

sec. 29.512, Wis. Stats. or sec. 29.514, Wis. Stats. or both, and are licensed by the U.S. Coast Guard to operate the boats for this purpose. “Outlying waters” means Lake Superior, Lake Michigan, Green Bay, Sturgeon Bay, Sawyers Harbor, and the Fox River from its mouth up to the dam at De Pere. “Rivers and tributaries” are any river or stream tributary of Lake Michigan or Green Bay, except the Kewaunee River, from its mouth upstream to the first dam or lake; and the Kewaunee River from its mouth upstream to the CTH “C” bridge in the southeast quarter of Section 29, township 24 north, range 24 east.

Boats that are laid up for repairs are exempt; boats that are out of the water and receiving normal maintenance are taxable. Due to the winter weather, most if not all boats are out of the water on the assessment date. It is at this time that major repairs and normal maintenance are done to prepare the boat for the next season. Black’s Law Dictionary, 4th Edition, defines repair as “To mend, remedy, restore, renovate; to restore to sound or good state after decay, injury, dilapidation, or partial destruction.” Maintain is defined as “acts to prevent a decline, lapse, or cessation from existing state or condition”. Repairs involve acts necessary to return a boat to usable condition. Maintenance involves acts that keep the boat in a usable condition and prevent it from needing repairs. A boat with a tear in the hull or in need of a complete engine overhaul that prevents the boat from operating is laid up for repairs and exempt. A boat that is having the hull repainted or the engine tuned up is receiving normal maintenance and is not exempt. The determination of the extent of the damage and thus, the assessable status is the responsibility of the assessor. The taxpayer should be prepared to justify any claim that the boat is laid up for repairs and not for normal maintenance.

Boats employed regularly in interstate traffic are also exempt from the property tax. Instead of the property tax, the owner pays a sum of one cent per net ton of registered tonnage. The emphasis in this statute appears to be on the word “regularly”. Regularly is defined in the American Heritage Dictionary as “customary; usual, or normal”. From this definition, it would appear that only those watercraft that were “usually” or “normally” engaged in interstate traffic could pay the one cent per net ton fee and be exempt from other taxes. For example, a ferry service between ports in Wisconsin and other states, such as Michigan, would be regularly employed in interstate traffic and exempt from property taxes. However, a boat that traveled between Wisconsin ports and only occasionally made trips to ports in other states (not as part of a “regular” run) would appear to be taxable. The use of the word regularly would seem to contemplate something more than incidental or occasional trips to ports in another state.

Again, the decision of whether or not to exempt property is to be made by the local assessor. To help determine the true cash value of taxable boats, local boat dealers should be contacted for cost and sales data.

Public Utilities (Locally Assessed)

This category of personal property includes the property and franchise of a public utility company whose property is all within one taxation district. Because this type of property is not commonly bought or sold, sales information is, for the most part, non-existent. It is suggested that assessors having utility property to assess do so in cooperation with the Supervisor of Equalization for that district.

Whenever the property of a public utility extends into more than one taxation district, it becomes assessable under Chapter 76, Wisconsin Statutes, by DOR. The courts in Wisconsin have determined that these properties must be assessed as a whole and going concern. This is necessary to guarantee a uniform and equitable assessment of utility property.

State law requires DOR to annually assess all the property, both real and personal, owned or leased, used by railroads, electric and gas utilities, telegraph, conservation and regulation, airlines and pipeline companies in the State of Wisconsin. Therefore, the Manufacturing & Utility Bureau not only assesses property owned by the utilities (if located in more than one taxation district) but also assesses personal property leased to utilities. A list of utility companies assessed by the state is provided to assessors in the annual Supplement. If any leasing companies submit a statement of personal property leased to an electric, gas, pipeline, railroad, telegraph, airline, conservation and regulation company, the return should be forwarded to the [Manufacturing & Utility Bureau](#).

State vs. Local Assessment When Used in Part for Non-Utility Purposes

Any public utilities assessed by DOR under Chapter 76 are exempt from property taxes EXCEPT in cases where a general structure (this DOES NOT include land) is used in part for the operation of a public utility and in part for non-operating purposes of a utility. In such cases, the general structure is assessed by the local assessor at the percentage of its full market value that fairly measures and represents the extent of its use for non-operating purposes (sec. 70.112(4), Wis. Stats.)

Where DOR has knowledge of utility properties that are used in part for non-utility purposes it will annually notify assessors of this fact and of the percentage of non-utility use as estimated by the utility company if available. The assessor will be asked to investigate the use of such properties to determine if the property is used for both utility and non-utility purposes, and to determine if the percentage allocation estimated by the utility company is accurate. The procedure to estimate the proportional use of a structure follows.

Determine Proportional Use of General Structure

Only the general structure (improvement) is considered. If the structure is homogeneous in construction and economic rental value, appraise the total structure as you do others of its kind in your taxation district. Then take that figure times the percentage of the structure that represents non-utility use based upon area (sq. ft. or cubic ft.).

If the structure is not homogeneous, identify the part used for non-utility and the part used for utility purposes and value each part separately by cost, income, gross rent multiplier, etc.

Utility Portion		\$ XXX		
Non-Utility Portion		<u>\$ YYY</u>		
Total Structure		\$ ZZZ		
Proportion of Utility Use	=	\$ XXX	÷	\$ ZZZ
Proportion of Non-Utility	=	\$ YYY	÷	\$ ZZZ

In cases where the utility company and the local assessor disagree on the percentage of the

structure that is utility vs. non-utility, the discrepancy must be resolved by DOR, municipality, and utility so an equitable assessment can be made.

While part of a general structure may be assessed locally and part by DOR, this is not the case with land. In cases where a property is used in part for the operation of a public utility and in part for non-operating purposes, the land is either completely exempt from local taxation, or entirely subject to local taxation, depending upon the predominant use. This method of assessing the land according to its predominant use has been upheld in *TDS Real Estate Investment Corp. and Central State Telephone Co. v. City of Madison*, 151 Wis.2d 530, 445 N.W.2d 53 (1989).

Determine Predominant Use of Land

Analyze the land and divide it between (a), the land under the general structure necessary for the location and convenience of the structure and (b), any additional or excess land included in the parcel under consideration.

With respect to (a), the land under the structure, the percent utility and percent non-utility use would follow the same proportions determined for the general structure itself.

Example: If there is no excess or additional land, then the predominant use of the land is determined by looking to the proportions found for the general structure. For example, if utility use is found to be 52% for the general structure and non-utility use is found to be 48%, then the predominant use of the land is utility, assessable by DOR, and hence should not be entered in the local assessment roll. The assessed value of the non-utility portion of the general structure would then be entered in the local assessment roll as personal property (the same as a building on leased land).

Conclusion:

- Land: Predominant use is utility, hence no land is to be assessed locally
- General Structure: 48% non-utility; assessed locally as personal property; 52% utility; assessed by State.
- If there is excess land other than under the structure, weight the excess land in relation to the land under the structure to determine a “composite” proportion of land use

Example: Assume a situation where the general structure is 52% utility use and 48% non-utility use. The parcel under consideration includes a substantial amount of excess land so that the land under the general structure is 60% of the total land parcel and the excess land is 40% of the total land parcel. The excess land is 20% utility use and 80% non-utility use. The composite land use proportion is computed as follows:

	(1) Weight	(2) Utility use	(3) (1) X (2)	(4) Non-utility use	(5) (1) X (4)
Land Under Structure	60%	52%	31.2	48%	28.8
Excess Land	40%	20%	<u>8.0</u>	80%	<u>32.0</u>
			39.2		60.8

Conclusion:

- Land: Predominant use is non-utility (60.8%), hence all land is locally assessed.

- General Structure: 48% non-utility; assessed locally 52% utility; assessed by State
- Since land is assessed locally under the doctrine of predominant use, enter both the land and 48% of improvement value in the real estate section of the local assessment roll.

Telephone Companies and Equipment

The Manufacturing and Utility Assessment Section is responsible for the assessment of telephone companies.

Based on a law change effective for January 1, 1998 assessments, the taxation of telephone companies changed from a license fee to an ad valorem property tax. Taxes collected from telephone companies will continue to go to the state's general fund.

Property of telephone companies will be assessed in the same manner as manufacturing property under sec. 70.995, Wis. Stats. Taxable telephone property includes local exchanges, inter-exchanges, cellular, personal communication systems, and reseller companies.

Municipal assessors are to assess one-way radio paging and any non-operating telephone company property including retail stores selling phones.

Municipal assessors must also assess property under certain circumstances. Property owned by a telephone company and leased to a non-operator is subject to local assessment and so is property on right-of-way easements.

Machinery, Tools and Patterns

2017 Wisconsin Act 59, effective January 1, 2018, exempted machinery, tools and patterns. This is the property reported on Schedule C of the 2017 Statement of Personal Property. The exemption does not apply to manufacturing property.

There are some items of machinery which were already exempt from taxation. Sec. 70.111(9), Wis. Stats., exempts "The tools of a mechanic if those tools are kept and used in the mechanic's trade; and garden machines and implements and farm, orchard and garden tools if those machines, implements and tools are owned and used by any person in the business of farming or in the operation of any orchard or garden." Tractors and machines; including accessories, attachments, fuel and repair parts for them; whether owned or leased, that are used exclusively and directly in farming; including dairy farming, agriculture, horticulture, floriculture and custom farming services; but not including personal property that is attached to, fastened to, connected to or built into real property or that becomes an addition to, component of or capital improvement to real property and not including buildings or improvements to real property, regardless of any contribution that that personal property makes to the production process in them and regardless of the extent to which that personal property functions as a machine are exempted per sec. 70.111(10)(b), Wis. Stats. It also exempts farm machinery owned by a retailer when it is new or leased. Used farm machinery owned by a retailer and held for sale would be exempt as merchants' stock.

Sec. 70.11(27), Wis. Stats., exempts "Manufacturing machinery and specific processing equipment, exclusively and directly used by a manufacturer in manufacturing tangible

personal property.” This exemption only applies to businesses classified as manufacturing by the DOR. Contact the [Manufacturing/Utility Office](#) with questions.

Furniture, Fixtures and Equipment

This class contains a wide variety of personal property items such as furniture, fixtures, and equipment of all kinds. The list includes:

- Architects furniture and drafting materials
- Beauty salon equipment
- Bowling alley equipment
- Dentist chairs and equipment
- Desks & chairs
- Doctors equipment, including instruments
- Filing cases
- Furniture in motels, hotels, and rooming houses; kitchen equipment such as dishes, utensils, etc., for use in hotels and motels; and bedding
- Laundromat equipment and furniture
- Office furniture and equipment
- Opticians furniture and equipment
- Pool or billiard tables
- Restaurant furniture and equipment such as dishes and silverware
- Safes
- Scales
- Store furniture

The valuation of this class of property follows the same general principles as applied to other classes of personal property. The statutory provision for assessing from actual view should be carried out whenever possible. In many cases it will be necessary for the assessor to rely on the owner’s records since the time spent in viewing hundreds of items is impractical. There are times, however, when the only sound way to arrive at the value of the property is by a physical inventory. To value the furniture and fixtures found in taverns, bowling alleys, or restaurants, for example, a physical inventory may be necessary.

Computers

Sec. 70.11(39), Wis. Stats., exempts “mainframe computers, minicomputers, personal computers, networked personal computers, servers, terminals, monitors, disk drives, electronic peripheral equipment, tape drives, printers, basic operational programs, system software and prewritten software”. The exemption in sec. 70.11(39), Wis. Stats., does not apply to “custom software, fax machines, copiers, equipment with embedded computerized components or telephone systems, including equipment that is used to provide telecommunications services, as defined in sec. 76.80(3), Wis. Stats.” Sec. 70.11(39m), Wis. Stats., exempts cash registers and fax machines, excluding fax machines that are also copiers. Under 2017 Act 59, reporting of computer exemptions on the PA-003 is no longer required to receive exemption.

In 2003, the Tax Appeals Commission defined some of these terms in the case *City of Lacrosse v. Wisconsin Department of Revenue, Gundersen Clinic, Ltd. V. Wisconsin Department of*

Revenue, Tax Appeals Commission Cases Docket Nos. 03-M-134, 04-M-134, 04-M-139:

- Computer: a combination of central processing unit, memory, storage, and input and output interfaces that is designed to run programs under operator control.
- Electronic peripheral equipment: equipment that is not normally an integral part of a computer but which can be connected to a computer to add functionality, and which is not fully functional until connected directly to a computer.
- Embedded computerized equipment: a partial component of a computer such as a microprocessor that is integrated into a piece of equipment and is not directly accessible either physically or operationally through interactive commands by the user of the equipment.
- Peripheral equipment: equipment that works in conjunction with a computer but is not part of the computer itself.
- Server: A computer designed to interact with several users simultaneously by running an operating system like UNIX or a server version of Microsoft Windows or Apple Mac OS X.

Leased Equipment

The valuation of leased equipment owned by the manufacturer or commercial establishment, and in possession of the lessee, has presented considerable difficulty to the assessor. The leasing of equipment, rather than purchasing, has become widespread, with more items available for leasing. While some of this type of equipment is both leased and sold, others may be leased only. The assessor should be alert to discover this class of property by inquiry and investigation.

The following information should be gathered on leased equipment so the best possible valuation methods can be employed.

- Model
- Description
- Serial number
- Name of lessee
- Location of equipment
- Date of installation
- Year of manufacture
- Current list price new
- Annual and/or monthly rents

Having collected the necessary information, there are various methods which can be used for the valuation of leased equipment. The method used will be dependent on the data available.

The assessor should generally attempt to assess property to the person responsible for paying the taxes. This is usually specified in the lease agreement and the information can be obtained by contacting the lessor or lessee. Although sec. 70.18, Wis. Stats., permits the assessor to assess leased equipment to either the lessor or the lessee, there are several advantages to assessing property according to the lease agreement: 1) there is less possibility of a double assessment especially when both the lessor and lessee report the same equipment; 2) there is less possibility of confusion in collecting taxes, especially when the lessee expects to pay the tax as part of the lessee's tax and later receives a separate bill from the lessor for this equipment; and 3) the lessor and lessee are more likely to cooperate in providing

information about leased equipment if the assessor makes the assessment according to the lease agreement, the exclusivity of occupancy, who receives profits or revenues from the property and to what extent, etc.

If exemption turns on who "owns" leased property, the owner for property tax purposes is the owner who retains a beneficial interest in the property. Beneficial ownership is not the same thing as legal title. The beneficial owner may be either the lessee or the owner, depending on who has more rights in the property. This determination is highly fact-specific, and include, but is not limited to consideration of factors such as who controls the property and to what extent, who receives what revenue from the property, lease term and how much rent is paid, responsibility for construction, responsibility for maintenance and repairs, and who is reimbursed if the property must be torn down or condemned.

Current Selling Price

The current selling price as used here is the catalog list price less any normal trade allowances and discounts. To calculate normal depreciation on the selling price, use unindexed tables. [Unindexed depreciation tables](#) are available on the DOR website.

The value of leased equipment can be calculated by subtracting normal depreciation from the current selling price provided the subject model is similar to the current model or when functional obsolescence is minimal.

Advantages: The current selling price of the equipment is easily obtained. Little functional obsolescence needs to be determined.

Disadvantages: On items with a large amount of functional obsolescence the current selling price has little relationship to the original item of equipment.

Original Selling Price

The original selling price by year times an index factor incorporating the changes in price plus a depreciation factor can also be used. This method is discussed in detail in WPAM Chapter 17.

Advantages: It can be consistently applied, the data needed can be easily gathered, and the method can be readily understood.

Disadvantages: The determination of the correct useful life is very important to this method of valuation.

Gross Rent Multiplier

The gross rent multiplier is calculated by dividing the selling price by the gross monthly rent. By analyzing similar types of equipment where this information is available, a representative multiplier for that type of equipment can be developed. By applying the gross rent multiplier to a gross monthly rent on similar equipment a value can be determined.

Advantages: When a gross rent multiplier has been determined all that is necessary to value similar equipment is the gross monthly rent. It is fast and easily understood.

Disadvantages: Care must be taken to use a gross rent multiplier only on similar

equipment. This method does not take into consideration differences in age or obsolescence of equipment.

Capitalization of Income

The annual Net Operating Income can be divided by the capitalization rate to arrive at a value for the item of equipment. Data necessary to use this method includes lease terms, economic life expectancy, rate of return of the investment, maintenance costs, service costs, insurance, advertising, taxes, and management.

Advantages: The value arrived at by this method is the present worth of the income stream. It is dictated by the market through rents and return on investments (profit).

Disadvantages: Use of this method requires a large amount of data relative to changing market conditions. It also requires many judgments by the assessor.

Manufacturing Cost

Manufacturing cost plus a mark-up to arrive at estimated selling prices can also be used in the valuation of leased equipment. This estimated selling price must then be factored to arrive at a current estimated selling price. This amount is then reduced for depreciation and obsolescence to arrive at a value for the equipment.

Advantages: The manufacturer would have this information readily available.

Disadvantages: Items included in manufacturing costs differ from manufacturer to manufacturer.

Note: Experience indicates that the residual value should not be less than 25% of the selling price new.

All Other Personal Property

This class includes every item of taxable personal property having a market value and not included in any of the previously enumerated classes. It includes such items as:

- Abstract records
- Buildings on exempt land (if assessed as personal property)
- Buildings on forest crop or managed forest land
- Buildings on leased land (if assessed as personal property)
- Bulk oil tanks on leased land
- Cheese hoops
- Gas drums
- Law libraries
- Leased equipment not previously classified
- Leasehold improvements on Leased Lands (assessed as personal property)
- Locally assessed utilities
- Logs and other forest products
- Milk cans
- Mink pens
- Mobile homes (if assessed as personal property)
- Private railroads
- Rats and mice (bred and raised for commercial purposes)

- Satellite TV dishes
- Sign boards
- Supplies--including office and professional supplies and other supplies not kept for sale and not included in merchants' or manufacturers' stock
- Toll bridges
- Videotapes
- Whey tanks (if not owned by a factory owner)

Satellite TV

Satellite TV boxes are assessable and do not qualify for the digital broadcasting exception. Digital broadcasting exemption requires ownership and use of the equipment by a radio station, television station, or video service network. Satellite TV providers are not a radio or television station and fail to meet the video service network definition ([Sec. 66.0420\(2\)\(zb\), Wis. Stats.](#)).

Rented Digital Video Discs (DVDs) and Videotapes

DVDs, Blu-ray discs and videotapes may be rented from special stores whose main business is rental. In addition, supermarkets, drug stores, convenience stores, and other stores offer DVD, Blu-ray and video tape rental as a part of their business.

DVDs, Blu-ray discs and videotapes held solely for sale are exempt as merchants' stock. DVDs, Blu-ray discs and videotapes held for rental only or being rented until sold are assessable.

This equipment experiences rapid obsolescence. There is a strong demand for new releases. This demand decreases after several months because most people have seen the video and other newer releases are available. Except for certain "classic" videos, there is little demand for videos that are older than 3 years.

There are two ways to value. One method is the market approach, and the other method is the cost approach.

The market approach values the videos at the prices at which the stores can purchase the videos from each other or from their suppliers. Prices vary depending on the age and type of video (DVD, Blu-ray, tape). Typically, first release videos and blue ray command the highest prices. Stores can purchase re-release videos for much less. Subject matter, such as education, children, documentary, entertainment, etc., directly affects the value.

When there are not enough sales to support the market approach, the assessor should use the cost approach. This approach multiplies the acquisition cost times the appropriate 3-year Composite Conversion Factors. These factors are found in WPAM Chapter 17.

Leased Property Not Previously Classified

Leased equipment is subject to the property tax. This category consists of personal property held for rental that is does not fit in other categories. This includes personal property of rental

services that rent their property for short-term use either to businesses or individuals.

In most cases, secs. 70.11 and 70.111, Wis. Stats., require personal property to be owned by the exempt organization to qualify for exemption. An exception is personal property leased to a non-profit hospital which is exempt under sec. 70.11(4m)(a), Wis. Stats. Ultimately, most personal property leased by a non-exempt business to an exempt organization is taxable.

The assessor should attempt to assess property to the person responsible for paying the taxes. This is usually specified in the lease agreement and the information can be obtained by contacting the lessor or lessee. Although sec. 70.18, Wis. Stats., permits the assessor to assess leased equipment to either the lessor or the lessee, there are several advantages to assessing property according to the lease agreement: 1) there is less possibility of a double assessment especially when both the lessor and lessee report the same equipment; 2) there is less possibility of confusion in collecting taxes, especially when the lessee expects to pay the tax as part of the lessee's tax and later receives a separate bill from the lessor for this equipment; 3) the lessor and lessee are more likely to cooperate in providing information about leased equipment if the assessor makes the assessment according to the lease agreement. There may be situations, however, where the assessor may want to make the assessment contrary to the lease agreement, such as when a taxable lessor leases equipment to an exempt lessee.

Another exception would be when the lessor has legal title to the rented personal property but the lessee has enough of the ownership rights to be considered the beneficial, or true owner. Some of the questions to be considered in determining beneficial ownership are the following:

- Who is responsible for providing insurance?
- Who receives the proceeds from insurance?
- Who controls the use?
- Who suffers the risk of loss for damage or destruction?
- Who is responsible for repairs and maintenance?
- Can the lessor sell the property?

Exactly what combination of rights less than the full bundle constitutes ownership depends on the specific facts of each situation. The assessor may wish to review the following court cases dealing with the issue of beneficial ownership:

- *C Milwaukee v. Shoup Voting Machine Corp.*, 54 Wis.2d 549, 196 N.W.2d 694 (1972)
- *Mitchell Aero, Inc. v. C Milwaukee*, 42 Wis.2d 656, 168 N.W.2d 183 (1969)
- *General Motors Corp. v. Oak Creek*, 49 Wis.2d 299, 182 N.W.2d 481 (1971)

Another example of beneficial ownership concerns conditional sales contracts in which the rental payments apply to the purchase of the property and the lessee gets title to the property for nominal or no additional consideration at the end of the lease. These are similar to land contracts for the sale of real estate where the vendee is considered the beneficial owner. For example, a copy machine leased by a non-exempt business to an exempt church under a conditional sales contract would be considered exempt since the church is the beneficial owner.

In *Menomonee Falls v. Falls Rental World*, 135 Wis.2d. 393, 400 N.W.2d 478 (Ct. App. 1986), the court ruled that a firm engaged in the short-term rental of personal property is a service and not a merchant, as the word is commonly defined. Therefore, the personal property of

the firm is not exempt as merchants' stock-in-trade and must be assessed. This case does not apply to rented personal property exempt under sec. 70.111(22), Wis. Stats.

Exempt Rented Personal Property

Sec. 70.111(22), Wis. Stats., exempts certain personal property held for rental. The 2015-2017 state [budget bill, 2015 Act 55](#) amended the general property tax exemption for rented personal property under [sec. 70.111\(22\), Wis. Stats.](#):

- See page 354 of [2015 Act 55](#)
- Deleted: "which is engaged in any business other than personal property rental"
- Added: "and the owner is engaged in the rental of the property subject to the exemption to the other enterprise."
- [Legislative Fiscal Bureau summary](#) (see #7 on page 691):
 - Eligible for exemption: personal property of companies that primarily rent equipment and may also provide ancillary services
 - Not eligible for exemption: personal property of companies with a subsidiary company that leases or rents equipment to the parent company
- The budget bill provides a retroactive effective date - to the January 1, 2014 assessments for this amendment

Exemption Requirements

Paragraph (a):

1. personal property held for rental for periods of one month or less
2. to multiple users for their temporary use
3. if the property is not rented with an operator
4. if the owner is not a subsidiary or affiliate of any other enterprise and the owner is engaged in the rental of the property subject to the exemption to the other enterprise
5. if the owner is classified in group number 735, industry number 7359 of the Standard Industrial Classification (SIC) manual
6. if the property is equipment, including construction equipment but not including automotive and computer-related equipment, television sets, video recorders and players, cameras, photographic equipment, audiovisual equipment, photocopying equipment, sound equipment, public address systems and video tapes; party supplies; appliances; tools; dishes; silverware; tables; or banquet accessories.

Paragraph (b):

1. Personal property held primarily for rental for periods of 364 days or less
 - a. "Primarily" is defined as greater than fifty percent (50%)
2. to multiple users for their temporary use
3. if the property is not rented with an operator
4. if the owner is not a subsidiary or affiliate of any other enterprise and the owner is engaged in the rental of the property subject to the exemption to the other enterprise
5. if the owner is classified under 532412 of the NAICS
6. if the property is heavy equipment used for construction, mining, or forestry, including bulldozers, earthmoving equipment, well-drilling machinery and equipment, or cranes.*

*Note: NAICS 532412 further includes construction form rental; construction machinery and equipment rental or leasing without an operator; and welding equipment rental or

leasing. This would include, but is not limited to, wheel loaders, hydraulic shovels, dump trucks, graders, concrete equipment, welders, lift trucks, portable lighting, trenchers and trench safety equipment, generators, portable HVAC, and air compressors.

Not all establishments engaged in equipment rental are classified under the 7359 SIC code. There are many SIC codes in which establishments are classified and only a few are classified in the 7359 code. The following is a list of rented personal property that is exempt either because it is specifically listed in sec. 70.111(22) (a), Wis. Stats., or because it is included in SIC code 7359:

Airplanes, appliances, coin-operated machines, construction equipment, electronic equipment, furniture, industrial trucks, oil field equipment, oil well drilling equipment, party supplies, pianos, live plants, dishes, silverware, tables, banquet accessories, portable toilets, tools, and vending machines.

Sec. 70.111(22) (a), Wis. Stats., lists specific rented personal property that is not exempt:

Automotive and computer-related equipment, television sets, video recorders and players, cameras, photographic equipment, audiovisual equipment, photocopy equipment, sound equipment, public address systems, and videotapes; party supplies; appliances; tools; dishes; silverware; tables; or banquet accessories.

The following examples illustrate the relationship between the business classification and the equipment.

Example 1: A hardware store is not classified under SIC Code 7359 and rents tools and construction equipment. Although the equipment meet the requirements, it is not exempt because the business is not classified under SIC Code 7359.

Example 2: A firm is classified under SIC Code 7359 and rents party supplies, tools, dishes, silverware, tables, television sets, costumes, formal wear, and medical equipment. Because the business is classified under SIC Code 7359 and the party supplies, tools, dishes, silverware, and tables are listed under either SIC Code 7359 or sec. 70.111(22)(a), Wis. Stats., they are exempt. The television sets, costumes, formal wear, and medical equipment are not exempt because they are not listed under either SIC Code 7359 or sec. 70.111(22), Wis. Stats.

Supplies

The term supplies cover a great variety of commodities that, though ordinarily not physically incorporated into the final product, render services to production and distribution. Supplies include those items which are not subject to resale by the taxpayer, but which are necessary in the conduct of business. Auxiliary materials are considered supplies if they are:

1. consumed in the operation of a company, but are not embodied in the product, or
2. delivered with the product itself

Supplies include:

- Professional Supplies
- Office Supplies
- Wrapping Materials
- Shipping Supplies

- Selling and Advertising Supplies
- Janitorial and Cleaning Supplies
- Automotive Supplies
- Other supplies necessary to the business which are not subject to resale

Supplies are not considered part of a merchant's or manufacturer's stock and are not exempt. The question of whether certain items of personal property are supplies or merchants' and manufacturers' stock has been an area of some confusion. Reference should be made to the personal property court cases and Attorney General opinions in WPAM Chapter 22, particularly *52 Opinion of Attorney General 387 (1963)* which provides the Attorney General's interpretation of what constitutes merchants' or manufacturers' stock.

Buildings on Forest Crop or Managed Forest Land

Sec. 77.04(1), Wis. Stats., says "...any buildings located on forest crop land shall be assessed as personal property, subject to all laws and regulations for the assessment and taxation of general property." Buildings on forest crop lands are assessed and listed in the assessment roll as all other personal property.

Sec. 77.84(1), Wis. Stats., says "...except that any building on managed forest land is subject to taxation as personal property under Ch. 70." Assessors who increase the value of improvements on Managed Forest Land must send the owner a Notice of Assessment at least 15 days prior to the BOR, except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR.

Improvements on Leased Land

Sec. 70.17, Wis. Stats., states that "...improvements on leased lands may be assessed either as real property or personal property." Where buildings on leased lands are assessed as real estate they are to be included as part and parcel of the land and assessed with it as a unit. Where they are assessed as personal property, they are valued separately from the land and listed in the personal property section of the assessment roll as all other personal property. A building on leased land cannot be assessed alone as real estate (without a land assessment). The reason for this is because real estate taxes represent a lien on the land. If the building only is assessed as real estate and the taxes are not paid, there is no land against which the lien can be held. The building could be sold in a tax sale for non-payment of taxes; however, this could be a problem since a building can be removed or destroyed prior to the tax sale.

Note: 1993 Wisconsin Act 330 added that payments of taxes on improvements on leased lands that are assessed as personal property shall be made to the taxation district treasurer as described in sec. 74.11, Wis. Stats. For purposes of reporting under this provision, improvements are defined as buildings on leased land.

Improvements on Government Owned Land

Sec. 70.174, Wis. Stats., provides that improvements made on land within this state owned by the United States may be assessed either as real or personal property to the person making the improvements if known, and otherwise to the occupant or the person receiving the benefits from the improvements. Any improvements on government owned land assessed as

personal property should be listed in the assessment roll as all other personal property.

Leasehold Improvements on Leased Lands

The following information applies to leasehold improvements found on leased lands only. It does not apply to other leasehold improvements. Please refer to the classification guide earlier in this chapter for assistance in determining the classification of leasehold improvements. The definition of “Vanilla Shell” includes items to be assessed as real property for assessment purposes.

Mindful of the Wisconsin Statutes, Attorney General opinions, and court decisions, particularly *Mitchell Aero, Inc. v. C Milwaukee* and *Skubitz v. T Menominee*, it would appear that the starting premise for valuation of leasehold improvements be, that whenever possible, they are to be included in the real property valuation rather than being valued separately as personal property. This does not apply to leasehold improvements on exempt land.

Although building improvements may be so attached as to become an integral part of the real estate, and ownership of these improvements passes to the lessor upon completion of the work, the assessor is not prevented from assessing the leasehold improvements to the lessee as personal property. This revolves around the question of beneficial ownership as evidenced by: 1) depreciation write-off, 2) remuneration to the extent of current book value in the event of eminent domain taking place, and 3) less rent in recognition of lessee’s expenditure. Therefore, in multiple tenancy properties, the beneficial ownership criteria is the basis for separate valuation.

In the case of single tenant properties, there is no need for separate valuation; the lease may recite that the tenant is responsible for all taxes (based on the value of the leased fee as well as the leasehold improvements), or if the lease states that the tenant shall be responsible for added taxes incurred by improvements, the value for these improvements can be segregated. The assessor or appraiser must bear in mind that the capitalization of the annual rental indicates the value of the leased fee only.

When leasehold improvements are valued separately and placed on the personal property roll, they should be recorded in the name of the lessee and/or lessor. It is most advantageous to estimate the market rent for a particular space and its specific finish when physically viewing the property. Most generally the leasehold improvement cost is substantiated by the increased value, as estimated by capitalizing the net rent reflected by the market rent, for the space as physically viewed. The value of the leasehold improvements to be assessed to a tenant on the personal property roll can be estimated as shown in Figure 19-1.

Assume base rent (based on building standard) @ \$10.00 per sq. ft.

The range of expenses, excluding real estate taxes, is from 35% on the newer high rise type buildings to 45% on the older remodeled buildings.

When estimating office space rent, one must bear in mind the base rent for a particular building as well as the relationship between a full floor rental rate and the multiple-tenancy floor rate. For instance, the rental rate may be \$9.00 per square foot per year but if a tenant

occupies an entire floor that rate may be only \$7.50 to \$8.00 per square foot as it is not necessary to allocate a portion of the corridor and public area to each tenant. The owner wishes to get *X* number of dollars per floor, regardless of how it is split up. The lessee rent may have very little relationship to market rent, depending upon the dollar amount of tenant improvements. The relevance of this rent to the market rent is a critical element in this approach to value.

An exception to the case where cost substantiates the added value may be expected when office space is improved to a substantially greater degree than the rest of the building. It may be impossible to amortize the cost of this so-called intrinsic value to the tenant in the rent, due to dictates of the market.

The assessment of leasehold improvements does not lend itself to a rigid set of rules, but regardless of whether they are valued as real estate or personal property, they must first be discovered. By including the leasehold improvements in the real estate assessment, the burden is then placed on the property owner to reveal the extent of the tenant’s participation in the building cost. This may afford the assessor the opportunity to obtain lease information which may not otherwise be available.

The fact that a tenant has vacated leased quarters in which improvements have been made does not terminate their assessability. The property must be inspected to determine if the new tenant is using these improvements and if they are reflected in a higher rental rate which in turn, capitalizes to a higher real estate value. If the tenant has reached the end of the initial lease term and continues to occupy the improved quarters, the depreciated value of the leasehold improvements should remain on the personal property assessment roll.

In the case of the tenant occupying the premises beyond the term of the initial lease, it stands to reason that the lessor cannot increase rent beyond what the market dictates; but if a new tenant had taken over the space, the owner would have conceivably realized a rent above the building base because of improvements made by the previous tenant. The improvements then would indicate a higher rental but the tenant is the beneficiary, and therefore, should be obligated for the tax.

Figure 19-1

Building Standard		Subject Space	
\$ 10.00	Base Rent	\$ 12.00	Estimated Market Rent
\$ 3.50	Operating Expense (35%)	\$ 4.20	Operating Expense (35%)
\$ 6.50	Net Rent (before taxes, recapture, and depreciation)	\$ 7.80	Net Rent (before taxes, recapture, and depreciation)
12.5%	Capitalization Rate	12.5%	Capitalization Rate
\$ 52.00	Indicated Building Value/square foot	\$ 62.40	Indicated Building Value/square foot

Difference - \$10.40/square foot - Indicated value of leasehold improvement.

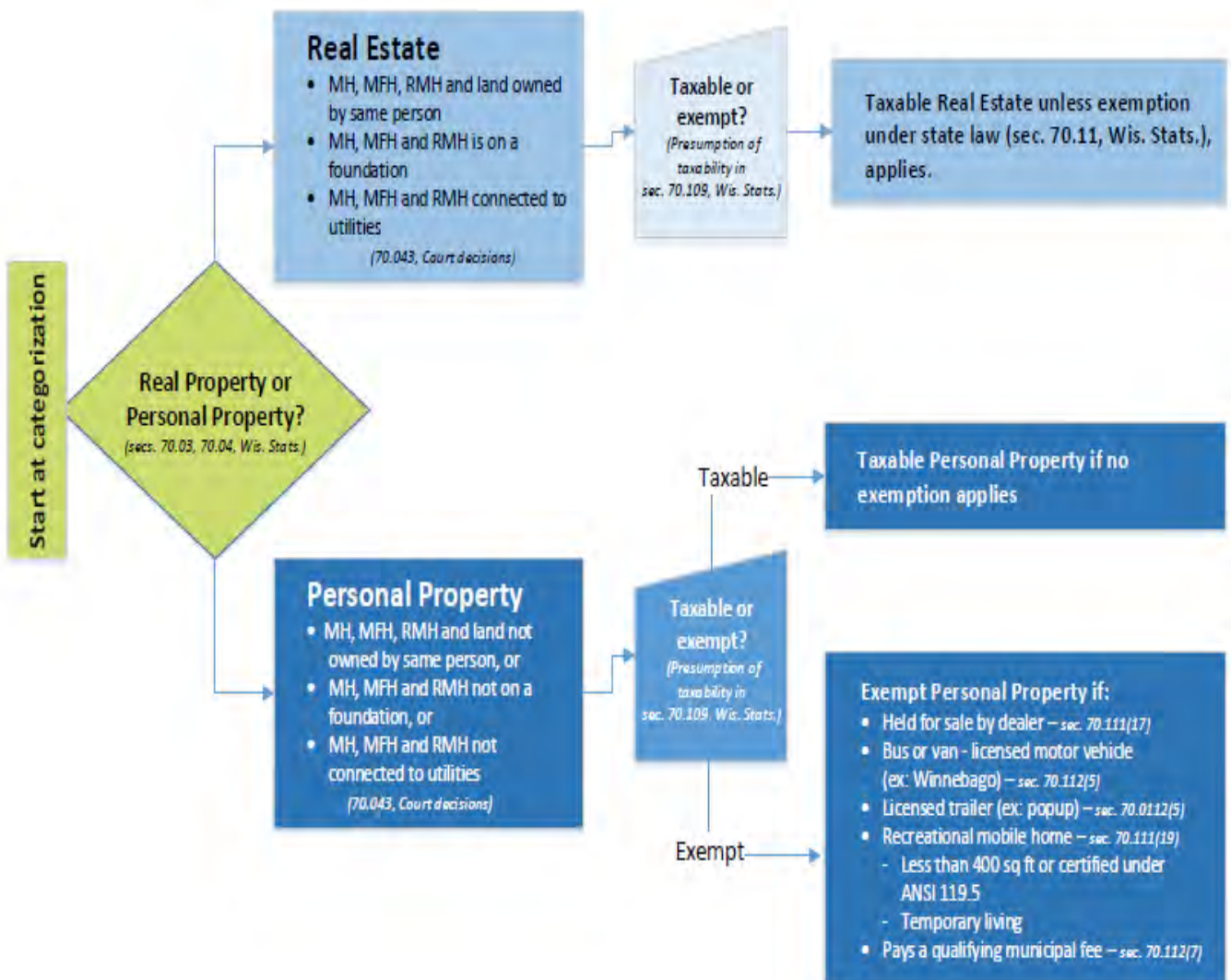
The value to be included on the statement of personal property is determined the first year, and that value is indexed by the composite number (reflecting increased cost as well as annual depreciation) in subsequent years. Justification for this indexing is related to rent escalator provisions contained in leases. Depreciation is extended over the term of the lease with a minimum of ten years, even though the lease may be for a shorter time. The remaining residual value after ten years is approximately 30%.

In certain instances some of the above may be included in real estate, if the owner owns the building and equipment. The valuation of this type of property would also follow the general principles previously discussed in the valuation of other personal property.

Logs and Other Forest Products

This category includes logs, timber, lumber, shingles, poles, posts, cordwood, pulpwood, bolts, lath, and other forest products. This property is exempt as merchants' or manufacturers' stock when belonging to persons or corporations whose principal activity is either the buying and selling or the buying and use for manufacture of such property. These products when not belonging to either merchants or manufacturers are assessed as all other personal property.

Mobile Homes (MH), Manufactured Homes (MFH), and Recreational Mobile Homes (RMH)



Real Property vs. Personal Property

Sec. 70.043(1), Wis. Stats., defines a mobile home meeting the requirements of sec. 66.0435(1)(d), Wis. Stats., as an improvement to real property:

“if it is connected to utilities and is set upon a foundation upon land which is owned by the mobile home owner. In this section, a mobile home is “set upon a foundation” if it is off its wheels and is set upon some other support.”

A unit connected to utilities, on a foundation and on land owned by the unit owner is an improvement to real property. Sec. 70.043(2), Wis. Stats., defines a mobile home meeting the requirements of sec. 101.91(10), Wis. Stats., or a manufactured home, as defined in sec. 101.91 (2), Wis. Stats., as personal property:

“if the land upon which it is located is not owned by the mobile home owner or if the mobile home is not set upon a foundation or connected to utilities.”

A manufactured or mobile home is personalty if the land is owned by someone other than the mobile home owner; or, if the unit is still on its wheels; or, if the mobile home is not connected to utilities.

If a manufactured or mobile home is to be assessed as an improvement to real property, it must be “*set upon a foundation.*” Sec. 70.043(1), Wis. Stats., states that a mobile home is defined as “*set upon a foundation* if it is off its wheels and is set upon some other support.” The assessor has the authority to determine if the cement blocks supporting the trailer meet this definition of “*foundation.*”

In *Ahrens, et al. vs. Town of Fulton*, 2002 WI 29, 251 Wis.2d 135, 641 N.W.2d 423, the Wisconsin Supreme Court held that a mobile home is "set upon a foundation" when the mobile home is resting for more than a temporary time, in whole or in part, on some other means of support than its wheels. There must be some form of stabilizer under the mobile home, such as concrete blocks, cinder blocks or screw jacks, which effectively take some of the weight of the mobile home off its wheels. Additional structures, such as a screened-in room or porch, that are caulked to the mobile home and rest upon footings, may also be a factor in determining that a mobile home is "set upon a foundation" and not completely supported by its wheels. The Court said mobile homes must be sufficiently permanent in nature. Mobile homes that do not show any signs of permanency and are mobile should fall outside the definition of "set upon a foundation" and be regarded as personal property.

Exemptions

[State law](#) provides that exemptions to taxation shall be strictly construed in every instance with a presumption that the property in question is taxable. The burden of proof is on the person who claims the exemption.

[State law](#) provides for the following personal property exemptions:

- Held for sale by dealer
- Bus or van – licensed motor vehicle (ex. Winnebago)
- Licensed trailer (ex. pop-up)
- Recreational mobile home
- Pays a qualifying municipal fee

Held for Sale by Dealer

A vacant manufactured or mobile home held for sale by a dealer is considered merchant's stock under sec. 70.111(17), Wis. Stats. Although the unit will be used by the eventual purchaser for living quarters, the actual and intended use by the dealer is not “primarily for sleeping, eating, and living quarters.” The dealer's primary purpose is to make a profit on the sale of the home. This use is consistent with the common understanding of the definition of merchant's stock-in-trade. Since the unit is more closely defined as merchant's stock-in-trade, it is not a “manufactured or mobile home” as defined under sec. 66.0435(1)(d), Wis. Stats., and is therefore not subject to fees imposed in sec. 66, Wis. Stats.

Recreational Motor Homes (Buses/Vans or Trailers)

Sec. 70.112(5), Wis. Stats., exempts licensed motor vehicles from property taxation. This

statute exempts items such as Winnebago motor homes and Ford campers. These units are not considered mobile homes for property taxation purposes. Also excluded from property taxation are pop-up campers and camper bodies. Pop-up campers are hauled behind a motor vehicle and expand into a tent-like structure at the campsite. Brand names include Coleman, StarCraft, Jayco and Bethany. Camper bodies slide into or are mounted on pick-up trucks.

Recreational Mobile Homes and Camping Trailers

Section 70.111(19), Wis. Stats. exempts camping trailers, recreational mobile homes, and recreational vehicles from personal property taxation. Mobile homes must be classified as personal property under sec. 70.043(2), Wis. Stats., to be entitled to an exemption.

Sec. 70.111(19)(a), Wis. Stats., defines **camping trailers** by reference to statutory vehicles (sec. 340.01(6m), Wis. Stats.) as “a vehicle with a *collapsible or folding structure* designed for human habitation and towed upon a highway by a motor vehicle.”

Sec. 70.111(19)(b), Wis. Stats., defines **Recreational mobile homes**, by reference to sec. 66.0435(1) (hm), Wis. Stats. as “a prefabricated structure that is *no larger than 400 square feet*, or that is certified by the manufacturer as complying with the code promulgated by the American National Standards as ANSI A119.5, and that is designed to be towed and used primarily as temporary living quarters for recreational, camping, travel or seasonal purposes.” (Emphasis added) Recreational mobile homes certified as complying with ANSI A119.5 are identified with a metal plate as shown on Exhibit 15-2. Please see Examples RMH-1 and RMH-2 for more information.

As stated above, sec. 70.111(19), Wis. Stats., exempts recreational mobile homes and recreational vehicles “that are used primarily as temporary living quarters”. Rate of occupancy is an issue in determining whether the unit is "recreational" or falls into the exemption relating to manufactured and mobile home communities charging monthly municipal permit fees.

Monthly Municipal Permit Fee

The permit fee issued under sec. 66.0435, Wis. Stats., has been ruled to be in the nature of a local excise tax and not a general property tax by the Wisconsin Supreme Court. The fair market value of the manufactured or mobile home (excluding the tax-exempt household furnishings) is equated to the overall level of assessment from the prior year's assessment roll. This equated value is multiplied by the general property net tax rate from the preceding year's assessment. The result is the total annual permit fee. The annual fee, less any applicable lottery credit, is divided by 12 to calculate the monthly municipal permit fee.

Sec. 66.0435(3)(c), Wis. Stats., permits any municipality to assess monthly municipal permit fees on camping trailers and recreational mobile homes “regardless of whether or not the unit is occupied during all or part of the calendar year” except in the following situations: (1) the fee cannot be imposed on a unit located in a campground licensed by the Department of Health and Social Services; and, (2) the fee cannot be imposed on a unit located on land where the principle residence of the owner is located.

Sec. 70.112(7), Wis. Stats., exempts from property taxation “Every unit as defined in s.

66.0435(1)(j), that is subject to a monthly municipal permit fee under s. 66.0435(3).” A municipality may enact an ordinance to collect a monthly municipal permit fee from all units located within the municipality *except* for mobile homes that are improvements to *real property* as defined in sec. 70.043(1), Wis. Stats., and *recreational mobile homes* and *camping trailers* (sec. 70.111(19), Wis. Stats.) and except for recreational mobile homes located in campgrounds licensed under sec. 254.47, Wis. Stats., and mobile homes located on land where the principal residence home owner is located (sec. 66.0435(9), Wis. Stats.).

Sec. 70.112(7), Wis. Stats., exempts units (a single or manufactured or mobile home per. Sec. 66.0435(1)(j), Wis. Stats.) subject to a monthly municipal permit fee from property taxation. Municipalities that have established a manufactured and mobile home community shall collect a permit fee for all units in the park except for manufactured and mobile homes that are improvements to real property as defined in Sec. 70.043(1), Wis. Stats. The permit fee is collected either directly by the municipality or, by ordinance, through the manufactured or mobile home community operator.

Under sec. 66.0435 (3)(cm), Wis. Stats., an exemption is established for up to an additional 50 square feet for steps and a platform leading to the doorway of a recreational mobile home or recreational vehicle. The steps and platform may be physically attached or directly adjacent to the doorway of a recreational mobile home or recreational vehicle. The steps and platform must allow direct access to the doorway. The exemption does not apply to any other addition, attachment, deck or patio.

When the steps and platform exceed 50 square feet, the square footage exceeding the allowable 50 square feet is taxable as personal property. The assessor should subtract 50 square feet from the total measurement of the steps and platform. The area remaining after the subtraction is taxable as personal property. For example, the steps and platform leading to recreational mobile home or recreational vehicle measures 75 square feet. The assessor should subtract 50 from 75. The remaining 25 square feet is taxable as personal property. Please see Example RMH-1.

Attachments or additions such as enclosed porches or rooms are taxable personal property as well. The law does not provide an exemption for enclosed porches. The 50 square foot exemption under sec. 66.0435 (3)(cm), Wis. Stats., applies to steps and a platform and not any other addition, attachment or patio. Please see Example RMH-2.

Valuation of Manufactured and Mobile Homes

The DOR has developed a manufactured & mobile home valuation worksheet on which the assessor collects data regarding the unit (see: [Manufactured & Mobile Home Valuation Worksheet](#)). The physical attributes to consider include: manufacturer, model name, serial number, size, age, condition, and number of rooms. The form includes entries for extras like porches, patios, skirting, air conditioning and basement. The assessor should consult with dealers for current data on the cost of new units. These dealers should also have information on the sale value of used mobile homes. Mobile home “blue books” contain cost data on the resale value of various models of mobile homes. Several sources of blue books are included in the Appendix.

Typically, the manufacturer will provide the length and width measurements on the exterior

of the unit. If the measurements are not provided or if there are any modifications, additions, or attachments, the assessor will need to determine the length and width measurements. The total square footage (rounded to the nearest square foot) should be calculated using the outside length and width of the mobile home, including the area of any additions and attachments. It is important that only additions and attachments that are clearly attached to the recreational mobile home be included in the calculation of total square footage. The Wisconsin Court of Appeals, affirmed by the Supreme Court, in *Ahrens et al. vs. the Town of Fulton*, defined how the assessor should determine what is an addition and attachment. The court stated, "It seems clear from the forgoing that any rooms, porches, decks and the like, that are attached in any way to the basic unit are included within the definition of a mobile home."

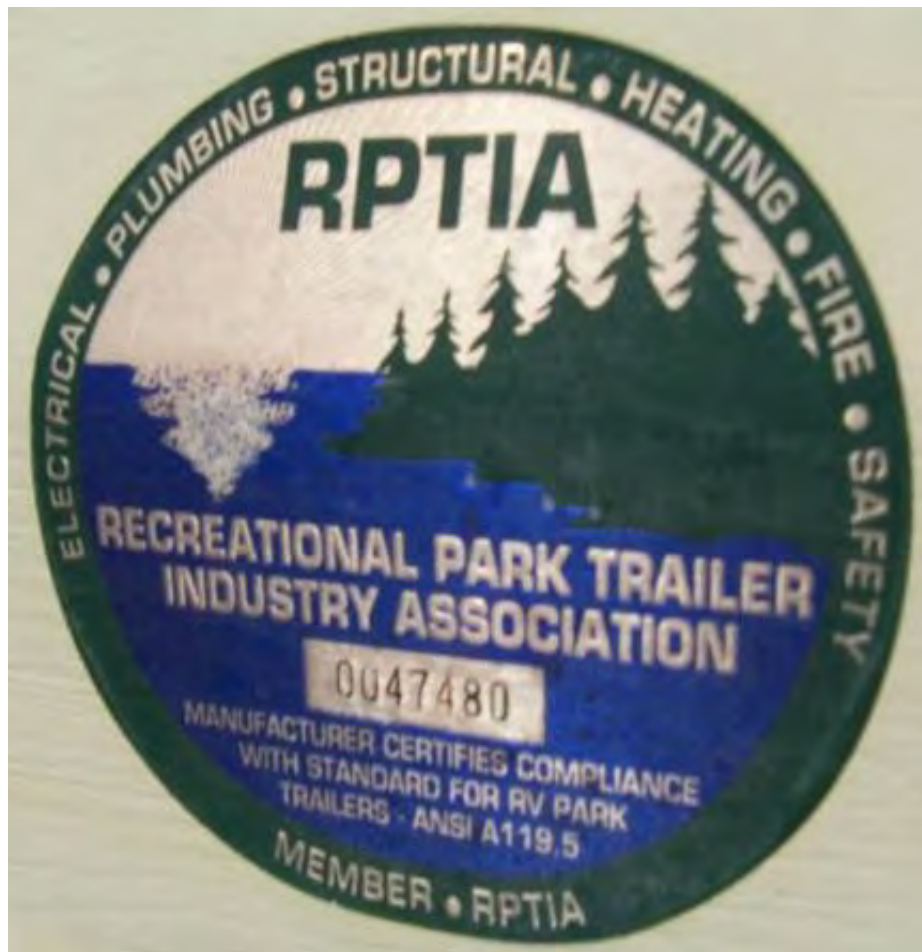
Depending upon the number of manufactured and mobile home sales in the municipality, use of sales from neighboring municipalities may be necessary to perform an accurate sales analysis. The assessor should be careful not to include any personal property when analyzing mobile home sales. Household furnishings are often included in mobile homes sales, but the value of these items should not be included in the analysis of mobile home sales.

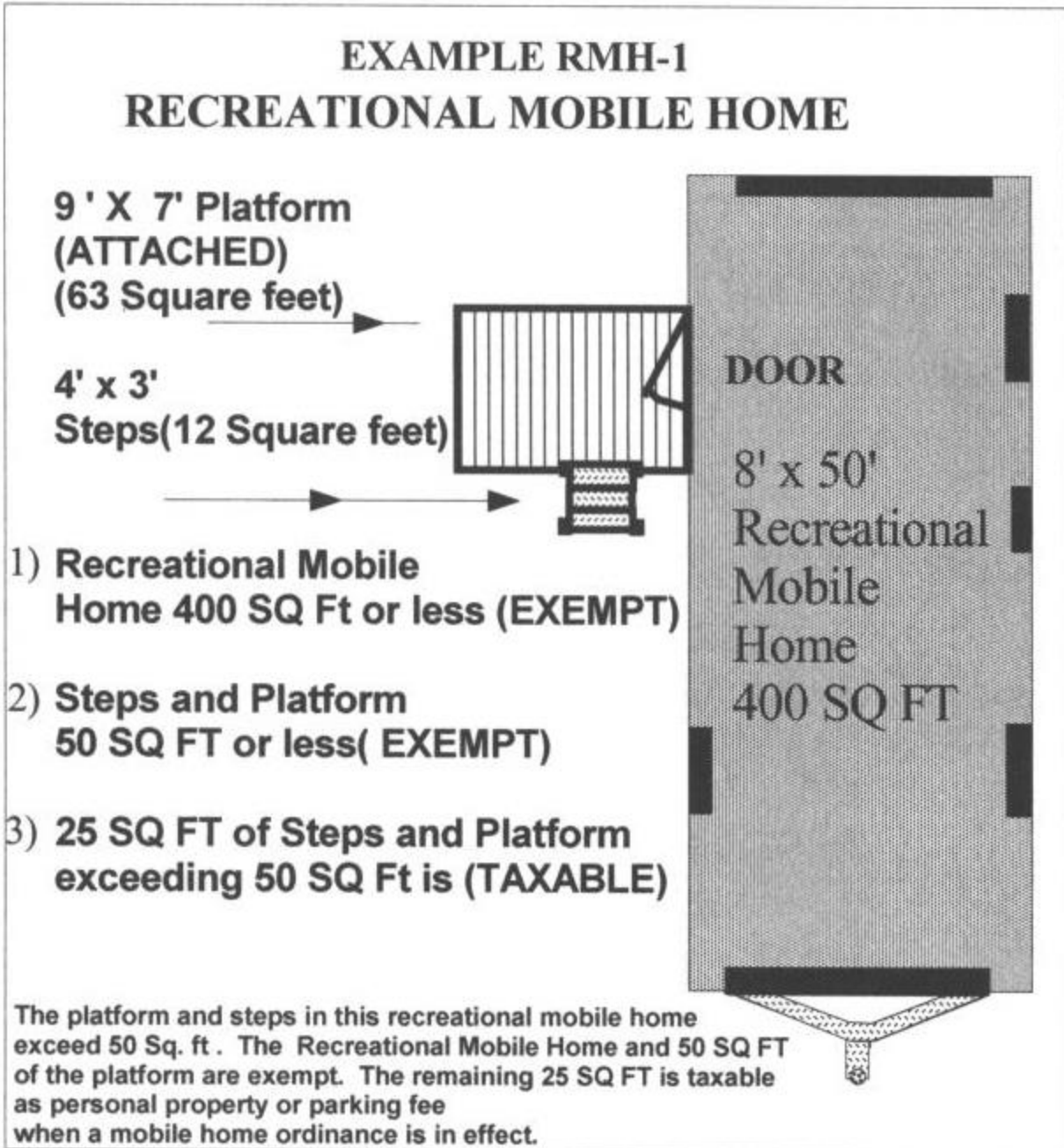
Manufactured and mobile home assessments should be reviewed and adjusted annually. Unit values generally change at a different rate than other real estate in the municipality. Assessments on units should be checked to ensure that they are at the same level of assessment as the other property. DOR prescribes an assessment notice form for personal property. Providing a Notice of Personal Property Assessment ([DOR Form PR-299](#)) is considered a best practice and highly recommended.

Square footage disagreements should first be discussed with the assessor. Manufactured and mobile home assessments are appealed to the BOR in the same manner as other assessments. The unit owner may appeal the valuation placed on the mobile home by appearing before the local BOR and presenting sworn oral testimony as to its true and correct market value. This applies to a Mobile Home whether it is assessed as Real Estate, Personal Property, or subject to the municipal permit fee.

Disputes concerning exemption issues are not heard at the BOR. Property owners contesting exemption status may file a claim of unlawful tax with the municipality (sec. 74.35, Wis. Stats.). If the municipality rejects the claim, a direct appeal may be made to the Circuit Court of the county in which the property is located.

Figure 19-2





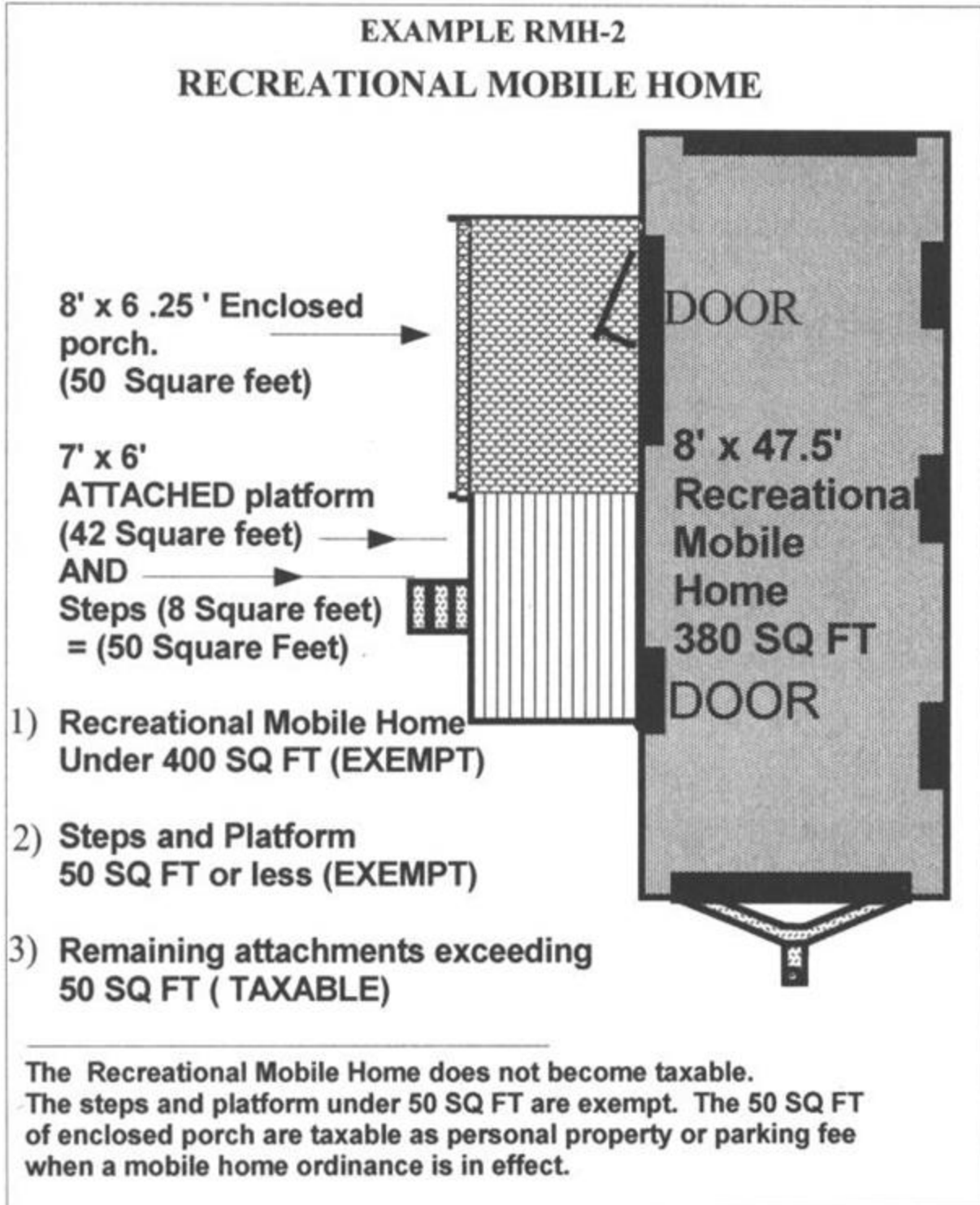


Figure 19-3

Overview of Manufactured & Mobile Home (Unit) Property Taxes

Item	Unit Per Sec. 66.0435, Wis. Stats	Subject to General Property Tax	Subject to Municipal Permit Fee	Comments
Unit of any size including additions, on a foundation, connected to utilities, land owned by unit's owner.	Yes	Yes, as real property	No	Meets definition in sec. 66.0435, Wis. Stats and real estate in sec. 70.043(1), Wis. Stats.
Unit of any size including additions either still on wheels, and/or not connected to utilities, and/or on land not owned by unit's owner.	Yes	Yes, as personal property unless subject to permit fee	Yes, if located in municipality with sec. 66.0435, Wis. Stats. permit fee	Meets definition in sec. 66.0435, Wis. Stats and personal property in sec. 70.043(2), Wis. Stats. Subject to permit fee if in sec. 66.0435, Wis. Stats. community; if subject to fee, exempt from personal property tax sec. 70.112(7), Wis. Stats.
Recreational mobile home or vehicle no larger than 400 square feet used as temporary living quarters.	Yes	Exempt under sec. 70.111(19)(b), Wis. Stats., to include steps and a platform, not exceeding 50 square feet leading to a doorway of a recreational mobile home, does not apply to any other addition, attachment, deck, or patio	No, by sec. 66.0435(3)(c), Wis. Stats.	Meets definition in sec. 66.0435(1)(hm), Wis. Stats., by size and use exempt from personal property tax under sec. 70.111(19)(b), Wis. Stats., exempt from permit fee under sec. 66.0435(3)(c), Wis. Stats.

Item	Unit Per Sec. 66.0435, Wis. Stats	Subject to General Property Tax	Subject to Municipal Permit Fee	Comments
Camping trailer designed to expand into a tent with built-in space for mattress and other fixtures	No	Exempt under sec. 70.111(19)(b), Wis. Stats.	No, by sec. 66.0435(3)(c), Wis. Stats.	“Pop-up” trailer meets definition of camping trailer in sec. 340.01(6m), Wis. Stats. as trailer with collapsible or folding structure towed on the highway.
Camper body installed or mounted on pick-up truck.	Yes	Exempt under sec. 70.111(19)(b), Wis. Stats.	No, by sec. 66.0435(3)(c), Wis. Stats.	Meets definition of mobile home in sec. 66.0435; Wis. Stats. if under 400 square feet exempt from personal property tax under sec. 70.111(19)(b), Wis. Stats.
Twin-sections units transported on wheels of dolly and assembled on site.	No	Yes	No	Not a unit under sec. 66.0435, Wis. Stats. Realty if located on land owned by unit’s owner; otherwise, treated as personal property as a building on leased land.
Buses or vans	No	Exempt under sec. 70.112(5), Wis. Stats.	No	Motor vehicle exempt from property tax under sec. 70.112(5), Wis. Stats.
Vacant unit held for sale by a dealer	No	No	No	Considered merchant’s stock under sec. 70.111(17), Wis. Stats.

Omitted Personal Property

The problem of omitted personal property is not uncommon. The movable nature of personal property and the many items to be valued, make it more difficult to discover personal property, which may result in its omission from the assessment roll. The fact that it may not be possible to determine the exact amount of personal property owned by a taxpayer does not mean that the account should be omitted from assessment. The only reason for omitted property is if the assessor is truly unaware of the existence of the property on the assessment date, or if the property is assumed to be exempt and it is later learned that it had a taxable status on the assessment date. Intentionally omitting any property from assessment could result in revocation of certification proceedings on the basis of misconduct or negligence.

There may be cases where a personal property account is under assessed because the taxpayer does not report all personal property or where a portion of that property is assumed to be exempt, and it is later learned that the property was taxable on the assessment date. In such cases, the question has been raised whether that portion of the property which was not assessed can be assessed the following year as omitted property under sec. 70.44, Wis. Stats., or whether the entire account must have been omitted before the property can be added to the roll as omitted property. It is the position of the DOR that it is not necessary that the assessor have failed to assess all of the personal property of the particular taxpayer in order to assess property under sec. 70.44, Wis. Stats. as omitted property. If it can be established that certain personal property was omitted from assessment, the assessor may go back two years, as provided in sec. 70.44, Wis. Stats., and assess any such property for each year of omission.

Omitted property is entered once for each year it was omitted from assessment, in a separate section of the assessment roll (called the omitted property assessment roll).

Occupational Taxes

As in the case of real estate, there are situations where the general rules regarding personal property do not apply and where special provisions have been made by the legislature. The occupational taxes are such a case. The various occupational taxes and the rate of each are listed in Figure 19-4.

In 1991, the U.S. 7th Circuit Court of Appeals invalidated the Wisconsin iron ore concentrates occupational tax by ruling that the tax was discriminatory under the federal Railroad Revitalization and Regulatory Reform Act of 1976 (the 4-R Act) because the tax burden applied to only one railroad—the Burlington Northern. As a result of this case, the tax is no longer imposed.

Taxpayers with property subject to occupational taxes are listed in a separate part of the assessment roll, which is called the Occupational Tax Assessment Roll. For iron ore concentrates, coal docks, and petroleum refineries the assessor enters in the assessment roll the name of the operator and the number of tons.

By law, persons subject to occupational taxes on iron ore concentrates, coal, and petroleum or petroleum products must, by February 1, furnish the assessor with a list or statement specifying the amounts of each handled during the preceding year. To aid in the reporting process, the DOR has designed occupational tax forms which are to be completed by persons subject to the occupational taxes on iron ore concentrates, coal, and petroleum. These forms are available from the county clerk.

The assessor is not required to accept the figures reported on the occupational tax forms. If the assessor or BOR has reason to believe that the form is incorrect, or when a person has failed or refused to furnish the form as required by law, the assessor or BOR may enter in the assessment roll such taxes as they feel are correct. If such a change is made by the assessor, the assessor must give a written notice of the amount of the assessment at least six days before the meeting of the BOR. If a change is made by the BOR, notice of the change must be given in time to allow the person to appear and be heard before the BOR in relation to the assessment.

Figure 19-4

Occupational Taxes

Type	Statute	Tax Rate	Apportionment of Tax		
			Local	County	State
Iron Ore Concentrates	70.40	5 cents/ton	70%		30%
Coal docks	70.42	5 cents/ton on bituminous prod. 7 cents/ton on anthracite prod.	70%	20%	10%
Crude oil refinery	70.421	5 cents/ton	100%	—	—

* The remaining 20% of the tax monies collected are turned over to the Investment and Local Impact Fund created under sec. 70.395(2), Wis. Stats.

Chapter 20

Property Tax Exemptions

The state constitution grants the legislature power to prescribe what property shall be taxed. This mandate also implies the power to prescribe what property is exempt from taxation.

The authority to levy property tax comes from sec. 70.01, Wis. Stats., which states, “taxes shall be levied...upon all general property in this state except property that is exempt from taxation.”

The power given to the legislature to exempt property from taxation can range from exempting a person to exempting an entire class of property according to its views of public policy or expediency within the restrictions of the uniformity clause of the Wisconsin Constitution.

Part 1 of this chapter gives general information including the process for applying for an exemption, evaluating exemptions, categories of exemptions, and definitions that are applicable to multiple exemptions.

Part 2 contains detail requirements and considerations related to some of the more complex exemptions.

Part 3 is a list of statutory citations with links for applicable law referenced throughout the chapter.

Part 1: Overview of Exemptions

There are two categories of exempt property:

- Property specifically exempted by statute through ownership, use of the property, or a combination of ownership and use.
- Property that is exempt from property tax, but taxable by special methods.

Some taxable property is assessed by someone other than the local assessor. An example is manufacturing property which is assessed by the state. While the municipal assessor is not responsible for valuing such property it is still taxable and should not be confused with property which is exempt.

Burden of Proof

In 1998, the state legislature codified the presumption of taxability by enacting sec. 70.109, Wis. Stats., which states, “Exemptions under this chapter shall be strictly construed in every instance with a presumption that the property in question is taxable, and the *burden of proof is on the person who claims the exemption.*”

In the case of *University of Wisconsin Medical Foundation, Inc. v. City of Madison*, 2003 WI App 204, 267 Wis.2d 504, 671 N.W.2d 292, the Court stated, “This presumption in favor of taxability is motivated by ‘the public interest to stem the erosion of municipal tax bases.’ *International Found. Of Employee Benefit Plans, Inc. v. City of Brookfield*, 95 Wis.2d 444, 454, 290 N.W.2d 175 (1981). As we explained in *International Foundation*,

[t]he more exceptions allowed, the more inequitable becomes the apportionment of the tax burden. The continuous removal of real property from taxation thus imposes a particular hardship upon local government and the citizen taxpayer.

Accordingly, the legislature mandated that only certain institutions are relieved of their normal tax load. *See generally* [Wis. Stat. §70.11... The legislature has recognized that some organizations actually serve a public rather than a private purpose and should be relieved of their tax burden.

Id. Put another way, specific and limited property tax exemptions are based on a theory of mutual consideration: the public relieves an organization of its property tax burden when it provides a public benefit. *See id.* at 455 (noting that, generally, organizations are relieved of their tax burden when they “provide a benefit to the taxpaying community”).”

Exemptions Strictly Construed

In many of the cases discussed in Chapter 22, the courts consistently held that taxation is the rule and exemption the exception. In the case of *State ex rel. Bell v. Harshaw, Treasurer*, 76 Wis. 230, 45 N.W. 308 (1890), the Wisconsin Supreme Court held: “Exemptions from taxation are regarded as in derogation of the sovereign authority and of common right, and, therefore, not to be extended beyond the exact and express requirements of the language used, construed strictissimi juris. *Railroad Co. v. Thomas*, 132 U.S. 185, 10 Sup. Ct. Rep. 68; *Railroad Co. v. Dennis*, 116 U.S. 668, 6 Sup. Ct. Rep. 625.”

The Exemption Application

Real Property Exemptions

In 1998 sec. 70.11 Wis. Stats., was amended to require the owner seeking exemption of a property, to file, **on or before March 1**, an application (Form PR-230) along with any necessary attachments. The form must be filed with the assessor of the taxation district where the property is located. The filing requirement applies only to new exemption requests. Owners of properties already exempt are not required to fill out the form. Failure to complete the form in its entirety and file with the assessor by March 1 may result in denial of the exemption. Filings received on or before March 1 by electronic filing, fax, mail or physical delivery are timely. If March 1 is a Saturday or Sunday, state law (sec. 990.001(4), Wis. Stats.), allows taxpayers to file on the next day that is not a Saturday or Sunday. Under this situation, filings received on or before the next day that is not a Saturday or Sunday by electronic filing, fax, mail or physical delivery are timely.

Some entities are not required to file a Property Tax Exemption Request form. These include:

- | | |
|---|----------------------------|
| • Property of the State | Sec. 70.11(1) Wis. Stats |
| • Municipal property | Sec. 70.11(2) Wis. Stats. |
| • Housing exempt under section 66.12012(22) | Sec. 70.11(18) Wis. Stats. |
| • Crops | Sec. 70.11(30) Wis. Stats. |
| • Manufacturing machinery & specific processing equipment | Sec. 70.11(27) Wis. Stats. |

The Property Tax Exemption Request (PR-230) compels an owner seeking exemption of property to provide the assessor with pertinent information to enable the assessor to determine whether the property meets the statutory requirements for exemption. The form has four sections that must be completed by the property owner or the owner's representative.

1. Applicant information
2. Subject Property Information
3. Tenant Information
4. Supporting documentation. Depending on the type of exemption, supporting documentation must be attached to the request. Examples of supporting documentation include copies of:

• Proof of non-profit status	• Mortgages
• Partnership agreement, association documents, articles of incorporation, charter, by-laws, any amendments	• Covenants, restrictions, rules and regulations affecting use and occupancy
• Latest annual report filed with State Department of Financial Institutions	• Concessionaire and license agreements
• Educational curriculum	• Survey of subject property
• Part II of IRS Form 1023	• Appraisal of subject property
• Form 990	• Deeds
• Form 990T	• Income data to support an exemption for low-income housing
• Ordination papers of occupants	• Any other information that would aid in determining exempt status
• Leases and subleases	

Personal Property Exemptions

Exempt Computers

Sec. 70.11(39), Wis. Stats., exempts “mainframe computers, minicomputers, personal computers, networked personal computers, servers, terminals, monitors, disk drives, electronic peripheral equipment, tape drives, printers, basic operational programs, system software and prewritten software”. The exemption in sec. 70.11(39), Wis. Stats., does not apply to “custom software, fax machines, copiers, equipment with embedded computerized components or telephone systems, including equipment that is used to provide telecommunications services, as defined in sec. 76.80(3), Wis. Stats.”

2017 Wisconsin Act 59, effective January 1, 2018, removed the requirement to report this property. The 2018 Statement of Personal Property was updated to exclude Schedule D-1.

Leased Equipment

The assessor should attempt to assess property to the person responsible for paying the taxes. This is usually specified in the lease agreement and the information can be obtained by contacting the lessor or lessee. Although sec. 70.18, Wis. Stats., permits the assessor to assess leased equipment to either the lessor or the lessee, there are several advantages to assessing property according to the lease agreement: 1) there is less possibility of a double assessment especially when both the lessor and lessee report the same equipment; 2) there is less possibility of confusion in collecting taxes, especially when the lessee expects to pay the tax as part of the lessee’s tax and later receives a separate bill from the lessor for this equipment; and 3) the lessor and lessee are more likely to cooperate in providing information about leased equipment if the assessor makes the assessment according to the lease agreement.

Evaluating Exemption Requests

It is the duty of the assessor to determine whether the property is exempt. In deciding whether a property meets the requirements for exemption, the assessor must look to the actual activities or dominant purpose of the organization. The assessor should be more concerned with what the organization *actually* does than *what it says it does* in its constitution or by-laws.

The assessor should make a physical viewing of the property to verify that the information in the application is correct and that the property is being used for the exempt purpose. The assessor may also wish to periodically re-viewing the property to verify that it continues to be used for exempt purposes.

It is the responsibility of the party seeking exemption to show that it falls within the statutory criteria for exemption. The courts have repeatedly ruled that the assessor should base exemption decisions on a “strict but reasonable” construction of the statutes. This means that an association must clearly show that it meets the criteria for exemption. If there is any doubt, the assessor should deny the exemption. However, the assessor must not be so strict as to be unreasonable. In *St. John’s Lutheran Church v. City of Bloomer*, 118 Wis.2d 398, 347 N.W.2d 619 (1984), one reason the City denied the exemption was because the word

“benevolent” was not used in the articles of incorporation. The court ruled that the association met all of the tests for a benevolent association. To deny an exemption because the word “benevolent” was not included in the articles of incorporation was an unreasonable interpretation of the statutes.

The assessor should neither grant nor deny an exemption just because another assessor granted or denied the exemption. The assessor may wish to consult the other assessor regarding that decision. However, the facts regarding an organization may vary from municipality to municipality and from year to year. The assessor should base the decision solely on whether or not the organization meets the criteria for exemption within the particular municipality.

The assessor should be familiar with Chapter 22, which deals in part with court cases and Attorney General Opinions regarding property exemptions. The assessor can discuss Volume I with DOR. In situations where the analysis is complex, the assessor may wish to confer with the municipal attorney before making a decision. The municipal attorney may in turn confer with the County Corporation Counsel, the League of Wisconsin Municipalities, or the Wisconsin Towns Association legal staff. The assessor should keep a file containing all information regarding an exemption request. This includes all forms, correspondence, notes, etc. This will help when presented with similar exemption requests in the future. In addition, if the assessor’s decision is appealed, a complete written record will help demonstrate that the assessor acted properly.

Recurring Exemption Requirements

This section contains discussion of exemption criteria that are not unique to a specific exemption, but can be applied to multiple exemptions assuming that the facts meet the specific requirements of each exemption. For requirements unique to a specific exemption, refer to Part 2 in this chapter.

Benevolence

The statutes do not define the word benevolence. Wisconsin courts have recognized that “benevolence” is a broader term than charity. The following definitions and authority may be helpful to assessors:

“The word “benevolent” means, literally, ‘well-wishing.’ It is a word of larger meaning than ‘charitable.’ It has been well said that, ‘though many charitable institutions are very properly called benevolent, it is impossible to say that every object of man’s benevolence is also an object of his charity.’” *Family Hospital Nursing Home, Inc. v. Milwaukee*, 78 Wis.2d 312, 318 (1977) (citations omitted).

Here are relevant definitions of benevolent and benevolence from *The American Heritage Dictionary of the English Language*, 3 ed. (1992)

- “benevolent 1. Characterized by or suggestive of doing good. 2. Of, concerned with, or organized for the benefit of charity.”
- “benevolence 1. An inclination to perform, kind, charitable acts”

Non-Profit

The organization must be a non-profit organization. This means that the organization must be free from the fact or even the possibility of profits accruing to the founders, directors, officers, or members. In *Prairie du Chien Sanitarium Co. v. City of Prairie du Chien*, 242 Wis. 262, 7 N.W.2d 882 (1943), the Wisconsin Supreme Court held that the hospital did not qualify for exemption. The court decided that a group of doctors who were members of the owners association used the hospital as an adjunct to their private practice. Therefore, the property was not exempt.

This does not mean that the organization must operate at a loss or break even. The issue is what is done with the “profit.” This issue was addressed in *Order of Sisters of St. Joseph v. Plover*, 239 Wis. 278, 1 N.W.2d 173 (1941). The Order operated a hospital that occasionally received income that exceeded expenses. Any “profit” was used to improve the facilities or to establish or support other hospitals or educational institutions. The court ruled that since the profit, if any, was payable to no one, but was used only to improve the facilities or expand the benevolent purpose of the organization, it was a non-profit organization.

The assessor should note that all of the income was received by the organization’s pursuit of its exempt purpose. If part of the income is received from non-exempt activities, the organization may be subject to being “taxed in part.” This issue is addressed more fully in another section of this chapter.

Acreege Limitations

Most organizations seeking exemption under sec. 70.11(4), Wis. Stats., are subject to an acreage limitation, beyond which the property remains taxable. The acreage limit is specific to the exemption. For many exemptions the limit is 10 acres; however, the assessor must review the statute for each specific exemption in order to determine the applicable limitation.

The acreage limitation is a cumulative figure for each municipality and does not apply to each site that an organization owns within the municipality. For example, assume that a benevolent organization has two facilities in a municipality and each facility is 10 acres. Only one of the facilities is entitled to exemption. The assessor should allow the organization to decide which one of the facilities it wants exempted. However, a benevolent organization located in several municipalities is entitled to a 10-acre exemption in each municipality. Additionally, an organization may be entitled to separate exemptions for separate purposes under sec. 70.11(4), Wis. Stats. In *Wisconsin Evangelical Lutheran Synod v. City of Prairie du Chien*, 125 Wis. 2d 541, 373 N.W.2d 78 (1985), the court ruled that the association was entitled to a 30 acre exemption for its educational purpose plus 10 acres for its religious housing purpose. The assessor must be sure that there are separate and distinct purposes to qualify for more than one exemption.

The acreage limitation is determined by the land necessary for the location and convenience of buildings. This means that assessors cannot exempt just the land located under the building. The exemption must include the land necessary for the convenience of the buildings, which includes driveways, parking areas, yards, etc. Likewise, an organization cannot base its claim for exemption only on the land located under its buildings. It must also include the land used for driveways, parking areas, yards, etc. in making its claim.

Vacant Property

The property must be exclusively used for the exempt purpose of the organization. If the property becomes vacant or is no longer used by the organization for exempt purposes, it loses its exemption.

This issue of vacant property was addressed in *Dominican Nuns v. City of La Crosse*, 142 Wis. 2d 577, 419 N.W.2d 270 (1987). The order maintained a convent on its property until December, 1983, when it moved its headquarters and all of its members to a new facility in another part of the country. The court held that the property was not “used” for any of the order’s exempt activities. Heating the property, keeping it in repair, listing it for sale, and maintaining a mortgage did not make the property “exclusively used” for religious purposes. The former convent was vacant and premises, which are “wholly vacant and unoccupied,” do not qualify for exemption.

Vacant land held solely for expansion, or acquired for future building, is not exempt even when owned by an exempt organization. However, vacant land adjacent, or in close proximity, to an exempt building, and currently used for exempt purposes, may qualify for exemption. Consider a church-owned lot located across the street from the church. The lot was used exclusively for church related outdoor activities such as parking, picnics, socials, recreational activities, etc. The lot was exempt as “land necessary for the location and convenience of buildings.” However, vacant land located a substantial distance from an exempt building is not entitled to exemption.

Improvements Under Construction

Property under construction on the assessment date that is owned by an exempt association may be entitled to exemption. The assessor must conduct a thorough review of the association to ensure that the property will be used for an exempt purpose when completed. This includes monitoring the property to ensure that construction is proceeding at a reasonable pace. In addition, the assessor should review the property when construction is complete to ensure that it is being used for an exempt purpose.

In *Family Nursing Home, Inc. v. City of Milwaukee*, 78 Wis.2d 312, 254 N.W.2d 268 (1977), the City contended that the nursing home was not “exclusively used” for benevolent purposes on the assessment date because the home was not occupied by patients until several months later. The home was equipped and in the process of hiring staff on the assessment date. The nursing home was not used for any other purpose during the period. The court ruled that the nursing home should not be taxable during the period as it was readying itself for benevolent purposes.

The assessor must base exemption decisions on a “strict but reasonable” construction of the statutes. This means that the assessor must not interpret the exemption so narrowly as to deny reasonable claims for exemption. If a property under construction is readying itself for exempt purposes and is not being used for other purposes, it may be reasonable to exempt such property, assuming that the facts meet all specific requirements of the applicable exemption.

Leased Property

In 1955, the Legislature revised sec. 70.11(4), Wis. Stats., to require that the property be both owned, and used, by an exempt organization in order to qualify for exemption. In 2003, Wisconsin Act 195 allowed the renting of property for residential purposes provided it met the strict requirements for use of rental income.

In 2009, under Act 28, the legislature loosened restrictions on the use of rental income for certain types of residential properties, but retained strict limitations on the use of rental income for all other exemptions.

Unrestricted Use of Rental Income

Unrestricted use of rental income applies only to the following exemptions; all other exemptions are subject to the restricted use of rental income criteria below.

- Benevolent low income housing
- Benevolent retirement homes for the aged
- Residences occupied by at least one person who meets the medical definition of permanent disability used to determine eligibility for programs administered by the federal social security administration.

In these instances, leasing property for residential purposes “does not render it taxable, regardless of how the leasehold income is used”.

Restricted Use of Rental Income

In response to the 2003 Wisconsin Supreme Court case *Columbus Park Housing Corporation v. City of Kenosha*, 2003 WI App 190, 267 Wis.2d 233, 670 N.W.2d 74, 2003 Wisconsin Act 195 changed the preamble to sec. 70.11, Wis. Stats., which allows property to be leased as residential property without losing its exemption status, provided that rental income is applied toward construction debt retirement, maintenance of the subject property, or both.

Organizations exempt under sec. 70.11, Wis. Stats., may lease their property to other exempt organizations under the following conditions:

- All of the leasehold income must be used for maintenance of the leased property, construction debt retirement of the leased property, or both, and
- The lessee would be exempt from taxation if it owned the property, and the lessee does not discriminate based on race.

Maintenance is defined in *Webster's Third Unabridged Dictionary* as “...the labor of keeping something (as buildings or equipment) in a state of repair or efficiency.” The International Association of Assessing Officers defines maintenance as “An expenditure of a fixed asset that increases or tends to preserve the asset's value”.

Sec. 70.109, Wis. Stats., provides for a strict interpretation of exemptions, a presumption of taxability, and places the burden of proof with the entity requesting the exemption. In 2003, Dane County Circuit Court ruled on the definition of maintenance in *Future Madison Eastpointe, Inc. et al. v. City of Madison*. The decision stated that there was clear legislative

intent to limit the expenditure of leasehold income to only include expenses for the physical upkeep of the premises.

As provided in sec 70.11 Wis. Stats., “Maintenance” is specific to the leased property. Only expenses for maintenance of the exterior structure, the grounds, and the interior components of the leased property qualify. Examples of expenses that qualify as maintenance include:

- cleaning costs
- ventilation system repairs and maintenance
- elevator repairs and maintenance
- flooring repairs
- wall repairs and painting
- refuse collection, grounds maintenance, and snow removal
- property insurance
- cost of labor and related supplies required to complete the aforementioned items
- Annual allowances set aside as reserves for replacement of building components, fixtures, and equipment.

Examples of acceptable reserves that qualify as maintenance include funds set aside for:

- flooring replacement
- roof replacement
- window replacement
- ventilation system replacement
- asphalt driveways and service roads

Expenses associated with the entity’s going concern do not qualify as maintenance. Examples of non-qualifying expenses include:

- business insurance, advertising
- depreciation
- property additions and property acquisitions
- debt payments and financing fees
- management fees, legal fees, accounting fees
- taxes, including income taxes, franchise taxes, corporation taxes, and real estate taxes
- fees and expenses associated with a different property or business of the entity
- costs associated with providing social, healthcare, and other services for residents
- costs of labor and related supplies for any of the above unqualified expenses

The examples given in this section are meant to assist the assessor in identifying the types of items to consider and should not be construed as all-inclusive.

Debt Retirement. Construction debt retirement is specific to the leased property under sec. 70.11 Wis. Stats. Payment of construction debt due to initial construction of the leased property qualifies, along with debt due to subsequent construction of the leased property.

A construction loan, converted to a conventional loan, would continue to qualify as construction debt retirement. However, refinancing that includes other debt, such as new appliances, inventory, unpaid utilities, etc., is not considered construction debt retirement. When such debts are combined, the property does not comply with sec. 70.11., Wis. Stats., and would result in the property losing its tax exempt status.

Leasehold income used for debt retirement associated with the business of operating the property, the debts of a parent or subsidiary entity, and the debts incurred from the construction of another property, are not considered construction debt and would render the property taxable.

Taxed in Part

Under sec. 70.1105(1), Wis. Stats., an exempt organization may be assessed and taxed in part, when:

“Property that is exempt under s. 70.11, and that is used in part in a trade or business for which the owner of the property is subject to taxation under sections 511 to 515 of the internal revenue code, as defined in s. 71.22 (4m), shall be assessed for taxation at that portion of the fair market value of the property that is attributable to the part of the property that is used in the unrelated trade or business. This section does not apply to property that is leased by an exempt organization to another person or to property that is exempt under sec. 70.11(34), Wis. Stats.”

The Internal Revenue Service provides guidelines to determine the taxability of unrelated income in *Publication 598 Tax on Unrelated Business Income of Exempt Organizations*. This document may be viewed or downloaded at [Internal Revenue Service](#).

Unrelated business income is defined as income from a trade or business that is regularly carried on by an exempt organization that is not substantially related to the performance of its exempt purpose or function, except for the profits derived from this activity.

Trade or business generally includes income-producing activities related to selling goods or performing a service.

Regularly carried on activities are performed with frequency and continuity comparable to commercial activities of nonexempt organizations.

Not substantially related activities do not significantly contribute to accomplishing the exempt purpose of the organization. The following examples describe activities generating unrelated business income by exempt organizations:

- A humane society provides pet boarding and grooming services to the general public for a fee.
- A Nonprofit Medical Research Foundation rents its labs to a for profit drug company for research on the effectiveness of a new drug. The research is performed entirely by the drug company's staff. The Foundation's staff and students are not involved in the research.
- An Art Gallery rents the facility to a commercial event promoter for concerts, weddings, parties and lectures.

The Internal Revenue Service determines if an organization is subject to taxation for unrelated business income. If the assessor feels an exempt organization may have unrelated business income, an Unrelated Business Income Report (PC-227) should be sent to the

organization. The organization will know if it is being taxed by the IRS for unrelated business income and should complete and return this form.

After receiving the return, the assessor should estimate the market value of the part of the property used to generate unrelated business income using the three approaches to value. If only part of the building is used to generate unrelated business income, the assessor should determine that percentage and multiply it times the market value of the building. For example, assume a lodge operates a kitchen and dining room that is regularly open to the public. The assessor estimates that the market value of the building is \$500,000. The area of the kitchen and dining room is 1,000 square feet and the area of the building is 5,000 square feet. The percentage used to generate unrelated business income is 20% (1,000/5,000). The market value of the unrelated business use is \$100,000 (\$500,000 x .20). The percentage is not applied to the land unless the organization receives separate compensation for the land.

If an entire building is used part of the time to generate unrelated business income, the assessor can base the assessment on either the percentage of income attributable to the non-exempt use or the percentage of time the property is used for the non-exempt use. For example, an exempt organization publishes a student newspaper and also regularly does printing for the public which provides 20 percent of its income. The assessor would estimate the market value of the building and multiply it times 20 percent to estimate the market value of the unrelated business use.

Appealing Exemption Decisions

A property owner who wishes to appeal the assessor's decision should generally be advised to follow the procedures for Recovery of Unlawful Taxes, sec 74.35(2m) Wis. Stats.

Sec. 74.35, Wis. Stats., provides for the recovery of unlawful taxes under very specific conditions. An unlawful tax occurs when one or more of the following errors are made:

- A clerical error was made in the description of the property or in the computation of the tax;
- The assessment included real property improvements which did not exist on the assessment date (Jan 1);
- The property was exempt from taxation;
- The property was not located in the municipality;
- A double assessment was made; or
- An arithmetic, transpositional or similar error has occurred.

Please note that an "unlawful tax" does not include judgmental questions about the valuation. Valuation issues must be addressed through the Board of Review appeal process.

Recover unlawful taxes under sec. 74.35, Wis. Stats., by filing a claim with your municipality.

A claim for recovery of unlawful taxes must include all of the following:

- Be in writing,
- State the alleged circumstances for the claim,
- State the amount of the claim,
- Be signed by the claimant or the claimant's agent, and
- Be served to the municipal clerk.

A claim for the recovery of unlawful taxes paid to the wrong municipality must be filed within two years after the last date specified for timely payment of the tax. All other claims for recovery of unlawful taxes must be filed by January 31 of the year in which the tax is payable. No claim may be made unless the tax, or any authorized payment of the tax, is timely paid.

If the municipality denies the claim, it must notify you by certified or registered mail within 90 days after the claim is filed. You may appeal the decision to Circuit Court if you feel the decision is incorrect. You must commence action within 90 days after receiving notice that the claim is denied.

If the municipality does not act on the claim within 90 days, you have 90 days to appeal to Circuit Court.

There are three exemptions that cannot be appealed under sec 74.35, Wis. Stats., and must instead be resolved by the State Board of Assessors per sec 70.995(8), Wis. Stats. These three are:

1. Exempt computers under secs. 79.095(2) and (3), Wis. Stats.
2. Waste Treatment and Pollution Abatement Equipment exempt under sec 70.11(21), Wis. Stats.
3. Manufacturing machinery and equipment exempt under sec. 70.11(27), Wis. Stats.

Part 2: Specific Exemptions

Educational Institutions

The exemption for educational institutions is granted under sec. 70.11(4)(a), Wis. Stats. To qualify for exemption as an educational institution, the property must meet the following criteria:

1. The organization must be an educational association;
2. The property must be owned and used exclusively for the purpose of such association;
3. The property must be 10 acres or less. Property owned by churches and religious associations used for educational purposes is subject to a 30-acre limitation;
4. The property must be necessary for the location and convenience of buildings;
5. The property must not be used for profit.

The educational association must be engaged in “traditional” educational activities “and must provide systematic instruction, either formal or informal, directed to an indefinite class of persons. Furthermore, it must be a type of education which directly benefits the general public and would ordinarily be provided by the government or would in some way lessen the burden of government.

“*An indefinite class of persons*” means that the education is available to the general public rather than a limited or specific group of people. For example, an association that provided continuing education to the members of a certain profession was not directed to an “indefinite class of persons.” The association claiming the exemption must show that the education is provided primarily to the general public rather than to a limited group of people. “*Traditional*” educational activities are not limited to a formal academic curriculum in a formal school setting. *In Janesville Community Day Care Center, Inc.*, 126 Wis.2d 231, 376

N.W.2d 78 (1985), the court ruled that the Day Care Center provided “traditional” educational activities and met all the other requirements including being a non-profit institution. The Center made daily use of structured instructional curriculum administered by a staff of teachers who had post-secondary education in early childhood training. The Center offered speech therapy, vision and hearing tests, as well as special programs tailored to both gifted children and those with learning disabilities. In addition, a public school principal testified that diverse and challenging preschool experience and education reduced the burden on public schools by eliminating the need in many instances for counseling, testing, and speech therapy and by increasing the likelihood of the students’ academic success.

Religious Institutions

Sec. 70.11(4)(a), Wis. Stats., exempts property owned and used exclusively by churches or religious associations including property owned and used for housing for pastors and their ordained assistants, members of their religious orders and communities, and ordained teachers, whether or not contiguous to and a part of other property owned and used by such associations or churches.

Black’s Law Dictionary defines religion as “man’s relation to divinity, to reverence, worship, obedience, and submission to mandates and precepts of supernatural or superior beings. In its broadest sense it includes all forms of belief in the existence of superior beings exercising power over human beings by volition, imposing rules of conduct, with future rewards and punishments.”

The courts have been reluctant to set down precise, clear-cut rules or guidelines to define religion. To do so could interfere with the freedom of religion. However, certain things appear to be common to most religions. These include a superior being or beings, some type of reverence, obedience, or worship of these beings, and some sort of mandates or code of conduct for the members of the religion.

Another requirement for exemption as a religious institution is that the property be used exclusively for religious purposes. There have been several instances where individuals or groups have tried to organize churches or religious institutions merely to avoid taxation. In *Oshkosh v. Graf, Court of Appeals, District II*, the taxpayer argued that his chiropractic personal property had been given to a church (he founded) and was exempt under sec. 70.11(4), Wis. Stats. The court disagreed on the basis that no gift to the church had occurred because he never relinquished his control over the property he continued using in his practice.

In determining whether property is used for religious purposes, the assessor should ask several questions:

- How is the property used for religious purposes?
- Are religious services conducted on a regular basis? If so, when, where, and how often?
- Is any part of the property used for pecuniary profit? If so, what areas and to what extent?

Donated Property

In the case of property purportedly donated for religious purposes:

- Does the person making the donation have any ownership or other interest, in this property, either recorded or unrecorded?
- Does the person making the donation have any control over the use of the property? e.g., Is it used for the person's business? Is it used for the person's recreational, residential, or social purposes?
- Does the person making the donation have any responsibility toward making mortgage payments or paying for repairs and maintenance of the property?
- If donated property is sold, will any portion of the proceeds pass to the donor or the donor's family, relative, heirs, or assigns?

Housing for Religious Persons

The religious institution must own the home in order to qualify for this housing exemption. Therefore, the first step in analyzing whether an exemption exists for housing dedicated to pastors and their ordained assistants, members of religious orders and communities, and ordained teachers is to determine ownership of the property.

The assessor should then obtain copies of ordination papers of pastors, assistants, teachers, etc. What specifically qualifies as "ordained" should be given wide berth given the constitutional implications. However, documentation is required.

Benevolent Associations

A property must meet all of the following criteria in order to qualify for an exemption as a benevolent association under sec. 70.11(4)(a) Wis. Stats.

1. The organization must be a benevolent association.
2. The real and personal property must be owned by the association.
3. The real and personal property must not be used for pecuniary profit (compensation for purposes not included in the objectives of the organization).
4. The organization cannot be organized under sec.185.981 Wis. Stats., or Ch. 611, 613, or 614 and offer a health maintenance organization as defined in sec. 609.01(2) Wis. Stats.
5. The organization cannot offer a limited service health organization as defined in sec. 609.01(3) Wis. Stats.
6. The organization cannot be issued a certificate of authority under Ch. 618 and offer a health maintenance organization or a limited service health organization.

Determining whether the organization operates for a benevolent purpose is sometimes difficult. The assessor should be familiar with the definitions of benevolence found in Part I of this chapter.

A mission statement of benevolence is not adequate proof that the association is a benevolent association. The assessor must look beyond the stated purpose of the organization to determine whether its activities are truly benevolent. The assessor should obtain a list of the services provided by the benevolent association. An organization claiming to be benevolent must show that it does benevolent activities and how those activities benefit society.

This does not necessarily mean that the activity benefits everyone directly. It means that because the organization provides this service, activity, or benefit, society as a whole is a better place. This includes providing services that would otherwise have to be provided at government expense and services that make people less dependent on government care. It also includes activities that make people better members of society by improving their social, physical, or mental condition.

In *M.E. Baraca Club v. City of Madison*, 167 Wis. 207, 167 N.W. 258 (1918), the Wisconsin Supreme Court held that an organization whose benevolent activities consisted of securing positions for a few young men and furnishing a small number of free meals, is not a “benevolent association” whose property is exempt from taxation.

It is not necessary that an organization be charitable to be benevolent. An organization does not have to provide its services for free or at a reduced cost to be benevolent. Providing charity is an activity that may help demonstrate the benevolence of an organization, however, it is not a requirement for being considered a benevolent association.

Benevolent Low-Income Housing

Wisconsin Act 28, passed June 2009, created sec 70.11(4a) Wis. Stats., which exempts certain benevolent low-income housing. Due to the complexity of the criteria for exemption, the assessor should approach the evaluation of the exemption request in stages.

Reporting Requirements

The property owner, must complete and submit to the assessor, no later than March 1, a *Property Tax Exemption Report* (Form PR-230) if one is not already on file. The property owner must also submit to the assessor on an annual basis, no later than March 1, the state prescribed form *Property Owner’s Certification of Occupancy* (Form PR-231).

In any given year, if the property owner fails to submit the Property Owner’s Certification of Occupancy (POCO), the assessor must notify the property owner. If the form is not received by March 1st, the property owner must be notified via certified mail that:

- (1) They must file a statement that specifies which units were occupied on January 1 of that year by persons whose income satisfied the income limit requirements under par. (b), as certified by the property owner to the appropriate federal or state agency, and a copy of the Federal Department of Housing and Urban Development contract or Federal Department of Agriculture, Rural Development contract, if applicable.
- (2) Notification that failure to file that statement within 30 days after the certified letter may result in a \$10 forfeiture per day on which the form is not received by the assessor, up to \$500.
- (3) Additionally, failure to file the POCO may result in loss of exemption status.

A timeline for the POCO is as follows:

- Initial deadline – March 1st
- Extended deadline after notification by certified letter (30 days).

- The final date when the assessor can place a value on the property and ensure distribution of the required notice assessment is before the board of review or board of assessors in agreement with sec. 70.365, Wis. Stats.
- If the POCO is filed after BOR, a correction of the roll is allowed by the clerk under sec. 70.73, Wis. Stats.
- If a tax bill has been generated and the POCO is filed, the property will have lost its exemption status. However, the property owner would have sec. 74.35, Wis. Stats., available as a remedial avenue for recovery of unlawful taxes.

Imposition of the forfeiture under sec. 70.11(4a)(g)(5), Wis. Stats., would typically entail issuing a long form complaint against the property owner with pursuit of the forfeiture through municipal court procedures.

Identifying a Low-Income Project

The POCO requires the owner to identify all parcels that are part of the low income project. All locations included under a single contract to provide low income housing are considered one property for purposes of defining the low-income housing project. Sec. 70.11(4a), Wis. Stats., requires that property must meet the following criteria to be considered part of a low-income housing project:

1. Property is owned by a non-profit entity and
2. Owner is a benevolent association, and
3. Property is used for low-income residential housing.

Income Limits

If the property meets the three criteria above, it is then evaluated against the following income limits:

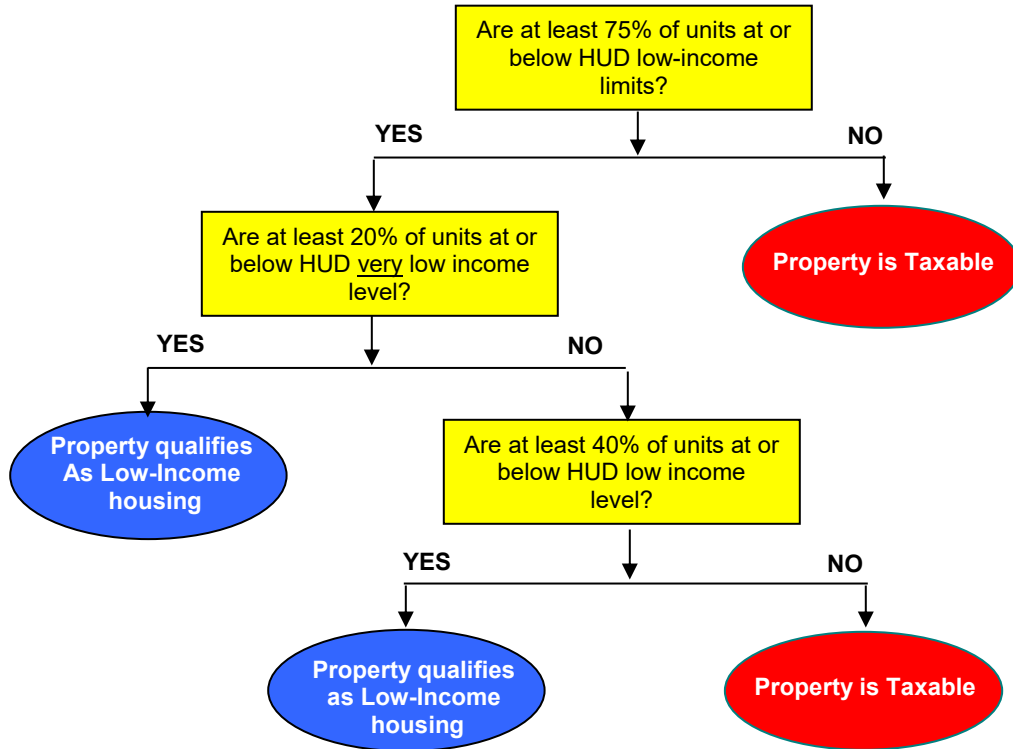
At least 75% of the units are occupied by, or vacant and only available to, persons who meet the definition of low-income for the county according to the most recent HUD data at <http://www.huduser.org/portal/datasets/il.html>.

Properties meeting the 75% requirement must also meet one of the following:

1. at least 20% of the units must be occupied by very-low income persons as defined by the data provided in the HUD website above, or
2. at least 40% of the units must be occupied by very low income persons, or persons whose income is no more than 120% above the limit for very-low income persons using the HUD limits at the above website.

Diagram 20-2

Overview of Income Criteria



Determine What Portions of Property Are Exempt

For non-WHEDA projects, and for WHEDA projects not in existence on January 1, 2008, the following are exempt:

- All common areas
- All units occupied by low-income persons
- All units vacant and available only to low income persons

Determine What Portions of Property Are Taxable

There are some situations in which the overall project qualifies for exemption, yet portions of the project remain taxable and must be valued.

- Units occupied by persons not meeting the income limitations are taxable.
- Any portion of the project that exceeds 30 acres within a single municipality, or 10 acres at a given site, is taxable.

Chapter 50 Facilities – Wis. Stat. Section 70.11(4)(a)

Property owned and used exclusively by a nonprofit entity licensed, certified, or registered under Chapter 50 is exempted under Sec. 70.11(4)(a), Wis. Stats. Some properties may be used for multiple purposes, offering retirement facilities, assisted living facilities, and nursing home facilities. This range of services is commonly referred to as the ‘continuum of care’. The assessor must ascertain Chapter 50 licensure, certification and/or registration for exemption purposes and assess, and/or exempt, the property based on the criteria for the specified use. In *Beaver Dam Community Hospitals, Inc. v. City of Beaver Dam*, 2012 WI App 102, 344 Wis.2d 278, 822 N.W.2d 491, the court held that the law does not require facilities licensed under Chapter 50, Wis. Stats., that are owned by a nonprofit to be used for benevolent activities in order to qualify for an exemption under Sec. 70.11 (4)(a), Wis. Stats. The court found that the plain language of the statute meant that no benevolence was required of entities licensed under Chapter 50. They City argued that the phrase "including benevolent nursing homes" was meant as a clause of limitation that required those licensed under Chapter 50 to be benevolent as well. The court disagreed, noting that Wisconsin courts have repeatedly held that "include" is a term of illustration or inclusion, not one of limitation or exclusion.

Under sec. 70.11(4)(b)1, Wis. Stats., leasing part of a property owned and operated by a nonprofit organization licensed, certified, or registered under Chapter 50, as residential housing, does not render the property taxable, regardless of how the lessor uses the leasehold income.

	<i>Facilities Registered, Licensed and/or Certified under Chapter 50 (examples: residential care complexes, nursing homes, hospice)</i>
Must be Non-Profit	Yes
Must be Benevolent	No
Acreage Limitation	10 Acres
Rent Use Limitations	No
Value Restrictions	No
Exemption Status	Exemption continues if property was exempt in previous year and use, occupancy or ownership did not change in a way that makes it taxable.

Retirement Homes for the Aged –Sec. 70.11(4d), Wis. Stats.

This is a complex exemption in that the law does not specifically define ‘aged’ nor does it fully define the criteria for determining whether a facility is a retirement home. Adding to complexity is the fact that property can be partially taxable, the valuation of the unit requires

considerable appraisal skill, and, unlike most exemptions, the assessor must allocate value to various parts of the property to determine which portions are exempt.

Overview of the Process

The statute requires that the property be used as a non-profit facility by a benevolent association, for the purpose of providing retirement housing for the aged. In addition, the value of the unit, exclusive of common areas, must not exceed 130% of the average equalized value of improved residential property in the county for the prior year.

The steps for determining whether all or a portion of the property is exempt are identified below and discussed in detail in the following sections.

1. Verify that the property is owned and used by a non-profit entity engaged in non-profit activities
2. Verify that the entity is a benevolent association engaged in benevolent activities
3. Verify that the property is used as retirement housing for the aged
4. Remove from analysis any portion of the property not related to providing retirement homes for the aged, including any portions exempt under other statutes.
5. Value the individual units using the assessment hierarchy. Consider sale of the subject, sales comparison approach, income approach or cost approach, where appropriate.
6. Deduct or exclude the value of any common area from the individual unit value.
7. Determine whether the unit is exempt by comparing the result of step 5 with 130% of the average equalized value of improved residential property in the county for the prior year.
8. If more than 50% of the units are exempt then all common areas are exempt.
9. Identify and value any taxable areas of the property including space used to engage in 'for-profit' activities, land and improvements in excess of 30 acres necessary for the location and convenience of buildings, units exceeding the 130% limit, and common area not excluded under #8 above.

	<i>Benevolent Retirement Homes for the Aged Under Section 70.11(4d), Wis. Stats.</i>
Must be Non-Profit	Yes
Must be Benevolent	Yes
Acreage Limitation	30 Acres
Rent Use Limitations	No
Value Restrictions	Value of unit less common area is 130% or less of average single family residential for county
Exemption Status	Assessor evaluates unit on an annual basis to determine if it meets the value limitations (no more than 130% of less of average single family residence in the county)

Non-Profit Test

The entity must have non-profit status for this exemption under this section. In addition, the property may not be used for profit. If the occupant has the *possibility* of recovering an

amount greater than the entrance fee paid by, or on behalf of, that occupant, then the unit is being used for profit and is taxable.

There may be certain spaces within the residential facility or other buildings on the property that may appear to be profit centers for the benevolent association. For example, the retirement complex may have an association-run cafeteria for staff and residents, or a resale shop. Space utilized for these types of activities are treated as exempt common areas provided the association uses the income to support benevolent activities of the retirement facility.

Taxable profit centers may occur when the association leases space to a for-profit entity such as a salon, gift shop, restaurant, etc. Use of property in this manner does not disqualify the association from exemption so long as profits do not accrue to individuals or entities employed by or connected with the association. The portion of the property leased to for-profit organizations is subject to property taxes.

Benevolence Test

When the organization must be a benevolent association, the real and personal property must be owned by the association, and the property must not be used for pecuniary profit (compensation for purposes not included in the objectives of the organization). Benevolence does not require that the entity offer its services free of charge or at below-market rates.

In *Milwaukee Protestant Home For the Aged v. City of Milwaukee*, 41 Wis. 2d 284, 164 N.W.2d 289 (1969) the Wisconsin Supreme Court held, “To help retired persons of moderate means live out their remaining years is ‘benevolent’ whether or not it is also considered, as we would consider it to be charitable.” Sec. 70.11(4d)’s limitation of the exemption based on the unit’s fair market value is consistent with the Court’s focus on moderate means.

Chapter 22 includes case law as it relates to the issue of benevolence and may be helpful to the assessor in determining whether this test has been met.

Age Test

The Housing & Urban Development (HUD) Fair Housing Act of 1968 describes a retirement home as a residential facility in which at least 80% of the units have at least one occupant age 55 years or older.

Portions of Property Excluded from Analysis

If any portion of the property is used for exempt purposes other than providing retirement homes, these areas should be removed from analysis. Examples of areas to be removed are nursing homes and other entities that qualify as exempt under sec. 70.11(4)(a), Wis. Stats. The retirement association may lease portions of the property to a non-exempt entity without losing exemption status, regardless of how the rental income is used. However, if the leasee is using the rented space to engage in for-profit enterprise then the space under lease is taxable.

Valuing Units

This exemption requires the assessor to value the unit exclusive of the value of common areas. Note that decks, balconies, and patios that are for the sole use of the unit occupant are not considered common area and should be valued as part of the unit.

Before valuing individual units, the assessor should consider the following:

- If the value of the least expensive unit is likely to exceed the maximum of 130% of the average cost of the equalized value of a single family residence in the county, then value the least expensive unit first. If the least expensive unit is greater than the 130% limitation, then all units, plus the common area, are taxable.
- If the value of the most expensive unit is probably less than the 130% limitation in the county, then value the most expensive unit first. If the most expensive unit is at or below the 130% limitation, then all units are exempt and do not need to be valued.

When selecting comparable sales or rentals, the assessor should consider the following:

- Comparable functional utility of units
- Similar design of units (e.g., townhouse, one story, garden style, basement, parking level)
- The existence of any common area amenities (swimming pools, clubhouses, etc.)
- Comparison to condominiums and/or rentals in age-restricted associations and projects, if available.
- Similar external amenities (e.g., proximity to desirable shops and services)

Sales Comparison Approach

In accord with sec. 70.32 Wis. Stats., and case law, the sales comparison method typically provides the most reliable indicator of value. The assessor should first look to whether there are adequate comparable sales to use this method for valuing units. For average to higher end retirement homes, condominium sales may be most representative of value. For modest to average retirement units, sales of rental property may yield a more accurate unit value. Sales of age-restricted apartment projects and age-restricted condominiums should be utilized, if available.

In seeking comparable sales, the assessor should attempt to avoid those with amenity-type common areas such as clubhouses, swimming pools, and fitness centers. These amenities are likely to give the unit a higher value than those without amenities. Because the statute requires that the unit be valued independent of common areas, choosing sales without these amenities will simplify unit valuation.

In cases where retirement projects have significant common area amenities, the assessor may find that the quality of units more closely approximates sales where amenities are similar. In those instances, the sale must be adjusted to exclude the value of amenities.

In small communities, it may be necessary to look for sales of age-restricted housing in nearby communities of similar appeal. Private, age-restricted facilities are likely to be more similar to subject in design, functional utility, and appeal than housing projects that have no age restriction.

Income Approach

In some cases, comparable sales will be unavailable and the assessor will need to use the income approach in valuing units.

The easiest way to apply the income approach is to base the unit value on market rents of comparable apartments and/or condominiums, whichever are most similar to the retirement units. As with the sales comparison approach, the assessor must adjust market rents to eliminate the value of common area amenities.

A more complicated application of the income approach is to base unit value on cash flow. This method is complicated because of the many steps and judgments involved, can be more prone to disputable results. Cash flow analysis requires significant data gathering by the assessor to ascertain income and expenses, apportioning them for amenities as needed. Some considerations in applying this method include:

- Develop value based on market rent for units of similar size, design, amenities, and functional utility
- Calculate a capitalization rate based on typical market expenses and income of apartment buildings or condominiums, whichever is most similar to the subject in amenities, functional utility, design, and location.
- Develop value based on the monthly fee of the unit (contract based) subtracting the cost of any items not related to the maintenance of the unit or to maintenance and repair of the common areas directly supporting the residential units. The monthly fee should be adjusted to eliminate any portion of the fee intended for medical services, nursing care, therapy, cleaning services within the unit, and any other amenities not found in the typical residence apartment or condominium.
- Consider the value and/or cost of any entrance or endowment fees, any reversionary interest of the resident, and the potential for profit of any reversionary interest.

Cost Approach

The cost approach is typically not a reliable indicator of value for retirement homes unless the facility is under construction or in its first year of operation. The assessor may need to consider the cost approach in ascertaining the value of unique amenities. An example might be tennis courts, a chapel, a commercial quality kitchen, or other unique spaces.

Adjust Unit Value to Exclude Common Areas

By statute, common areas are to be excluded when valuing individual units. Before valuing the unit, the assessor should already have removed common area amenities such as swimming pools, fitness centers, cafeterias, etc. Following valuation of the unit, an adjustment must be made for general and service type common areas such as land under the units, parking lots and sidewalks, hallways, elevators, mailboxes and foyers, and similar areas required to service the building and provide access to units. The department suggests calculating the contributory value of these areas at 20% of the market value of the unit. The assessor should therefore reduce the value of the unit by 20% to account for these areas before comparing the unit value to the 130% limitation in the next step.

Communities who choose to adjust for common areas by a method other than the 20% adjustment must fully document the method used, apply the method consistently, and prepare to adequately defend departure from the standard 20% adjustment, should the need arise.

Determine Whether Unit is Exempt

Compare the adjusted value of the unit from step 6 with the [statutory limit](#) (See [Benevolent Retirement Homes for the Aged](#)) for the county in which the property is located. A chart of these values can be found on DOR's website.

The chart shows 130% of the average equalized value of residential property by county for the preceding assessment year. If the unit is at or below the 130% limit, the unit is exempt. Units exceeding 130% of the limit are taxable.

Determine Whether Common Areas are Exempt

If at least 50% of the units are exempt then all common areas are exempt. If fewer than 50% of the units are exempt then all common areas are taxable.

When valuing taxable common area, exclude any common area that is shared with another activity. For example, if a hallway, entryway, or parking lot is used by both a nursing home and the retirement home, prorate the value between the two entities based on percent of use, square footage, time, or some other logical and quantifiable method.

Identify Taxable Portions of Property

1. Units are taxable if they do not house at least one resident who meets the minimum age requirement.
2. Units are taxable if the unit value exceeds 130% of the average equalized value of a single family residence in the county for the prior year.
3. Land and improvements supporting for-profit activities are taxable and must be valued.
4. Common areas are taxable if more than 50% of the units are taxable.
5. Land and improvements in excess of 30 acres, or which are not necessary for the location and convenience of buildings, are taxable and must be valued, provided the excess is not used for a separate exempt use. For example,
 - a retirement home of 40 acres could potentially have 30 exempt acres and 10 taxable acres
 - a 40 acre property that has both retirement units and a nursing home would be entitled to a maximum of 30 acres under the retirement exemption and 10 acres under the nursing home exemption.

Fraternal Societies

Sec. 70.11(4), Wis. Stats., exempts fraternal societies operating under a lodge system (except university, college, and high school fraternities and sororities).

Black's Law Dictionary defines fraternal as "Relating or belonging to a fraternity or association of persons formed for mutual aid and benefit, but not for profit." Thus, the activity of the organization must be to provide mutual aid and benefit to the members. This definition is sufficiently broad to include many organizations. However, there are some limitations.

The fraternal society must be operating under the lodge system. This is a form of organization that includes local branches chartered by a parent organization. These local branches may be called lodges, chapters, etc. There must be parent and local organizations that are active. An organization that operates on its own without a parent and branches would not be exempt.

In addition, any fraternal society engaging in racial discrimination loses eligibility for this exemption. This includes not only the organization's constitution and by-laws but also its actual practices. The organization may claim that it does not discriminate. However, if its activities demonstrate racial discrimination, it is not exempt.

The assessor must also review public or non-member use of lodge facilities. Public use of parts of the lodge may make those areas subject to being "taxed in part" under sec. 70.1105, Wis. Stats. In *Madison Aerie No. 623 F.O.E. v. City of Madison*, 275 Wis. 472, 82 N.W.2d 207 (1957), the Wisconsin Supreme Court found that the dining area, bar, and bowling alley of the lodge were open to both members and non-members. The Court held that because these areas were open to the public, they were no longer exempt. This issue is more fully discussed earlier in this chapter under the "Taxed in Part" section of Part I.

United States Government Owned Property

Most U.S. Government real and personal property is exempt from the general property tax, as long as beneficial ownership does not accrue to someone other than the federal government. The assessor should refer to WPAM Chapter 22 for court cases and Attorney General Opinions that discuss assessment of U.S. Government property. The federal government does permit the assessment and taxation of certain federally owned property under the United States Code (U.S.C.). This generally consists of property acquired as a result of foreclosures on property on which federal agencies have insured the mortgage. As a result of these foreclosures, the federal agencies take ownership of these properties until they can be resold. The assessor should value these properties in the same manner as similarly classed properties are valued e.g., foreclosed agricultural property should be assessed as is other agricultural property.

The following federally owned properties should be assessed. The number in parenthesis is the United States Code reference that authorizes assessment. In addition, property owned by these agencies but not assessed in any of the prior 2 years should be assessed as omitted property under sec. 70.44, Wis. Stats.

1. Real property acquired as a result of foreclosure on which the mortgage is insured by the Federal Housing Administration (12 U.S.C. §1706b).
2. Real property acquired as a result of foreclosure on which the mortgage is insured by the Department of Housing and Urban Development (12 U.S.C. §1714).
3. Non-administrative property held by the Farmers Home Administration (42 U.S.C. §1490).
4. Buildings and lands leased to Post Offices are taxable to the lessor (39 U.S.C. §2005).

Archaeological Sites

Sec. 70.11(13m), Wis. Stats., exempts archaeological sites that are identified by the State Historical Society including any contiguous land necessary to protect the site and are listed in the national register of historic places in Wisconsin or the state register of historic places. This exemption applies to land only.

Note: Properties where part is exempt due to an archaeological site may not necessarily experience a reduction in total property value. As with other property factors and market conditions, the market must be carefully analyzed to determine the effect on value.

Cemetery Exemption

Sec. 70.11(13), Wis. Stats., includes an exemption for four different categories of cemetery: (1) cemetery, (2) land adjoining burial mounds, (3) personal property, and (4) burial sites.

To qualify as a cemetery, a separate parcel of land owned by a cemetery authority, defined in sec. 157.061(2), Wis. Stats., and used exclusively as public burial grounds is required. For land adjoining burial mounds, a separate parcel of land owned, occupied, and used exclusively by a cemetery authority for cemetery purposes is required. Personal property must be owned by the cemetery authority and necessary for the care and management of burial grounds.

Wisconsin state law extends equal protection to all human burial places. All burial sites in Wisconsin, no matter how old they are or who is buried in them, and no matter if they are marked or unmarked, are protected by state law. Burial sites do not need to be in a separate parcel of land. They can be a portion of a parcel. Provisions of protection are balanced with benefits such as tax exemptions for private property owners. Private land owners who own human burial sites have certain rights and responsibilities. They must protect the burials on their land from disturbance. In return, they may be eligible for property tax exemptions under sections 70.11(13) and 157.70, Wis. Stats.

There are several steps included in securing a property tax exemption for the land associated with a burial site. An assessor may investigate whether the steps have been completed when evaluating an exemption. The first step is to ensure the burial site is listed in the Wisconsin Burial Sites Catalog (this catalog can be accessed via the Wisconsin Historical Society at www.wisconsinhistory.org). Second, contact the Burial Sites Preservation Unit at the Wisconsin Historical Society (www.wisconsinhistory.org or (608) 264-6579) to confirm the exemption request was facilitated by their office. Finally, if all of the requirements are met, the request for the burial site to be removed from the property tax rolls should be granted.

Native American Property

Real Property

Native American owned real property on an Indian reservation is **not** subject to state and local taxation unless an Act of Congress provides for state and local taxation.

On February 8, 1887, Congress enacted the General Allotment Act which applies to all Wisconsin tribes. Under that Act, real property that an individual Native American owns on a reservation in fee simple is subject to property tax. However, due to certain language in the Treaty of 1854¹, real property located within the reservation boundary of Bad River, Lac Courte Oreilles, Lac du Flambeau, and Red Cliff Chippewa bands is **exempt** if:

- It was allotted before February 8, 1887 under that Treaty,
- It is owned in fee simple by the tribe or tribal members, and
- There has been no conveyance of the land to nontribal members since it was first allotted under the 1854 Treaty. For example, if the land had been exempt under the provisions of the 1854 Treaty, but was then sold to a nontribal member, the land would lose its exemption and be subject to property tax. Even if the land was later repurchased by an 1854 Treaty Tribe, the land would remain subject to property tax.

Assessors should review tax roll information at the Municipality and County along with ownership information at the Register of Deeds office. The information will assist in determining if a property has changed ownership, was subject to property tax, and remains subject to property tax even though re-purchased by an 1854 Treaty Tribe.

As with other exemptions, a property owner may contest a determination that their property is subject to tax under sec. 74.35(2m), Wis. Stats., by paying the alleged unlawful tax in a timely manner, and properly serving the Municipal Clerk with a claim to recover the unlawful tax, before January 31 of the year in which the tax is due. The procedure and details for filing such claims is outlined in sec. 74.35, Wis. Stats.

Non-Native American owned real property on an Indian reservation is subject to state and local taxation unless an Act of Congress expressly prohibits such taxation. It is the responsibility of the owner to provide evidence of the Federal law that prohibits taxation.

Personal Property

Personal property on land held in trust is not subject to tax unless: (1) owned by non-Native Americans and (2) not an improvement to real estate. Structures or buildings and other items of personal property owned jointly by non-Native Americans and Native Americans on reservation land not in trust are taxed according to the extent of non-Native American ownership.

For the purposes of determining Native American ownership, a corporation is considered to be a Native American corporation and not taxable if the corporation is owned and controlled

¹ See Wisconsin Attorney General Opinion 72 OP Atty Gen. 74 (1983).

by Native Americans who are enrolled members of the tribe of the tribal land on which the corporation operates. Control requires ownership of 51% or more of the corporation's stock. For example, a structure used for a shopping center constructed on land held in trust for the tribe and located on the reservation where the ownership of the structure is shared by a Native American (individual or tribe) and a non-Native American the structure would be taxed at a value equal to the same percent of its fair market value as the non-Native American's ownership interest is to the total ownership; i.e., if each party owns 50% of the structure one half of its fair market value is taxable.

Guidelines

The guidelines provide a standard for determining the property tax status of Native American property in Wisconsin.

Guideline One: Real Estate Held in Trust. All real estate exclusively owned by a Native American or a Native American tribe when held in trust by the Federal Government is not taxable. "Exclusive ownership" means control of all rights in the property

- Property held in trust by the Federal Government is not taxable, regardless of whether it is located on or off the reservation
- Either an individual tribal member or the tribe can be the beneficiary of trust status

Guideline Two: Real Estate Owned by Native Americans. In general, any real estate owned by either a Native American individual or a Native American tribe which is not held in trust by the Federal Government is taxable.

- Property that is not within reservation boundaries or on trust land is taxable.
- Property within the reservation boundaries that is owned in fee simple by an individual tribal member or tribe is taxable, except for certain allotted property, within the reservation boundaries of one of the four Chippewa tribes included under the Treaty of 1854, (Bad River, Lac Courte Oreilles, Lac du Flambeau, and Red Cliff.)
- Property within the reservation boundaries of the Bad River, Lac Court Oreilles, Lac du Flambeau and Red Cliff Tribes, owned in fee simple by the tribe or tribal member, is taxable if it has not been continuously owned by the tribe or tribal member since allotment (e.g. if the land was conveyed to and owned by a nontribal member, even if the land was later repurchased by the tribe.)
- Property within the reservation boundaries of the Bad River, Lac Court Oreilles, Lac du Flambeau and Red Cliff Tribes, owned in fee simple by the tribe or tribal member, is NOT taxable if it has been continuously owned by the tribe or a tribal member since allotment.

Guideline Three: Personal Property Owned by Native Americans. Any personal property owned by an enrolled member of the tribe upon whose reservation the personal property is kept or a Native American tribe on a reservation is not subject to tax.

- Personal property owned by Native Americans and kept on trust land or on the owner's tribal reservation is not subject to tax.

Guideline Four: Personal Property Owned by Non-Native Americans on Trust Land. Personal property owned by non-Native Americans located on trust land is taxable to the owner.

- This can include personal property which is leased to a Native American or to the tribe such as gambling machines.

Guideline Five: Structures on Leased Land in Trust. A structure owned by a non-Native American on leased land in trust is not subject to tax.

Guideline Six: Personal property owned by non-Native Americans on land not in trust. Personal property owned by non-Native Americans located on land not in trust is subject to tax.

Guideline Seven: Personal Property Owned jointly by non-Native Americans and Native American individuals or tribes. Personal property located on land not in trust owned jointly by non-Native Americans and Native Americans is taxed according to the extent of non-Native American ownership.

- Where each party owns 50% of the property it is taxed on 50% of its value
- Native American corporation's interest not taxable
- This tax treatment is similar to that allowed by sec. 70.11(8), Wis. Stats.

Computer Exemptions

Sec. 70.11(39), Wis. Stats., exempts “mainframe computers, minicomputers, personal computers, networked personal computers, servers, terminals, monitors, disk drives, electronic peripheral equipment, tape drives, printers, basic operational programs, system software and prewritten software”. The exemption in sec. 70.11(39), Wis. Stats., does not apply to “custom software, fax machines, copiers, equipment with embedded computerized components or telephone systems, including equipment that is used to provide telecommunications services, as defined in sec. 76.80(3), Wis. Stats.”.

Computer exemption guidelines can be found on the [DOR website](#).

2017 Wisconsin Act 59, effective January 1, 2018, removed the requirement to report this property. The 2018 Statement of Personal Property was updated to exclude Schedule D-1.

Energy Systems

Energy production or generation property may be taxed by the state or locally.

State Taxation

Secs. 76.28 and 76.48, Wis. Stats., provide for the state taxation of light, heat, and power companies, qualified wholesale electric companies and electric cooperatives. These entities are taxed based upon an annual license fee. Energy production in any of the following situations are subject to state taxation:

1. Generating and furnishing gas for lighting or fuel or both
2. Supplying water for domestic or public use or for power or manufacturing purposes
3. Generating, transforming, transmitting or furnishing electric current for light, heat or power
4. Generating and furnishing steam or supplying hot water for heat, power or manufacturing purposes
5. Transmitting electric current for light, heat or power

Sec. 76.28(1)(gm) Wis. Stats., provides that a company is subject to state taxation (as a *qualified wholesale electric company*) if:

1. It's primary business (95% of net production) is selling electricity to a public utility, as defined in sec. 196.01(5), Wis. Stats., or other entity that sells electricity directly to the public and its total generating capacity within Wisconsin is 50 Megawatts (MW) or more, OR
2. A wholesale merchant plant, as defined in s. [196.491 \(1\) \(w\)](#), that has a total power production capacity of at least 50 MW

State taxation does not apply to situations where the energy production is exclusively for the private use of that person, association, company or corporation.

It is important to remember that an individual energy producing operation may produce less than 50 MW but still be part of a company's total energy production and count towards consideration of whether that company qualifies as a *qualified wholesale electric company* subject to state taxation.

The following are examples of what would and would not qualify for state taxation.

- *Example 1:* if a non-light, heat, or power business entity owned four separate 10 MW facilities at four different locations in the state and sold 100% of its energy to a utility. The total MW production would equal 40MW and although it is selling all of its energy production it would not be subject to state taxation. The situation does not meet the thresholds for being a qualified wholesale electric company.
- *Example 2:* if a non-utility energy generating entity has a generating capacity of 50MW or greater and sells 95% of that net production, it is considered a qualified wholesale electric company, and subject to state taxation. An example would be a manufacturing company that operates a gas fired energy production system and has a generating capacity of 50MW. The company keeps 5% of the net production to operate the manufacturing facility and sells 95% back to a traditional light, heat, or power company like *WE Energies*. The company is considered a wholesale electric company. If the company kept 10% of production and sold 90% it would not qualify for state assessment.

Traditional utilities such as power and light companies, pipelines, and rural electric associations (REA) are typically subject to state taxation. However, secs. 70.112(4)(a), 76.28(9), and 76.48(1r), Wis. Stats., provide for local assessment and taxation of any portion of an improvement that is used for non-utility operating purposes. Sec. 76.025(2), Wis. Stats., also provides for local assessment and taxation if the property of any company defined in s. 76.28 (1), except a qualified wholesale electric company 76.28 (1) (gm), is located entirely within a single town, village or city.

DOR requires qualifying light, heat and power companies to identify whether property owned or leased is used in the operation of the entity. If it is operating property, it is exempted from the general property tax under sec. 70.112(4), Wis. Stats., and is instead taxed under various other statutes including sec. 76.01 to 76.26 and sec.76.28, Wis. Stats.

Contact the Manufacturing & Utility Bureau (utility@wisconsin.gov) to verify if a property is assessed by the state. Review WPAM Chapter 18-41 for further information.

Local Taxation

If the energy system does not qualify as a light, heat, power company or other qualified entity under secs. 76.28 or 76.48, and is locally assessed, the taxable property would be subject to Chapter 70 for determining taxability and value subject to tax. [Sec. 70.111 \(18\), Wis. Stats.](#), provides an exemption for energy systems: biogas or synthetic gas energy systems, solar energy systems and wind energy systems. The exemption applies whether the energy system is personal property or real estate.

The exemption does not apply to any equipment or components that would be present as part of a conventional energy system. The exemption also does not apply to a solar energy system that operates without mechanical means (e.g. passive systems). Any property that does not convert, transfer, or store energy may also be taxable. This can include maintenance and equipment storage buildings. The land where the energy system is located remains taxable in most instances. Circumstances where the energy system is used for residential or farm purposes, the land necessary for the location and convenience of the energy system should be classified as residential or "other." The assessor can provide a property owner with the Energy System Exemption Request (PR-303) form to help determine if property qualifies for exemption.

See Chapters 7, 9 and 12 for local classification, valuation and residential examples.

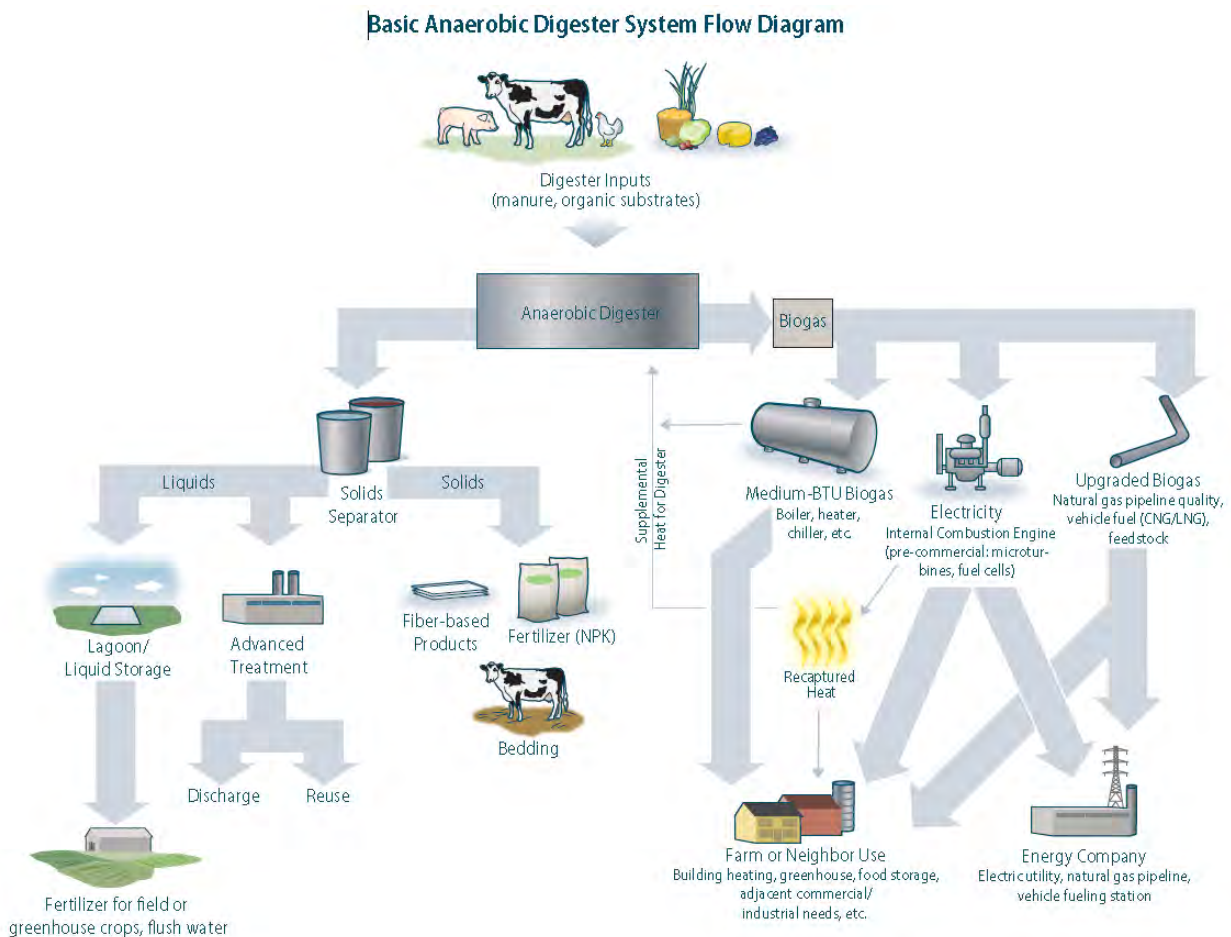
Biogas and Synthetic Gas Systems

Eligible equipment and structures for exemption must directly convert biomass into biogas or synthetic gas. The equipment and any structure must be located at the same site to qualify for the exemption. Equipment and components that are part of a conventional energy system are not eligible for exemption.

Definitions:

- **Biogas:** a mixture of methane and carbon dioxide produced by the bacterial decomposition of organic wastes and used as a fuel
- **Synthetic gas:** a gas that qualifies as a renewable resource under state law (sec. [196.378 \(1\) \(h\) 1. h](#), Wis. Stats.). It is derived from biomass and other wastes. It is often referred to as a gaseous fuel derived from other solids such as plastics or rubber wastes
- **Biomass:** defined under section [45K \(c\) \(3\)](#) of the Internal Revenue Code, as any organic material *other* than oil and natural gas (or any product thereof), and coal (including lignite) or any product thereof
- **Synthetic gas cleaning equipment:** removes multi contaminants in a bio-gas fuels compression system. The cleaning equipment removes outlet contamination concentrations when biogas is compressed. The feed materials used in these systems dictates the cleaning equipment installed
- **Compression equipment:** a compressor may be used to bubble collected gas back through the digester and to compress gas prior to combustion in gas generators
- **Digester:** directly converts biomass, as defined under section [45K \(c\) \(3\)](#) of the Internal Revenue Code, into biogas or synthetic gas
- **Anaerobic manure digesters:** (methane digesters) collect manure and convert the energy stored in its organic matter into methane, which is used to produce energy (gas or electricity) for on-farm or off-farm use

- **Biomass feedstock:** any renewable, biological material that can be used directly as a fuel or converted to another form of fuel or energy product. They can include: corn starch, crop residues, purpose grown grass crops and woody plants



Exempt Equipment

1. Generates electricity, heat, or compressed natural gas exclusively from biogas or synthetic gas.
2. Used exclusively for the direct transfer or storage of biomass, biogas or synthetic gas.

Examples of exempt equipment:

- Manure, substrate and other biomass feedstock collection and delivery systems
- Pumping and processing equipment
- Gasifiers and digester tanks
- Biogas and synthetic gas cleaning and compression equipment
- Fiber separation and drying equipment
- Heat recovery equipment

Exempt Structures

Must be used in one of these ways:

1. Exclusively to shelter or operate the equipment that converts biomass into biogas or synthetic gas
2. Portion used in part to shelter or operate the equipment that converts biomass into biogas or synthetic gas

Examples:

1. Taxable: a facility engaged in the production of ethanol (fermentation and distillation) from corn or other materials does not qualify as an "energy system" under state law (sec. 70.111(18), Wis. Stats.). However, this activity is typically classified as manufacturing. Manufacturing machinery and equipment used in the production process are exempt under state law (sec. 70.11(27), Wis. Stats.)
2. Exempt: anaerobic digesters utilizing whey products to generate methane gas
3. Exempt: anaerobic digesters utilizing manure to generate methane gas

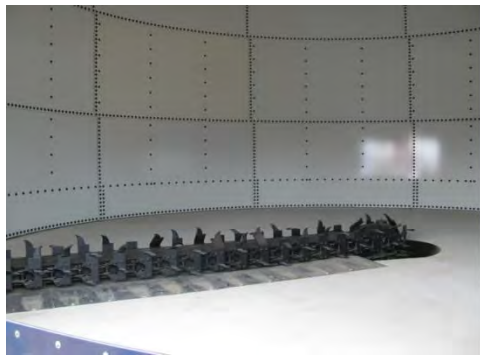


The structure and all equipment are exempt if:

- All are located at the same site
- This includes manure, substrate, and other biomass feedstock collection and delivery systems.



Pumping and Processing Equipment	Fiber Separation
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Fiber Separation	Gasifiers and Digester Tanks
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Digesters	Fiber Separators and dryers are exempt
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Fiber Separator Exempt



Complex Mix Digester

Plug-Flow Digester



Covered Lagoon Digester

Fiber Separators and Manufacturing Assessment

Dry organic materials and equipment used to bag value added materials sold for soil conditioners are not exempt. Since the sale of soil conditioners do not represent a predominant source of income for the operation, this portion is assessed locally.

Biogas/ Compressed Natural Gas (CNG)

Biogas converted to CNG (for transportation) fuel adds income to the digester operations. However, the income from electrical generation and tipping fees associated with treating materials taken in by the operation may exceed CNG sales. For this reason the Department of Revenue may not assess this portion of the operation as manufacturing since the predominant activity is not CNG production.

The local assessor must assess personal property directly associated with the sale and distribution of CNG auto fuels. The law exempts all equipment associated with the creation, compression and cleaning of methane gas, whether the gas is used for electrical power generation or as automotive fuel.

Local assessors must discover, list and value personal property associated to retail operations when CNG auto fuels are part of a commercial operation connected to or part of the digester facility.



BIO CNG System	CNG Pumps
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Manufacturing Assessment

Operations that may qualify as a manufacturer under state law ([sec. 70.995, Wis. Stats.](#)) should contact the [Manufacturing & Utility District Office](#) before March 1 for the year requesting classification. These operations will be asked to write a letter explaining the operation or make an appointment with DOR staff to visit and discuss the operation.

More information on energy systems and related resources can be found at the [Office of Energy Efficiency & Renewable Energy](#) at the U.S. Department of Energy: ([Solar](#)), ([Wind](#)) & ([Bioenergy](#)). Further resources are available at [Renew Wisconsin](#).

Part 3: Exemption Sources

The following list includes statutory cites for referenced law in this chapter.

Wisconsin Statutes

1. Sec. 66.0435, Wis. Stats., Manufactured and Mobile Home Communities,
<https://docs.legis.wisconsin.gov/statutes/statutes/66/IV/0435>
2. Sec. 70.109, Wis. Stats., Presumption of Taxability,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/109>
3. Sec. 70.11, Wis. Stats., Property Exempted From Taxation,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/11>
4. Sec. 70.111, Wis. Stats., Personal Property Exempted From Taxation,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/111>
5. Sec. 70.112, Wis. Stats., Property Exempted from Taxation because of Special Tax,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/112>
6. Sec. 70.177, Wis. Stats., Federal Property,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/177>
7. Sec. 70.18, Wis. Stats., Personal Property, To Whom Assessed,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/18>
8. Sec. 70.42, Wis. Stats., Occupation Tax on Coal,
<https://docs.legis.wisconsin.gov/statutes/statutes/70/42>
9. Sec. 70.421, Wis. Stats., Occupational Tax on Petroleum and Petroleum Products Refined in this State
<https://docs.legis.wisconsin.gov/statutes/statutes/70/421>
10. Chapter 76, Wis. Stats., Taxation of Public Utilities and Insurers,
<https://docs.legis.wisconsin.gov/statutes/statutes/76>
11. Sec. 77.02, Wis. Stats., Forest Croplands,
<https://docs.legis.wisconsin.gov/statutes/statutes/77/I/02>
12. Sec. 77.04, Wis. Stats., Taxation,
<https://docs.legis.wisconsin.gov/statutes/statutes/77/I/04>
13. Sec. 77.80, Wis. Stats., Managed Forest Land,
<https://docs.legis.wisconsin.gov/statutes/statutes/77/VI/80>
14. Sec. 185.981, Wis. Stats., Cooperative Health Care,
<https://docs.legis.wisconsin.gov/statutes/statutes/185/981>
15. Sec. 613.80, Wis. Stats., Hospital Service Insurance Corporations,
<https://docs.legis.wisconsin.gov/statutes/statutes/613/VI/80>

Federal Statutes

1. 50 U.S.C. §574
<https://www.gpo.gov/fdsys/pkg/USCODE-1995-title50/html/USCODE-1995-title50-app-soldiersa-dup1-sec574.htm>
2. 12 U.S.C. §1714
<https://www.gpo.gov/fdsys/pkg/USCODE-2011-title12/html/USCODE-2011-title12-chap13-subchapII-sec1714.htm>
3. 42 U.S.C. §1490
<https://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/html/USCODE-2010-title42-chap8A-subchapIII-sec1490.htm>
4. 39 U.S.C. §2005
<https://www.gpo.gov/fdsys/pkg/USCODE-2007-title39/html/USCODE-2007-title39-partIII-chap20-sec2005.htm>

Chapter 21

Board of Review and Assessment Appeals

The property owner's right to appeal an assessment is a constitutional right. Article I, Section 9 of the Wisconsin Constitution declares that "every person is entitled to a certain remedy in the laws. He ought to obtain justice freely without being obliged to purchase it, promptly and without delay, conformably to the laws." In compliance with this, state laws provide for a local BOR to consider and decide upon all protests against assessments. The BOR is a quasi-judicial body charged with the duty of correcting errors in the assessments.

The BOR is responsible for raising or lowering any assessments proven incorrect as well as correcting any errors in the roll. It is important to note that the BOR's function is not one of valuation, but of deciding on the validity of the facts presented before it. The BOR is bound to accept the assessor's assessment as correct unless there is competent testimony, uncontradicted by other evidence which proves the assessment to be incorrect. *It cannot be stressed too strongly that the BOR is not an assessing body, but a quasi-judicial body whose duty it is to hear sworn, oral testimony regarding assessed values. Based only on that testimony, the BOR must decide whether an individual has proven the assessor's assessment incorrect.*

The BOR is the first step in the formal appeal process for an individual property owner who protests an assessment. The property owner cannot pursue subsequent avenues of appeal for an individual assessment unless a formal objection has first been made to the BOR.

The following is meant to provide a picture of the BOR creation, formation, functions, duties, and limitations, as well as the role of the assessor and property owner in relation to BOR proceedings. Because of the important part played by the BOR members, clerk, assessor, and property owners in the appeal process, the duties of each are outlined separately in this chapter.

2013 Wisconsin Act 228, effective on January 1, 2015, made several important changes to BOR procedures. When a revaluation is done in a municipality, there are new requirements for mailing, posting/publishing notices, and appearing at BOR.

1. Sec. 70.365, Wis. Stats., was amended to include "...except that, in any year in which the taxation district conducts a revaluation under s.70.05, the notice shall be sent at least 30 days before the meeting of the board of review or board of assessors. ..."
2. Sec. 70.47(2), Wis. Stats., which deals with the posting/publishing of notices, was amended to include "...or at least 30 days before the first session of the board of review in any year in which the taxation district conducts a revaluation under s. 70.05..."
3. Sec. 70.47(8), Wis. Stats., was amended to include language allowing testimony by telephone or written statements. The new language states, "Instead of appearing in person at the hearing the board may allow the property owner, or the property owner's representative, at the request of either person, to appear before the board, under oath,

by telephone or to submit written statements, under oath, to the board." It further states, "At the request of the property owner or the property owner's representative, the board may postpone and reschedule a hearing under this subsection, but may not postpone and reschedule a hearing more than once during the same session for the same property." It is important to note that this is an option the board may or may not approve.

- 4. Sec. 70.47(8m), Wis. Stats., pertaining to hearing waivers, was created. The new statute says, "The board may, at the request of the taxpayer or assessor, or at its own discretion, waive the hearing of an objection under sub. (8) or, in a 1st class city, under sub. (16) and allow the taxpayer to have the taxpayer's assessment reviewed under sub. (13). For purposes of this subsection, the board shall submit the notice of decision under sub. (12) using the amount of the taxpayer's assessment as the finalized amount. For purposes of this subsection, if the board waives the hearing, the waiver disallows the taxpayer's claim on excessive assessment under s.74.37 (3) and notwithstanding the time periods under s. 74.37(3)(d), the taxpayer has 60 days from the notice of the hearing waiver in which to commence an action under s. 74.37(3)(d).

Board of Review Members

Members, Organization

Except as provided in sub (1m) and sec. 70.99, Wis. Stats., the supervisors and clerk of each town; the mayor, clerk and such other officers, other than assessors, as the common council of each city by ordinance determines, and the president, clerk and such other officers, other than the assessor, as the Board of Trustees of each village by ordinance determines, shall constitute a BOR or the town, city, or village.

70.46(1)

- 1. In cities of the 1st class the BOR shall by ordinance in lieu of the foregoing consist of 5 to 9 residents of the city, none of whom may occupy any public office or be publicly employed. The members shall be appointed by the mayor of the city with the approval of the common council and shall hold office as members of the BOR for staggered five year terms.

70.46(1)

- 2. Subject to sub. (1m), in all other towns, cities, and villages the BOR may by ordinance in lieu of the foregoing consist of any number of town, city, or village residents and may include public officers and public employees. The ordinance shall specify the manner of appointment.

70.46(1)

- 3. Whenever the duties of assessor are performed by one of the officers named to the BOR by sub. (1) the governing body shall by ordinance designate another officer to serve on the BOR instead of the officer who performs the duties of assessor.

70.46(1a)

- 4. A person who is appointed to the office of town clerk, town treasurer or to the combined office of town clerk and town treasurer under sec. 60.30 (1e), Wis. Stats. may not serve on the BOR under sub. (1) 70.46(1m)(a)
 - a. If a town BOR under sub. (1) has as a member a person who held the elective office of town clerk, town treasurer or the combined office of town clerk and town treasurer, and the town appoints a person to hold one or more of these offices under sec. 60.30 (1e), Wis. Stats., the town Board shall fill the seat of the BOR formerly held by an elective office holder by an elector of the town. 70.46(1m)(b)

- 5. The town, city, or village clerk on such BOR, and in cities of the first class the commissioner of assessments on such BOR or any person on the commissioner’s staff designated by the commissioner shall be the clerk thereof and keep an accurate record of all its proceedings. 70.46(2)

- 6. The members of the BOR, except members who are full-time employees or officers of the town, village, or city, shall receive compensation as shall be fixed by resolution or ordinance of the town board, village board, or common council. 70.46(3)

- 7. In order to have a legal BOR there must be at least one voting member who, within 2 years of the BOR’s first meeting, has attended a training session under sec. 73.03(55), Wis. Stats., and unless that member is the municipality’s chief executive officer or that officer’s designee. The municipal clerk shall provide an affidavit to the DOR stating whether the requirement under this subsection has been fulfilled. **NOTE:** This section requires one member of the BOR to attend training. If the trained individual is recused or removed, the meeting may still be held. Although the statutes require only one voting member be trained, the DOR is recommending that all members of the BOR attend the training. 70.46(4)

- 8. Except in a first or second class city a member shall be removed under any of the circumstances described below: 70.47(6m)
 - a. If a member has a conflict of interest under an ordinance of the municipality in regard to the objection.
 - b. If a member has a bias and if the party requests the removal of a member for a bias. The party must submit with this request an affidavit stating that he or she believes the member has a personal bias or prejudice against the party and stating the nature of the bias or prejudice.
 - c. A member who would violate sec. 19.59, Wis. Stats. (code of ethics of local officials) by hearing an objection shall recuse

(disqualify) himself or herself from that hearing. The municipal clerk shall file an affidavit to the DOR declaring whether the recusal requirement is fulfilled.

- d. A member removed or recused may be replaced by the BOR, or not, as long as no fewer than three members hear the objection. The person objecting may request removal of one member of the BOR under sec. 70.47 (6m)1, Wis. Stats.

Quorum Requisites

- 1. The majority shall constitute a quorum except that two members may hold any hearings of the evidence required to be held by such BOR under secs. 70.47(8) and (10), Wis. Stats., if the requirements of secs. 70.47(9)(a) and (9)(b), Wis. Stats., as follows, are met. 70.47(1)

- 2. A majority of the members of the BOR present at the meeting to make determination on an objection shall constitute a quorum for purposes of making the determination, and a majority vote of the quorum shall constitute the determination. In the event there is a tie vote, the assessor’s valuation shall be sustained. 70.47(9)(a)

A BOR member may not be counted in determining a quorum and may not vote concerning any determination unless, concerning such determination, the member: 70.47(9)(b)

- a. Attended the hearing of evidence; or
- b. Received a transcript of the hearing no less than 5 days prior to the meeting and read the transcript; or
- c. Received a mechanical recording of the evidence no less than 5 days prior to the meeting and listened to the recording; or
- d. Received a copy of a summary and all exceptions thereto no less than 5 days prior to the meeting and read the summary and exceptions. A “summary” means a written summary of the evidence prepared by one or more BOR members attending the hearing of evidence, which summary shall be distributed to all BOR members and all parties to the contested assessment and “exceptions” means written exceptions to the summary of evidence filed by parties to the contested assessment.

Board of Review Sessions

- 1. The BOR shall meet annually at any time during the 45-day period beginning on the fourth Monday of April. In towns and villages the BOR shall meet at the town or village hall or some place designated by the Town or Village Board. If there is no such hall, it shall meet at the clerk’s office, or in towns at the place where the last annual town meeting was held. In cities the BOR shall meet at the council

chamber or some place designated by the council and in cities of the 1st class in some place designated by the commissioner of assessments of such cities.

70.47(1)

- 2. All meetings of the BOR shall be publicly held and open to all citizens at all times. No formal action of any kind shall be introduced, deliberated upon, or adopted at any closed sessions or meetings of a BOR.

70.47(2m)

- 3. No BOR may be constituted unless it includes at least one voting member who, within 2 years of the BOR's first meeting, has attended a training session under sec. 73.03(54), Wis. Stats., and unless that member is the municipality's chief executive officer or that officer's designee. The municipal clerk shall provide an affidavit to the DOR stating whether the requirement under this subsection has been fulfilled.

70.47(4)

- 4. The chairman and preferably a vice-chairman need to be selected during the first meeting of the BOR. The chairman of the BOR conducts the meeting, not the assessor, expert help, or a member of the DOR.

The chairman should run a controlled meeting. Property owners presenting objections to the BOR should be restricted to talking about matters directly related to the appeal of their assessment. Testimony which does not have any bearing on the complaint should not be allowed.

- 5. At its first meeting, the BOR:
 - a. Shall receive the assessment roll and sworn statements from the clerk.
 - b. Shall be in session at least 2 hours for taxpayers to appear and examine the assessment roll and other assessment data.
 - c. Shall schedule for hearing each written objection that it received during the first 2 hours of the meeting or that it received prior to the first meeting.
 - d. Shall grant a waiver of the 48-hour notice of intent to file a written or oral objection if a property owner who does not meet the notice requirement appears before the BOR during the first 2 hours of the meeting, shows good cause for failure to meet the 48-hour notice requirement and files a written objection.
 - e. May hear any written objections if the BOR gave notice of the hearing to the property owner and the assessor at least 48 hours before the beginning of the scheduled meeting or if both the property owner and the assessor waive the 48-hour notice requirement.

70.47(4)

- f. The assessor shall be present at the first meeting of the BOR. 70.47(3)(ag)
- g. For each properly filed written objection that the BOR receives and schedules during its first meeting, but does not hear at the first meeting, the BOR shall notify each objector and the assessor, at least 48 hours before an objection is to be heard, of the time of the hearing. If during any meeting, the BOR determines that it cannot hear some of the written objections at the time scheduled it shall create a new schedule and shall notify each objector who has been rescheduled, at least 48 hours before the objection is to be heard, of the new time of the hearing.
- h. If an objector fails to provide written or oral notice of an intent to object 48 hours before the first scheduled meeting, fails to request a waiver of the notice requirement under sec. 70.47(3) par. (a)4., Wis. Stats., appears before the BOR at any time up to the end of the 5th day of the session or up to the end of the final day of the session if the session is less than 5 days, files a written objection and provides evidence of extraordinary circumstances; the BOR may waive all notice requirements and hear the objection. (Extraordinary circumstances are determined on an individual case basis by the BOR.)
- i. If the assessment roll is not completed at the time of the first meeting, the BOR shall adjourn for the time necessary to complete the roll, and shall post a written notice on the outer door of the place of meeting stating the time to which the meeting is adjourned.

Duties of the Board of Review

- 1. The BOR shall correct in the assessment roll all errors in description and computation. 70.47(6)
- 2. The roll shall be checked for omitted property and for double assessments. Omitted property shall be placed on the roll and the owner notified. 70.47(6) &70.47(10)
- 3. The BOR members are not to do over the work of the assessor and members cannot substitute their judgment or idea of value for the assessor's.

In State ex rel. Kimberly-Clark Co. v. Williams, City Clerk, 160 Wis. 648, 152 N.W. 450 (1915) the Wisconsin Supreme Court held, “The Board of Review is not an assessing body and it is not to do over the work of the assessor or substitute its judgment for his.” However, the elements of value which are proper for the BOR to consider (if they are properly introduced as evidence) are exactly the same as those which the assessor should consider. In this case, the court set aside an assessment made by the BOR after the BOR had made a personal viewing of the property.

- 4. Persons who own land and improvements to that land may object to the aggregate valuation of that land and improvements to that land. Only owners of property under objection (or their agent) can be heard by the BOR. 70.47(a) & 70.47(16)(a)

In *Stebbins v. City of Milwaukee Board of Review, Wisconsin Circuit Court, Milwaukee County, Docket No. 93-cv-18108, January 24, 1996*, the court ruled that if a taxpayer does not own the property under objection by the deadline for filing objections, the BOR may determine that this fact alone is not “good cause” and decline to hear the objection.

- 5. Upon receipt of an objection, the BOR shall establish a time for hearing the objection. At least 48 hours notice of the time of hearing must be given to the objector and to the assessor. Where all parties are present and waive such notice in the minutes, the hearing may be held immediately. 70.47(3)(a)5

In *State ex rel. Baker Mfg. Co. v. City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952), the Wisconsin Supreme Court held that where the meeting of the city BOR to consider a property owner’s objection to an assessment was held on 10 hours notice instead of the statutory 48 hour notice, and was not attended by the property owner or the property owner’s attorney, the meeting had no legal standing and testimony taken could not support an assessment of the property.

- 6. Property owners who wish to protest their assessments are required to file their objections in written form upon blanks prescribed by the DOR. This form can be waived by express action of the BOR; however, it is recommended by the DOR that the form be used. 70.47(7)(a)

No person shall be allowed in any action or proceedings to question the amount or valuation of property unless such written objection has been filed and such person in good faith presented evidence to such BOR in support of such objections and made full disclosure before said BOR, under oath of all of that person’s property liable to assessment in such district and the value thereof.

NOTE: After the first meeting of the BOR and before the BOR’s final adjournment, an objector may not contact a BOR member about the objection and may not provide information to a BOR member about the objection, except at a session of the BOR. 70.47(7)(ac)

- 7. No person may appear before the BOR, testify to the BOR by telephone or contest the amount of any assessment unless, at least 48 hours before the first meeting of the BOR or at least 48 hours before the objection is heard if the objection is allowed under sub.(3)(a), that person provides to the clerk of the BOR notice as to whether the person will ask for removal under sub. (6m)(a) and if so

which member will be removed and the person’s reasonable estimate of the length of time that hearing will take. (The removal provision in sub. (6m)(a) does not apply to first and second class cities.)

70.47(7)(ad)

- 8. When appearing before the BOR, the person shall specify, in writing, the person’s estimate of the value of the land and of the improvements that are the subject of the person’s objection and specify the information that the person used to arrive at that estimate. (Sample personal property and real estate objection forms approved by the DOR are found at the end of this section.)

70.47(7)(ae)

- 9. The BOR may not hear an objection to the amount or valuation of property unless, at least 48 hours before the BOR’s first scheduled meeting, the objector provides to the BOR’s clerk written or oral notice of an intent to file an objection, except that, upon showing good cause and the submission of a written objection, the BOR shall waive that requirement during the first 2 hours of the - BOR’s first scheduled meeting, and the BOR may waive that requirement up to the end of the 5th day of the session or up to the end of the final day of the session if the session is less than 5 days with proof of extraordinary circumstances for failure to meet the 48-hour notice requirement and failure to appear before the BOR during the first 2 hours of the first scheduled meeting.

70.47(7)(a)

- 10. No person shall be allowed to appear before the BOR, or to contest the amount of any assessment of real or personal property if they have refused a reasonable written request by certified mail of the assessor to view exterior of the property.

70.47(7)(aa)

NOTE: While state law allows the BOR to deny a hearing to a property owner who does not allow the assessor to complete an exterior view, the Wisconsin Supreme Court has expressed grave concern about an identically worded statute in *Milewski v. Town of Dover*, 2017 WI 79, 377 Wis. 2d 38, 899 N.W.2d 303. DOR recommends access to the BOR. The lack of access to view and any evidence offered can be managed as an evidentiary issue at a BOR hearing rather than denying access to the BOR itself.

- 11. A person who fails, neglects, or refuses to make and file the return of personal property shall be denied any right of abatement by the BOR of the assessment of such personal property unless the person shall make the return to the BOR, together with a statement of the reasons for failing to file the return in the manner and form required.

70.35(4)

Board of Review Hearing

Instead of appearing in person at the hearing, the board may allow the property owner, or the property owner's representative, at the request of either person, to appear before the board, under oath, by telephone or to submit written statements, under oath, to the board. The BOR shall hear under oath, all persons who appear before it and, by telephone, all ill or disabled persons who present to the BOR a letter from a physician, surgeon, or osteopath that confirms their illness or disability. At the request of the property owner or the property owner's representative, the board may postpone and reschedule a hearing under this subsection, but may not postpone and reschedule a hearing more than once during the same session for the same property.

- The hearing shall proceed as follows: 70.47(8)
- a. The clerk shall swear all persons testifying before it in relation to the assessment. 70.47(8)(a)
- b. The owner, or the owner’s representatives and witnesses, shall be heard first. 70.47(8)(b)
- c. The BOR may examine under oath, such persons as it believes have knowledge of the value of the property being appealed. 70.47(8)(c)
- d. The BOR may, and upon request of the assessor shall, compel the attendance of witnesses, except objectors who may testify by telephone, and production of all books, inventories, appraisals, documents, and other data which may throw light upon the value of the property. 70.47(8)(d)
- e. All proceedings shall be taken in full by a stenographer or recording device, the expense to be paid by the district. The BOR may order that the notes be transcribed, and in cases of an appeal or other court proceedings, they shall be transcribed. Even though the proceedings are recorded, members of the BOR should still take notes of testimony given to use for reference when reaching a decision on a property owner’s objection. 70.47(8)(e)
- f. All determinations of objections shall be by roll call vote. 70.47(8)(g)
- g. The board may, at the request of the taxpayer or assessor, or at its own discretion, waive the hearing of an objection under sub. (8) or, in a 1st class city, under sub. (16) and allow the taxpayer to have the taxpayer's assessment reviewed under sub. (13). For purposes of this subsection, the board shall submit the notice of decision under sub. (12) using the amount of the taxpayer's assessment as the finalized amount. For purposes of this subsection, if the board waives the hearing, the waiver disallows the taxpayer's claim on excessive assessment under s.74.37 (3) and notwithstanding the time periods under s. 74.37(3)(d), the taxpayer has 60 days from the notice of the hearing waiver in which to commence an action under s. 74.37(3)(d). 70.47(8m)

2. The BOR may adjourn from time to time until its business is completed. If an adjournment be had for more than one day, a written notice shall be posted on the outer door of the meeting place, stating to what time said meeting is adjourned. 70.47(4)

3. Prior to the final adjournment, the BOR shall provide to the party contesting an assessment, a written notice of the amount of the assessment finalized by the BOR, and an explanation of appeal rights and procedures. (A sample of the notice form prescribed by the DOR is found on the DOR website.) 70.47(12)

Decisions by the Board of Review

In determining whether an assessment is inequitable, the BOR members should keep in mind that the assessor's valuations placed in the signed assessment roll are "presumptive evidence that all such properties have been justly and equitably assessed in proper relationship to each other." This has been reaffirmed in many court cases. 70.49(2)

In *State ex rel. Kimberly-Clark Co. v. Williams, City Clerk*, 160 Wis. 648, 152 N.W. 450 (1915), the Wisconsin Supreme Court held, "The assessor's valuation is prima facie correct and is binding on the Board of Review in the absence of evidence proving it to be incorrect." And, again in *State ex rel. North Shore Development v. Axtell, City Clerk*, 216 Wis. 153, 256 N.W. 622 (1934), "The assessment fixed by the assessor is presumptively correct, and the Board of Review may adopt the same even though no evidence is introduced to substantiate it: even where property owner's evidence is to the effect that the assessment so fixed is too high, nor will the court on review reverse this if, on the record, there is reasonable ground to infer that the assessor's opinion of value was not improperly arrived at ... If there is credible evidence before the Board that may in any reasonable view support the assessor's valuation, that valuation must be upheld by the Board."

From these court decisions it appears that Wisconsin courts are concerned with local BOR's that tamper with and change valuations placed on the assessment roll by an assessor who acts in good faith. In all cases testimony must be given before the BOR, not by the BOR. BOR members should not offer testimony as witnesses and then act on their own testimony. With the enactment of 2013 Wisconsin Act 228, the BOR may allow the submission of sworn written statements as evidence.

The BOR is a quasi-judicial body and each member is to listen to the witnesses' testimony, the same as in a court. After hearing the testimony of both the witnesses and the assessor, the BOR decides the case based upon the evidence produced in the testimony, regardless of what their own personal convictions may be on the property in question.

- 1. From the evidence before it, the BOR shall determine whether the assessor’s valuation is correct. If too high or too low, it shall raise or lower the same accordingly and shall state on the record the correct assessment and that the assessment is reasonable in light of all of the relevant evidence that the BOR received. The BOR cannot change any value as fixed by the assessor except upon sworn oral testimony produced for that purpose, or as provided in sec. 70.47(10), Wis. Stats.

70.47(9)(a), (6) (8)

- 2. The BOR shall presume that the assessor’s valuation is correct. That presumption may be rebutted by a sufficient showing by the objector that the valuation is incorrect. Since the process of valuation or assessment includes classification, the presumption of correctness also applies to the classification of the property.

70.47(8)(i)

Only evidence given under oath is binding. In the case of *State ex rel. Heller v. Fuldner, City Clerk*, 109 Wis. 56, 85 N.W. 118 (1901) the Wisconsin Supreme Court held that “Where no evidence under oath is given or offered before the BOR upon application to reduce an assessment the BOR has no power to reduce the valuation.”

In the case of *State ex rel. International Business Machines Corporation v. Board of Review of City of Fond du Lac*, 231 Wis. 303, 285 N.W. 784 (1939), the Wisconsin Supreme Court held that if competent, unimpeached evidence showing that the assessor’s valuation is incorrect is presented before the BOR, such evidence cannot be disregarded by the BOR, and the disregard of such evidence is a jurisdictional error.

In *Brown v. Oneida County*, 103 Wis. 149, 79 N.W. 216 (1899), the Wisconsin Supreme Court held “The Board is a creature of the statute, and has only such powers as have been given to it by statute.” The BOR must consider only sworn oral testimony of witnesses appearing before it. The BOR is not an assessing body.

In *State ex rel. Althen v. Klein, City Clerk*, 157 Wis. 308, 147 N.W.373 (1914), the Wisconsin Supreme Court held that the BOR cannot change the assessor’s valuation without evidence; but if the evidence furnished a substantial basis for the action of the BOR, and nothing indicated arbitrary or dishonest action, its decision will not be disturbed by the courts.

- 3. The BOR must evaluate the credibility of those who provide information and determine whether the information overcomes the presumption that the assessor is correct. When developing a value, the assessor uses the best information available. Please see Chapter 9-22 for additional information on Data Collection.

If more information is needed, the BOR can require testimony and the production of appraisals, documents and data under sec.

70.47(8)(d), Wis. Stats. The BOR should complete this process promptly with a deadline to produce the required information. This allows for an adjournment of the BOR with a return date preferably not to exceed two weeks. Before implementing, the BOR should consult with the municipal attorney.

Assessment by Board of Review

Raising or Lowering Assessments Not Appealed

Once the assessor signs the affidavit, the assessment roll becomes an official legal document. All assessments listed in the roll are then presumed by law to be complete, correct, and equitable. The BOR cannot hold an uncomplained of assessment to be incorrect or inequitable unless the BOR arranges to have sworn oral testimony presented before the BOR proving the assessment incorrect as listed in the assessment roll.

The BOR can only make decisions relative to the assessments based upon sworn oral testimony. If the BOR wishes to raise or lower an assessment that no one has filed an objection to, or add omitted property to the assessment roll, the BOR shall:

1. Notify the owner, agent, or possessor of such property of its intention to review the assessment and of the time and place it on the assessment roll and of the time and place fixed for such hearing in time to be heard before the BOR in relation thereto, provided the residence of such owner, agent, or possessor be known to any member of the BOR or the assessor.
2. Fix the day, hour and place at which such matter will be heard.
3. Subpoena such witnesses, except objectors who may testify by telephone, as it deems necessary to testify concerning the value of such property. The expense incurred shall be a charge against the district.
4. At the time appointed, proceed to review the matter as provided in subsection (8).

70.47(10)

At the hearing, the BOR must arrange to have expert oral testimony presented which proves the assessment to be wrong. After the BOR's expert witnesses have presented testimony, the assessor and the property owner may enter testimony to prove the correctness of the assessment as listed in the roll, and to show that the BOR's intent to change the assessment is wrong. In *Shove v. City of Manitowoc*, 57 Wis. 5, 14 N.W. 829 (1883), the Wisconsin Supreme Court said, "An arbitrary increase in assessment (by the BOR) without examination of witnesses under oath is void." (words in parenthesis added)

Board of Review – Clerk

1. When the assessment rolls have been completed they shall be delivered to the clerk. At least 15 days before the first day on which the assessment rolls are open for examination, a class 1 notice if applicable, or posted notice, under 985, in anticipation of the roll delivery as provided in sec. 70.50, Wis. Stats., that on certain days the rolls will be open for examination by the taxable inhabitants. 70.45, 70.50

2. Upon receiving the assessment roll, the clerk shall carefully examine it, correcting all double assessments, imperfect descriptions, and other errors apparent upon the face of the roll. The clerk shall add to the roll any parcel of omitted real or personal property and immediately notify the assessor. The assessor shall then view and value such omitted property, and certify a valuation to the clerk, who shall enter it upon the roll. 70.52

3. In addition to open meeting notice requirements under sec. [19.84\(1\)\(b\)](#), Wis. Stats., at least 15 days prior to the first BOR session (except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR), the clerk of the BOR shall publish a class 1 notice, under Ch [985](#) of the time and place of the first meeting of the BOR under sec. 70.47(3), Wis. Stats., and of the requirements under sub (7)(aa) and (ac) to (af). A taxpayer who shows that the clerk failed to publish the notice under this subsection (7) may file a claim under sec. [74.37](#), Wis. Stats.

- Note:** [2019 Wisconsin Act 185](#) created sec. 70.47(3)(aL)2., Wis. Stats. Under the new law, regardless if the 2020 assessment roll is completed at the time of the 45-day period beginning on the 4th Monday of April, the BOR may publish a class 1 notice under Ch. 985 that the board has adjourned and will proceed under sec. 70.47(2), Wis. Stats., when the board conducts the first session. 70.47(2)

4. If adjournment is taken for more than one day, the clerk should post a notice of the adjournment as the law provides. 70.47(4)

5. If the assessment roll is not completed at the time of the first meeting, the BOR shall adjourn for the time necessary to complete the roll, and shall post a written notice on the outer door of the place of the meeting stating the time to which the meeting is adjourned. 70.47(3)(aL)

6. The clerk shall provide an affidavit to the DOR stating that the training requirement under sec. 73.03(55), Wis. Stats. has been met by at least one voting member. 70.46(4)

- 7. The clerk submits the assessment roll and all sworn statements to the BOR at its first meeting. 70.47(3)(a)
- 8. The clerk shall keep a record in the minute book of all proceedings of the BOR. 70.47(5)
- 9. The town, city, or village clerk acts as clerk of the BOR and is responsible for keeping an accurate record of all of the BOR’s proceedings. (In cities of the first class the commissioner of assessments, or any person designated by the commissioner, acts as the clerk of the BOR). 70.46(2)
- 10. The clerk is a voting member of the BOR, except for cities of the first class and county assessor systems. In towns, villages, and cities that have provided for a citizen’s BOR the clerk may act as clerk of the BOR, but is not a member of the BOR and consequently has no vote. 70.46(1)
- 11. Appointed town clerks and town treasurers may not serve on the BOR. 70.46(1m)(a)
- 12. If the proceedings are taken by a recording device, the clerk shall keep a list of persons speaking, in the order in which they speak. (It is a good practice to have each person state their last name each time before speaking). 70.47(8)(e)
- 13. The clerk swears all persons testifying before the BOR in relation to assessments (this includes the assessor). The procedure is for the clerk to stand, face the witness with right hand raised and ask the witness to do the same.

Then administer the oath in substantially the following form: “Do you solemnly swear, in the matter now in hearing, to tell the truth, so help you God.” The witness shall reply in the affirmative. Should any witness refuse to be sworn in or present evidence under oath, a note of this should be made in the records of the proceedings (i.e., refused to swear). It is in the best interest of the witness to be sworn in since the BOR has no power to adjust an assessed value if evidence is not given under oath. 70.47(8)(a)
- 14. The clerk shall make all corrections in the roll in accordance with the legally made decisions of the BOR. All valuation changes shall be made in red ink. 70.48
- 15. Prior to the final adjournment, the BOR shall provide the objector notice by personal delivery or mail, return receipt required, of the amount of the assessment as finalized by the BOR and an explanation of appeal rights and procedures. Upon mailing the notice under this subsection, the clerk of the BOR shall prepare an affidavit specifying the date when the notice was mailed. 70.47(12)

- 16. After the BOR has completed its determinations, the clerk shall prepare a summary of the proceedings and determinations on Form PA-800 prescribed by the DOR entitled “Summary of Board of Review Proceedings” (See sample form included at the end of this section). A supply of this form may be obtained through the county designee’s office. This form is to be retained as part of the records of the BOR. 70.47(17)

- 17. Upon final adjournment of the BOR, the clerk shall complete the Statement of Assessments and mail one copy to the Supervisor of Equalization (by the second Monday in June). 70.53

- 18. The clerk is to act as custodian of the assessment roll, personal property statements, and BOR records after the BOR has met and adjourned. Personal property statements may be placed in custody of the assessor if more practical.

- 19. The clerk’s notes, written objections, and all material submitted to the BOR, along with all tape recordings and transcripts, shall be retained for at least seven years and shall be available for public inspection. 70.47(8)(f)

- 20. Any person may provide to the municipal clerk written comments about valuation, assessment practices and the performance of an assessor. The clerk shall provide all of those comments to the appropriate municipal officer. 70.47(6r)

Duties of the Assessor

- 1. The assessor is responsible for mailing notices of changed assessments at least 15 days before the BOR meeting, except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR. As currently written, the statutes require a notice be sent for **any** change. 70.365

After the assessment notices have been mailed, and before signing the assessment roll and turning it over to the clerk, the assessor should allow enough time for property owners to receive the notices and contact the assessor to discuss their assessments if they desire to do so. When meeting with property owners, the assessor should explain how the assessments were made, verify the information that has been collected on the property owner’s property, and obtain additional information as needed from the property owner. It is important that the assessor’s attitude be one of cooperation and willingness to resolve problems and improve the assessments rather than one of justification and defense, although the assessor should

be able to justify each assessment. The assessor should recognize that no matter how carefully the assessments are made, there may still be some problems. By allowing time to meet with property owners before finalizing the assessment roll, it may be possible to resolve problems, to correct any errors that are discovered, and thus decrease the number of formal objections presented to the BOR.

- 2. The assessor shall attach to the assessment roll, a statement that the notices required by law have been mailed. 70.365
- 3. The assessor must deliver the completed assessment roll and all sworn statements and valuations of personal property to the clerk starting the fourth Monday in April, except in cities of the first class. 70.50
- 4. After the assessment roll has been completed, the assessor’s affidavit in the front of the assessment roll must be completed and signed before the assessment roll is delivered to the BOR. 70.49

In the case of *Bass v. Fond du Lac County*, 60 Wis. 516, 19 N.W. 526 (1884), the Wisconsin Supreme Court held: “The Board of Review and the clerk should see to it that the assessor’s affidavit is signed and attached to the roll, for its absence is prima facie evidence of the inequality or injustice of the assessment and shifts the burden of proving it equitable and just to the municipality.” But where the affidavit has been signed, then according to sec. 70.49(2), Wis. Stats., this constitutes “presumptive evidence that all such properties have been justly and equitably assessed in proper relationship to each other.”

Once the assessor has listed the property assessments on the roll and signed the assessor’s affidavit, the assessments must be accepted as correct unless the testimonies of sworn witnesses prove that they are incorrect. Without sworn testimony contradicting the assessor, the BOR has no jurisdiction to set aside an assessment.

- 5. An assessor is not permitted to contradict or impeach the assessor’s affidavit once it has been signed. **NOTE:** After the assessor’s affidavit is signed, an error (as described in sec. 74.33(1), Wis. Stats.) may be discovered in the assessment roll. The assessor **does not** contradict or impeach the assessor’s affidavit when acknowledging such an error. 70.49
- 6. The assessor shall be present for at least 2 hours while the assessment roll is open for inspection. Instructional material under sec. 73.03(54), Wis. Stats. shall be available at this meeting. 70.45
- 7. The assessor is not a member of the BOR. The assessor is the municipality’s expert witness for the correctness of the assessment roll. 70.46(1)

8. The assessor shall attend all hearings before the BOR without notice. The assessor need not attend sessions of deliberation for decisions on the testimony that has been presented. If the property owner or the property owner’s agent is not present at such sessions, the BOR cannot request any further testimony from the assessor. All the BOR can do is consider the testimony already presented. 70.48

9. Under oath, the assessor shall submit to examination and fully disclose to the BOR information pertinent to the inquiry being made. The assessor should be prepared to take all books, papers etc., to the BOR to explain any work that has been done. At the BOR meeting the assessor should be prepared to present the facts and valuation methods used in deriving the assessments. This necessitates that property record cards, comparable sales listings, and other materials used in making the assessments be available for reference at the BOR meeting. The assessor’s defense of assessments should be given in a manner which will enable both property owners and the BOR to understand how the assessments were derived. The information presented should be detailed enough to allow the BOR to determine if the assessment is incorrect. 70.48

The assessor shall provide to the BOR specific information about the validity of the valuation to which objection is made and shall provide to the BOR the information that was used to determine the valuation. 70.47(8)(h)

10. All part-time assessors shall receive the same compensation for attendance at the BOR as is allowed to the members of the BOR. If the assessor is full-time, there is no additional compensation for attendance at the BOR. If the assessor is paid on a per diem basis, the per diem payments for attendance at the BOR should be the same as that for BOR members. 70.48

11. The assessor must send a “reasonable written request by certified mail.” See Chapter 5-10 Notification Process (with Request to View Property Notice) for detailed description of process. Also, see Chapter 9-21 for further guidance on data collection.

Board of Review – Property Owner

The time to check an assessment and meet with the assessor is before the BOR meeting. The BOR meets any time during the 30-day period beginning on the 4th Monday in April. The assessor is required to send a notice of changed assessment when the total value of the property changed from the previous year. The assessor is not required to provide notice if land is classified as agricultural land, as defined in sec. 70.32 (2) (c) 1g. Wis. Stats., for the current year and previous year and the difference between the assessments is \$500 or less. This notice contains information related to your assessment and the appeal process. It will

give the dates, location and times for the open assessment roll period (open book) and the BOR. The BOR is the formal appeal process for assessments.

The issue of taxation is not handled through this process. If you are concerned about your taxes, you should contact those responsible for spending decisions; your municipal officials, county board members, and school board members. These are the individuals who determine and approve the spending that results in your property taxes, not the assessor. The assessor is only responsible for the equitable distribution of the tax.

If you don't understand your assessment discuss it with the assessor. The assessor can explain the assessment process, the factors considered and how the valuation was determined. A meeting with the assessor can clarify your assessment, answer your questions and correct errors. Review the information on your property to make sure the size, age, condition, number of bathrooms, and other physical characteristics are correct.

If, after meeting with the assessor, you feel that your property is not assessed at the same assessment level as other property in the municipality, the next step is to appeal the assessment to the BOR. The BOR is the initial court before which a property owner must appear to contest the assessed value of real and personal property that later becomes the base for determining tax liability.

Anyone planning to protest an assessment should have considerable information which is pertinent to ordinary market value. The best evidence would be the recent sale price of the property under protest if according to professionally acceptable appraisal practices the sale price conforms to recent arm's-length sales of reasonably comparable property, plus an account of any changes the property has undergone between the date of sale and the assessment date of January 1. The next best evidence of market value is the sale prices of other properties that are comparable to the property under protest. Lacking either of the above, oral testimony by a qualified witness who has made a market value appraisal of the property under protest is also good evidence. Supplementary information would include size and location of land, size and age of buildings, original cost, present cost of reproduction, depreciation and obsolescence, income, productivity, zoning restrictions, amount of fire insurance, and any other facts or conditions which would affect the market value of the property. If the property owner requests the BOR to hear testimony from certain witnesses, the BOR shall compel those witnesses to attend the hearing.

The property owner should not make the common mistake of comparing the assessment with only a few other pieces of similar property in the neighborhood which may be assessed at lower figures. The BOR could logically claim that the other properties are under assessed and proceed to call in witnesses and hear testimony which might result in a raise in the assessments of the other properties.

Recognizing that it is sometimes possible for a complaining property owner to pick a few low comparison assessments, the Wisconsin Supreme Court held in the case of *Walther v. Jung*, 175 Wis. 58, 183 N.W. 986 (1921), that not less than 2% of assessed value can be compared. However, if the property owner can show that "arbitrary" methods or improper considerations influenced the valuation process, as in the Wisconsin Supreme Court case

of *State ex rel. Levine v. Board of Review of Village of Fox Point*, 191 Wis. 2d 363, 528 N.W.2d 424 (1995), then the property owner is not held to a 2% minimum

Filing an Objection

If you wish to object to the assessment of your property, contact the clerk to state your intention to file an objection. You should notify the clerk 48 hours prior to the first meeting of the BOR. Before property tax liability is finally determined, property owners have a right to a hearing if they believe that their individual assessments are in error or are inequitable. To be eligible to present an objection to the BOR, the property owner must have complied with the following statutes:

1. No person shall be allowed to appear before the BOR, or to contest the amount of any assessment of real or personal property if they have refused a reasonable written request by certified mail of the assessor to view exterior of the property. 70.47(7)(aa)
Note: While state law allows the BOR to deny a hearing to a property owner who does not allow the assessor to complete an exterior view, the Wisconsin Supreme Court has expressed grave concern about an identically worded statute in *Milewski v. Town of Dover*, 2017 WI 79, 377 Wis. 2d 38, 899 N.W.2d 303. DOR recommends access to the BOR. The lack of access to view and any evidence offered can be managed as an evidentiary issue at a BOR hearing rather than denying access to the BOR itself.

2. Any person, firm, or corporation who refuses to testify, or who fails, neglects, or refuses to make and file the statement of personal property shall be denied any right of abatement by the BOR on the assessment of the personal property unless they make a statement of reasons for the failure to file the return in the manner and form required. 70.35(4)

3. The property owner must specify in writing an estimate of the value of the land improvements and specify the information that was used to arrive at the estimate. If the assessor or owner used the income method, the owner must supply to the assessor all information about income and expenses. The municipality must provide by ordinance for confidentiality of this information, with exception for persons using the information in the discharge of duties imposed by law or the duties of their office or by order of a court. This information is not subject to inspection as a public record unless a court determines that it is inaccurate. 70.47(7)(af)

4. A person objecting to a valuation, at the time that the person provides written or oral notice of an intent to file an objection and at least 48 hours before the first scheduled session of the BOR or at least 48 hours before the objection is heard if the objection is allowed under sec. 70.47(3)(a), Wis. Stats. requests the removal of a member

of the BOR. No more than one member may be removed under this subdivision.

70.47(6m)

Except in a first or second class city a member shall be removed under any of the circumstances described below:

- a. If a member has a conflict of interest under an ordinance of the municipality in regard to the objection.
 - b. If a member has a bias and if the party requests the removal of a member for a bias. The party must submit with this request an affidavit stating that he or she believes the member has a personal bias or prejudice against the party and stating the nature of the bias or prejudice.
 - c. A member who would violate sec. 19.59, Wis. Stats. (code of ethics of local officials) by hearing an objection shall recuse himself or herself from that hearing. The municipal clerk shall file an affidavit to the DOR declaring whether the recusal requirement is fulfilled.
 - d. A member removed or recused may be replaced by the BOR, or not, as long as no fewer than three members hear the objection.
5. Any person may provide to the municipal clerk written comments about valuations, assessment practices and the performance of an assessor. The clerk shall provide all those comments to the appropriate municipal officer.
6. No person may appear before the BOR, testify to the BOR by telephone or contest the amount of any assessment unless, at least 48 hours before the first meeting of the BOR or at least 48 hours before the objection is allowed under sub. (3)(a), that person provides to the clerk of the BOR notice as to whether the person will ask for removal under sub. (6m)(a) and, if so, which member will be removed and the person's reasonable estimate of the length of time that hearing will take.

70.47(6r)

70.47(7)(ad)

Traditionally, assessment appeals were limited to the value placed upon the property. Under the use value assessment system for agricultural land, an erroneous classification of land can affect the total assessed value of a property. Agricultural property owners may appeal the classification of their property in addition to its assessed value. An appeal of classification usually relates to property in agricultural production during the prior year that has been mistakenly classified in a non-agricultural (market value) class.

If you are appealing the *classification* of your land that was in agricultural use during the prior year, but not classified as agricultural land for assessment purposes, you should be prepared to present evidence to the assessor or BOR verifying its use in agriculture. Evidence of agricultural use may include leases or financial records demonstrating an attempt to produce crops or livestock.

DOR annually calculates guideline use values for every municipality in the state. These guideline use values are available from your local assessor or DOR. Your parcel's agricultural use value will be largely determined by (1) the guideline use values for the current year, and (2) the local level of assessment for your municipality.

Board of Review Hearing

1. Property owners who wish to protest their assessments are required to complete a written objection form which is filed with the BOR. Property owners must object to the total valuation of the property. They may not object to only the land value or only the improvement value. It is important that the objecting property owners completely fill out the objection form. In the case of *State ex rel. Reiss v. Board of Review*, 29 Wis.2d 246, 138 N.W.2d 278 (1965), the objecting property owner, when completing the objection form, answered the question "What is the present fair market value of this property?" with "I don't know." The Supreme Court stated that "Surely the single most important fact relevant to an assessment is the fair market value of the property, and a taxpayer who desires to proceed with an objection in good faith must be prepared to take a position as to what the fair market value is." In this case the court held that the property owner had not properly completed the objection form and therefore, had no right to a hearing at the BOR. 70.47(7)(a)

2. Upon receipt of an objection, the BOR shall establish a time for hearing the objection. At least 48 hours notice of the time of hearing must be given to the objector or the objector's attorney, and to the municipal attorney and assessor. Where all parties are present and waive such notice in the minutes, the hearing may be held immediately. 70.47(3)(a)(5)

3. Instead of appearing in person at the hearing, the board may allow the property owner, or the property owner's representative, at the request of either person, to appear before the board, under oath, by telephone or to submit written statements, under oath, to the board. The BOR shall hear under oath all persons who appear before it and, by telephone, all ill or disabled persons who present to the BOR a letter from a physician, surgeon, or osteopath that confirms their illness or disability. At the request of the property owner or the property owner's representative, the board may postpone and reschedule a hearing under this subsection, but may not postpone and reschedule a hearing more than once during the same session for the same property. 70.47(8)

4. The board may, at the request of the taxpayer or assessor, or at its own discretion, waive the hearing of an objection under sub. (8) or, in a 1st class city, under sub. (16) and allow the taxpayer to have the taxpayer's assessment reviewed under sub. (13). For purposes of

this subsection, the board shall submit the notice of decision under sub. (12) using the amount of the taxpayer's assessment as the finalized amount. For purposes of this subsection, if the board waives the hearing, the waiver disallows the taxpayer's claim on excessive assessment under s.74.37 (3) and notwithstanding the time periods under s. 74.37(3)(d), the taxpayer has 60 days from the notice of the hearing waiver in which to commence an action under s. 74.37(3)(d).

70.47(8m)

- 5. The property owner or the property owner's representative and witnesses shall be heard first. The property owner's case must first be presented to the BOR before the assessor can be adversely examined.

70.47(8)(b)

- 6. Decisions are made only on sworn oral testimony.

70.47(8)

If an individual wishes to introduce written testimony to the BOR without reading an entire appraisal report (or whatever the written evidence is), this can be accomplished by attaching the written testimony, appraisal report, or evidence to the Board of Review Objection form. (This information is requested by the form.) By doing this, the written evidence becomes a part of the BOR proceedings. Because it is attached to the Board of Review Objection form; the written evidence is also saved for seven years (as are other BOR records).

A property owner must be able to present competent evidence to the BOR which establishes the current market value of the property. Market value is defined as the price a property will bring in an arm's-length sale of the property between a willing and informed buyer and a willing and informed seller under normal market conditions. The law provides that all assessments must be based upon the current market value of the property.

When current market value of a property has been proved, the assessment, as a percentage of the market value may be compared to the average percentage level of assessment of all property in the municipality. If the percent of assessment of the taxpayer's property compared to its market value can be shown to greatly exceed the average percentage level of all property in the municipality, this evidence furnishes conclusive proof to the BOR that the assessor's assessment of the property is in error and should be reduced. The assessment level of the taxation district may be obtained by contacting the assessor. An indicated assessment level may also be computed through a tabulation of recent sales showing the ratio of total assessment to total selling prices of properties sold. The greater number of sales used for this tabulation, the more accurate the indicated assessment level will be.

Although the law requires the assessor to make all assessments “at the full value which could ordinarily be obtained therefore at private sale,” fractional assessments are permissible. In *State ex rel. Baker Mfg. Co. v. City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1951) the Wisconsin Supreme Court held, “The statute and the assessor’s oath contemplate the assessor’s valuation will be 100% of such theoretical sale price but no taxpayer can be considered aggrieved by discrimination if the assessment is some fraction of such value applied uniformly to all property.” Once the assessment level is known, the property owner can then proceed to deal with the question as to whether the assessment is at or near the common level.

7. No person shall be allowed in any action or proceedings to question the amount or valuation of the property unless the person in good faith has presented evidence to the BOR in support of the objection. The objector must make full disclosure, under oath, of all property in the district liable to assessment, and the value of that property.

70.47(7)(a)

In *State ex rel. N.C. Foster Lumber Co. v. Williams*, 123 Wis. 61, 100 N.W. 1048 (1904), the Wisconsin Supreme Court commented on the complainant’s liability in these words, “owner of property must make full disclosure before the BOR of all facts pertaining to value or be denied any relief before the body.”

8. After the first meeting of the BOR and before the BOR’s final adjournment, an objector may not contact a BOR member about the objection and may not provide information to a BOR member about the objection, except at a session of the BOR.

70.47(7)(ac)

Appeals from the Board of Review Decision

If, after presenting a formal objection to the BOR, a property owner is still dissatisfied with an assessment, appeals can be made to higher assessment review authorities. The law provides various ways to appeal an individual assessment. One way is to the circuit court under sec. 70.47(13), Wis. Stats. Another is to the DOR under sec. 70.85, Wis. Stats. The property owner may also appeal to the municipality under sec. 74.35, Wis. Stats., for recovery of unlawful taxes, or under sec. 74.37, Wis. Stats. for a claim of excessive assessment. The law also provides a way for property owners to appeal an entire assessment roll in cases where there are widespread inequities or where the legality of the assessments is questionable. This is done under sec. 70.75, Wis. Stats. Each of these appeals is conditional, and can only be pursued if all of the statutory requirements are met.

Circuit Court by an Action for Certiorari

Sections 70.47(13) and 70.47(16), Wis. Stats. provide for an appeal of the BOR determination by an action for certiorari (requesting the court to review the written record of the hearing) to the circuit court. An action must be filed with the circuit court within 90 days after the

property owner receives the notice required under sec. 70.47(12), Wis. Stats. No new evidence may be submitted, and the court decides the case solely on the basis of the written record made at the BOR.

If the court finds any errors in the proceedings of the BOR which render the assessment void, it shall remand the assessment to the BOR for further proceedings and retain jurisdiction of the matter until the BOR has determined an assessment in accordance with the court's order. The court may also remand the assessment to the BOR if it is determined that the BOR lacked good cause to deny the request for deposition. The court may order the municipality to reconvene the BOR if it has finally adjourned prior to the court's decision on the appeal. Section 75.54, Wis. Stats., outlines the proceedings for reassessments of a property by order of the court.

To Wisconsin Department of Revenue

Sec. 70.85, Wis. Stats., permits property owners to file a written complaint for a \$100 filing fee with DOR within 20 days after the property owner's receipt of the BOR determination or within 30 days of the date specified on the affidavit under sec. 70.47(12), Wis. Stats., if the property owner does not receive the notice. The basis of the complaint must be that the assessment of one or more items or parcels of property in the taxation district, the value of which as determined by the BOR, does not exceed \$1,000,000, is radically out of proportion to the general level of the assessments of all other property in the district. Both real and personal property can be appealed under this section.

DOR may revalue the property and adjust the assessment of the property to the assessment ratio of other property within the taxation district when DOR determines that:

1. The assessment of the property is not within 10% of the general level of assessment of all other property in the taxation district.
2. The revaluation of the property can be satisfactorily completed without a reassessment of all property within the taxation district.
3. The revaluation can be accomplished before November 1 of the year in which the assessment is made or within 60 days of the receipt of the written complaint, whichever is later.

After receiving the complaint, DOR will send questionnaires to the property owner and municipal clerk. Next, an informal conference is held where the property owner and assessor may present evidence as to their opinion of value. DOR will then make a decision based on the evidence, to either sustain or adjust the assessment, or it will order one of its appraisers to further investigate the appeal.

At the conference the assessor should bring the property's record card for verification of data, sales analysis information, and any other pertinent data to substantiate the value.

The property owner should bring information to help support this or her opinion of value. This may include the following: a recent sale of the property, recent comparable sales, a recent appraisal, pictures, and evidence of any discrepancies in the assessment records.

DOR uses information from its sales and fielded sales analysis systems to determine the level of assessment for the same class of property in the municipality. It compares the Full Value assessment to the assessed value of the property. If the property is found to be 10% or more over assessed DOR will lower the assessment.

Example: If a property has a \$95,000 assessed value, and the municipal level of assessment is 85.20%, the estimated full value assessment will be \$111,500 ($\$95,000 / .8520$). If the market value is determined to be \$100,000, the property is over-assessed by 11.5% ($(\$111,500 - 100,000) / 100,000$). Therefore, DOR would reduce the assessment.

If the assessment is adjusted by DOR, it shall be substituted for the assessed value of the property shown on the tax roll, and the taxes computed and paid accordingly. If DOR has not completed the revaluation by the time of the tax levy, the taxes on the property shall be based on the contested value. The property owner shall pay in full the tax based upon the contested valuation. If DOR reduces the value of the property, the property owner may file a claim under sec. 74.37, Wis. Stats., for a refund of the taxes paid on the “over-assessment.”

When DOR reduces the value of a property, its expenses for the revaluation are charged back to the municipality. The charge back, based on staff time, is limited to a maximum \$300. When DOR sustains the assessment, no charges are incurred.

All individuals appealing under this section must have first contested their assessment by presenting a formal objection to the BOR for that year under sec. 70.47, Wis. Stats. Appeals of DOR's determination shall be by an action for certiorari in the circuit court of the county in which the property is located.

To Municipality and Court

The following statutes explain the procedures for appealing an assessment to the municipality.

Sec. 74.33, Wis. Stats., sharing and charging back of taxes due to palpable errors.

1. **GROUND.** After the tax roll has been delivered to the treasurer of the taxation district under s. 74.03, the governing body of the taxation district may refund or rescind in whole or in part any general property tax shown in the tax roll, including agreed-upon interest, if:
 - a. A clerical error has been made in the description of the property or in the computation of the tax.
 - b. The assessment included real property improvements which did not exist on the date under s. 70.10 for making the assessment.
 - c. The property is exempt by law from taxation, except as provided under sub. (2).
 - d. The property is not located in the taxation district for which the tax roll was prepared.
 - e. A double assessment has been made.
 - f. An arithmetic, transpositional or similar error has occurred.
2. **EXCEPTIONS.** The governing body of a taxation district may not refund or rescind any tax under this section if the alleged error may be appealed under s. 70.995(8)(c), or if the

alleged error is solely that the assessor placed a valuation on the property that is excessive.

3. CHARGING BACK AND SHARING TAXES. If an error under sub. (1) has been discovered, the governing body of the taxation district shall proceed under s. 74.41.

Sec. 74.35, Wis. Stats., recovery of unlawful taxes.

1. DEFINITIONS. In this section “unlawful tax” means a general property tax with respect to which one or more errors specified in s. 74.33(1)(a) to (f) were made. “Unlawful tax” does not include a tax in respect to which the alleged defect is solely that the assessor placed a valuation on the property that is excessive.
2. CLAIM AGAINST MUNICIPALITY.
 - a. A person aggrieved by the levy and collection of an unlawful tax assessed against his or her property may file a claim to recover the unlawful tax against the taxation district which collected the tax.
 - b. A claim filed under this section shall meet all of the following conditions:
 - Be in writing.
 - State the alleged circumstances giving rise to the claim, including the basis for the claim as specified in s. 74.33 (1)(a) to (e).
 - State as accurately as possible the amount of the claim.
 - Be signed by the claimant or his or her agent.
 - Be served on the clerk of the taxation district in the manner prescribed in s. 801.11(4).
- (2m) EXCLUSIVE PROCEDURE. A claim that property is exempt, other than a claim that property is exempt under s. 70.11(21)(a) or (27), may be made only in an action under this section. Such a claim may not be made by means of an action under s. 74.33, or an action for a declaratory judgment under s. 806.04.
3. ACTION ON CLAIM.
 - a. In this subsection, to “disallow” a claim means either to deny the claim in whole or in part or to fail to take final action on the claim within 90 days after the claim is filed.
 - b. The taxation district shall notify the claimant by certified or registered mail whether the claim is allowed or disallowed within 90 days after the claim is filed.
 - c. If the governing body of the taxation district determines that an unlawful tax has been paid and that the claim for recovery of the unlawful tax has complied with all legal requirements, the governing body shall allow the claim. The taxation district treasurer shall pay the claim not later than 90 days after the claim is allowed.
 - d. If the taxation district disallows the claim, the claimant may commence an action in circuit court to recover the amount of the claim not allowed. The action shall be commenced within 90 days after the claimant receives notice by certified or registered mail that the claim is disallowed.
4. INTEREST. The amount of a claim filed under sub. (2) or an action commenced under sub (3) may include interest computed from the date of filing the claim against the taxation district, at the rate of 0.8% per month.
5. LIMITATIONS ON BRINGING CLAIMS
 - a. Except as provided under par. (b), a claim under this section shall be filed by January 31 of the year in which the tax is payable.

- b. A claim under this section for recovery of taxes paid to the wrong taxation district shall be filed within 2 years after the last date specified for timely payment of the tax under ss. 74.11, 74.12, 74.85 or 74.87.
 - c. No claim may be filed or maintained under this section unless the tax for which the claim is filed, or any authorized installment payment of the tax, is timely paid under s. 74.11, 74.12, 74.85 or 74.87.
 - d. No claim may be made under this section based on the contention that the tax was unlawful because the property is exempt from taxation under s. 70.11(21)(a) or (27).
6. COMPENSATION FOR TAXATION DISTRICT. If taxes are refunded under sub. (3), the governing body of the taxation district may proceed under s.74.41.

Sec. 74.37, Wis. Stats., claim on excessive assessment.

1. DEFINITION. In this section, a “claim for an excessive assessment” or an “action for an excessive assessment” means a claim or action, respectively, by an aggrieved person to recover that amount of general property tax imposed because the assessment of property was excessive.
2. CLAIM.
 - a. A claim for an excessive assessment may be filed against the taxation district, or the county that has a county assessor system, which collected the tax.
 - b. A claim filed under this section shall meet all of the following conditions:
 1. Be in writing.
 2. State the alleged circumstances giving rise to the claim..
 3. State as accurately as possible the amount of the claim.
 4. Be signed by the claimant or his or her agent.
 5. Be served on the clerk of the taxation district, or the clerk of the county that has a county assessor system, in the manner prescribed in s. 801.11(4) by January 31 of the year in which the tax based upon the contested assessment is payable.
3. ACTION ON CLAIM.
 - a. In this subsection, to “disallow” a claim means either to deny the claim in whole or in part or to fail to take final action on the claim within 90 days after the claim is filed.
 - b. The taxation district or the county that has a county assessor system shall notify the claimant by certified or registered mail whether the claim is allowed or disallowed within 90 days after the claim is filed.
 - c. If the governing body of the taxation district determines that a tax has been paid which was based on an excessive assessment, and that the claim for an excessive assessment has complied with all legal requirements, the governing body shall allow the claim. The taxation district treasurer shall pay the claim not later than 90 days after the claim is allowed.
 - d. If the taxation district disallows the claim, the claimant may commence an action in circuit court to recover the amount of the claim not allowed. The action shall be commenced within 90 days after the claimant receives notice by registered or certified mail that the claim is disallowed.
4. CONDITIONS.
 - a. No claim or action for an excessive assessment may be brought under this section unless the procedures for objecting to assessments under sec. 70.47, Wis. Stats., except under s. 70.47(13), have been complied with. This paragraph does not apply if notice under s. 70.365, was not given.

- b. No claim or action for an excessive assessment may be brought or maintained under this section unless the tax for which the claim is filed, or any authorized installment of the tax, is timely paid under s. 74.11, or 74.12.
 - c. No claim or action for an excessive assessment may be brought or maintained under this section if the assessment of the property for the same year is contested under s. 70.47 (13) or 70.85. No assessment may be contested under s.70.47 (13) or 70.85, if a claim is brought and maintained under this section based on the same assessment.
5. INTEREST. The amount of a claim filed under sub. (2) or an action commenced under sub. (3) may include interest at the average annual discount rate determined by the last auction of 6-month U.S. treasury bills before the objection per day for the period of time between the time when the tax was due and the date that the claim was paid.
 6. EXCEPTION. This section does not apply in counties with a population of 500,000 or more.
 7. COMPENSATION. If taxes are refunded under sub. (3), the governing body of the taxation district or county that has a county assessor system may proceed under s. 74.41.

Reassessments under Sec. 70.75, Wis. Stats.

The BOR and appeals described to this point are all designed to provide legal remedy and relief from excessive assessment for individual parcels of property. However, the legislature has also provided remedy in those situations where the legality or equity of the entire assessment roll is in question.

Sec. 70.75, Wis. Stats., permits the owners of not less than five percent of the assessed value of all the taxable property in any taxation district to file a written complaint with DOR (except in cities of the 1st class). The basis of the complaint must be that the assessment of property in the taxation district is not in substantial compliance with the law and that the interest of the public will be promoted by a reassessment.

The term “reassessment” as it relates to sec. 70.75, Wis. Stats., means the actual doing over of the assessment roll. Such action would be taken, if after a full investigation, DOR was satisfied that a complaint appeared to have merit. Certified expert help or DOR employees would be appointed by DOR to prepare a new roll, and DOR would supervise the work throughout the reassessment. The assessment roll completed by the appointed person(s) then becomes a legal substitute for the original assessment roll. Reviewing and correcting of the roll is done by a special three-person Board of Correction which is also appointed by DOR. The Board of Correction replaces the local BOR. If the reassessment cannot be completed in time to take the place of the original assessment, correction of the inequalities may be made in the subsequent year. All fees and expenses for the reassessment are paid by DOR and then charged back to the taxation district.

Since a reassessment incurs considerable extra expense to a taxation district, and since the public interest is a primary consideration, DOR has the responsibility of deciding when the inequities in the original assessment are great enough to warrant the additional expense of a reassessment. The legislature has recognized that the inequities may be of various degrees, and has therefore provided as an alternative to a reassessment, special supervision of succeeding assessments under sec. 70.75(3), Wis. Stats. Under this alternative, DOR may

appoint one or more employees or other qualified persons to assist the assessor in making the assessment of the following year. In this case, the previous year's assessment roll is not affected. As in a reassessment, DOR supervises the work that is performed. Expenses throughout a supervised assessment are paid by DOR and then charged back to the taxation district upon completion of the project. Unlike a reassessment, the local BOR is not relieved of any responsibility when a supervised assessment is performed. It has the same powers, duties, and limitations as in any ordinary assessment year.

Administrative Procedure

Time for Application

DOR will not take jurisdiction in any reassessment application until the assessment being appealed has in fact, been completed by the assessor, and the BOR has discharged its duties relative to the assessment and has finally adjourned. At such time, if property owners believe that there are extensive inequities in the assessments or that the assessments are not in substantial compliance with the law, they may petition DOR for a reassessment of the entire municipality. Petition forms can be obtained from DOR.

Verification of Statutory Requirements

Upon receipt of the application or petition for reassessment, DOR sends a copy of the petition to the clerk of the taxation district for verification of the requirement that the signers of the petition own property whose aggregate assessed value for the year complained of is not less than 5 percent of the local assessed value of all taxable property in such taxation district.

Duty to Review is Mandatory

When a petition for reassessment is filed, DOR is required to review the assessment being appealed and make a full investigation. The review and investigation cannot be impaired or set aside by any action of any one or more property owners represented on the petition once it has been filed with DOR.

DOR may not review a petition filed by a property owner who owns more than 5 percent of the assessed valuation in the taxation district if within the 3 years preceding the date of the petition that person petitioned for a reassessment and DOR did not order a reassessment or a supervised assessment. However, if the property owner is joined by another owner or owners of an additional 5 percent of the assessed valuation the taxation district, DOR shall then proceed to review the assessment.

Hearing Conducted by the Department of Revenue

As part of its investigation into the merits of the application for reassessment, DOR is required to hold a hearing within or near the taxation district in which the reassessment is sought. This is an administrative hearing which is basically fact finding. Notice of the hearing, specifying the time and place is to be mailed to the clerk of the taxation district and the first signer of the application for reassessment, not less than 8 days before the time fixed for the hearing. At the hearing, testimony may be offered as to the inequity or equity of the assessment, whether or not the public interest will be promoted by a reassessment and such other matters as may be desired by DOR.

Investigation by the Department of Revenue

The hearing is only part of the considerations taken into account by DOR. Subsequent to the hearing, a full investigation is made by DOR, which includes a review of testimony presented, existing assessment records, valuation procedures, and the assessment uniformity or disparity. Depending on the circumstances in each appeal, the field investigation involves the following considerations:

1. Dispersion studies – A random sample of parcels from the assessment roll for the year in question is selected for further investigation.
2. When sufficient sales are available, a detailed statistical analysis of assessment/sales ratios is performed and evaluated by DOR.
3. Existing record cards and maps – An evaluation is made of the database contained on the record cards relative to land and improvements. The real estate record cards are of vital importance; if a taxation district has adequate records available, it is often possible for the local assessor to correct inequities in the subsequent assessment rolls.
4. Valuation procedures – The valuation procedures as they pertain to real and personal property are analyzed. For example, the method used in valuing land with respect to classification, soil types, frontages, etc., are examined; personal property valuation compliance and audit procedures are considered.
5. The ratio of assessment for the various classes are examined to determine if equity exists between the classes of property.

Final Determination and Order

The interests of the public and all information in the files and records of DOR, as well as the testimony given at the hearing and the results of the field investigation are considered before a determination is made regarding any application for reassessment. In issuing its determination and order, DOR has four distinct alternatives:

1. It may order a reassessment of all or of any part of the taxable property in the taxation district (sec. 70.75(1), Wis. Stats.)
2. It may order a special supervision of succeeding assessments (sec. 70.75(3), Wis. Stats.)
3. It may deny or dismiss the application for reassessment for the reason that such application is without merit and not in the public interest.
4. It may dismiss any petition for reassessment if, prior to the entry of a reassessment order the taxation district involved determines under sec. 70.055, Wis. Stats., that employing expert help to aid in assessing property would be in the public interest and if, after receiving departmental approval, the taxation district does employ expert help for either of the 2 years following the assessment year complained of.

Manufacturing Property Appeals

Manufacturing property is assessed by DOR and not subject to the same appeal process as other property. See Chapter 18 for information on the appeal of manufacturing property.

Related Forms

The following forms are available on the [DOR website](#):

PA-115A	Objection for Real Property Assessment
PA-115B	Objection for Personal Property Assessment
PR-302	Notice of Board of Review Determination

PR-800 Summary of Board of Review Proceedings

Chapter 22

Legal Decisions and Attorney General Opinions by Subject

Introduction Legal

The legal authority with which the assessor must comply comes from three sources: legislative (statutes and administrative rules), judicial (case law as an interpretation of statutes and administrative rules), and the Wisconsin Department of Revenue (Wisconsin Property Assessment Manual). The bulk of the Wisconsin Property Assessment Manual (WPAM) discusses what the statutes require and how the Department of Revenue (DOR) suggests the law should be interpreted and implemented. This section of the WPAM is intended to be a reference where the assessor can efficiently locate legal resources comprised of statutes and case law including historical precedent in the property tax field.

The case law in property tax is developed, for the most part, from appeals of Board of Review decisions. The first court to hear the appeal is the circuit court. Cases work their way through the judicial hierarchy in this order:



Wisconsin circuit courts are the state's trial courts. The Wisconsin Court of Appeals hears appeals from the circuit court with its primary function being to correct errors resulting from misapplication of well-settled law. The Court of Appeals also issues new rules of law. The Wisconsin Supreme Court has appellate jurisdiction to review any case decided by lower courts. The review is discretionary. The Supreme Court also has authority to hear original actions.

When questions of law arise which have no direct applicable court case decisions, the Office of the Attorney General, State of Wisconsin, may write an opinion how to interpret the law. Previous decisions of the courts are reviewed and the basic concepts of law developed in the past are applied to the present situations. It should be emphasized that these decisions and opinions are based on specific cases or on a specific set of facts. No two cases are exactly alike, and the outcome of any case before the court is based on how well the present set of facts fit the concepts of law the two opposing attorneys develop in their presentations.

The following cases and opinions are either excerpts or summary statements of the concepts of law developed in various decisions. They are meant to provide a partial historical account of relevant assessment cases and opinions to assist assessors in understanding legal concepts, but are in no way meant to be a complete legal reference nor should they be considered superior than cases or opinions contained in other reference sources. While these opinions should help answer some of the questions which may be raised, there will always be legal questions that require the assessor to look to other sources for assistance. The following two sites are helpful sources for case law: [University of Wisconsin Law Library](#), [Wisconsin State Law Library](#). The [State Bar of Wisconsin](#) has all Wisconsin Tax Appeals cases cataloged in a searchable database. The [Wisconsin Legislative Reference Bureau](#) is useful for researching statutes and legislative history.

Once it is determined that there is a legal question, the assessor should gather as much relevant data as possible concerning the question. The municipal attorney is the person who should be approached first. The municipal attorney is the best judge of whether the question should be further pursued as they will ultimately have to defend the assessor's decision.

NOTE: The Non-Citation Rule, sec. 809.23(3), Wis. Stats., regarding unpublished legal cases/opinions states the following:

"(a) An unpublished opinion may not be cited in any court of this state as precedent or authority, except to support a claim of claim preclusion, issue preclusion, or the law of the case and except as provided in par.(b).

(b) In addition to the purposes specified in par. (a), an unpublished opinion issued on or after July 1, 2009, that is authored by a member of a three-judge panel or by a single judge under s.752.31(2) may be cited for persuasive value. A per curiam opinion, memorandum opinion, summary disposition order, or other order is not an authored opinion for purposes of this subsection. Because an unpublished opinion cited for its persuasive value is not precedent, it is not binding on any court of this state. A court need not distinguish or otherwise discuss an unpublished opinion and a party has no duty to research or cite it."

Assessor

The legal opinions and decisions in this section deal primarily with the responsibilities of the individual who holds the office of assessor. Legal questions that concern valuation decisions by the assessor are discussed in later sections.

Records Open to Public Inspection

[Sec. 19.31](#), Wis. Stats., commonly known as the "open records law", took effect in 1983 and states "*it is declared to be the public policy of this state that all persons are entitled to the greatest possible information regarding the affairs of government and the official acts of those officers and employees who represent them. The denial of public access generally is contrary to the public interest, and only in an exceptional case may access be denied.*" This statute makes it clear that except in unusual circumstances all records must be open to the public. Exceptions are made in the case of confidential information. Salient exceptions to the rule for assessors are the real estate transfer return (RETR) and Personal Property (PA-003) forms. Although not all of the information on the RETR is confidential, there is confidential

information contained on the RETR thus making it confidential and not subject to public inspection without first redacting the confidential information.

However, from other statutes, Attorney General's opinions, and court cases related to this question, three basic categories or records can be set forth:

1. Records open for inspection at all times.
2. Records not open for inspection under any circumstances.
3. Records open for inspection under certain circumstances.

Category 1 includes the local assessment roll and tax roll. Category 2 would include personal property returns filed by taxpayers, and personal papers of the assessor that have nothing to do with the function of the office. Category 3 is the most difficult category to define. Basically there are three grounds on which a denial may be made:

1. The record requested does not exist.
2. The record exists, but statutes or court decisions prohibit disclosure of all or part of the record. A good example of the latter is a real estate transfer form - sec. 77.265(9) prohibits release of that part of the form containing Social Security numbers and telephone numbers, so that information must be redacted before the requested forms are produced.
3. The record exists, and no statute or court decision prohibits disclosure, but the custodian determines that the strong public interest in disclosure of the records is outweighed by the public interest favoring nondisclosure.

The assessor should not disclose any information which was given to them with an expressed or implied understanding that the information would be kept confidential. To do so would only handicap the assessor in any future attempts to receive this type of information.

An assessor should be cautious of promising confidentiality to obtain information. If an assessor must promise confidentiality to an informant in order to investigate a civil law violation, the resulting record *may* be protected from disclosure under the balancing test. The test for establishing a valid pledge of confidentiality is demanding.

1. There must have been a clear pledge of confidentiality;
2. The pledge must have been made in order to obtain the information;
3. The pledge must have been necessary to obtain the information; and
4. Even if the first three factors are met, the records custodian must determine that the harm to the public interest in permitting inspection outweighs the great public interest in full inspection of public records.

The following case law and Attorney General Opinions lay the groundwork for allowing public access to records.

In *State ex. rel. Youmans v Owens*, 28 Wis. 2d 672, 137 N.W.2d 470 (1965), the Wisconsin Supreme Court held that the right to inspect public documents and records at common law is not absolute. There may be situations where the harm done to the public interest may outweigh the right of a member of the public to have access to particular public records or documents. Thus, the one must be balanced against the other in determining whether to permit inspection.

The court stated, "*The duty of first determining that the harmful effect upon the public interest of permitting inspection outweighs the benefit to be gained by granting inspection rests upon*

the public officer having custody of the record or document sought to be inspected. If he determines that permitting inspection would result in harm to the public interest which outweighs any benefit that would result from granting inspection, it is incumbent upon him to refuse the demand for inspection and state specifically the reasons for this refusal. If the person seeking inspection thereafter institutes court action to compel inspection and the officer depends upon the grounds stated in his refusal, the proper procedure is for the trial judge to examine in camera the record or document sought to be inspected. Upon making such in camera examination, the trial judge should then make his determination of whether or not the harm likely to result to the public interest by permitting the inspection outweighs the benefit to be gained by granting inspection."

The court held that the public has a right to inspect public documents and records except where such inspection would do harm to the public interest. An example of records to which public access can be denied would be records containing information that has been gathered under a pledge that it would be kept confidential. The court stated that in certain limited cases to allow public access would seriously hamper future government efforts to gather information under a similar pledge. However, the court went on to state "*public policy favors the right of inspection of public records and documents, and it is only in the exceptional case that inspection should be denied*".

The court also held that if only inspection of a single record or document is sought, and only a portion of the document was gathered under a pledge of confidentiality, that portion of the document could be blocked out before granting inspection.

Opinion of the Attorney General (August 12, 1986). Due to the rapid growth in the use of computers in the assessment field, the question has arisen as to what information store on computer tapes and diskettes should be considered public records. This concerns not only the data stored on the tape and diskette but also copies of the tapes and diskettes. Based on the preceding court case and legal opinions, the data on the tapes and diskettes is clearly a public record, unless gathered under a pledge of confidentiality. Regarding copies of tapes and diskettes, the Attorney General's Opinion stated "*Therefore, it is my opinion that any agreement to refuse to provide copies of computer tapes, other than those containing computer programs, would be inconsistent with the state's public records law.*"

In ***Assessment Technologies of WI, LLC., v WIREdata, Inc., United States Court of Appeals for the Seventh Circuit, 350 F.3d 640, November 25, 2003***, the United States Court of Appeals reversed the judgment of the United States Circuit Court with instructions to vacate the injunction and dismiss the copyright claim.

WIREdata requested access to specific property data from three municipalities in southeastern Wisconsin. The municipalities refused to turn over the information claiming they are not allowed to release the information as a condition of their license with Assessment Technologies of WI.

The United States Circuit Court issued a permanent injunction prohibiting WIREdata from attempting to obtain any Market Drive database, digital compilation and derivative work from any person, entity or municipality that uses the copyrighted works identified in the disclosed attachment of users.

In addition to this case, WIREdata has filed suits against Assessment Technology in Wisconsin state courts. The raw data collected by assessors is not covered by Assessment Technologies copyright.

There are four ways for WIREdata to get the property data without infringing on Assessment Technologies copyright. The municipalities can decide the method to select as to applicable trade secret, open-records, and contract laws.

The municipalities can:

1. Extract the data and place it in an electronic file.
2. Use Microsoft Access to create an electronic file.
3. Allow Wire Data programmers to extract the data from their database.
4. Give Wire Data a copy of the database to extract the data.

Letter from Attorney General (February 5, 2004) to Mr. Grant F. Langley, Milwaukee City Attorney regarding access to manufacturing property reporting forms (MP forms).

Attorney General Peggy Lautenschlager responded in a letter dated February 5, 2004, stating in part:

“I therefore conclude that, pursuant to Wis. Admin. Code § Tax 12.10, the local assessor in the assessment district in which manufacturing property is located may have access to manufacturing personal property self-reporting forms (Form MP) filed with DOR by the manufacturer.”

In ***WIREdata, Inc v Village of Sussex, et al.*, 2008 WI 69, 310 Wis.2d 397, 751 N.W.2d 736**, the facts were as follows: WIREdata made an open records request to the municipalities for assessment data and was offered the information in paper form. They declined the paper copies and specified that they wanted electronic/digital data. The municipalities referred the request to private contract assessors that they used. Those contract assessors maintained the municipalities’ assessment data. The contract assessors denied or delayed response to WIREdata’s request, citing access fees and copyright restrictions.

WIREdata then filed a mandamus action against the municipalities alleging that the fees were unreasonable and that they had refused to provide data under the open records law. After federal litigation on the copyright restriction issue, the municipalities subsequently provided WIREdata with PDF files of the data.

After receiving the PDF files, WIREdata made a second request, this time directly to the contract assessors for ‘enhanced data’ which included very specific data fields to be provided in a very specific format. WIREdata was told by the contractor that a fee would be charged to extract the data in a form that didn’t violate the software license agreement. WIREdata claimed the fees were unreasonable and exceeded the cost of providing the data.

With regard to the first record request, the court held that 1) The request for mandamus was improperly filed as the municipalities had not yet had an adequate opportunity to respond to the request; 2) the municipalities met their obligation under open records requirements at the point when they supplied WIREdata with PDF files containing the requested information; and 3) WIREdata incurred no fee for the PDF files supplied by the municipalities therefore no violation occurred.

The court went on to state, *"In cases where the requests are complex, municipalities should be afforded reasonable latitude in the time frame for their responses so long as the municipality is acting diligently to respond in a timely manner. What constitutes a reasonable time for a response by an authority "depends on the nature of the request, the staff and other resources available to the authority to process the request, the extent of the request, and other related considerations."*

With regard to the second request, the court held that the existence of a contract between a municipality and an independent assessment firm does not confer authority to accept open records requests, therefore WIREdata's second request for 'enhanced' electronic records was not properly filed. The court cautioned that municipalities may not use the existence of a contract to avoid open record requests and reminded the parties that the charge-back to requesters for providing data under open records may not exceed the actual cost incurred to provide the information.

Assessor Holding Another Office

Opinion of Attorney General (July 2, 1968). *"You have inquired whether the positions of county supervisor and town assessor are compatible so that they may be held by one person at the same time. I am of the opinion that they are probably compatible. Separate municipalities are involved. There is no specific statutory bar and I am not aware of any conflict of duties which would necessarily bar one person from performing the duties of both positions... In the absence of a specific statutory prohibition or apparent conflict of duties, the question of whether one person should hold both positions is best left to the electors or appointing authorities."*

58 Opinion of the Attorney General 247 (1969) states that public offices may be made incompatible by statute or they may be incompatible according to well-settled principles of common law. In some instances, offices which appear to be incompatible because of a possible conflict of duties or power of one over the other as to appointment, supervision, and pay, may be designated as compatible by statute.

Public policy requires, that an office holder discharge his duties with undivided loyalty, therefore, in general terms, two offices are incompatible if there is conflict of interest or duties, so that the incumbent of one office cannot discharge with fidelity and propriety the duties of both. Incompatibility is not simply a physical impossibility to discharge the duties of both offices at the same time, but is an inconsistency in the functions of the two offices. This might arise, for example, where one office is subordinate to the other, or where a contrariety and antagonism would result in the attempt by one person to discharge faithfully and impartially the duties of both.

In towns where the Board is authorized to fix the number of town assessors and assistants that will be appointed, to fix their salaries, and to fix their term of office as well, the offices of town chairperson and town assessor would clearly be incompatible, since the assessor in such town would, as town chairperson, be voting on such questions as the assessor's own salary and term of office and whether or not tax monies would be expended to provide the assessor with assistant assessors. These duties would present a clear conflict of interest for any person holding both offices.

The provision that all appointive town assessors are subject to removal at any time at the pleasure of the town Board emphasizes the subordinate position held by the assessor and the fact that a majority of the members of the Board may dispense with an assessor's services when it feels he or she is not adequately discharging his or her duties as assessor. It cannot be reasonably expected that a town chairman/assessor could discharge such a duty with complete fidelity.

While several statutes would affect the ability of a town chairman to act as town assessor, the principal reason why a town chairman may not simultaneously act as town assessor is because the two offices are incompatible under common law principles.

Opinion of Attorney General 599 (1974). The county assessor or an employee of the county assessor may also hold the office of town supervisor. The electorate or appointing authority has the responsibility to judge on the compatibility of both offices. The county may adopt reasonable regulations concerning outside employment.

Letter from Attorney General (1977). You have requested any informal advice concerning the following question: May the same person be elected to and lawfully hold the office of town chairman and also serve as the appointed paid certified town assessor in the same town?

I am of the opinion that he cannot. My opinion in this regard rests principally on the general rules governing the incompatibility of public offices.

In *Otradovec v City of Green Bay*, 118 Wis. 2d. 393, 347 N.W.2d 614 (1984), the pertinent facts are as follows: an individual was employed as a residential appraiser in the City of Green Bay's assessor's office. This individual was also elected to the City of Green Bay Common Council.

The common council approves the terms and conditions of employment for residential appraisers after agreement with a local union. Since election to the common council, this individual has not been a union member and has abstained from negotiating or voting on this specific contract. In addition, the mayor appoints the city assessor, subject to approval by the common council.

The court ruled that these two positions were incompatible. As a member of the common council, the individual had the power to vote on contracts setting the individual's terms of employment. The individual may also vote on approval of the appointment of the city assessor, in whose office the individual must work. These potential conflicts are substantial and establish the incompatibility of the two positions. That the individual could be permitted to abstain from voting in these areas, does not affect the incompatibility of the positions. It is sufficient that substantial conflict might arise that would be detrimental to the public.

Liability

Fraud

According to [sec. 501](#), Wis. Stats., an assessor who makes fraudulent valuations shall forfeit to the state not less than \$50 but not more than \$250. Further, [sec. 503](#), Wis. Stats., states "if any assessor, or person appointed or designated under ss. 70.055 or 70.75, or any member of the board of review of any assessment district is guilty of any violation or omission of duty

as specified in ss. 70.501 and 70.502, such persons shall be liable in damages to any person who may sustain loss or injury thereby, to the amount of such loss or injury; and any person sustaining such loss or injury shall be entitled to all the remedies given by law in actions for damages for tortious or wrongful acts. This section does not apply to the department of revenue or its employees when appointed or designated under ss. 70.055 or 70.75."

In *Lefferts v. Board of Supervisors of Calumet County*, 21 Wis. 688 (1867), the Wisconsin Supreme Court held that the collection of a tax upon land will be restrained where the taxing officers of the town fraudulently discriminated in the assessment, with the intention of compelling the owner to pay more than his just proportion of the tax payable in such town. The Court stated: "*And we think the main question in the case is, assuming that a fraudulent and unlawful discrimination was made against the plaintiff by the taxing officers, by which he was made to pay more than his just proportion of the tax, does this constitute a good ground for an injunction? It seems to us that it does. Fraud, it is said, vitiates everything, even the most solemn judgments of courts. Why should there be any greater immunity in the proceedings of officers for the assessment and levying of taxes than in the judgments of courts or in the contracts of parties? We know of no reason. It is said that it is of vital necessity to the operation of government that a revenue be collected. So indeed it is. But, to secure this result, must the corrupt and fraudulent conduct of the officers whose duty it is to collect this revenue, be overlooked, when it tends to injure and oppress the tax payer? If so, there is but little value in legal enactments and constitutional guaranties.*"

Trespass: see Chapter 5-10 and 9-21 for notice and trespass information.

Removal: see Chapter 2 for removing an assessor from office.

Assessment Roll

Every municipality must have its own assessment roll listing all real and personal property assessable in the municipality that year.

For real property, the assessor enters on the assessment roll, opposite the name of the person to whom assessed... a correct and pertinent description of the real property assessed. It is important that correct descriptions appear on the roll to ensure that the taxpayer pays only taxes on property actually owned.

For personal property, the assessor must make sure that the property is assessed to the proper person since the lien created by the assessment is not on the property itself, but against the owner or person in charge of the property.

Signature on Roll

Bass v Fond du Lac County, 60 Wis. 516, 19 N.W. 526 (1884). The court ruled, "The Board of Review and the clerk should see to it that the assessor's affidavit is signed and attached to the roll, for its absence is prima facie evidence of the inequality or injustice of the assessment and shifts the burden of proving it equitable and just to the municipality."

It is the assessor's responsibility to sign the affidavit once the assessment roll is completed.

However situations arise which may prevent an assessor from signing the affidavit. One circumstance would be in the case of an elected assessor who is defeated in an election. If the incumbent assessor has not completed the assessment roll prior to the election, he is not permitted to sign the affidavit since he is no longer the assessor. The newly elected assessor should complete the assessment roll, sign the affidavit and defend the assessments at BOR. If the incumbent assessor has completed the assessment roll prior to the election, and signed the affidavit, the incumbent assessor defends the assessments at the BOR under [sec. 70.48](#), Wis. Stats., as an authorized representative of the newly sworn-in assessor, even if it is after the election.

The expiration of the assessor's certification will have a different impact on the duties of the assessor depending upon when the expiration happens. If the certification expires prior to the assessor completing the assessment roll and signing of the affidavit, the assessor must stop all work on the assessment roll as they are no longer considered to be qualified to perform the duties of the assessor. [Section 70.48](#), Wis. Stats., requires the assessor or their duly authorized representative to attend BOR.

If the expiration of the certification occurs after completion of the assessment roll but before the assessor signs the affidavit, the assessor is not permitted to sign the affidavit and defend the assessments at the BOR.

If the certification expires after the completion of the assessment and signing of the affidavit, but before BOR, the assessor is permitted to defend the assessments at BOR as an authorized representative of the assessor under [sec. 70.48](#), Wis. Stats. The expiration of the assessor's certification does not retroactively affect the assessor's qualifications as the roll was completed and the affidavit signed.

Names on Roll

***Massing v Ames*, 37 Wis. 645, (1875).** If names of the owners were known to the assessor and omitted, the assessment is invalid, but the assessor is not chargeable with notice of record title, and if an honest mistake is made the assessment is not void.

Descriptions

***Mitchell v Pillsbury*, 5 Wis. 407 (1856).** A variance between the description in the roll and in the deed is immaterial if the land be adequately described in each, although in different language.

***Simmons v Johnson*, 14 Wis. 523 (1861); *City of Janesville v Markoe*, 18 Wis. 350 (1864).** A description of lots by their numbers as designated on the recorded plat of a village is sufficient, although the plat referred to was not acknowledged nor entitled to record. The plat had been recorded.

***Prentice v Brewer*, 17 Wis. 635 (1863).** The "south half" of a quarter section would ordinarily be construed to refer to the government survey, but it may be shown by extrinsic evidence that the parties intended one-half of the area of the quarter. If the description were expressed "according to the government survey" the idea of quantity would be excluded and extrinsic evidence inadmissible.

***Austin v Holt*, 32 Wis. 478 (1873).** The description in the tax deed must be accurate enough to convey to the purchaser the precise land which has been bought and no other, and must be sufficiently clear and certain for all purposes of identification, both in support of the tax title and in order that it may not injuriously mislead parties interested in the land; if it fails in this it is void and passes no title.

***Murphy v Hall*, 68 Wis. 202 (1887).** A description in tax certificates as “part 4 of lot 4 of section 20,” in a designated town and range, without referring to said tract or to any book or map made in pursuance thereof, or to any record, plat, or description, is so uncertain as to be fatally defective.

***Morse v Stockman*, 73 Wis. 89, 40 N.W. 679 (1888).** A quitclaim deed describing land as the southeast corner of the southeast fractional part of the north half, etc. without further description as to dimensions, quantity or location is void for uncertainty.

***Mendota Club v Anderson*, 101 Wis. 479 (1899).** It has been held in some cases that if the description in a tax deed is not certain and complete in itself, the deed is void and cannot be aided by extrinsic evidence. The rule more generally adopted is that such evidence is not admissible to supply defects of uncertainties apparent on the face of the deed or to explain a patent ambiguity.

***N. Boyington Co. v Southwick*, 120 Wis. 184 (1904).** Describing land in the assessment roll as being in the “original plat” instead of S.E. & O.’s plat, as the fact was, is held not to have been such an error as would void the tax proceedings, where the evidence showed that such plat was the first plat of the city, and was commonly referred to as the original plat in conveyances and former assessments, and that such facts were known to the owner when the tax proceedings were held.

***Hobe v Rudd*, 165 Wis. 152 (1917).** Where a tax deed purported to convey an undivided one-half of certain land and it appeared that the grantee owned the other undivided one-half and paid the taxes thereon, the description was held sufficient as to the undivided half on which taxes had not been paid.

21 Opinion of Attorney General 92 (1932). Section 70.86, Wis. Stats., permits the governing body of any city to adopt a simplified system of describing real property in either the assessment roll and/or the tax roll. But a system whereby only numbers are entered as descriptions in the rolls is of doubtful validity and compliance with sec. 70.86, Wis. Stats.

38 Opinion of Attorney General 600 (1949). Errors in descriptions in the tax roll which do not affect the substantive justice of the tax shall not affect the validity of such tax or assessment. Such errors may be corrected (under secs. 74.55 and 74.456, Wis. Stats.) by action brought in circuit court or by an affidavit, correctly describing the lands by the assessor and filed with the treasurer. As an alternative, sec. 75.25, Wis. Stats., permits the county Board to cancel the certificate of sale and charge back the tax to the municipality.

***Brody v Long*, 13 Wis. 2d 288 (1961).** A tax deed is an independent source of title and it is unnecessary to go further back than the assessment which gave rise to the tax sale certificate

upon which tax deeds are issued. This same case also said that in construing a tax deed, no part of the description is to be rejected as surplusage.

Correction of Errors

IBM Credit Corporation (ICC) v Village of Allouez, Paul M. Quigley, Assessor of the Village of Allouez, Village Board of Allouez and Village of Allouez Board of Review, 188 Wis. 2d 143, 524 N.W.2d 132 (1994).

If a personal property tax is erroneously paid on tax-exempt property, and the taxpayer discovers the error after the date that the tax was due, is the taxpayer entitled to a refund under sec. 70.43, Wis. Stats., which provides for correction of a “palpable error,” including taxation of exempt property? The Wisconsin Supreme Court held that Section 70.43, Wis. Stats., provides a taxpayer with a substantive right and procedure to recover unlawful taxes.

In order to recover unlawful taxes under sec. 74.35(5)(a), Wis. Stats., a taxpayer must file a claim by January 31 of the year in which the taxes are payable. In this case, the taxpayer did not discover the error until after the January 31 deadline. No claim was filed under sec. 74.35, Wis. Stats., instead, the taxpayer filed a claim under sec. 70.43, Wis. Stats.

Under sec. 70.43(2), Wis. Stats., if an assessor discovers a “palpable error” in the assessment of personal property, it must be corrected. Section 70.43(1)(c), Wis. Stats., defines “palpable error” to include “an assessment of property that was exempt by law from taxation at the time fixed by law for making the assessment.” The assessment of exempt property in this case is considered “palpable error.”

The Village argued it may keep the \$214,046 in taxes because sec. 70.43, Wis. Stats., provides a procedure for the Village to follow, but does not provide the taxpayer with either a substantive right or a procedure to recover unlawful taxes. The Court, however, disagreed and held that sec. 70.43, Wis. Stats., provides the taxpayer with both a substantive right and a procedure to recover unlawful taxes.

Real Property

Real Property Defined

Section 70.03, Wis. Stats. defines real property, “The terms ‘real property’, ‘estate’, and ‘land’, when used in Chps. 70 to 79, shall include not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto.”

Deadlines

28 Opinion of Attorney General 523 (1939). No change in ownership of a property that occurs after May 1 (now January 1) will affect the taxability of the property for that year.

49 Opinion of Attorney General 93 (1960). The assessment of property as of the close of May 1 (now January 1) is not affected by May 1 occurring on a Sunday. The May 1 date is a

reference point of time to which the value of a property is fixed. It is not a limitation on when the assessor has to do or be done with the assessments.

Recommended Classification of Items as Real Estate

Land: Land and natural (not man-made) improvements

Improvements:

- Buildings
- Curbs and gutter
- Electrical wiring and fixtures
- Elevators and conveyor systems
- Fences
- Heating, ventilating and air conditioning system
- Leasehold improvements (not removable)
- Paving
- Plumbing
- Railroad sidings
- Septic systems
- Shelving, racks, bins (not portable)
- Wells

All machinery and equipment installed by the fee owner under the Wisconsin Law of Fixtures should be assessed as real estate.

Satellite dishes, small metal sheds, and above-ground swimming pools that are not attached to the real estate and can be removed without damage to the item or to the real estate are not improvements and are not assessable as real estate.

Highest and Best Use

Nestlé USA, Inc., v Wisconsin Department of Revenue, 2011 WI 4, 331 Wis.2d 256, 795 N.W.2d 46. Powdered infant formula manufacturer appealed decision and order of Tax Appeals Commission upholding Department of Revenue's (DOR) valuation of improvements to real property. The Circuit Court, Dane County, affirmed. Manufacturer appealed. The Court of Appeals, affirmed. Manufacturer appealed. The Supreme Court held that: subject property's highest and best use was as a powdered infant formula production facility; cost approach, rather than comparable sales approach, was appropriate method for assessing subject property; and manufacturer was not entitled to deduction for super adequacy from assessor's estimate of value. A market can exist for a subject property, especially a special-use property, without actual sales data of similar properties being available.

Nestlé was assessed at \$10,719,900 using the cost assessment method, because the Tax Appeals Commission agreed with the Department that (1) the Gateway Plant's "highest and best use" was as a powdered infant formula production facility, and (2) no comparable sales of powdered infant formula production facilities that satisfied FDA regulations existed.

Nestlé argued that the actual value was only \$3,590,000, because the Gateway Plant's "highest and best use" was as a food processing plant and comparable food processing plant

sales should be used. Alternatively, it argued that it would cost Nestlé over \$17 million to reproduce an identical plant, but that approximately \$13 million of that should be deducted due to functional obsolescence, because many of the plant's FDA-required features had no value in the market for generic food processing plants.

A subject property's highest and best use must be: 1) legal, 2) complementary, 3) not highly speculative, and 4) marketable for that use. Nestlé argued that there was no marketability, because the Commission found no instance in the United States where a powdered infant formula production facility was sold for continued use as a powdered infant formula production facility. The court disagreed, concluding that a market can exist for a subject property, especially a special-use property, without actual sales data of similar properties being available, especially in a young industry.

The court also rejected Nestlé's argument that the cost approach should include deductions for functional obsolescence. Functional obsolescence or super-adequacy is measured by whether a prudent purchaser or owner would include or pay for the feature in a particular type of structure under current market conditions. Prudent purchasers of powdered infant formula production facilities would value the plant's specialized features because these features are required by FDA regulations and are therefore necessary to the operation of such a plant.

Going Concern

***State ex rel. N.C. Foster Lumber Co. v Williams*, 123 Wis. 61, 100 N.W. 1048 (1904).** In proceedings before a Board of Review for reduction of an assessment of sawmill property for taxation, the testimony of the owner bore mainly on what the property was worth to disorganize and dispose of its parts. The testimony in support of the assessment bore mainly on what the property was worth as an entirety and as a going concern; that is, what the property would bring at private sale, assuming that a buyer, with the same opportunity for the use of the mill as the owner, was at hand, and had the means to buy it. The court held that under St. 1898, 1052, providing that real property shall be valued at the value which could ordinarily be obtained therefore at private sale, and prescribing what elements the assessor shall consider in determining the value, the evidence of the owner, furnished no basis for valuing the property, while the evidence in support of the assessment was sufficient to warrant the Board in adopting the assessor's valuation.

***State ex rel. Van Dyke and Others v Cary*, 181 Wis. 564, 191 NW 546 (1923).** In the absence of express statutory language otherwise providing, property should ordinarily be valued for taxation at its actual going value, rather than at a fictitious or mere book value.

Valuation

Although tax statutes are strictly construed against the taxing authority, the courts have allowed some departures from strict interpretation. The courts realize that it may not be physically possible to actually view all property as stated in [section 70.32](#), Wis. Stats. The assessor has to take into account all factors affecting the value of property in making an equitable assessment. While this assessment should be at full market value, it has been held that an assessment may be a fraction of the market value, as long as the same percentage of market value is used for all classes of real estate as well as all items of personal property.

***City of Janesville v Markoe*, 18 Wis. 350 (1864).** It is the duty of the assessor of lands within the corporate limits of a city, to assess them at their true value, whether they are used for farming purposes or subdivided into lots for building purposes.

***Salscheider v City of Fort Howard*, 45 Wis. 519 (1878).** The court stated, “*An assessment at a price at which the whole property of the city, if thrown on the market on the day of the assessment would bring in cash, is not the price which could ordinarily be obtained for each parcel at private sale and is not the rule of the statute.*”

***Boorman v Juneau County*, 76 Wis. 550, 45 N.W. 675 (1890).** The mere fact that the assessor did not value lands from actual view did not invalidate the assessment.

***State ex rel. Hensel v Town of Wilson*, 55 Wis.2d 101, 197 N.W.2d 794 (1972).** The section of the law providing the method in which a town assessor shall classify real property did not prohibit the assessor from considering that commercially zoned property was actually used for farming.

***State ex rel. Flint v Kenosha County Review Board* 126 Wis. 2d 152, 376 N.W.2d 364 (1985).** The assessor and the Board of Review must consider the effect of owner financing (cash equivalency) on assessments based on the sales of comparable properties in order to establish the “full value” of the property.

***Flood v Village of Lomira, Board of Review*, 153 Wis. 2d 428, 451 N.W.2d 422 (1990).** The Wisconsin Supreme Court affirmed the Court of Appeals by saying, “*When a seller finances the purchase of real property, sec. 70.32(1), Wis. Stats., requires the Board of Review to consider whether the financing terms between seller and buyer affected the price of the real property in determining market value. We also hold that sec. 70.32(1), Wis. Stats., proscribes [prohibits] assessing real property in excess of market value.*”

Although both parties agreed the sale was an arm’s-length transaction, sec. 70.32(1), Wis. Stats. also states the sale must be “under normal conditions.” The WPAM concludes that assessors should use a “cash equivalency adjustment” to ensure that the purchase price is an arm’s-length transaction when seller financing reflects the market value of the real property in the same way that the sale price in an arm’s-length transaction not involving unique financing arrangements between the seller and buyer reflects market value.

The Wisconsin Supreme Court said that using the “cash equivalency adjustment” does not violate the requirement of the Wisconsin Constitution that taxation shall be uniform and the adjustment is applicable whether the analysis is of the market value of comparable property or the market value of the taxpayer’s property.

In determining the additional six percent assessment of the property’s market value made by the assessor to reflect the Equalized Value of the property established by the DOR pursuant to sec. 70.57, Wis. Stats., the Wisconsin Supreme Court referred to the Court of Appeals ruling in *State ex rel. Kesselman v. Sturtevant*, 133 Wis. 2d 122, 132 as follows: “*We [the Court of Appeals] are aware of no authority in the statutes or the assessment manual for use of equalized value by a local assessor in estimating fair market value of a particular parcel for property tax assessment purposes. The [assessment] Manual, in fact, stresses [that] the equalization is concerned with equity between municipalities, while the local assessor’s concern is properly with equity among individual property assessments. The assessor is required to assess property based on fair market value.*”

***Waste Management v Kenosha County Review Board*, 184 Wis. 2d 541, 516 N.W.2d 695 (1994).** The issue in this case involving the tax assessment of a landfill is whether the assessor’s use of the income approach required that “business value” be determined and then subtracted from the assessment. Because there was substantial evidence that the business value of the landfill was appended to the property, and not independent of it, the assessment was proper, the Court of Appeals affirmed. The Wisconsin Supreme Court agreed by adding that “such appended value is ‘inextricable intertwined’ with the land and is transferred to the new owner upon a sale of the land.”

Waste Management argued that the Board of Review violated the law by failing to deduct business value. They cited sec. 70.32(1), Wis. Stats., which requires assessors to consider all factors that, according to professionally accepted appraisal practices, affect the value of the property to be assessed including information in the WPAM which, according to Waste Management, requires assessors to exclude values of assets other than real property when using the income approach. The Court of Appeals said, “*While it is true that the Manual cautions assessors to be ‘careful to make sure that only the real estate is being valued and not the quality of management and goodwill,’ that statement must be read in the proper context.*” The Wisconsin Supreme Court determined that this section of the WPAM (chap. 9) “*cites the income approach as an appropriate method of valuing a number of different properties, including commercial structures, apartment buildings, hotels, and golf courses.*”

The WPAM did not dictate a certain procedure for cases where the income capacity is found to be interrelated with the land. The WPAM directs assessors to other texts and treatises when the WPAM’s examples do not accurately fit certain specific commercial properties. The assessor followed the advice of those texts which the WPAM does not prohibit, but recommends.

***City of West Bend v Continental IV Fund Limited Partnership and Board of Review of the City of West Bend*, 193 Wis.2d 481, 535 N.W.2d 24 (Wis..App. 1995).**

Appeal from Wisconsin Circuit Court: Affirmed. Should all interests or only the owner’s interest in real estate be assessed? The WPAM does not control the assessment. Rather, the assessment is first controlled by the common law as set forth in the language of sec. 70.32(1),

Wis. Stats., and the decisions in *Darcel, Inc. v City of Manitowoc Bd. of Review*, 137 Wis. 2d 623 (1987), and in *Metropolitan Holding Co. v Board of Review*, 173 Wis.2d 626 (1993).

In *Darcel*, the issue before the Wisconsin Supreme Court was whether an assessment was properly based on market rental income when there was a recent arm's-length sale of the property to use as evidence of value. Also, in *Darcel*, the Court held that the sale of the subject was the best evidence and that an encumbrance, such as a long-term lease, would subject all potential buyers to the same decreased use or rent and should be considered as lowering the full market value of the property.

The Board did not err in reducing the tax assessment of Continental to \$1,722,000 because this reflects what would be received in a sale of the property based upon the income generated by the lease.

The Court stated that where property is encumbered by a bundle of rights, we must appraise or assess the property at its value using the current value of those bundle of rights. In this case, we cannot speculate as to what the lease rights might bring on the market, but we must accept what the lease is being paid right now under the negotiated lease terms.

The leasehold interests were properly considered as an encumbrance on the property and were not exempted from assessment despite the City's argument that leasehold interests were exempt from assessment under this approach. The language of sec. 70.32(1), Wis. Stats. is clear and unambiguous and that the *Darcel* decision was not overruled by the amendment to sec. 70.32(1), Wis. Stats.

The City argued that the decision in *Darcel* was reversed by the subsequent amendment of sec. 70.32(1), Wis. Stats. According to the City, the amended law provides that an arm's-length sale of property is not to be considered unless it conforms to recent sales of comparable property and therefore an arm's-length sale is not necessarily the best information to determine value. The Court of Appeals concluded that the subsequent legislation did not repeal *Darcel*.

The Court affirmed the Board of Review's reduction in assessed value and held that the actual value of the property was what would be obtained at an arm's-length sale based on the current value of the leases. A petition for review to the Wisconsin Supreme Court was denied on August 20, 1995.

United States Shoe Corp. v Wisconsin Department of Revenue, Wisconsin Tax Appeals Commission, Docket No. 93-M-02, March 29, 1995. Appeal from the Wisconsin Department of Revenue: Affirmed. In this case, the issue is whether a sale well after the assessment date is appropriate evidence of value.

The only fact in dispute was the value of petitioner's property on January 1, 1992. DOR assessed the property at \$6,502,900 and the petitioner alleged the value to be \$4,000,000. The petitioner submitted an appraisal of the property indicating the value to be \$4,400,000. On August 31, 1994 the petitioner sold the property in an arm's-length sale for \$6,450,000.

DOR brought a motion for summary judgment alleging the 1994 sales price to be the best evidence of value as of January 1, 1992. The petitioner argued that its appraisal was the best evidence of value.

Despite the date of the sale, it is evidence of value. Petitioner's appraisal report, which relied on evidence of other comparable sales, cannot be used to refute evidence of value resulting from a sale of the subject. The Commission awarded summary judgment to DOR.

S.C. Johnson & Sons, Inc. v Wisconsin Department of Revenue, 202 Wis. 2d 714, 552 N.W.2d 102 (Ct. App. 1996). Corporate taxpayer sought review of Tax Appeals Commission's determination that certain of taxpayer's real estate was not manufacturing property, for tax purposes. The Circuit Court, Dane County, affirmed, and taxpayer appealed. The Court of Appeals held that: (1) taxpayer's real estate was not manufacturing property for tax purposes, and (2) statutory subsection which provided that property included in a major group classification set forth in standard industrial classification manual published by United States Office of Management and Budget shall be deemed manufacturing property did not create additional, broader classification of manufacturing property.

The property of the Petitioner is not "manufacturing property" within the meaning of sec. 70.995(1), Wis. Stats. Although sec. 70.995(1)(a), Wis. Stats. does not limit manufacturing property to where actual manufacturing takes place, for other structures to qualify as manufacturing property, they must be determined to be warehouses, storage facilities or office structures. The property of the Petitioner is not a warehouse, storage facility or an office structure within the meaning of sec. 70.995(1)(a), Wis. Stats. Recreational, child care and meeting facilities, though frequently incorporated into office buildings or manufacturing plants, does not make these facilities automatically manufacturing property as the Petitioner contends. The Petitioner's assertion that recreational, day care, and meeting facilities located on the property at issue constitute "office structures" within the meaning of sec. 70.995(1)(a), Wis. Stats. is not substantiated.

The *SIC Manual* classification merely creates a rebuttable presumption that must be disproven by the DOR that the nonexistence of the presumed fact is more probable than its existence. "Prima facie" means "a fact presumed to be true until disproven by some evidence to the contrary." (Commission ruling, p.7; citing *Black's Law Dictionary*).

The property is not eligible for assessment under sec. 70.995(5) Wis. Stats. The DOR met its burden by demonstrating that the Petitioner has failed to meet any of the permissible statutory definitions of property qualifying as manufacturing property, using any standard.

Bloomer Housing Limited Partnership v City of Bloomer, 2002 WI App 252, 257 Wis.2d 883, 653 N.W.2d 309. Taxpayer sought review of city's property tax assessment of subsidized housing apartment building. The Circuit Court, Chippewa County, entered judgment for taxpayer. City appealed. The Court of Appeals, held that proper mortgage rate to be included in the capitalization rate was 8.75 percent interest rate on the mortgage, rather than the 1 percent the taxpayer actually paid on the mortgage, and thus taxpayer was entitled to tax refund.

The Appellate Court used the reasoning in the *Metropolitan Holding Co. v Board of Review*

of *City of Milwaukee*, 173 Wis.2d 626 (1993), case when deciding on the mortgage rate. The *Metropolitan* case stated, "By not considering actual income and expenses, the court said, the assessor 'essentially pretended' the property was not hindered by the rent restrictions." The Appellate Court in the Bloomer case refers to the Circuit Court and quotes, "Specifically, the court agreed with Bloomer Housing that the City's assessment 'essentially pretended' the property was not hindered by the governmental restrictions."

The Appellate case states, "The City, however, also relies on *Metropolitan*, arguing its requirement that assessors use actual income and expenses when valuing subsidized housing means the actual mortgage rate of 1% must be used in calculating the capitalization rate. It argues Bloomer Housing's suggested valuation uses actual figures on the income side of the equation, but then unfairly uses an artificially inflated figure on the other. Thus, the City suggests the trial court erred as a matter of law by not taking the interest subsidy into account."

In response, the Court of Appeals stated "we do not agree with the City's interpretation of *Metropolitan*." As we understand it, *Metropolitan* only addresses the income half of the income approach equation. It does not address the capitalization rate half and we do not read the case as requiring the use of the subsidized mortgage rate. The assessor's responsibility is to determine the "full value" of the property in accordance with the WPAM. The 1999 WPAM required assessors to consider the mortgage terms and conditions, the rents, expenses, and expected yield rate. The assessor's job is to examine all these factors and determine how they affect the value of the property. In this case, these factors are all subject to various governmental restrictions. By establishing the capitalization rate based on the 1% "actual" mortgage rate, the court determined the City's assessment failed to accurately account for these restrictions.

The City also argues the 1% rate is appropriate because the interest subsidy flows to the property, not the tenants. The Circuit Court determined the subsidy flows to the tenants in the form of reduced rents. Although the witnesses offered conflicting testimony on the subsidy's beneficiary, the Court of Appeals determined the Circuit Court's finding is consistent with the WPAM. In its description of sec. 515 housing the WPAM says, "After construction of the project, FmHA may provide a limited distribution owner with mortgage interest subsidies. Tenants receive lower rents as a benefit." The beneficiaries of the subsidy, according to the WPAM are the tenants. Nonetheless, the subsidy affects the property's value. Any potential buyer would reasonably consider the subsidy's value when determining the appropriate price. The subsidy, however, is not determinative. It must be weighed with all the other factors influencing value. Our examination of the record suggests this is exactly what the Circuit Court did. The Circuit Court properly determined that the City failed to consider the effects of all the other restrictions on the property's value when it assessed Bloomer Housings' North Lakeview Apartments.

***Mineral Point Valley Limited Partnership v City of Mineral Point Board of Review*, 2004 WI App 158, 275 Wis.2d 784, 686 N.W.2d 697.** The Court that the stated contract mortgage (Market) interest rate must be used in the capitalization of income when valuing 515 subsidized housing.

What is the proper interest rate to use in the capitalization of income when valuing a 515 subsidized housing?

The parties agree that the income approach is the most appropriate method to value the property. The assessor for the City of Mineral Point developed his opinion of value for the 515 subsidized housing project using the band of investment method to set the capitalization rate. In the development of the rate he used the subsidized rate of 1% for the mortgage rate in the band of investment rate formula. The property owner felt that the actual contract rate of 8.75% should be used because of the long-term contractual rent restrictions the property is subject to under the FMHA rental assistance agreement.

The court found that this property was subject to the same rent restrictions as those in the Bloomer case. As such, the court turned to the decision in the *City of Bloomer* for guidance on which mortgage rate fairly reflects the unique nature of federally subsidized housing. The court in the Bloomer case found,

“...the beneficiaries of the subsidy, according to the manual, are the tenants. Nonetheless, the subsidy affects the property’s value. Any potential buyer would reasonably consider the subsidy’s value when determining the appropriate price. The subsidy, however, is not determinative. It must be weighed with all the other factors.”

We conclude that if the market rate was proper in the *City of Bloomer*, the use of a subsidized interest rate here cannot be. Thus, the Board of Review did not act according to the law when it accepted an assessment using the subsidized rate. Based on the *City of Bloomer*, we conclude that a capitalization rate based on a subsidized interest rate is impermissible, and that a market rate must be used together with “all the other factors influencing value,” to produce the fair value of the partnership’s real estate.

Anic v. Board of Review of the Town of Wilson, 2008 WI App 71, 311 Wis.2d 701, 751 N.W.2d 870. Assessor examined sales of waterfront property and determined that the two factors affecting value of the land were the waterfront footage and the quality of the beach. Plaintiff claimed this was too formulaic because it neglected to consider excess frontage and excess acreage. The court ruled that the assessor had adequate comparable sales data to show that excess frontage and acreage did not affect value on waterfront properties in this area, and that the assessor was correct in limiting assessment criteria to only those factors shown by comparable sales to have a direct affect value.

Walgreen Co. v City of Madison, 2008 WI 80, 311 Wis.2d 158, 752 N.W.2d 687. The main issue is the appropriate method of assessing retail space being leased at above-market rents. The City argued that such assessments should be based on the contract rent of the lease while Walgreens believed the assessments should be based on market rents. Walgreens alleged that because the City based its assessments on contract rents rather than fair market rents, the assessments violated the uniformity clause of the Wisconsin Constitution. The court held that the WPAM aligns with both statutory and case law in requiring that an assessment based on the income approach shall develop an assessed value based on fair market rents rather than actual contract rent, *except* the assessment can reflect the reduced value of properties with leases below-market rents, or encumbrances bringing a leased property’s value below the market rate. The court declined to comment on the issue of uniformity.

Allright Properties, Inc. v City of Milwaukee, 2009 WI App 46, 317 Wis.2d 228, 767 N.W.2d 567. Allright owned a paved parking lot near the airport which had 1450 marked spaces. The area was fenced, had a ticket booth, and a 1420 square foot building containing an office and warehouse/garage. The assessed value for Allright's parking facility was greater than that of some nearby airport hotels. Allright appealed to Circuit Court.

Two issues emerged: whether the assessor erred by utilizing the income approach to value the property when it should have used the tier 1 sales comparison method, and, whether the assessor violated the constitution's uniformity clause by assessing Allright's property at a value considerably more per square foot than was applied to other commercial properties along the same street. The value issue was complicated by the sale of the Allright property, after filing the appeal, for a value higher than the city's assessment.

The trial court ruled in favor of Allright on the basis that comparable sales must be used, if available. The appellate court reversed the circuit court's decision because Allright's appraiser admitted that recent sales of comparable parking lots were not available. His method of applying the comparable sales approach was to choose sales of vacant land in the area and then utilizing the cost approach to value the buildings and improvements. Allright's appraiser developed a second value using the income approach. This value was also deemed flawed because the appraiser developed value based on what an owner of real estate elsewhere in the city would charge to rent the property to a parking lot operator, then capitalized the income stream.

The appellate court ruled that the city had correctly followed the WPAM in developing a value using the income approach and considering income that appertained to the land. The city assessor's conclusion that "since most investors purchase commercial property for its income producing potential, the income approach is given the most weight" was correct. The Court also concluded, "When business value is transferable with the underlying real estate, the business value is appended to the real estate rather than attributable to the personal skill and expertise of the owner." Operation of the parking lot is a transferable value that is inextricably intertwined with the land, buildings, and improvements thereon.

The court also ruled that case law establishes taxpayers cannot succeed on a uniformity claim by 'selectively picking a few low comparison assessments'. The Court stated, "Uniformity requires that the evaluation and the rate of assessment of all properties be uniform" and referred to Algoma Housing where that court determined that "the method of evaluation and the process of assessment, not the dollar amount involved, is where the uniformity requirement is directed."

Metropolitan Associates v. City of Milwaukee, 2018 WI 4, 379 Wis.2d 141, 905 N.W.2d 784. Landowner brought action to challenge city's property tax assessments of seven apartment building properties as excessive. The Court held that: (1) the municipality's use of mass appraisal to initially value apartment building property, followed by use of single property appraisal after valuation was challenged, complied with the requirement of sec. 70.32(1), Wis. Stats., to use the "best information that the assessor can practicably obtain," and (2) Evidence was sufficient to support finding that city's tax assessment of apartment property was not excessive.

In Footnote 15, the Court addressed Footnote 19 from *Regency West Apartments LLC v. City*

of Racine, 2016 WI 99, 372, Wis.2d 282, 888 N.W.2d 611:

Specifically, Metropolitan contends that the City cannot rely on a presumption of correctness because the only evidence it presented (Weissenfluh's tier 2 and 3 analyses) indicated that the initial appraisal was too low. Therefore, the tier 2 and 3 analyses undermine the correctness of the initial mass appraisal and should not be considered.

This argument is premised on footnote 19 from Regency W., 2016 WI 99, ¶ 57 n.19, 372 Wis. 2d 282, 888 N.W.2d 611. However, footnote 19 does not compel this conclusion. Footnote 19 states: We do not consider the appraisals of Peter Weissenfluh and Dan Furdek because their appraisals exceeded the valuations of Racine for both 2012 and 2013. See Trailwood Ventures, LLC v. Vill. of Kronenwetter, 2009 WI App 18, ¶¶ 12-13, 315 Wis. 2d 791, 762 N.W.2d 841 (concluding that a taxation district that has accepted the payment it requested has agreed that its taxation value is the maximum value that it may seek; Wis. Stat. § 74.37 permits a refund to the taxpayer or may uphold the status quo, but there is no authority for deficiency judgments). Regency W. Apartments LLC v. City of Racine, 2016 WI 99, ¶ 57 n.19, 372 Wis. 2d 282, 888 N.W.2d 611.

To accept Metropolitan's interpretation of footnote 19 would mean that an assessor would be unable to defend an assessment if the value he or she derived in a single property appraisal exceeded the initial mass appraisal assessment. This would lead to an absurd result. Ultimately, the question when a taxpayer challenges an initial assessment is not whether the initial assessment was incorrect, but whether it was excessive. See Wis. Stat. § 74.37(1).

Thoma v. Village of Slinger, 2018 WI 45. Landowner petitioned for writ of certiorari to challenge board of review's determination of a developer's property, which had been re-classified from agricultural to residential.

The Court held that: (1) Use of property only to maintain ground cover was not agricultural use, and (2) Assessor's erroneous reason for re-classification of property, which was based on injunction prohibiting agricultural use of the property, did not warrant relief from judgment because the board of review did not rely on it. Specifically, the Court stated: "A property is assessed according to its classification, which is determined by its use. Wis. Stat. § 70.32(2)(a). There are eight classes of property, including residential and agricultural...Land devoted primarily to agricultural use means land in an agricultural use for the production season of the prior year, and not in a use that is inconsistent with agricultural use on January 1 of the assessment year."

The Court further expounded, "Zoning, injunctions, ordinances, and contracts do not trump actual use for tax assessment purposes. (citation omitted) Although an injunction, contract, or ordinance may be presented to argue how the property is supposed to be used, none can be the decisive factor for tax assessment purposes. Actual use controls whether property qualifies for agricultural or any other classification for tax assessment purposes. In order to obtain agricultural use classification, the property owner must meet the definition of agricultural use set forth in the statutes and tax code."

Marathon Petroleum Co. v. City of Milwaukee, 2018 WI App 22, 381 Wis. 2d 180, 912 N.W.2d 117. Two taxpayers, which were oil companies, filed separate actions

alleging city's assessments of their oil terminal properties for property tax purposes were excessive and seeking refunds of allegedly excessive taxes paid on those properties plus statutory interest.

The Court of Appeals held that: (1) income-generating capability of oil terminals was inextricably intertwined with land, and thus was properly included in assessment; (2) taxpayers failed to introduce significant evidence that value attributable to business contracts was capable of being separated from value of underlying terminals in comparable sales; (3) trial court and city properly relied on real estate transfer forms for values of comparable sales; (4) sales of three comparable oil terminals provided market support for city's assessment; (5) city properly analyzed 13 other oil terminal sales as check on market for three comparable sales; and (6) city properly used Tier 3 income and cost analysis to verify that assessments under Tier 2 comparable sales analysis were not excessive.

Ogden Family Trust v. Town of Delafield, 2019 WI 23. The decision reviews an agricultural classification determination for property tax purposes. In 2016, the Town of Delafield assessor reclassified two lots owned by The Peter Ogden Family Trust from agricultural to residential. The assessor believed that to qualify for agricultural classification, the land must be farmed for a business purpose.

The Court held: the BOR did not act according to law when it based its decision on an erroneous belief that a business purpose was required for agricultural classification. A business purpose is not required for agricultural classification so long as land is devoted primarily to "agricultural use" as defined by state statutes and administrative rules. That use does not need to be carried out for a business purpose for the land to qualify as agricultural land.

Where Assessed

[Section 70.12](#), Wis. Stats., describes where real property is to be assessed. "All real property not expressly exempt from taxation shall be entered upon the assessment roll in the assessment district where it lies."

Wadleigh v Marathon County Bank, 58 Wis. 546, 17 N.W. 314 (1883). When a town assesses for taxation, as part of such town, lands that were not at the time, and never had been a part of or under its jurisdiction, a tax deed for the taxes is void.

Union Falls Power Co. v Marinette Co., 238 Wis. 134, 298 N.W. 598 (1941). There is no question that the flowage right appertains not to the land flowed, but to the land upon which the dam is constructed and should be assessed against the land to which it is appurtenant. An easement cannot apply to both the dominant and servient estate. It therefore does not pass upon the transfer of the servient estate.

To Whom Assessed

Real property shall be assessed in the name of the owner, if known by the assessor, otherwise to the occupant thereof, if ascertainable, and otherwise without any name. When the real estate taxes are levied they become a lien upon the property against which they are assessed,

superior to all other liens. The courts have interpreted at least two types of ownership. One is the owner of the legal title and the other is commonly referred to as the beneficial or equitable owner. It has been determined that the assessment should be placed against the beneficial owner. Beneficial ownership usually depends on: (1) possession, (2) benefits gained by the possessor of the property, and (3) control of the use or responsibility in case of loss of the property. When it is not physically possible to divide and assess the ownerships separately as real estate, they should be assessed together to the legal title holder of the land. This is especially true in the case of standing timber not owned by the landowner or buildings on leased lands that are assessed as real estate.

***N. Boyington Co. v Southwick*, 120 Wis. 184, 97 N.W. 903 (1904).** The failure of an assessor to assess real estate in the name of the true owner was insufficient to render the assessment void, when the circumstances indicated that the assessor had readily believed that the party assessed was the owner.

***Schmidt v Town of Almon*, 181 Wis. 244, 194 N.W. 168 (1923).** Where one person owned the land and another the timber standing thereon, both the land and the standing timber were to be assessed against the owner of the land. The timber is to be considered an element that added value to the land.

***Ritchie v City of Green Bay*, 215 Wis. 433, 254 N.W. 113 (1934).** The court held that a vendee in possession under a land contract was the beneficial owner of the real property. The legal title was in the vendor, the equitable title was in the vendee and possession was in the vendee. The court did not consider itself bound by the legal title owner, but upon the consideration as to who was the owner "for all practical purposes."

***Saddle Ridge Corporation v Board of Review for Town of Pacific*, 2010 WI 47, 325 Wis.2d 29, 784 N.W. 2d 527 (2010).** Saddle Ridge had rights to develop 41 condominium units which had not yet been built. The town assessed the declared, unbuilt units to Saddle Ridge as the beneficial owner. Saddle Ridge contended that the undeveloped units are common area until such time as a unit is built. They pointed to the condominium documents which designated all common area to be under the ownership of unit owners, each unit owner having an undivided interest in the common areas. Saddle Ridge concluded that since they didn't own any units, they did not own any of the common area. The circuit court sided with the town.

The appeals court reversed the circuit court decision, ruling that the beneficial ownership test was not relevant due to the Condominium Ownership Act, Chapter 703 Wisconsin Statutes, which specifically addressed ownership of units and common area. The appellate court ruled that Chapter 703, and the condominium documents of the project, carried greater weight than the concept of beneficial ownership.

The Wisconsin Supreme Court reversed the circuit court's order, which vacated the Board of Review's determination affirming a property tax assessment against Saddle Ridge. Town of Pacific assessed Saddle Ridge for 41 declared and platted undeveloped condominiums. Saddle Ridge contended they were not units "until it is four walls or a cubicle of air or a building."

The Supreme Court held each "unit identified in the condominium declaration is a "unit" for

purposes of separate taxation under Section 703.21, Wis. Stats., regardless of whether the unit has been constructed. For purposes identifying the "unit" as defined in Section 703.21(15), a unit may exist without a building."

Arm's-Length Sale

Sec. 70.32, Wis. Stats., states "Real property shall be valued ...at the full value which could ordinarily be obtained therefor at private sale." When the assessor signs the affidavit affixed to the roll, the assessments are assumed to have been made according to statutory requirements and are correct. The "private sale" specified in sec. 70.32, Wis. Stats. may be an arm's-length transaction, that is, a sale on the open market between unrelated parties who are each acting in his or her own best interest. Do not develop market value assessments with sales that fail to meet the definition of an arm's-length transactions. According to sec. 70.32, Wis. Stats. "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."

If there is a recent sale, the assessor should use the sale price as a basis for the assessment or be prepared to show why the sale price does not reflect market value. Once the assessor can show that a transaction does not reflect market value, there is no sale of the property, or that there are no reasonably comparable sales, the assessor is free to use other information available in determining the market value.

Goff v Board of Supervisors of Outagamie County, 43 Wis. 55 (1877). Where the assessor, in 1872, valued lands in town at what he thought they would bring at forced sale, knowing that this was less than the value which could ordinarily be obtained therefor at private sale, this violation of statutory rule of assessment vitiated the tax, and sale of the land for nonpayment of the tax would be restrained.

State ex rel. Flambeau Paper Co. v Windus, 208 Wis. 583, 243 N.W. 216 (1932). The court held that even the sale price of some properties is not controlling because of motives and circumstances which may prevent the price from being a true measure of value.

State ex rel. Collins v Brown, 225 Wis. 593, 275 N.W. 455 (1937). "Evidence of the sale of property for less than the assessed value must be accompanied by evidence showing that the price paid was ordinary market value, otherwise the presumption of the correctness of the assessment is not rebutted."

State ex rel. Hennessey v City of Milwaukee, 241 Wis. 548, 6 N.W.2d 718 (1942). Prior to the assessment date, property was purchased at a price considerably lower than the assessment value. Evidence clearly shows that the instant sale was as a result of negotiations between a willing seller not obligated to sell and willing buyer not obligated to buy. Evidence also showed that sales of like property brought like prices in the same locality. It was held that when value is established by sale of instant and like property, there is no occasion to resort to reproductive value less depreciation.

***State ex rel. Farmers & Merchants State Bank v Schanke*, 247 Wis. 182, 19 N.W.2d 264 (1945).** In order for an actual sale to be controlling on assessment value of real estate for purposes of taxation, it must be shown that the sale was made under such circumstances as would lead to the conclusion that the price was that which ordinarily could be obtained at a private sale. The price paid by the property owner for a bank building, records of other assessments and sales in the immediate vicinity, and uncontradicted testimony as to the fair market value of the building, established that the assessment exceeded its fair market value and justified reversal of the action of the city Board of Review.

***State ex rel. Baker Mfg. Co. v City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952).** In discussing sec. 70.32(1), Wis. Stats., the court held that this section and sec. 70.34, Wis. Stats. presuppose a value at which a willing buyer and a willing seller would deal, but where the property has a restricted or nonexistent market or is unique, the appraisal is based on many factors other than actual sales and the assessor must determine as accurately as possible the amount which the property would bring in the period for which the assessment is made, if both buyer and a seller were willing and able to deal.

***State ex rel. Evansville Mercantile Ass'n. v City of Evansville*, 1 Wis. 2d 40, 82 N.W.2d 899 (1957).** The assessed valuation of a certain property exceeded the sale price of such property when the sale was made on May 1, 1955, the date of assessed valuation. All evidence showed that the parties dealt at arm's-length; the owners were willing but not obliged to sell and the buyer willing but not obliged to buy. Therefore, the purchase price or sale price is the fair market value of the property in question, notwithstanding possibility of greater intrinsic value.

***State ex rel. Hein v City of Barron*, 3 Wis. 2d 127, 87 N.W.2d 785 (1958).** Property recently purchased for \$15,000 was assessed at \$28,850 and affirmed by the Board since the owner failed to prove that the purchase was made under normal and usual circumstances. This was the owner's burden. The court held, "The fact that the property was purchased by the taxpayer at a figure less than that at which it was assessed for property taxes, does not demonstrate the assessment's inaccuracy in the absence of evidence establishing that the sale was made under normal circumstances."

***State ex rel. Markarian v City of Cudahy*, 45 Wis.2d 683, 173 N.W.2d 627 (1970).** When market value is established by a fair sale of the property, or sales of reasonably comparable property are available, it is an error for an assessor to resort to other factors in order to determine its fair market value although such factors in the absence of such sales would have a bearing on its value. Rules on judicial review of valuation of real estate for tax purposes presuppose the method of evaluation is in accordance with the statutes; hence errors of law should be corrected by the court on certiorari and the failure to make an assessment on the statutory basis is an error of law. Only in the absence of a sale of the property in question or sales of reasonably comparable property, can the tax assessor, in determining fair market value, consider all factors collectively which have bearing on the value of property.

The court decided that the assessor reasonably concluded that the allocations were influenced by considerations which made their use questionable in determining the fair market value of the elements of the sale. This did not require the assessor to completely reject the comparables. It was proper to accept the sales as they represented reasonable comparability

but to determine the market value of the exempt and taxable parts of the sale by other methods.

State ex rel. Lincoln Fireproof Warehouse Co. v Board of Review, City of Milwaukee, 60 Wis.2d 84, 208 N.W.2d 380 (1973). “*Since it was clear from the undisputed evidence in the instant case that the parties were willing but not compelled to transact, it follows that the sale was fair and the sale price did adequately reflect the fair market value. The assessor, the Board of Review, and the circuit court on certiorari erred in rejecting the sale price of the subject property as evidence of its fair market value. There is nothing in the record to support the conclusion that the sale was not an arm’s-length transaction conducted by parties willing but not compelled to transact.*”

Darcel, Inc. v City of Manitowoc Board of Review, 137 Wis.2d 623, 405 N.W.2d 344 (1987). The Board of Appeals erred by affirming property tax assessment based on market rental income by the Board of Review when there was a recent arm’s-length sale of property from which to determine fair market value. The Wisconsin Supreme Court states, “*an arm’s-length sale price is the best indicator to determine fair market value for property tax purposes and an approach that considers factors extrinsic to the arm’s-length sale is not statutorily correct and therefore in error as a matter of law.*”

The BOR argued the “*presence of the long-term leases [of subject property] artificially lowered the sale price to less than ‘full value’ and although the sales transaction was arm’s-length, not all of the ‘bundle of rights’ that make up the property were transferred to the new owners because some of the value of the rights were retained by the long-term tenants. However, these were the rights of the tenants, not the seller-owner.*” The Supreme Court determined that “*it is immaterial that the lease was a detriment to the property; it was transferred to the new mall owners, and its value was reflected in the sales price of the property.*”

Dempze Cranberry Co. v Biron Review Board, 143 Wis.2d 879, 422 N.W.2d 902 (Ct.App.1988). This case concerns the fair market value of the taxpayer’s cranberry beds, exclusive of the vines exempted under secs. 70.11(30) and 70.111(4), Wis. Stats. The assessor used six relatively contemporaneous sales of marshes reasonably comparable to the taxpayers’ marshes to determine the fair market value of the beds and vines. However, she did not accept the allocation by the parties of the sales price between the beds (taxable) and the vines (exempt).

The assessor testified that her investigation established values for vines which were considerably less than the values allocated by the parties to the sale. The assessor determined the value of the vines through the income, cost, and sales approaches. She deducted that value from the sales prices to determine the value of the beds in each comparable sale.

The taxpayers contend that because the sales are comparable, arms-length transactions, the assessor and the Board of Review must accept the allocations of the purchase prices made by the parties to these sales.

The court said that the general comparability rule does not require the fair market value of the assessable part of the property to be set by the allocation by the parties to the sales. Internal comparability may be destroyed by a factor or factors which allocate too much of the

purchase price to one part of the sale and too little to another part.

The court decided that the assessor reasonably concluded that the allocations were influenced by considerations which made their use questionable in determining the fair market value of the elements of the sale. This did not require the assessor to completely reject the comparables. It was proper to accept the sales as they represented reasonable comparability but to determine the market value of the exempt and taxable parts of the sale by other methods.

***State ex rel. N/S Associates by JMB Group Trust IV v Board of Review of the Village of Greendale*, 164 Wis.2d 31, 473 N.W.2d 554 (Wi.App. 1991).** The appeal related to the assessor's valuation of a shopping mall based on the sale of the mall. N/S Associates raised several issues in an attempt to show that the sales price did not represent market value.

N/S Associates contended that the sale was simultaneous with, and contingent on, its purchase of additional property from the same seller. Thus, it was not a stand-alone market sale. The court ruled that the evidence before the Board was mixed and N/S Associates failed to prove how, if at all, the sales price was affected by the combined ownership.

N/S Associates argued that the sales price was affected by its "extensive relationships" with the parties to the sale. The court ruled that there was no evidence in the record to show that the extensive relationships affected the sales price.

N/S Associates argued that the mall was not sufficiently exposed to the market prior to sale. The court ruled that the requirement that the property be exposed in the open market for a time typical of the turnover time for the type of property involved is intended to insure that the property is sold for as high a price as possible. The court ruled that it is "dead-end logic" to rely on this provision to argue that the property would have sold for less if it had been exposed to the market for a longer period of time.

N/S Associates argued that the sales price should have been adjusted to reflect an assumed mortgage. The court ruled that the mortgage was for a small portion of the sales price and no evidence was introduced to show the effect of the mortgage on the sales price. N/S Associates argued that the investors were purchasing a syndicated deal and the total consideration exceeded the value of the real estate. The court ruled that no evidence was introduced to justify this argument.

N/S Associates argued that the sales price included the mall's intangible value as a growing concern, or "business value," because the replacement cost less depreciation was less than the sales price. According to the court, assessable real property includes not only the land itself but all buildings and improvements thereon and all fixtures, rights, and privileged appertaining thereto. The key is whether the value in question is part of the property and thus transferable with the property or whether it is in effect independent of the property so that the value either stays with the seller or dissipates upon sale. According to the court, because the mall's income producing capacity was inseparable from the building, improvements, fixtures, rights, and privileges, the assessor made no error in this regard.

***State ex rel. Brighton Square Co. v City of Madison*, 178 Wis.2d 577, 504 N.W.2d 436 (Wis.App.1993).** The city claims that the sale of Kingswood Hills, the adjacent property to Brighton Square, was not an arm's-length sale and therefore the assessor and the Board of Review were not required to consider that sale when determining the fair market value of Brighton Square. However, the assessor conceded that he had assessed Kingswood Hills at its sale price before and after its sale in 1989. The Court of Appeals reversed the Board of Review's decision of the 1991 Brighton Square real property assessment by agreeing with the Circuit Court decision that the assessment was not made according to sec. 70.32(1) Wis. Stats., because the assessor and the Board failed to consider the 1989 sale of the adjacent Kingswood Hills apartment complex.

The City of Madison contends that the assessor valued Kingswood Hills erroneously from 1989 through 1991, thereby impeaching the assessor's affidavit which sec. 70.49(1), Wis. Stats., requires be annexed to the completed assessment roll. However, sec. 70.49(3), Wis. Stats., provides: "No assessor shall be allowed in any court or place by oath or testimony to contradict or impeach any affidavit or certificate made or signed by the assessor as assessor." The Court of Appeals ruled, "*When the assessor or the city disavows the correctness of a valuation of comparable property shown on the assessment roll, the burden is on the assessor or city to explain why the valuation is incorrect.*"

The only evidence the city presented to the court to refute the validity of the arm's-length sale was the assessor's testimony that the Kingswood Hills sale was a "sale out of Bankruptcy." However, the city did not introduce any evidence to support this testimony or other evidence which would support its argument that the sale of Kingswood Hills was not an arm's-length sale.

***Doneff v City of Two Rivers Board of Review*, 184 Wis.2d 203, 516 N.W.2d 383 (1994).** "*The WPAM on page 7-3 (1994 WPAM Revised 12/92) lists six conditions that are necessary for a sale to be considered a "market value" transaction as follows:*

1. *It must have been exposed to the open market for a period of time typical of the turnover time for the type of property involved.*
2. *It presumes that both buyer and seller are knowledgeable about the real estate market.*
3. *It presumes buyer and seller are knowledgeable about the uses, present and potential, of the property.*
4. *It requires a willing buyer and a willing seller, with neither party compelled to act.*
5. *Payment for the property is in cash, or typical of normal financing and payment arrangements prevalent in the market for the type of property involved.*
6. *The sales price must include all of the rights, privileges, and benefits of the real estate. For rental property, this includes both the lessor's and lessee's interests.*

In discussing whether conditions two and three made "legal presumptions that shift the burden of proof to the city," the Wisconsin Supreme Court held, "the taxpayer, rather than the assessor, retains the burden of proof on each condition set forth in the Property Assessment Manual that must be met to show that the sale was a market or an arm's-length transaction."

In addition, the Wisconsin Supreme Court overruled the Court of Appeal's earlier decision in *Martinsen v Board of Review of Iron River*, 163 Wis. 2d 807, 472 N.W. 2d 574 (1991) which also stated that conditions two and three are "legal presumptions that are deemed satisfied unless rebutted." The Wisconsin Supreme Court added, "*This language [the six conditions]*

does not indicate that an assessor, or a Board reviewing an assessment, can assume any of the conditions exist. Rather, each condition must be shown to exist by proof submitted by the taxpayer. The Court of Appeals misread these conditions.”

***Noah’s Ark Family Park v Village of Lake Delton*, 216 Wis.2d 387, 573 N.W.2d 852 (1998).** Taxpayer petitioned for review by certiorari of decision by village board of review affirming real property assessment of taxpayer's water theme park. The Circuit Court, Sauk County, affirmed and taxpayer appealed. The Court of Appeals reversed and remanded. Petition for review was granted. The Supreme Court held that: (1) constitutional requirement that taxation be uniform did not necessitate showing by taxpayer that property undervalued in relation to its property was comparable, when undervaluation argument was based on recent sales of both properties, and (2) board's singling out of one commercial property and reassessing it based on recent sale price, while ignoring recent sales of other commercial properties, violated constitutional uniformity requirement.

***Great Lakes Quick Lube, LP, v City of Milwaukee*, 2011 WI App 7, 331 Wis.2d 137, 794 N.W.2d 510.** Where several properties were purchased by another company and then simultaneously leased to the taxpayer and where no special financial arrangements were reported on the associated real estate transfer returns, the sales were properly considered “arm’s-length” for assessment purposes.

CRIC Great Lakes Acquisitions LLC (CRIC) purchased properties in the Milwaukee area in 2004. CRIC entered into a lease with Great Lakes Quick Lube at the same time. In 2005 CRIC I BETA, determined by the court to be the same as CRIC, purchased additional properties and leased them to Great Lakes Quick Lube, LP. In both instances CRIC completed real estate transfer returns that either made no representation as to the nature of the financing, if any, or reported “no financing involved,” “financial institution conventional” or financing by an “other 3rd party.”

The City assessed the four properties based on their investigation of the arm’s-length sales. Great lakes Quick Lube argued that “creative financing” in the form of a sales-leaseback transaction inflated the sales prices and thus the sales were not arm’s-length sales, and the values were improperly assessed. Great Lakes further argued that the over-taxation resulting from the inflated assessment amounted to a violation of the uniformity Clause in Article VII, section 1 of the Wisconsin Constitution.

The Court concluded the sales were arm’s-length since the seller was not leasing back the properties they sold. Since the sales were properly considered to be “arm’s-length”, the Court found that the City properly assessed the properties in 2006 and 2007. Furthermore, because the properties were assessed accurately based on recent arm’s-length sales, the Court also determined that Great Lakes did not establish a violation of Article VIII, section 1 of the Wisconsin Constitution.

Absence of Arm’s-Length Sales

In the absence of an arm’s-length sale price or reasonably comparable sales, the assessor should use all other information available in determining a market value. Other information can include replacement cost less depreciation (through Volume II of the WPAM Series),

income generated, book value, amount of insurance carried, appraisals procured by the owner, sales of like properties based on price per cubic or square foot, location, and any restrictions on the use of the building. The value should not vary based on the ownership (corporate v. private) nor should the quality of the management affect the value.

***Chicago & N.W.R. Co. v State*, 128 Wis. 553, 108 N.W. 557 (1906).** Property owned by private corporations is to be valued the same as if owned by a private person. In assessing property of ordinary corporations, the same is to be valued with reference to its use, situation, and all that concerns the same, no value being placed on such intangibles, as ordinary corporate rights or other mere circumstances other than the same is included in the actual value of the tangible things in the places and under the conditions in which they are found.

***State ex rel. Miller v Thompson*, 151 Wis. 184, 138 N.W. 638 (1912).** The fact, shown before a Board of Review, that real property is not on a paying basis as presently managed does not establish its value, nor does the fact that old buildings thereon if torn down would be worth only the wreckage, establish their value as a going concern; nor does the fact that the owner will derive a larger revenue from a lease of the land for ninety-nine years, which has been made to one who will tear down the old and erect new buildings, show that the present buildings are not worth the assessor's valuation. Evidence of such facts is not evidence of the market value of the property or the price which could ordinarily be obtained for it at private sale.

***Bradley Co. v Town of Rock Falls*, 166 Wis. 9, 163 N.W. 168 (1917).** Considering the value of water rights relating to each lot, as determined by the relation it bore to value of all water privileges, was proper in assessing taxes under St. 1915, 1039, 1052.

***State ex rel. Gisholt Machine Company v Norsman*, 168 Wis. 442, 169 N.W. 429 (1918).** Two lots lying side by side, one having improvements and the other without improvements, were to be valued the same by the assessor, if the improvements are the only element of difference in value.

The assessor properly valued the land of a manufacturing company independent of buildings, then valued the buildings independent of the land, and reached a total valuation by adding the two items, instead of first finding the value of land and improvements as a whole, and then apportioning it.

An assessor's method of assessment by reducing the front-foot valuation of lots by blocks, \$5.00 a block, proceeding away from the center or business part of the city, was not so arbitrary as to meet with condemnation, there being nothing to indicate it was unreasonable or unfair.

***State ex rel. Northwestern Mutual Life Insurance Co. v Weiher*, 177 Wis. 445, 188 N.W. 598 (1922).** In valuing large business buildings for taxation, it was not improper to use a basic price per cubic foot found by experience to roughly represent the value of the average large office building, where this was merely a starting point to which was added or deducted the proper amount depending on a character of the construction of the building, the amount of depreciation, obsolescence, location, and other elements.

A large office building having an intrinsic value in excess of the sum for which it would sell, because it was built for a specific purpose, can only be valued at the selling value; depreciation, cost of reproduction, location, etc., can only be considered in arriving at the market value.

***State ex rel. Pierce v Jodon*, 182 Wis. 645, 197 N.W. 189 (1924).** Assessment officers must ascertain the market value of property from the best evidence obtainable, and place that value on the assessment roll.

***State ex rel. Flambeau Paper Co. v Windus*, 208 Wis. 583, 243 N.W. 216 (1932).** While the sale value is the point to which the evidence must be addressed, the Board of Review was not confined solely to the testimony of the witnesses in arriving at its determination. The prospectus, book value, appraisals procured by the plaintiff, and the amount of insurance carried might properly be considered by the Board of Review.

***State ex rel. North Shore Development Co. v Axtell*, 216 Wis. 153, 256 N.W. 622 (1934).** In the absence of a sale of the property or comparable sales, evidence of the value of property based on the income the property was producing and was capable of producing was competent for consideration in determining the assessment value. Cost, depreciation, replacement value, earnings, industrial conditions, location, and occupancy are proper for consideration in determining the assessed value of improvements on land.

***Buildings Development Co. v City of Milwaukee*, 225 Wis. 357, 274 N.W. 298 (1937).** The assessment of municipal taxes on land and office buildings thereon did not rest wholly on prospective income, and assessors and Board of Review in determining valuation properly considered income, cost depreciation, replacement value, earnings, industrial conditions, location of property relative to business section of city, insurance carried, and statements of owners in prospectus issued to induce sale of bonds, issued against property.

Use by municipal tax assessors of percentages of increase in valuation of land based on location in respect to street corners and alleys was not improper as to taxpayers who suggested no proper separate valuation of land, but contended that the method used had no bearing on sale value of land, on which office buildings were located.

***State ex rel. International Business Machines Corp. v Board of Review, City of Fond du Lac*, 231 Wis. 303, 285 N.W. 784 (1939).** In determining market value of real estate for taxation purposes, it is proper to consider such elements as cost, depreciation, replacement value, income, industrial conditions, location and occupancy, sales of like property, book value, amount of insurance carried, value asserted in a prospectus and appraisals procured by the owner.

Net income from the rental of either real or personal property is a proper element to consider in fixing value for taxation purposes, but it cannot be considered as the sole controlling factor.

***State ex rel. Enterprise Realty Co. v Swiderski*, 269 Wis. 642, 70 N.W.2d 34 (1955).** Where there was not evidence of sales of office buildings in the vicinity of the office building being assessed for taxes, the city assessor and Board of Review did not act arbitrarily, in bad faith, or in excess of their jurisdiction in declining to be limited by original purchase price

paid for the building by the owner two years before the assessment and the cost of owner's subsequent alteration thereof, but properly considered also the owner's conversion of the building from light manufacturing into office buildings attracting more desirable tenants, present income therefrom, and reproduction cost less depreciation.

Where the clear market value of realty to be assessed for taxes is not established by sales of other realty, the city assessor or Board of Review should consider all facts bearing on such value collectively, but such facts should not be resorted to when market value is established by the fair sale of the property in question or like property.

In determining the market value of realty, the assessor may consider such elements as cost, depreciation, replacement value, income, industrial conditions, location and occupancy, sales of like property, book value, amount of insurance carried, value asserted in prospectus, and appraisals procured by the owner.

Superior Nursing Homes, Inc. v Board of Review, City of Wausau, 37 Wis.2d 570, 155 N.W.2d 670 (1968). Where the assessor is confronted with real estate that has not been recently sold in an arm's-length transaction, nor are there any recent sales of comparable property which could constitute a reliable basis for determining the market value of the property in question, the assessor must determine the market value from the best information that the assessor can practicably obtain, which may or may not coincide with the construction costs less depreciation.

Rosen v City of Milwaukee, 72 Wis.2d 653, 242 N.W.2d 681 (1976). A city board of review adopted the valuations and assessments of the tax assessor as to three parcels of improved property, and the landowners appealed. The Circuit Court, affirmed the board of review, and appeal was taken. Certiorari was granted, and the Supreme Court, held that the comparisons made by the tax assessor were supported by an adequate basis; that credible evidence before the board of review supported its action in sustaining the assessments as to two of the parcels; and that as to the third parcel, where uncontroverted evidence as to the actual cost of constructing improvements existed, the assessor's unconfirmed valuation based on estimated replacement costs less depreciation was not an adequate basis to sustain the valuation.

A certified public accountant testified on the behalf of the taxpayers to the total costs, gross rental income, and net income for each parcel as was stated in the owner's records. An investment real estate broker, using this information, expressed an opinion of fair market value for each parcel by multiplying a gross rent multiplier times the net income of each parcel.

The assessments were arrived at after a visual viewing of each parcel and were obtained by adding the estimated replacement cost of each building minus estimated depreciation, to the estimated market value of the land. The assessments based on this method of valuation were substantiated for parcels B and C by an analysis of comparable sales and their income-producing capacity. These comparable sales took place a year after the assessment was made. No specific comparable sales information was provided for parcel A.

It was the taxpayer's position that the assessor should have used the reported actual costs and that the sales used as comparables were not actually comparable, citing both the time and size differences.

As a basis for making its decision, the court reviewed the standards for considering the correctness of a valuation of real property for tax purposes. The function of the court is not to make an assessment, but to determine from evidence presented to the Board of Review, whether the valuation has been made on the statutory basis of fair market value. Without evidence to show that an assessment is incorrect, the assessor's opinion of value is presumed correct. It is the responsibility of the taxpayer to produce credible evidence overcoming the assessor's opinion of market value.

The best information as to market value is established by a recent fair sale of the subject property or sales of reasonably comparable property. Where there has been no recent sale of the subject property or of reasonably comparable property, market value determination is based on relevant factors, including costs, depreciation, replacement value, income, industrial conditions, location, occupancy, sales of like property, book value, amount of insurance carried, value asserted in a prospectus and appraisals procured by the owner.

In this case it was disputed that there were no recent sales. The appealed assessments were based on the estimated replacement cost of the buildings less depreciation, plus the value of the land. The taxpayer's contention was that the assessment should be based on actual reported cost.

The court responded to this by indicating that there may be occasions where assessments based on estimated costs will be set aside in favor of actual costs. These occasions would be based on the existence of at least the following circumstances: (1) fair market value cannot be established by a recent sale of the subject property or of reasonably comparable property; (2) the assessor and the Board of Review must have considered reconstruction costs less depreciation as the only element in arriving at market value; (3) there must be evidence that the Board excluded from consideration other relevant evidence of value; (4) the construction must have been completed and the cost incurred, reasonably close to the time of valuation; and (5) there must be no question concerning the veracity or bona fide nature of the amounts submitted as evidence of actual costs.

The court in this case sustained the assessments for parcels B and C since the replacement cost less depreciation method of valuation was supported by reference to sales of comparable property which indicated that the gross rent multiplier of assessed property was comparable to that of comparable properties that had sold. The court held that in the absence of a sale of the subject property, the sale of a reasonable comparable property provides the best information of market value. Important considerations in determining comparability include location, including the distance from the assessed property, its business or residential advantages or disadvantages, its improvements, size, and use. It is also important to consider the conditions of the sale including its time in relation to the date of valuation, and its general mode and character insofar as they tend to indicate an arm's-length transaction.

The court concluded that the Board's action concerning parcel A should be reversed because the uncontroverted testimony as to the actual costs indicates that the assessor's unconfirmed valuation based on estimated replacement cost less depreciation was not an adequate basis to sustain the valuation.

State ex rel. Kaskin and Sokolski v Board of Review, County of Kenosha, 91 Wis.2d 272, 282 N.W.2d 620 (1979). The taxpayers challenged the use of annual percentage

increases based on comparative sales as a method of arriving at an assessment. The county makes an assessment based on actual view and on-site viewings of each property in each tax district once every four years. The assessments in the other three years are based on factoring up the on-site assessments by a percentage. This percentage was developed by first classifying the property in a district as either residential, commercial, industrial, or agricultural. All sales within each classification were examined to determine if they were arm's-length. The arm's-length sale prices were then compared to the current assessment of the properties that sold, a percentage by which the sale prices were greater or less than the assessed value was calculated. An average of these percentages was taken to give an overall percentage increase to value of property within each category in each district.

The court held that this "percentage increase method" was not the best information available to the assessor and the assessments made by this method were not valid. Use of comparable sales requires more than determining arm's length transactions in an entire class throughout a county, such other factors as location, improvements, size or use, and date of sale are appropriate to consider when evaluating comparable sales.

***State ex rel. Kesselman v Board of Review for Village of Sturtevant*, 133 Wis.2d 122, 394 N.W.2d 745 (Ct.App. 1986).** Equalization is the DOR's independent evaluation of the total value of real property within the municipality. It is not a measure of fair market value of a particular parcel within the municipality. Rather it is a test of the local assessor's overall valuations. Equalization is concerned with equity between municipalities, while the local assessor's concern is equity between individual properties

***State ex rel. Brighton Square Co. v City of Madison*, 178 Wis.2d 577, 504 N.W.2d 436 (1993).** In discussing whether Kingswood Hills (an adjacent apartment complex) is "reasonably comparable" to Brighton Square (also an apartment complex), the city argued: "Kingswood is a bigger complex, has a decidedly different 'mix' of units with Kingswood's greater number of two-bedroom apartments and exclusive offering of three-bedroom townhouses. Kingswood has recreational facilities which the subject [property] lacks." However, the Court noted that "Brighton Square and Kingswood Hills are physically adjacent" and thus essentially have the "same rental location" with the "same exterior design" and "similar interior design."

Although the number and type of apartment units differ, the court determined that the properties were "reasonably comparable" and the approach of the taxpayer to make adjustments because of the differences between the units was appropriate. The Court of Appeals affirmed the circuit court's order remanding the assessment to the Board of Review for reconsideration.

***Joseph Hirschberg Revocable Living Trust v. City of Milwaukee*, 2014 WI App 91, 356 Wis.2d 730, 855 N.W.2d 699.** Property owner filed a claim for refund of property taxes based on assertion that assessments were excessive. The circuit court dismissed the claim. Property owner appealed. The court of appeals held that: (1) city assessor's report was not contradictory and did not impeach city's original assessment; (2) evidence of assessments of properties used in comparable sales analysis was irrelevant; and (3) property was assessed and valued using second-tier method, rather than third-tier method.

The court held that the property was properly assessed and valued by city using a second-tier approach, which considered sales of reasonable comparable properties, rather than by using third-tier approach, which considered only other assessment methodologies, where the city assessor considered comparable sales data and used income approach only to check the reasonableness of his conclusion.

Omitted Property

The assessor cannot intentionally omit taxable property from the assessment roll. However, on occasion, a property is inadvertently omitted from assessment because it is assumed to be exempt or is completely missed. Real or personal property omitted from assessment in either of the two prior years may be added to and valued on the current assessment roll. Omitted assessments may be determined for both real or personal property, whether in whole or in part. Assessors can assess partial omissions when the property is easily identified as discrete from formerly assessed property.

An assessor enters omitted property on the current roll once for each year the property was omitted from assessment. Each entry shall include a designation that the property was “omitted for the year 20_ _ (giving year of omission).” The omitted property is valued “according to the assessor’s best judgment.” The tax to be collected is determined from the omitted year’s net tax rate taking into account credits issued under sec. 79.10, Wis. Stats. Notice of appeal rights to the BOR is sent to the property owner.

***Bogue v. Laughlin*, 149 Wis. 271, 136 N.W. 606 (1912).** It was held that property omitted from assessment during an individual’s lifetime could be assessed to the individual’s heirs.

18 Opinion of Attorney General 193 (1929). Lands owned by the state are exempt from taxation except land which the state is selling on land contract. Failure to pay any interest, principal or tax on such contracted land, voids the contract with land becoming state land and, therefore, exempt from taxation.

20 Opinion of Attorney General 771 (1931). Land that was omitted from assessment by the city because of a circuit court decision detaching such land from the city, when this decision was later reversed by the Supreme Court, could be assessed by the city as omitted property the next year.

24 Opinion of Attorney General 541 (1935). Lands omitted from assessment by a town on the mistaken theory that the land was owned by the federal government and, therefore, exempt, could be assessed by the town as omitted property the next year.

25 Opinion of Attorney General 145 (1936). Taxable lands upon which the tax had been imposed in previous years but which inadvertently were omitted from the 1934 tax roll should have been placed upon the subsequent assessment roll for the 1934 taxes. The assessment when made created a lien for the 1934 taxes which was attached as of August, 1934, to land acquired by the United States of America in April, 1935. The federal government’s sovereignty could not be extended so as to destroy the state’s right to collect a lawfully levied tax which was justly due and owing.

ABKA Limited Ptns. & Abbey Harbor Condo Assoc. v Wisconsin Dept of Natural Resources, 2002 WI 106, 255 Wis.2d 486, 648 N.W.2d 854. The Supreme Court found the following on each of the three issues: 1) The court stated that the filing of an objection to a permit doesn't limit the agency's jurisdiction protecting the rights of the public as required by statute; 2) The Court ruled that the DNR does have jurisdiction to regulate ABKA's conversion of its marina to a condominium form of ownership. However, the court also concluded that the Administrative Law Judge erred in applying secs. 703.02(15) and 30.133, Wis. Stats. to ABKA's condominium project. The court concluded that the attempted conversion of the marina to a condominium was a conveyance of riparian rights in violation of sec. 30.133, Wis. Stats.; and 3) Lastly the court stated that sec. 703.02(15), of the Wisconsin condominium statutes require a "unit" to be intended for independent use. The court stated "*Wisconsin's definition of a unit reveals no legislative intent to permit a boat slip to be conveyed as a condominium unit. Considering this, and applying the rules and principles from the condominium statutes, we determine that four-by-five-by-six inch lock boxes are not intended for any type of independent use. Rather, they are phantom units that do not meet the statutory definition. Because there are no valid units, there is not a valid condominium conveyance of real property.*"

The court noted the following about the current condominium statutes. "We note that residential condominium units that provide for the use of boat slips are readily distinguishable from ABKA's lock boxes. Residential units are intended for independent use. Their true purpose, living space for human beings, may readily and accurately be stated in the condominium declaration. Such units would comply with the statutory definition of a unit, and would allow for a valid condominium conveyance, that would create common interest ownership in riparian property. Therefore residential units that provide for the use of a boat slip would not contravene statute 30.113."

Personal Property

Personal Property Legal Reference

Personal property as a class, presents questions in discovery, listing and valuation which are not present in real estate. The proper classification of personal property will be very important in determining whether the property is exempt or taxable. Section 70.11(17), Wis. Stats., exempts merchants' stock-in-trade, manufacturers' materials and finished products, and livestock as of January 1, 1981. The court cases and legal decisions discussed in this section are directed toward answering those questions once property has been correctly classified as personal property. Cases and opinions dealing with stocks are still included in this section even though they are exempt as of January 1, 1981 because the assessability of these stocks may still surface in the form of omitted property or pending court cases.

Recommended Classification of Items as Personal Property

Livestock (exempt January 1, 1981)
Merchants' stock (exempt January 1, 1981)
Manufacturers' stock (exempt January 1, 1981)
Machinery, Tools and Patterns (exempt January 1, 2018)
Furniture, fixtures, and equipment

Leasehold improvements, removable (lighting, ceiling, floor covering)

Signs

Supplies -materials purchased for use in business but not for resale such as: fuel, office and cleaning supplies.

Non-domesticated animals (deer, bear)

Furniture, fixtures and equipment not classified as realty should be valued at their “true cash value”. Numerous court decisions have held “true cash value” to have the same meaning as “market value”. Thus, the basis for valuing personal property should be same as real property, this is the arm’s-length sale of the subject or sales of comparable properties. However, the assessor rarely has arm’s-length sales of the subject personal property or comparable personal property from which to make the valuation. Therefore, in the absence of sales information, an alternative method is the use of the index method for valuation of fixed assets with recommended composite lives of the various group classifications. The index factors and composite lives provide a measure with which all applicable classes of personal property may be assessed on a uniform and equitable basis. A complete discussion of this method is found in WPAM Chapter 17 - Valuation of Fixed Assets.

The personal property of entities where rats and mice are being raised for commercial purposes should be classified as “all other” personal property. The rats and mice are not livestock, merchant’s stock-in-trade, or manufacturers’ materials and finished products.

State ex rel. Dane County Title Co. v Board of Review, City of Madison, 2 Wis.2d 51, 85 N.W.2d 864 (1957). Title records of a title company constitute personal property in that they are chattels and in that they have a real or market value all within the definition of sec. 70.04, Wis. Stats. These records would be classified as “all other personal property.”

52 Opinion of Attorney General 387 (1963). Do the following items fall within the terms “merchants’ stock-in-trade” or “manufacturers’ materials and finished products”?

1. Seed potatoes raised and used by growers, a portion are held for sale to other growers;
2. Hay and grain raised by a farmer, but held for sale;
3. Ice cut and stored or made and stored and held for sale;
4. Dogs in commercial kennels;
5. Eggs in a commercial hatchery;
6. Boats and motors owned and kept by a resort for the purpose of leasing to patrons, but which are occasionally sold;
7. Golf carts owned by a pro shop and rented to golfers, but occasionally sold;
8. Junk cars and used parts taken therefrom sold to persons in need thereof;
9. The stock of “job tradesmen” (plumbers, carpenters, heating contractors, etc.) who stock a certain amount of goods which they sell to a property owner and usually (but not always) install;
10. The goods of service trades (shoe repair shops, beauty parlors, etc.) part of which is used in repairing items or rendering a service, and part of which is sold separately across the counter as, for example, shoe polish, shoe laces, shampoo, etc.;

The word “merchant” is defined in Webster’s New International dictionary in the second edition as: “Anyone making a business of buying and selling commodities; a trafficker; a trader; one who carries on a retail business; a storekeeper or shopkeeper.”

And in the third edition as the following: “A buyer and seller of commodities for profit; TRADER, the operator of a retail business; STOREKEEPER.”

There have been many court decisions interpreting the word. In *White v Commonwealth* 78 Va. 484, it was said that a merchant is a dealer in goods, wares, and merchandise who has the same on hand for sale and immediate delivery. *Magnolia Petroleum Co. v City of Broken Arrow*, 184 Okla. 362, 87 P. 2d 319, defines the words as meaning one who buys to sell and sells goods or merchandise in a store or shop. A merchant is defined in *City of Joliet v O’Sullivan*, 303 Ill. App. 108 24 N.E. 2d 751 as one engaged in the business of buying commercial commodities and selling them again for the sake of profit or one whose business is the buying and selling of merchandise.

It was indicated in *Com v Wytheville Knitting Mills Emp. Welfare Ass’n.*, 195 VA. 663, 79 S.E. (2d) 621, that a merchant ordinarily does not resell to the same class of persons from whom the merchant buys, and that the merchant is a middleman in the distribution of goods. There are numerous other decisions the composite of which is that a merchant is one who is engaged in the business of buying commercial commodities for the purpose of selling them at a profit, at an established location and maintains on hand a stock or supply thereof for immediate sale and delivery.

The term “stock-in-trade” as ordinarily used among businessmen includes the supply, inventory, or stock of goods, wares, and merchandise held and kept on hand by a merchant for sale. In the case of *Story v Christin*, 14 Cal. (2d) 592, 95 P. 2d 925, it was variously interpreted as meaning the goods kept on hand by a merchant or shopkeeper for resale. In my opinion it is in this sense that the term is used in this statute.

The word “manufacturer” as used in this instance is to be given its common and ordinary meaning, which is generally accepted to be one who engages in the business of making from, working up, or changing materials (usually raw materials) into a different form or shape as an article or ware of use or value. *Sharpe v Hasey*, 134 Wis. 618 (1908).

As stated in *State v Magnolia Packing Company*, 213 La., 661, the cases on the subject are legion. However, in the *City of New Orleans v Ernst & Co.*, (1883) 35 La. Ann. 746, a manufacturer was defined to be:

“One who is engaged in the business of working raw materials into wares suitable for use; who gives new shapes, new qualities, new combinations to matter which has already gone through some artificial process. A manufacturer prepares the original substance for use in different forms. He makes to sell, and stands between the original producer and the dealer, or first consumer, depending for his profit on the labor which he bestowed on the raw material.”

A manufacturer is different from a merchant who buys articles and resells them for a profit. The manufacturer sells to realize a profit earned whereas a merchant sells to earn the profit. The manufacturer sells to realize a profit from the work upon raw materials or in producing the finished product but a merchant sells to realize a profit from the activities in the distribution of goods made or produced by others.

Upon the application of the above definitions, the following are my conclusions in respect

thereto:

1. A grower raising seed potatoes and holding a portion of the crop for sale to other growers is not a merchant or manufacturer. Although the potatoes are sold for a profit, the primary occupation is the cultivation of the soil to produce a potato crop. The grower thus does not derive the potatoes from a manufacturing operation as it is from a cultivation of soil and the grower is not a merchant (sec. 70.111(4), Wis. Stats. exempts growing and harvesting crops in the hands of the grower.)
2. In my opinion a farmer raising hay and grain for sale does not come within the definition of a merchant or a manufacturer. A farmer makes a living primarily by the tilling of the soil. The income derived from the sale of such hay and grain is not as a merchant as the farmer does not buy and sell the same for the purpose of obtaining income. A farmer is not a manufacturer. A farmer does not work raw materials into wares suitable for use. A farmer is a grower. To call a farmer who cultivates land and reaps and markets crops a manufacturer would do violence to the common concept of a farmer. *Sharpe v Hasey, supra.*
3. A dealer in ice in my opinion is a merchant within the meaning of this statute. The ice is either cut or made and stored for sale and is thus a dealing in goods, wares or merchandise. The ice is a commodity kept on hand for sale and for present delivery. The ice dealer does not till the soil and raise crops as does a farmer, grower or producer of agricultural products. Such ice dealer's primary source of income is from the sale of the ice as a commodity and in doing so, the dealer is acting in the capacity of a merchant. It was held in *Kansas City v Vindquest*, 36 Mo. Appeal 584, that an ice dealer was a merchant within the meaning of the word as used in a city licensing ordinance.
4. If a commercial kennel buys dogs for the purpose of immediate resale and it regularly engages in that activity, it could be that such dogs so held for resale would be stock in trade of a merchant. In order for such dogs to qualify, it would be necessary that it be established that such kennel regularly and rather extensively engages in buying dogs for resale and selling them. Just an occasional instance would not be sufficient to make the commercial kennel a merchant. Such dogs clearly would not qualify as livestock as that term includes hogs and sheep, but not dogs. *Howard & Herrin v Nashville C. & St. L. Ry. Co.*, 153 Tenn. 649, 284 S.W. 894. *In White Mountain Fur Co. v Town of Whitefield*, 77 N.H. 340, 91 A. 870, it was held that one raising and selling foxes is not a merchant.
5. Eggs in a commercial hatchery would in general not qualify for the exemption. The eggs are not purchased for resale as such and they would not constitute stock in trade nor the owner of the hatchery a merchant. The eggs are products of the farm but are not livestock and therefore, would not be entitled to the exemption as such. The eggs, which are to be hatched into baby chicks are not stock in trade of a merchant or a finished product or the material of a manufacturer. The method of operation by which the owner of a hatchery derives income from conducting the same is the hatching of chickens and not the purchase and resale of a product.
Boats and motors owned and kept by a resort for the purpose of leasing to patrons and golf carts owned by a pro-shop and rented to golfers, although occasionally sold, are similar in classification. The primary purpose of both the resort owner and the operator of the pro-shop is the service of customers. Neither of such operations would qualify as a merchant as they do not buy such boats, motors and golf carts for the express purpose of resale at a profit.
6. Junk cars and used parts taken therefrom to be sold to persons in need thereof, in my opinion, qualify for the exemption on the basis that the operator of such a business is a merchant and the cars and parts are stock in trade within the meaning of the provisions.

The primary function of the junk cars and parts enterprise is one of purchase and resale for profit.

7. The stock of “job tradesmen” (plumbers, carpenters, heating contractors, etc.) who maintain a stock of a certain amount of goods which they sell to and install for a property owner, although not always, is a closer question. In my opinion such “job tradesmen” are contractors or sub-contractors to the extent that they maintain any parts or stock on hand to sell to a property owner and to be installed by the tradesmen as such. They are not in that respect merchants or manufacturers. Their main source of income is derived from the services they render in their trade. In order to render this service, such tradesmen must stock a certain amount of goods and wares for which the property owners are charged when installed. Such goods are not purchased for resale as a merchant would do, but are purchased by the tradesmen only to complete the services rendered. However, if what the tradesmen has is a complete unit or appliance which might and could be sold to a customer without being installed by the tradesmen, then it would appear to that extent the tradesmen is a merchant in respect to those items. In order to qualify as a merchant and have sufficient materials of that character to qualify as stock in trade the tradesman would have to be engaged substantially in maintaining on hand such complete units or appliances for resale without regard to whether someone else installs the same. If the tradesmen specifically orders and has on hand goods or wares of this character for the express purpose of selling them to customers and they are designed for such, it would appear that then such property would constitute stock in trade.
8. The goods of service tradesmen (shoe repair shops, beauty parlors, etc.) that are used in rendering a service are like similar goods maintained by a tradesmen, not stock in trade. However, items that are sold separately across the counter, as for example, shoe polish, shoe laces, etc., are purchased by the shop operator expressly for the purpose of resale at a profit. To the extent of the last type of merchandise, the shop operator in my opinion would qualify as a merchant and those mentioned items would be stock in trade.

***Menomonee Falls v Falls Rental World*, 135 Wis. 2d. 393, 400 N.W.2d 478 (1986).** The court ruled that property held for rental was not exempt as “merchants’ stock-in-trade”.

The taxpayer was in the business of renting personal property to others. Occasionally, some of the rental property was sold either to someone who had rented the property or because the property was no longer usable as rental property.

The court stated that a merchant is defined as one who buys and sells goods; and, “merchants’ stock-in-trade” is defined as goods held for resale. Since the personal property was held for rental and not for resale, it was not entitled to exemption as “merchants’ stock-in-trade”.

Valuation

According to [sec. 70.34](#), Wis. Stats., the assessor is to value personalty at its true cash value, which is basically, the value at which a willing buyer and willing seller, neither obliged to transact, would agree to in an arm’s-length transaction. The valuation of personal property causes problems not present in real property valuation such as few sales and numerous methods of depreciation. As with real estate, if there are no sales or market comparables, the assessor must rely on any information that can be obtained. This information may include insurance on the property, rental income, and cost less depreciation.

***Lawrence v City of Janesville*, 46 Wis. 364, 50 N.W. 1102 (1892).** When a person has given the assessor a statement, not under oath, of the moneys and securities owned or held by that person, the assessor is not bound by the valuation stated therein, but may resort to any means of information to determine the amount which should be assessed, even though the unsworn statement was accepted as satisfactory, and no request was made that it be a sworn statement.

27 Opinion of Attorney General 362 (1938). In the assessment of merchandise under this section, according to true cash value, consideration should be given to state and federal excise taxes already paid and which will be included in the final retail price; but where such taxes are paid only by the ultimate purchaser and are not included in the price, such taxes form no part of true cash value of the commodity while in the hands of the manufacturer, wholesaler or retailer.

***State ex rel. International Business Machines Corporation v Board of Review, City of Fond du Lac*, 231 Wis. 303, 285 N.W. 784 (1939).** In assessments involving property which is not bought and sold on the market, inquiry should relate to the price that such property would probably bring if offered for sale.

Where electrical tabulating machines were not sold, but always leased by the manufacturer under contracts requiring the manufacturer without further charge to render valuable and expert services to lessees by highly trained employees during the lives of contracts, the value of the machines for purpose of taxation could be determined by considering the price obtained for other patented electrical machines manufactured and sold by the same manufacturer, the actual cost of which was known or could be ascertained with reasonable certainty, but the value thus obtained was required to be reasonably depreciated in accordance with credible evidence relating to depreciation. Net income from the rental of either real or personal property is a proper element to consider in fixing value for taxation purposes, but it cannot be considered as the sole controlling factor.

***Ryerson's Estate*, 239 Wis. 120, 300 N.W. 120 (1941).** In all cases, parties who rely upon sales of property to establish fair market value for general and inheritance tax purposes should bear the burden of establishing that the sales were made by a person willing to sell but not obliged to sell to a willing buyer who was not obliged to buy, together with such other circumstances that indicate the price was fairly obtained in an open market.

***State ex rel. Beloit Iron Works v City of Beloit*, 257 Wis. 422, 43 N.W.2d 473 (1950).** Evidence established that the inventory of the corporation engaged in manufacture and sale of large machinery was as claimed by the corporation, and the local Board of Review exceeded its jurisdiction by affirming the assessment on personalty of the corporation based on a larger inventory, which the assessor believed more reasonable than the inventory claimed by the corporation.

***State ex rel. Baker Mfg. Co. v City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952).** Section 70.34, Wis. Stats. presupposes a value at which a willing buyer and a willing seller would deal, but where the property has a restricted or nonexistent market or is unique, the appraisal is based on many factors other than actual sales and the assessor must determine as accurately as possible the amount which the property would bring in the period for which

the assessment is made, if both a buyer and a seller were willing and able.

State ex rel. National Dairy Products Corp. Sealtest Central Division v Piasecki, 2 Wis.2d 421, 86 N.W.2d 402 (1957). In proceeding to review the assessment of leased milk packaging machines which were assessed on a method of valuation amounting to a capitalization of net rent received for the machines, assessment without consideration of the ratios between rent and selling price of other types of milk packaging machines was improper in the absence of explanation why such ratios were irrelevant. In making an assessment of personal property leased to another, evidence as to insurance carried on the property should be considered if it can be obtained.

State ex rel. Dane County Title Co. v Board of Review, City of Madison, 2 Wis.2d 51, 85 N.W.2d 864 (1957). Where the cash sale value of title records owned by an abstract title company could not be determined because of the absence of such sales, the assessor was justified in employing cost, depreciation, replacement value and earnings, as the basis of the assessment.

Central Cheese Co. v. City of Marshfield, 13 Wis.2d 524, 109 N.W.2d 75 (1961). Where information necessary to make a computation on the value of cheese on hand in the taxpayer's warehouses was not given on the return nor in response to a written request, and the assessor made the assessments based on inventory figures from the close of the previous fiscal year of each taxpayer, and resulting figures were substantially less than the year-end figures and in line with the quantity of cheese that the assessor observed, assessor complied with this section as having valued the property "as far as practicable upon actual view."

53 Opinion of Attorney General 110 (1964). The "true cash value" under sec. 70.34, Wis. Stats. of gasoline carried in this state for sale should be determined by the actual market price on May 1 (now January 1), undiminished by the amount of any state and federal taxes chargeable thereto, whether or not such taxes have in fact been paid to the taxing governments.

State ex rel. Garton Toy Co. v Town of Mosel, 32 Wis.2d 253, 145 N.W.2d 129 (1966). Assessment of personalty solely on book value figure for raw materials, work in process, and finished goods as reflected in the taxpayer's department of taxation form without consideration of undisputed evidence to effect that certain inventories were distressed merchandise having cash value below book value was invalid as not having been made on the basis of statute providing that all personalty shall as far as practicable be valued by assessor upon actual view at true cash value.

State ex rel. Berg Equipment Corp. v Board of Review, Town of Spencer 53 Wis.2d 233, 191 N.W.2d 892 (1971). Inspection whereby assessors visited corporate taxpayer's barn-cleaning equipment manufacturing plants and viewed not only real estate but contents of the plants constituted "as far as practicable" an "actual view" of the personal property and thus complied with this section requiring that all articles of personal property shall as far as practicable, be valued by the assessor upon actual view at their true cash value, though assessor made no actual count of inventory.

Even if the town assessor agreed to accept, without further proof, figures submitted by the

president of corporate manufacturer as to portion of manufacturing stock exempt from personal property tax as stock being held for direct retail sale, such agreement would have no validity, in view of the mandatory obligation of assessor to value personal at its “true cash value.”

Tax assessment must be based on market value and not on depreciated book value.

Where Assessed

According to [sec. 70.13](#), Wis. Stats., “All personal property shall be assessed in the assessment district where the same is located or customarily kept...” Customarily kept refers to location the item may be brought back to from time to time, either for repairs or storage. Customarily kept is not necessarily synonymous with the same location where the property is used. If it is not possible to determine where personalty is customarily kept, it may be assessed by the municipality in which the owner (individual, partnership, or corporate) resides. Sub. (6) states, “No change of location or sale of any personal property after the first day of January in any year shall affect the assessment made in such year.”

Machine tools that are in for repair at a location that is not considered where they are “located and customarily kept” are not assessable at that location. Machine tools owned by nonresident entities and used outside of Wisconsin do not have an assessable situs in Wisconsin.

The dollar amount of labor and parts applied to a machine owned by a Wisconsin resident, and customarily kept in Wisconsin, should be reported to the assessment district where taxable in Wisconsin so the assessor will have knowledge of the condition of the machine as of January 1 for purposes of determining its fair market value.

Parts intended for incorporation into machine tools, but not incorporated on January 1, should be assessed as inventory.

Union Refrigerator Transit Co. v Kentucky, 199 U.S. 194 (1905). The Supreme Court held that Kentucky imposing a tax on a Kentucky corporation's rolling stock, permanently located in other states and employed there in prosecution of its business, unconstitutional as a denial of due process of law.

Wisconsin Transportation Co. v Village of Williams Bay, 207 Wis. 265, 240 N.W. 136 (1932). It was held that for purposes of this section customarily kept refers to personalty which is moved from place to place but brought back at regular intervals to a given place for a time of nonuse. “Customarily kept” is not synonymous with “customarily used.”

Village of Middleton v Lathers, 213 Wis. 117, 250 N.W. 755 (1933). The court held that it was the evidence which sustained a finding that the highway equipment which was kept in the Village of Middleton during the winters was nevertheless taxable in the different tax district in which the owner resided because it was property without a fixed location.

22 Opinion of Attorney General 1018 (1933). That road construction machinery belonging to a corporation, having no fixed location, should be assessed either where customarily kept

or at the place of residence of the corporation, depending upon the facts of the case.

Sancho v. Humacao Shipping Corporation, 108 F.2d 157 (1939). It was held that tangible personal property may not be taxed at the owner's domicile when it has acquired a taxable situs in another state.

Cady v Alexander Construction Co., Inc., 12 Wis.2d 236, 107 N.W.2d 267 (1960). Taxable situs was held to be in said town as of May 1, 1958 for said assessment year. The court held that "situs" of property for tax purposes is determined by whether the taxing state has sufficient contact with the personal property sought to be taxed to justify in fairness the particular tax. The court went on to state the facts and explain that a foreign corporation's road construction machinery, which was in town from fall of 1957 until the personal property assessment in May 1958, was present in town for a sufficient period of time to be located there within this section authorizing assessment of the personalty where it is located.

Construction machinery which was in the state for somewhat less than a year, but which was not used for the purpose for which it was made, and for the benefit of its owner's business, acquired a taxable situs in the state, which had justification to tax it, and was subject to tax in a town in which it was located for some time, even though it had no fixed location therein.

O'Keefe v City of De Pere, 9 Wis.2d 496, 101 N.W.2d 649 (1960). Said that under this section personal property having no fixed location shall be assessed in the district where the owner or person in charge or possession thereof resides. Personal property belonging to a partnership of a construction company but having no fixed location could be assessed by the municipality in which the partnership maintained its principal place of business.

F. F. Mengel Co. v Village of North Fond du Lac, 25 Wis.2d 611, 131 N.W.2d 283 (1964). Reinforcement steel, to be used in the construction of a United States highway, temporarily in a village on May 1, then the assessment date, did not have such a fixed location in the village as to subject it to the personal property tax. The taxpayer, a Wisconsin corporation, with its principal place of business in the Town of Stockton, Portage County, had been awarded a contract to construct 15 miles of U.S. Highway 41, part of which was located five miles from the limits of the village of North Fond du Lac. The steel was placed along the railroad right of way in the Village between March 30 and April 11, until its removal for use in the construction between May 5 and June 23. The steel had no fixed location in the village within the meaning of s. 70.13(1), Stats, to permit the village to impose personal property tax.

William J. Kennedy & Son, Inc. v Town of Albany, 66 Wis.2d 447, 225 N.W.2d 624 (1975). A bituminous plant which manufactures a product used in road construction is moved from location to location on road construction sites. The court held that the personal property had no fixed location so the assessment should be made where the owner resides, not where it was located on the assessment date.

To Whom Assessed

[Section 70.18](#), Wis. Stats. states that "Personal property shall be assessed to the owner thereof, except when it is in the charge or possession of some person other than the owner it

may be assessed to the person so in charge or possession of the same.” The owner has been interpreted to be the beneficial owner, who is not necessarily the same as the owner of the legal title. The determination of who is the beneficial owner is based on (1) possession, (2) benefits gained by the possessor of the property, and (3) the control of the use or responsibility in case of loss of the property.

If an improved property is owned by an exempt government entity, but the former owners retain a reserve for use and occupancy for a set number of years, and the interest reverts to the exempt government entity at the end of the reserve period, the improvements on the property would be taxable as personal property to the former owners who are considered to be the beneficial owners.

If former owners retain salvage rights to improvements sold to an exempt government entity, the improvements are taxable as personal property to the former owner.

If a property is subject to a government easement which restricts future use and development, the easement is not assessed separately. They are factors to be considered in valuation of the land assessable to the original owner.

If property is sold prior to the assessment date, but is later returned to the seller after the assessment date due to lack of payment by the purchaser, the purchaser is considered to be the owner of the property as of the assessment date since they were in “charge and possession of the property” on the assessment date.

State ex rel. Wisconsin University Building Corp. v Bareis, 257 Wis. 497, 44 N.W.2d 259 (1950). The court held that the property was exempt from taxation. The reasoning was that although title in the real estate was in the name of the dummy corporation, it was clear the land was held for the benefit of the university and thus the beneficial owner was the State of Wisconsin. Thus, the court held “owned” in the statute meant beneficial ownership, not mere technical title. In taking this view, the court stressed the substance of the transaction over the form for the purpose of tax exemption in favor of the state.

American Motors Corp. v City of Kenosha, 274 Wis. 315, 80 N.W.2d 363 (1957). Personal property in the possession of a Wisconsin company was subject to taxation even though, by contract with the federal government, the property belonged to the U.S., where the U.S. had not paid for it, the company could add to and dispose of it, and all property not finally accepted by the U.S. was to revert to the company.

Mitchell Aero, Inc. v City of Milwaukee, 42 Wis.2d 656, 168 N.W.2d 183 (1969). This is the case where Mitchell Aero, Inc. built two hangers on county property and expected them to be exempt since the title of the hangers was given to the county. Mitchell, however, had use and control of the buildings and basically built the hangars to fit their needs. The court held that Mitchell Aero, Inc. was properly assessed the property tax on two hangars constructed by it and in which they vested the title to Milwaukee County.

State ex rel. Mitchell Aero v Board of Review, City of Milwaukee, 74 Wis.2d 268, 246 N.W.2d 521 (1976). Mitchell Aero, Inc. built an addition to an existing structure owned by the County. Mitchell Aero, Inc. argued that this addition should be exempt from property tax because this improvement was made to a county owned building. The court held that Mitchell Aero, Inc. was the beneficial and true owner of the improvements to the structure for personal property tax purposes.

Taxable Versus Exempt Household Furnishings

Mary Faydash v City of Sheboygan, 2011 WI App 57, 332 Wis.2d 397, 797 N.W.2d 540. A home that was used by a taxpayer three months out of the year while made continuously available for rent via the Internet was deemed to have a commercial use that was neither de minimis nor inconsequential and therefore the personal property within the home was not exempt under sec. 70.111, Wis. Stats.

In March, 2006 Mary Faydash purchased a single-family home in the City of Sheboygan. She furnished the home with her personal property, and it was used only by Faydash and her family that year. In 2007 and 2008, Faydash began making the home available for rent over the Internet. She was able to rent the home sporadically, with sixteen overnight stays occurring in 2008. During the years 2007 and 2008, Faydash and her family used the home and the personal property within for approximately 3 months each year.

For 2008, the City assessed the personal property within the home and levied \$625 in tax. The City characterized the property as having “a commercial purpose”, and therefore argued that the property was not exempt under sec 70.111, Wis. Stats.

Faydash paid the taxes under protest and made a claim to recover unlawful tax on personal property pursuant to sec 74.35, Wis. Stats. She filed a complaint with circuit court contending the personal property was kept for personal use, that the property was exempt by law from taxation, and that the levy of personal property tax was an unlawful tax. The City filed a motion for summary judgment.

The Circuit Court granted the City’s motion for summary judgment. Faydash appealed. The Court of Appeals upheld the Circuit Court’s decision. The Court noted that mere inconsequential or de minimis commercial use would still qualify the personal property within the home exemption. However, the Court found that it was “key” that Faydash’s home was continuously advertised over the Internet. This feature, the Court found, meant the property had “a commercial purpose” that went beyond mere de minimis or inconsequential commercial use.

Thus, the Court held that because Faydash did not establish a pattern of de minimis or inconsequential use, she failed to meet her burden of proof that the personal property was exempt.

Omitted Property

Like real estate, personal property omitted from assessment in any of the previous two years may be added to the present year’s roll under [sec. 70.44](#), Wis. Stats. Often property is omitted because it is assumed to be exempt or is completely missed. This is particularly true of

personal property, which by nature, is harder to discover than real estate.

***State ex rel. Davis & Starr Lumber Company v Pors*, 107 Wis. 420, 83 N.W. 706 (1900).**

The general provision of sec. 70.34, Wis. Stats., requiring property to be assessed from actual view does not apply to an assessment of personal property omitted from a previous assessment under sec. 70.44, Wis. Stats., as amended, since the latter section provides that assessment thereunder shall be according to the assessor's best judgment.

***State ex rel. M. A. Hanna Dock Company v Willcuts, City Clerk*, 143 Wis. 449, 128**

N.W. 97 (1910). The fact that the assessor omitted a portion of the taxpayer's personal property from assessment on the mistaken pretext that such portion was exempt, does not preclude the assessment of that property in the following year as omitted property under sec. 70.44, Wis. Stats.

***State ex rel. H.A. Morton Co. v Board of Review, City of Milwaukee*, 15 Wis.2d 330,**

112 N.W.2d 914 (1962). The entire assessment must be set aside where some merchandise was improperly assessed, but the assessment was not null and void, and taxable property could be reassessed as omitted property.

Real Property v. Personal Property

Importance of Proper Classification

One of the more common questions asked by assessors concerns whether a particular property is assessed as real estate or personal property. With the exception of buildings on leased land and possibly leasehold improvements, which can be assessed as either, this is not a choice of the assessor, but a question of definition as written in the statutes and clarified by interpretation in the courts. Some things that seem to have the characteristics of real property have been defined by statute to be personal property, and vice versa.

The statutes have defined real property as "the land itself and all buildings and improvements thereon together with all fixtures and rights and privileges appertaining thereto." Personal property is in essence anything which is not real property. It is important that the assessor understand these definitions in order to properly classify the property to be assessed. There are a number of reasons why the assessor should properly classify property.

1. **May Determine Assessability.** Proper classification of real and personal property, in some instances, determines whether the property is taxed at all. A good example of this is farm machinery, which when used by any person in farming is exempt from property tax as personal property. In some cases the individual's farming machinery may be attached to the real estate in a more or less permanent manner so as to become regarded by law as part of the real estate and therefore taxable.
2. **Determine On Which Rolls to be Listed.** Sections [70.25](#) and [70.29](#), Wis. Stats., require that real estate and personal property be listed on the proper assessment and tax rolls.
3. **May Affect to Whom Assessed.** Section [70.17](#), Wis. Stats., requires that "Real property shall be entered in the name of the owner, if known to the assessor, otherwise to the occupant thereof if ascertainable, and otherwise without any name..." Section [70.18](#), Wis. Stats. says personal property shall be assessed to the owner thereof, except that when it is in the charge or possession of some person other than the owner it may be assessed to

the person so in charge or possession of the same..." For personal property the assessor must find some person to whom to assess the property.

4. **Different Permissible Dates of Payment of Tax.** All personal property taxes must be paid on or before the last day of January, while real estate taxes may be paid in two installments due January 31 and July 31. Municipalities, other than a city authorized by its charter to sell land for nonpayment of city taxes, may by ordinance provide for the payment of real estate taxes or special assessments in 3 or more installments as provided in sec. [74.12](#), Wis. Stats. The time for payments may not exceed 6 months from January 31. The payments must begin on or before January 31 and at least one-half of the total tax bill shall be due and payable on or before April 30.
5. **Different Procedures for Collection of Delinquent Taxes.** When personal property taxes are delinquent, sec. [74.55](#), Wis. Stats., provides "Delinquent personal property taxes together with any interest and penalty under sec. [74.47](#), Wis. Stats., may be recovered by the taxation district in a civil action, including an action under Ch. 799, if the action is brought within 6 years after the January 1 of the year in which the taxes are required to be paid."

"When real property taxes are delinquent, sec. [74.57](#), Wis. Stats., provides "Annually on August 15, the county treasurer shall issue to the county a tax certificate which includes all parcels of real property included in the tax roll for which real property taxes, special charges, special taxes or special assessments remain unpaid."

"Two years after the issuance of the tax certificate," the county is entitled, as to any property included in the tax certificate which has not been redeemed, to any of the following:

1. Take a tax deed under sec. [75.14](#), Wis. Stats.
2. Commence an action to foreclose the certificate under sec. [75.19](#), Wis. Stats.
3. Commence an action to foreclose the tax lien represented by the certificate under sec. [75.521](#), Wis. Stats.

Please refer to Chapter 19 for guidelines on classifying individual items as real or personal.

Improvements on Leased Land

Section [70.17](#), Wis. Stats., states that "Improvements on leased lands may be assessed either as real property or personal property."

In **39 Opinion of Attorney General 615 (1950)** regarding an assessment of the building only as real estate, the confusion of the 1919 amendment was pointed out. "If the building only were assessed as real estate and no owner was known nor tax paid... the ultimate result was a deed to the buildings." The opinion continued, "This presented many problems to the tax collectors and particularly in respect to cottages at lakes and other more or less movable buildings which were assessed as real estate. By the time of the tax sale, the buildings would be gone... the remedy of personal liability for the tax was of no value in such instances... The situation became very badly confused. It essentially arose from the splitting up of the lands and buildings into separate items of real estate taxation."

Present Law. This same 1950 Attorney General's Opinion goes on to explain that Chapter 444, Laws 1933 "deleted from the definition of real property (now in sec. [70.03](#), Wis. Stats.)

the language specifically mentioning buildings on leased lands as such language was not necessary to an inclusion to them in an assessment of land and all buildings thereon as a single unit of real property. It also took out of sec. 70.17, Wis. Stats. the language that previously dealt with buildings on leased lands and provided that they should be assessed separately as real estate, and substituted therefore the following: *“Improvements On Leased Lands May Be Assessed Either As Real Property Or Personal Property”*

This opinion explains further that in view of this change, where buildings on leased lands are assessed as real estate, *“they are to be included as part and parcel of the land and assessed with it as a unit ... and where assessed as personal property, ... separately from the land. There is no place in the statutes as I view them for a separate assessment of buildings on leased lands alone as real estate. It was to get away from such handling of them that the amendment in 1933 was framed as it was.”*

***Town of Menominee v Skubitz*, 53 Wis. 2d 430, 192 N.W. 2d 887 (1972).** A person owning improvements on lands of another without a written lease is a tenant at will or sufferance and is deemed to hold improvements on “leased lands” and therefore such tenant was properly assessed for personal property tax on such improvements pursuant to an assessment under sec. 70.17, Wis. Stats.

***All City Communication Company, Inc. and Waukesha Tower Associates, v State of Wisconsin Department of Revenue*, 2003 WI App 77, 263 Wis.2d 394, 661 N.W.2d 845.** In December of 1985, Waukesha Tower Associates (Waukesha) leased rural agricultural land to build a communications tower. The ten-year lease allowed Waukesha to “occupy and use the land for the operation of a 500 foot broadcast radio tower” and remove any of the improvements at the end of the lease term. Waukesha constructed a 480-foot steel tower on a concrete foundation and secured by 30 guy wires anchored in concrete. Waukesha rented space on the tower to All City Communication Company, Inc. (All City) beginning in 1992.

DOR classified the communication tower as personal property and issued a sales and use tax assessment against Waukesha and All City for the tax years 1992 through 1995 for use of the tower. All retailers must pay sales taxes, under sec. 77.52(1), Wis. Stats., on “the gross receipts from the sale, lease or rental of tangible personal property...”

The court used the following three common law rules or tests to determine if the tower was personal property or real estate:

- actual physical annexation to the real estate
- application or adaption to the use of purpose to which the realty is devoted; and
- intention on the part of the person making the annexation to make a permanent access to the leasehold.

The court agreed with DOR that the tower was personal property subject to sales and use taxes.

Improvements on Federally Owned Land

Section [70.174](#), Wis. Stats., reads, “Improvements made by any person on land within this state owned by the United States may be assessed either as real or personal property to the person making the same, if ascertainable, and otherwise to the occupant thereof or the person

receiving benefits therefrom.”

In view of the preceding 1950 Attorney General’s Opinion, it would appear that there would be no way in which said property should be assessed as “real” under sec. 70.174, Wis. Stats. The cases of whether the personal property owned by a private person and used in the business and located on government owned (U.S.) property was exempt are controlled by secs. 1.01, 1.02 and 1.03, Wis. Stats., which are concerned with the degree of sovereignty of the United States Government and concurrent state jurisdiction over any places acquired by said U.S. Government within the State of Wisconsin.

39 Opinion of Attorney General 78 (1950) held that “Machines owned by a private corporation located in the Federal Forest Products Laboratory (at Madison, Wis.) are not exempt from local taxation.” Cited with approval is *Nikis v Commonwealth*, 131 S.E. 236 (1926), “*That the right of a state to tax the property of others located upon lands owned by the United States, although it cannot tax such lands, will not be held to be abandoned by the state, except for the most compelling reasons, is quite manifest from several decisions of the Supreme Court of the United States...*”

Fixtures

In the assessment of real estate and personal property, the assessor is confronted at times with the difficult question of whether to classify items referred to as “fixtures” as personalty or realty. Whether fixtures are real or personal property is often a very complicated question that ends up being resolved in the courts.

For the purposes of this chapter a fixture can be defined as “An article that was once personal property but has been installed in, or attached to, land or buildings in some more or less permanent manner so that such article is regarded in law as part of the real estate.”

***Rinzel v. Stumpf*, 116 Wis. 287, 93 N.W. 36 (1903).** In a case involving a mechanic's lien, the three tests for determining whether fixtures remain personalty, or are to be considered part of the realty, are actual physical annexation to the realty, application or adaptation to the use or purpose to which the realty is devoted, and intention of person making annexation to make permanent accession to the freehold.

***Baringer v Evenson*, 127 Wis. 36, 106 N.W. 801 (1906).** In determining whether articles in a building are fixtures, or are subject to removal as between landlord and tenant, whether the articles are physically annexed to the realty, whether they are adapted to the use to which the realty is devoted, and the intention of the person making the annexation to make a permanent accession to the freehold, should be considered. When a tenant adds property to the land or to a building, and the intention is to remove the property at the expiration of the lease, if the removal does not materially damage the lessor's property, the tenant's property is considered personal property. When an owner of the land and buildings adds property, the owner's "intent" is judged by how the added property is adapted to the principle use of land and buildings.

***Phelps v Ayers*, 142 Wis. 442, 125 N.W. 919 (1910).** It was held that if a lessee surrenders possession of the premises before removal of a fixture without an express reservation of the

right of removal, all rights to removal are lost. The law implies in such case that the lease and the use and occupation of the premises thereunder constitute a consideration compensating the lessee for the cost of adding the fixture to the land, and can afford no relief if the lessee sustains a loss by omission to remove it.

***State ex rel. Gisholt Machine Co. v Norsman*, 168 Wis. 442, 169 N.W. 429 (1918).** It was held that where the Gisholt Company installed certain heavy and light machinery on its own premises and which was connected to the building by power wires and belts and was not attached to floors by screws, but held in position by its own weight, was “real property” notwithstanding evidence that said company carried said machinery on its books as movable equipment and that the local assessor had properly assessed these articles as real estate.

***Hanson v Ryan*, 185 Wis. 566, 201 N.W. 749 (1925).** Where the plaintiff leased a portable garage to the tenant without the defendant’s (landlord) knowledge, failure to remove such portable garage on surrender of the possession of premises by the tenant at expiration of the lease does not forfeit the right of the plaintiff to remove the portable garage. The defendant, (landlord) is not a purchaser for value without notice.

***Anglo-American Mill Co. v Wis. Hydro-Electric Co. and Chetek Light and Power Co.*, 189 Wis. 120, 207 N.W. 276 (1926).** A tenant had leased a building, and by agreement with the landlord was to be permitted to install a new 13,000 pound flour roller mill in place of an old one which said tenant would remove. After two years the tenant gave up the lease, left the machinery in place and later the landlord sold the premises to the Wisconsin Hydro-Electric Co. There was an agreement between tenant and landlord that at the termination of the lease the new mill might be removed and the old machinery reinstalled.

This was not done and the question was, could the tenant’s assignee to the rights in the new mill maintain an action against the owner of the real estate for replevin of the said new machine. The court held that, “*From all physical appearance it was part of the plant, and, in the absence of any notice on the part of a purchaser of the premises, title to the mill passed to the purchaser by virtue of the deed of conveyance.*”

The court held that as between tenant and landlord...“*the mill clearly retained its character as personal property... In permitting the mill to remain upon the premises (the tenant) took the chance of losing his right to remove it if the premises were conveyed, and this right he did lose when the conveyance... was executed and delivered.*”

***Shields v Hansen*, 201 Wis. 349, 230 N.W. 51 (1930).** On the question of right of removal, intention at time of attaching fixtures is more important than attachment to soil or its adaptation for purposes. “The common law with reference to trade fixtures has been much modified in this country, so that the question of attachment to soil and adoption for the purpose is not considered of so much importance as the intention of the parties at the time of the attachment.” “The property when first leased, was entirely vacant, and it can be restored to its original condition by the removal of the tanks, building and concrete slab ... so that the premises will be in identical condition that they were when leased.”

“Accession to the realty must affirmatively appear, and the tenant needs no express stipulation in the lease to give him right to remove fixtures.”

Brunswick-Balke-Collender Co. v Franzke-Shiffman Realty Co. et al, 211 Wis. 659, 248 N.W. 178 (1933). Evidence showed that bowling alleys were placed in a building built expressly for such purpose and not usable without such alleys, but also hinged the decision on the fact that they were built into the building to remain a permanent part of it and were attached to the building by screws and nails and only removable by sawing them into pieces and removing the screws and nails, and that this was sufficient to support a finding that they were so affixed to the realty as to become a part thereof. The court went on to say that the fact that bowling alleys are commonly treated as personal property in dealings does not overcome the above presumption (that they should be considered as realty).

Standard Oil Co. v LaCrosse Super Auto Services, Inc., 217 Wis. 237, 258 N.W. 79 (1935). Tanks, pumps and concrete structures are held to be personal property removable by the tenant at end of the lease term.

American Laundry Machine Co. v Larson, et al, 217 Wis. 208, 257 N.W. 608 (1935). In reference to personal property which is attached to the realty and adopted to the use in which the realty is devoted, the fact that such property is subject to a chattel mortgage does not guarantee that it cannot be classified as part of the real property.

McCorkle v Robbins, 222 Wis. 12, 267 N.W. 295 (1936). It was held that where the mortgagor (owner) installed “*machines adapted to the purposes of and used in a soft drink manufacturing and bottling plant, which were not fastened to the floor or walls by bolts or screws but were kept in place by their own weight and attached to pipes and wires supplying water and electricity with the intention of continuing to operate the plant in manufacturing soft drinks, and which were assessed and taxed continuously as part of the realty, constituted fixtures passing with the realty to the mortgagee as against the mortgagor.*”

The McCorkle case also held that “*Although the question of whether machines installed in a manufacturing plant constitute fixtures is largely one of intent, such intent may be established where the machines were clearly adapted to (the realty), and were put by the owner of the machinery and the realty, to the use to which he devoted the realty and the installed machines as an entirety.*”

Old Line Life Insurance Co. of America v Hawn, 225 Wis. 627, 275 N.W. 542 (1937). Buildings erected by the tenant on farm property were removable at end of the lease term.

Auto Acceptance & Loan Corp. v Kelm, 18 Wis.2d 178, 118 N.W.2d 175 (1962). Where there was an agreement that the bar on the premises was part of the leasehold between tenant and landlord, erection of a new bar by the tenant without the landlord’s approval became real property not subject to chattel mortgage.

Wisconsin Department of Revenue v A. O. Smith Harvestore Products, Inc., 72 Wis.2d 60, 240 N.W.2d 357 (1976). Department of Revenue appealed from an order of the Circuit Court, Dane County, which affirmed a determination of the Tax Appeals Commission that a prefabricated metal silo was personal property and that sales of the silo's component parts by the manufacturer to dealers were not subject to the sales tax. The Supreme Court held that where the prefabricated, glass-walled silo structure stood 70 feet high and was 20 feet around, the silo weighed 35,000 pounds, the silo was attached and affixed to a concrete

foundation set in the ground specifically for that purpose, the silo was used to process fodder into silage, and thus was clearly adapted to the use to which farm realty is devoted, and the average farmer intends to make a permanent accession to his farm realty when purchasing such a silo. The silo was a fixture and sales of the silo's component parts from the manufacturer to dealers were subject to the sales tax.

In determining whether articles in a building are fixtures, three things should be considered:

1. Actual physical annexation including removability from the real estate without damage to the article being removed or to the realty from which it is removed.
2. The intention on the part of the person making the annexation to make the article a permanent part of the real estate.
3. Application or adaption to the use or purpose to which the realty is devoted.

The intention of the parties, number 2 above, has been held to be the principal consideration. When an owner of the land and buildings adds property, the owner's "intent" is judged by how the added property is adapted to the principle use of the land and buildings. In determining whether the annexor intended to make permanent accession to realty, the test to be applied is not the subjective intent of the actual annexor, but rather the objective intent of a hypothetical, reasonable person under similar circumstances. It was held that the objective intent of a hypothetical farmer in purchasing a silo was to create a permanent fixture which was not affected by facts supporting the defendant's contention that silos were financed under the Uniform Commercial Code as personalty and sometimes were traded in, since subjective agreements between the annexor and another had no bearing on the objective test and evidence of trade-ins supported the conclusion of permanence.

Uniformity of Assessments

The assessor is required to value all real estate "at the full value which could ordinarily be obtained therefor at private sale" (sec. [70.32](#), Wis. Stats.), and personal property "at their true cash value" (sec. [70.34](#), Wis. Stats.). The courts have interpreted these statutes to mean that the valuation must be completed in a uniform manner, but the assessed value placed on the roll may be a fraction of the market or cash value. When the assessed value is less than the market or cash value, the assessor must use the same percent of market value for all classes of real estate as well as all items of personal property. See [Section I, Article VIII](#) of Wisconsin Constitution as to uniform treatment of property taxation.

Knowlton v Board of Supervisors of Rock County, 9 Wis. 410 (1859). "When property is the object of taxation, it should all alike, in proportion to its value, contribute toward paying the expense of such benefits and protection. These are plain and obvious propositions of equity and justice, sustained as we believe by the very letter and spirit of the constitution. Its mandate, it is true, is very brief, but long enough for all practical purposes; long enough to embrace within it clearly and concisely the doctrine which the framers intended to establish, viz: that of equality. *'The rule of taxation shall be uniform,' that is to say, the course or mode of proceeding in levying or laying taxes shall be uniform: it shall in all cases be alike. The act of laying a tax on property consists of several distinct steps, such as the assessment or fixing of its value, the establishing of the rate, etc.; and in order to have the rule or course of proceeding uniform, each step taken must be uniform. The valuation must be uniform, the rate must be uniform. Thus uniformity in such a proceeding becomes equality; and there can be no*

uniform rule which is not at the same time an equal rule, operating alike upon all the taxable property throughout the territorial limits of the state, municipality or local subdivision of the government, within and for which the tax is to be raised.”

Dean v Gleason, 16 Wis. 1 (1862). *"It is a notorious fact that this has been the common practice of assessors in this state; and that property has usually been assessed in tax lists at less than half of the value at which it would generally be estimated. Whether such a practice can be sustained in point of strict law, we shall not now determine. But we think it a sufficient answer to an application for equitable aid, to say, that such an understanding on the part of the assessors, works no injustice to the tax payers of their district, assuming it to be faithfully carried out. It might operate to the injury of other taxing districts, by diminishing the aggregate valuation of the district where it was adopted, provided property in other districts, was assessed at its full value. But perhaps the only remedy for inequalities growing out of such a practice by assessors, is in the equalization by the state and county boards. But it is clear that such a practice works no injury to any individual in the district where it is adopted. His property bears the same proportion to the other taxable property, that it would if all were assessed at its full value, so that his tax is not affected by it. He is therefore suffering no wrong. He is called upon to pay only such a sum as he ought to pay. There is therefore no reason why equity should interfere to relieve him."*

Marsh v Board of Supervisors of Clark County, 42 Wis. 502 (1877). *“The exercise of taxing power must be upon a uniform rule; and it is only upon an equal assessment, as the foundation of uniform apportionment, that the taxing power can be put in operation... The constitution clearly implies uniform assessment of values as an essential prerequisite to taxes upon property ... and such a tax, to be valid under the constitution, must proceed upon a regular, fair, and equal assessment of the property to be taxed, made by the officers, in the manner and with the securities and solemnities provided by statute.”*

Walthers v Jung, 175 Wis. 58, 183 N.W. 986 (1921). *A taxpayer may not complain of a valuation which could ordinarily be obtained for his property at private sale unless there is such a general undervaluation as will result in an excessive tax to him, and such assessment cannot be impeached by comparison with less than 2 per cent. of the property in the district where it does not appear that improper considerations influenced the valuation of his property.*

“A taxpayer has no complaint when a valuation which could ordinarily be obtained therefor at private sale is placed upon his property, unless there is such a general undervaluation of the other property of the assessment district as will result in an excessive tax as to him.”

State ex rel. Baker Mfg. Co. v City of Evansville, 261 Wis. 599, 53 N.W.2d 795 (1952). *Section 70.32, Wis. Stats., requires real property to be valued at the “full value” which ordinarily could be obtained at a private sale. Section 70.34, Wis. Stats., provides that articles of personal property shall be valued at their “true cash value.” The court said, “In each class of property they presuppose a value at which a willing buyer and willing seller would deal.”*

The city claimed that there is a uniformity of taxation if one fraction of true value is applied to real estate and another fraction applied to personal property as long as there is uniformity within the class of property. The court viewed Section 1, Article VIII of the Wisconsin

Constitution, to require uniformity of taxation, according to the value of real and personal property without distinction. To assess real property at a different fraction of the value than personalty is error, discriminatory, and not in compliance with the constitution or with secs. 70.32 and 70.34, Wis. Stats.

***Gottlieb v City of Milwaukee*, 33 Wis.2d 408, 147 N.W.2d 633 (1967).** Section 66.409(1), Wis. Stats., authorized any local governing body to adopt an ordinance to allow a partial exemption of real property for up to 30 years where owned by a redevelopment corporation. This meant that such corporation would pay less than the full property tax which would normally be due regarding such property. This statute was held to be unconstitutional because it violated the uniformity requirements of Article VIII, Section 1 of the Wisconsin Constitution.

“For reasons that the legislature considered sufficient, the property of the redevelopment corporation is given preferential treatment and bears less of its tax burden on the true ad valorem basis than does other property. This law accomplishes its intended, but constitutionally prohibited, purpose—the unequal taxation of property. Property taxes where such a freeze is in force are not uniform in their impact on property owners. Such lack of uniformity is accomplished by a prohibited partial exemption from taxation. While it may be conceded, as contended by respondent, that, if the law accomplishes its purpose, new building may be stimulated and the tax base broadened to the extent that at some time in the future taxpayers not covered by the freeze might be benefited, nevertheless, the fact remains undisputed and undisputable that, if redevelopment corporations are assessed at a figure less than that which would be assigned to other taxpayers holding equally valuable property, other taxpayers will be paying a disproportionately higher share of local property tax. This is not uniformity.” The determination that a partial exemption for urban redevelopment corporations is unconstitutional has placed a cloud over the constitutionality of sec. 70.105, Wis. Stats. (assessment freezes) and sec. 70.11(24), Wis. Stats. These statutes, however, have not been tested in the courts. NOTE: secs. 66.409(1) and 70.11(24), Wis. Stats., have been repealed; however, the rationale of this decision still applies to sec. 70.105, Wis. Stats.

***State ex rel. Boostrom v Board of Review, Town of Linn, Walworth County*, 42 Wis.2d 149, 166 N.W.2d 184 (1969).** Evidence established that a reassessment was not made upon the statutory basis and there was a pattern of unequal underassessment of agricultural land as contrasted to residential land which resulted in an unequal burden of property taxation.

***Town of Menominee v Skubitz*, 53 Wis.2d 430, 192 N.W.2d 887 (1972).** Section 70.17, Wis. Stats. allowing improvements on leased lands to be assessed as either personalty or real property does not violate the constitutional “uniformity rule” on theory that real property is assessed at full value which could ordinarily be obtained therefor at private sale while personal property is assessed at true cash value, in absence of any contention that town had used different fractions in assessing the two classes of property.

***State ex rel. Hensel: Scotty Smith Construction Co. v Town of Wilson, Sheboygan County*, 55 Wis.2d 101, 197 N.W.2d 794 (1972).** “Under the rule of uniformity, the appellant should be allowed, as here, to demonstrate that, despite the fact that he has paid a fair price for the property, the assessments of comparable property were significantly lower and that this amounted to a discriminatory assessment of this property ...

The court must determine not only that the assessment is based upon fair market value of the real estate, but also that the assessment does not discriminate against a property owner even though his property has been acquired at a recent sale...

The factual record in this case was completely developed before the town Board. The Board took evidence relating to the comparable value of other property in the area. Thus, while the trial court affirmed the review board on too narrow a basis, there is still a full evidentiary record on the issue of comparable value to allow this court to review the record and determine if the evidence supports the trial court's determination.

As we have noted, the precise question in this case is not how the land was evaluated-that was based on the 1969 sale-but how the property was assessed once the evaluation was made. How were other lands of comparable location, zoning and use assessed? Extensive evidence was produced before the review board that shows beyond any question that other land which was used for farming was located in the same area, and that some of this land had the same zoning as appellant's land, yet it was assessed at between \$80 and \$400 an acre as compared with the assessment of part of appellant's land at the rate of \$1,000 an acre ...

There is no question but what other comparable lands in the immediate area were not assessed at anything like a comparable figure. There is no question that the assessment was improperly made and in violation of the rule of uniformity. The fundamental equity of the entire real estate property tax is based on the fairness of the assessment procedures, both as to the evaluation and the subsequent assessment."

State ex rel. Robert A. Levine, Ileen K. Levine, Russell Yale and Susan Yale v Board of Review of the Village of Fox Point, 191 Wis.2d 363, 528 N.W.2d 424 (1995). Must taxpayers whose properties were assessed at fair market value, but who object to their assessments on the grounds that other properties in the district were under assessed, present evidence that at least two percent of other properties in the tax district were under assessed?

The assessor clearly failed to use the best information available when he ignored the purchase price of certain older properties in assessing their value. The Wisconsin Constitution and sec. 70.32(1), Wis. Stats., require that property be assessed uniformly using the best information that the assessor can obtain. The assessor must value property involved in a recent arm's-length sale at its purchase price.

By using arbitrary and improper considerations in making the assessment, the assessor violated sec. 70.32(1), Wis. Stats., and committed an error of law. In this case, the assessor admitted that he did not rely on sale prices of certain older properties and that he used an "arbitrary" method for assessing older homes that resulted in their being assessed for an amount that was dramatically less than their subsequent sale values.

The decision in *Walthers* is not a "bright line" (strictly construed) two percent rule for determining whether taxpayers have met their evidentiary burden. Such a rigid rule would place an onerous burden on taxpayers who live in populous districts and a large financial burden on those who live in small districts.

In *Walthers*, the taxpayer argued that the assessed value of his property was too high relative to the assessment of certain other properties in the district. The only evidence presented was

testimony that nine other properties in the district were assessed at a lower value. No evidence was presented to show that the assessor used an arbitrary method or that improper considerations influenced the valuation. Nor did the taxpayer show the properties were assessed below market value or were comparable. The *Walthers* court sought to prevent taxpayers from selectively picking a few lower assessments and then complaining that their property was over assessed. The two percent figure was used as a method of underscoring the inadequacy of the evidence in that case and is tied to the facts of that decision.

The Levines and the Yales introduced ample evidence that improper considerations influenced the valuation of older properties in the tax district. It is difficult to fashion a remedy in this case in order to satisfy the mandate of uniformity. Ordering the Board to reassess the entire district for each of the years in issue would be too costly.

The Court, despite acknowledging that the action is at odds with the statute, ordered the Board to reassess the taxpayers' properties to harmonize with the lesser assessed values of older comparable properties.

***U. S. Oil Co., Inc., v City of Milwaukee*, 2011 WI App 4, 331 Wis.2d 407, 794 N.W.2d 904.** Where comparables are assessed differently, some using an income approach and the rest using a sales approach, the assessment is excessive under the Wisconsin Constitution's Uniformity Clause.

The oil terminal properties were physically adjacent, shared the same physical characteristics and features, served the same function and were used in the same fashion, so they were comparable properties. The City initially assessed all terminal properties relying on a 2002 sale of the subject. When one owner, U.S. Oil Company, appealed, in the course of that appeal the City reassessed its property using the income approach, causing the assessment on U.S. Oil's property to rise from \$6 million to \$14 million. Although the City could have reassessed the other properties using the income approach, it chose not to do so. The Wisconsin Constitution requires that the method or mode of taxing real property must be applied uniformly to all classes of property within the tax district. Because the assessor used a different methodology for comparable properties, U.S. Oil was unfairly singled out in violation of the uniformity clause.

Exemptions of Property

General

The largest portion of the court cases and legal opinions dealing with property tax concern the assessability of property. The assessor begins with the premise that all property both real and personal, is assessable. The only exceptions to this premise are the specific exemptions allowed by the legislature. The courts have interpreted exemptions strictly against the taxpayer, it is up to the individual requesting an exemption to prove that the property fulfills all the exemption requirements.

***Wisconsin Central R. Co. v Taylor County*, 52 Wis. 37, 8 N.W. 833 (1881).** The power to prescribe what property shall be taxed necessarily implies the power to prescribe what property shall be exempt.

State ex rel. Wisconsin Allied Truck Owner's Ass'n. v Public Service Commission of Wisconsin, 207 Wis. 664, 242 N.W. 668 (1932). Legislature can exempt an entire class of property from taxation, and make such class very narrow.

State ex rel. Thomson v Giessel, 265 Wis. 207, 60 N.W.2d 763 (1953). The legislature, subject only to constitutional restrictions and limitations, may exempt property from taxation and limit exercise of taxing power of municipal corporations.

Men's Halls Stores v Dane County, 269 Wis. 84, 69 N.W.2d 213 (1955). Plaintiff, which was a nonstock corporation whose members were students occupying a men's dormitory erected and owned by the University of Wisconsin and which was engaged in selling merchandise in a store in the dormitory to occupants of dormitories was not exempt from personal property taxation as an educational association which was an integral part of an educational institution, even though students who operated the store received experience and training of some educational value and corporate articles provided that profits would be used for literary and educational purposes beneficial to students occupying dormitories and that upon dissolution of the corporation its assets would go to the Men's Halls library.

The court felt that the main function was the selling of merchandise and only a very few people received any educational benefit. This was compared to publishing the student newspaper, where those publishing the paper as well as those purchasing the paper received the educational benefits.

It is use of property and not purpose of income there from that determines taxability of property which is asserted to be exempt from taxation.

State ex rel. Dane County Title Co. v Board of Review, City of Madison, 2 Wis.2d 51, 85 N.W.2d 864 (1957). All presumptions are against exemption from taxation and exemption will not be extended by implication. Tax exemptions are matters purely of legislative grace and one claiming such an exemption must point to an express provision granting such exemption and thus bring oneself clearly within the terms thereof. The basis for allowing an exemption can be found in one of the four criteria listed below:

1. **Ownership.** The property must be owned by an individual or group that is exempt from property tax such as the federal government.
2. **Use.** The property must be used by an individual or group that is exempt from property tax such as the personal property used by a nonprofit hospital.
3. **Taxes collected through other sources.** If the property is taxed through sources other than property tax, it is exempt from property tax. Common examples of this include: some occupational taxes, motor vehicles, and mobile homes subject to a parking fee.
4. **Ownership and use.** Sometimes property must be owned and used by the same individual or group to qualify for exemption, such as property owned and used exclusively by a labor organization.

***First National Leasing Corp. v City of Madison*, 81 Wis.2d 205, 260 N.W.2d 251 (1977).** Equipment leased by a corporation to a hospital was “used exclusively” by the hospital within the meaning of sec. 70.11(4m)(2), Wis. Stats., and was, consequently, exempt from property tax assessment. The municipality’s position was that the property was not “used exclusively” for hospital purposes because the leasing company does business for profit, takes depreciation on the leased property for income tax purposes, and has put the property up as collateral on a loan. In enacting the exemption, the legislature set as the only criterion that the property be “used exclusively” by a hospital; no weight was given to ownership or incidents of ownership, such as the right to take depreciation or use the property as loan collateral. Personal property is “used exclusively” for hospital purposes when it is in possession of the hospital and is operated only by authorized hospital personnel and only in connection with the regular activities of a hospital. It is irrelevant that an owner derives a profit or secures a benefit from the ownership. What is relevant is the fact that property is physically used exclusively by a hospital.

Property of the State

Section [70.11\(1\)](#), Wis. Stats., exempts all state owned property from property tax except for land sold on land contracts and land devised to the state while allowing the grantor or others the benefit of the land. The exempt status of acquired property depends on the date the property was acquired. The controlling date for determining the taxability of newly acquired land by the state is the January 1 assessment date.

Submerged land under navigable water is owned by the State of Wisconsin and exempt under sec. [70.11\(1\)](#), Wis. Stats. However, the submerged land under an artificially created lake on privately owned property is not vested with the State of Wisconsin and therefore is assessable to the property owner.

1912 Opinion of Attorney General 989. Lands held by the state under a contract of purchase by which the state agreed absolutely to pay for such land, was not taxable even though the state contracted with the vendor to pay all taxes assessed on the land.

20 Opinion of Attorney General 352 (1931). Under a land contract to the state deferring the right of possession until the following year, the vendor was obligated to pay taxes for the year the vendor remained in possession, but if the vendor failed to pay such taxes the county could collect them from the state under sec. 74.57, Wis. Stats., by filing a claim with the land commissioners, and the state would have cause of action against the grantor for breach of warranty against encumbrances.

20 Opinion of Attorney General 1202 (1931). Where the sale of escheated property was made by the commissioners of public lands, title did not pass until the entire purchase price was paid and deed issued, and such property was not taxable so long as the title thereto remained in the state although the purchaser had made a down payment on the purchase price.

***F. F. Mengel Co. v Village of North Fond du Lac*, 25 Wis.2d 611, 131 N.W.2d 283 (1964).** Steel which was used in the construction of a highway under contract with the state but which had not been accepted by state or paid for so as to be appropriated by the state was

not exempt from personal property taxes assessed by the village in which the steel had been unloaded. The grounds for the exemption request had been that it was impressed with trust for use and benefit of the state.

Municipal Property and Property of Certain Districts - Exception

Section [70.11\(2\)](#), Wis. Stats., exempts from property tax “Property owned by any county, city, village, town, school district ... Ownership is the deciding factor with municipal property exemption. This section goes on to state that “but any residence located upon property owned by the county for park purposes that is rented out by the county for a nonpark purpose shall not be exempt ... this exemption shall not apply to land conveyed after August 17, 1961, to any such governmental unit or for its benefit while the grantor or others for his or her benefit are permitted to occupy the land or part thereof in consideration for the conveyance.” This statement refers to the previously discussed concept of beneficial ownership. The courts have decided in both the *Shoup Voting Machine* and *Mitchell Aero* cases that use and control of property, not necessarily title, decide ownership for exemption purposes.

4 Opinion of Attorney General 379 (1915). Property owned by a city is exempt from taxation under sec. 70.11(2), Wis. Stats., and the fact that the land is located in a different county from that of the city makes no difference.

***Mitchell Aero Inc v City of Milwaukee*, 42 Wis.2d 656, 168 N.W.2d 183 (1969).** The word “owned” within the statute exempting from taxation property owned by any county means real or true ownership and not paper title only.

An airport tenant which had constructed hangers at its own expense on land leased from the county had sufficient “ownership” to sustain taxation of hangers by the city, notwithstanding the facts that legal title to the hangers was in the county, that no modification of hangers could be performed by the tenant without written consent of the county, and that use of the hangers was restricted by lease and subject to approval of the airport director. Such control as the county keeps over these hangers is not indicative of true ownership but concerns the operation of the airport.

***City of Milwaukee v Shoup Voting Machine Corp.*, 54 Wis.2d 549, 196 N.W.2d 694 (1972).** Provision of the city charter allowing the city to lease, purchase, and hold real or personal estate sufficient for the convenience of its inhabitants, allowing it to sell and convey the same, and providing that the same shall be free from taxation was not repealed or superseded by the enactment of chapter providing the basis on which general property, both real and personal, may be taxed.

Voting machines leased by the city were exempt from taxation under provisions of city charter, since the charter provides that personal property leased by the city for the convenience of its inhabitants shall be free from taxation, and since the voting machines were personal property, were leased by the city, and were for the convenience of its inhabitants on election days.

The city was the beneficial owner of the voting machines for purposes of the state ad valorem tax, where, inter alia, the voting machines were leased to the city under a 10-year lease,

where, at end of the first four years, the city could terminate with a 60-day written notice, where, after an initial 4-year period, that lease was deemed in effect for additional 2-year periods, where the lessor had no right to terminate the lease, and where the city had the option of electing to purchase the machines with the rental payments to apply on the purchase price.

The person who provided insurance was an important consideration in determining the beneficial ownership of the voting machines leased by the city, but it was only one of several factors to be considered and a disregard of it did not prevent a valid determination of beneficial ownership.

Educational, Religious and Benevolent Institutions, Women's Clubs, Historical Societies, Fraternities, Libraries

Many of the legal questions about exemptions deal with the interpretation of sec. [70.11\(4\)](#), Wis. Stats. The following court cases and legal opinions are designed to serve as a guideline for the assessor. The assessor should also review the material in Chapter 20.

Whether a property qualifies for exemption depends on the specific facts regarding each property. The assessor must determine exemptions on a case-by-case basis.

Educational

***Engineers and Scientists of Milwaukee, Inc. v City of Milwaukee*, 38 Wis.2d 550, 157 N.W.2d 572 (1968).** The property was owned by a nonprofit, nonstock corporation. The purpose of the organization was the continuing education and professional advancement of engineers and scientists. The court ruled that such activities are not “traditional” educational activities, and therefore, the organization is not exempt.

***National Foundation of Health, Welfare & Pension Plans, Inc. v City of Brookfield*, 65 Wis.2d 263, 222 N.W.2d 608 (1974).** To qualify as an “educational association”, an organization must meet five criteria:

1. It must be an educational association.
2. The property must be owned and used exclusively for the purpose of the association.
3. The property must be less than 10 acres.
4. The property must be necessary for the location and convenience of buildings.
5. The property must not be used for profit.

***International Foundation of Employee Benefit Plans, Inc. v City of Brookfield*, 100 Wis.2d 66, 301 N.W.2d 175 (1981).** The Supreme Court upheld an Appeals Court ruling that the foundation organized to educate trustees of employee welfare and pension plans is not engaged in “traditional” education. Therefore, it is not entitled to exemption as an education association.

“Traditional” education includes systematic instruction, formal or informal, directed to an indefinite class of persons; benefits the general public directly; is of a nature that would ordinarily be provided by the government in that it lessens the government burden; and is the primary, rather than incidental, purpose of the organization. “Traditional” education does

not include continuing education or education for the professional advancement of its members.

***Janesville Community Day Care Center, Inc. v Spoden*, 126 Wis.2d 231, 376 N.W.2d 78 (1985)**. This case involved a non-profit day care center that sought exemption as an educational association. It made daily use of structured instructional programs. These programs were administered by a staff of teachers who had post-secondary education in early childhood training. In addition, an educator from the Janesville school system testified to the educational value of this educational program.

The court ruled that the Day Care Center met the five criteria for exemption as an “educational association” including providing “traditional” educational activities.

***Kickers of Wisconsin, Inc. v City of Milwaukee*, 197 Wis.2d 675, 541 N.W.2d 193 (Ct.App.1995)**. Appeal and cross-appeal from the Circuit Court for Milwaukee County: Affirmed. Does Kickers of Wisconsin, Inc. (Kickers), a youth soccer association, qualify as an “educational association” entitled to property tax exemption under sec. 70.11(4) Wis. Stats? In considering whether Kickers is entitled to an exemption under sec. 70.11(4), Wis. Stats., we are guided by certain principles:

“Taxation is the rule and exemption from taxation is the exception. Tax exemption statutes are matters of legislative grace and are to be strictly construed against the granting of an exemption. A strict construction does not mean the narrowest possible reading, however. Rather, the statute should be construed in a ‘strict but reasonable’ manner. The party claiming the exemption must show the property is clearly within the terms of the exception and any doubts are resolved in favor of taxability.”

Trustees of Indiana Univer. v Town of Rhine, 170 Wis.2d 293, 299, 488 N.W.2d 128, 130 (Ct. App.1992) (Citations omitted). Further, “[a]n exemption from taxation must be clear and express. All presumptions are against it, and it should not be extended by implication.” *Janesville Community Day Care Ctr., Inc. v Spoden*, 126 Wis.2d 231, 233, 376 N.W.2d 78, 80 (Ct. App.1985) (citation omitted). Finally, “the burden of proving an entitlement to a tax exemption is on the party seeking the exemption.” *Friendship I*, 181 Wis.2d at 219, 511 N.W.2d at 350.

To qualify for the property tax exemption under sec. 70.11(4), Wis. Stats. Kickers must satisfy five criteria. We conclude that Kickers does not qualify as an “educational association.” A two-step test determines whether Kickers is an “educational association.”

Step One: The organization and its property must be substantially and primarily devoted to educational purposes. Although Kicker’s activities do indeed carry important educational values in many ways, their programs, as measured by their own summary judgment submissions describing its programs, conclude that Kickers is “substantially and primarily devoted to” recreational purposes.

Step Two: The organization’s educational activities must be “traditional,” in the sense that their benefits are in the general public interest and are available to an indefinite class. Although Kickers provides carefully structured programs comparable to those that the Wisconsin Department of Public Instruction requires of public school physical education programs, and although that may further support Kicker’s undisputed claim to educational

value for its programs, that does not qualify Kickers as an educational association any more than a school's physical education department, independent of the school's other programs and academic curriculum, would necessarily qualify as an educational association. The trial court correctly granted summary judgment to the City.

Religious

Where the whole property is devoted to the purposes of the exempt organization, occasional uses for gain will not destroy the exemption. However, if the property is used substantially for gain, the exemption will be lost, even if all of the profits are devoted to the exempt organization's purposes. The lease income derived from a specific building may not exceed the maintenance and construction debt retirement of that specific building to preserve the exemption.

13 Opinion of the Attorney General 291 (1924). A parsonage owned and occupied by a minister is not exempt from taxation. The parsonage must be owned by the church to be exempt from property tax.

State ex. rel. State Association of Y.M.C.A. of Wisconsin v Richardson, 197 Wis. 390, 222 N.W. 222 (1928). The 10 acre exemption for a religious association applies to each municipality in the State.

Madison Particular Council of St. Vincent De Paul Society v Dane County, 246 Wis. 208, 16 N.W. 2d 811 (1944). The Society consists of members of the Roman Catholic Church. Its purpose is to provide necessities without cost to poor persons who are unable to pay for them, and its net income is devoted wholly to that end.

The Society receives gifts of clothing, furniture, and discarded articles of all sorts. The articles are distributed to the poor so far as they have need for the articles. The articles not required by the needy are sold to the public. The proceeds of these sales and any contributions are used to buy articles not contributed for which poor persons have need.

The court ruled that such sales to the public were "incidental" and the proceeds of the sales were used to further the Society's religious or benevolent purpose. Therefore, the property is exempt.

Evangelical Alliance Mission v Williams Bay, 54 Wis.2d 187, 194 N.W.2d 646 (1972). Under sec. 70.11(4), Wis. Stats., exempting property owned and used for housing for pastors and their ordained assistants, members of religious orders and communities, and ordained teachers, "housing" means shelter or lodging.

A religious association owned a duplex house and two lots. It was used for rest and recreation of missionaries and employees of the Mission. This qualifies for exemption as "housing."

Midtown Church of Christ, Inc. v City of Racine, 83 Wis.2d 72, 264 N.W.2d 281 (1978). A parsonage occupied by a pastor's widow is not exempt from property taxes. Section 70.11(4), Wis. Stats., exempts church-owned property that is not used for profit and that is occupied by pastors, their ordained assistants, members of religious orders and communities, or

ordained teachers.

The church contended that the pastor's widow met this criteria because the church designates all of its members "missionaries" or "members of a religious order and community." Including all members of the church would be inconsistent with the statutory purpose of exempting housing occupied by persons whose employment is integral to the functioning of the church.

***Dominican Nuns v City of La Crosse*, 142 Wis. 2d 577, 419 N.W.2d 270 (1987).** The order maintained a convent on the property from 1953 to December, 1983, when it moved its headquarters and all its members to new facilities in another part of the country. The order continued to maintain heat and electric service at the property and arranged for its continued maintenance until it was sold on December 31, 1985. The assessor placed the property on the assessment roll for the years of 1984 and 1985.

The order argued that the property was exempt as "exclusively used" for religious purposes because: (1) it stored some maintenance tools and lawn implements there; (2) it retained a groundskeeper to maintain the property; (3) it had the property listed for sale; and (4) it maintained a mortgage on the property.

The court ruled that the property was not being "used" for any of the order's regular activities or benevolent purposes. Heating the property, keeping it in repair, listing it for sale, and maintaining a mortgage did not make the property "exclusively used" for religious purposes. The former convent was vacant, and premises which are "wholly vacant and unoccupied" do not qualify for exemption.

***Wauwatosa Ave. United Methodist Church v City of Wauwatosa*, 2009 WI App 171, 321 Wis.2d 796, 776 N.W.2d 280.** Property housing a church custodian does not qualify as exempt property. Only property used as housing for the four categories of persons listed in the statute is exempt. The categories are pastors, their ordained assistants, members of religious orders and communities, and ordained teachers.

The appeals court also upheld the circuit court ruling that the onus for proving exemption status is on the property owner and that the city's failure to include the property on the roll in previous years did not change the fact that it should be taxable.

The appeals court also ruled that sec 74.35 Wis. Stats., relates exclusively to the procedure for obtaining a return of tax money paid and is not a procedure for determining whether a property is taxable or exempt.

Benevolent

In some instances, retirement homes can qualify for exemption as a nonprofit, benevolent organization. The articles of incorporation must provide for proper disposition of assets in the event the corporation is dissolved. For example, the assets should be turned over to another nonprofit, benevolent organization.

In order to qualify for an exemption, the property owned and used exclusively by the qualifying organization cannot be vacant and unused on the assessment date.

When computing acreage for exemptions with acre limits, land for the “convenience of buildings” must be included in the computation. It is not permissible to use just the land under each building.

***Methodist Episcopal Church Baraca Club v City of Madison*, 167 Wis. 207, 167 N.W. 258 (1918).** A church organized a club to provide for Bible study and to promote religious, social, and moral culture. It maintains a clubhouse as a home for its members and also serves meals. The club rented rooms to nonmembers when not desired by members and operated a public cafe.

Its benevolent activities consisted of securing positions for a few young men and in furnishing an inconsequential number of free meals. The court stated that this was insufficient to qualify as a benevolent association. The dominant purpose of the club was to furnish a home and meeting place for its members. While this purpose was laudable and wholesome, it was not considered benevolent.

***Catholic Woman’s Club v City of Green Bay*, 180 Wis. 102, 192 N.W. 479 (1923).** In determining whether an organization qualifies for exemption under sec. 70.11(4), Wis. Stats., it must not only be judged by its declared objectives, but also by what it actually does.

***Order of Sisters of St. Joseph v Town of Plover*, 239 Wis. 278, 1 N.W.2d 173 (1941).** A benevolent institution does not lose its exemption on the ground that it attempts to operate at a profit. But as the profit made by these institutions, if any, is payable to nobody, but is only turned back into improving facilities or extending the benevolence in which the institutions are primarily engaged, the profit element becomes immaterial.

***Prairie du Chien Sanitarium Co. v Prairie du Chien*, 242 Wis. 262, 7 N.W.2d 832 (1943).** To qualify for exemption, an association claiming to be a “benevolent association” must use its property so that it is free from any connection with profits accruing to those owning it.

A group of doctors owned a hospital. The doctors receive no salary from the hospital. However, they receive rent free use of offices and other hospital facilities. The articles of incorporation say that the institution is a benevolent association.

The court denied the exemption. It ruled that the hospital was maintained for the convenience and profit of the managing doctors in the practice of their profession. The articles of incorporation do not control whether the association is exempt. The actual financial setup of the hospital determines if the property meets the criteria for exemption.

***Hahn v Walworth County*, 14 Wis.2d 147, 109 N.W.2d 653 (1961).** An individual held title to the property as a trustee for a corporation. The corporation is a nonprofit educational and benevolent association incorporated under the laws of another state. The corporation is considered the beneficial owner of the property. If the association meets the requirements of sec. 70.11(4), Wis. Stats., it is entitled to exemption as an educational and benevolent corporation.

***Milwaukee Protestant Home for the Aged v City of Milwaukee*, 41 Wis.2d 284, 164 N.W.2d 289 (1969).** To qualify for exempt status as a benevolent association, three tests must be met: (1) The organization must be a benevolent association; (2) The property must be used exclusively for the purposes of such association; and (3) The real and personal property must not be used for pecuniary profit.

The Milwaukee Protestant Home had operated since 1884 “to own and operate a residence and nursing home for aged persons and to do and perform any and all acts as may be necessary to the furtherance of such purposes.” Its articles of incorporation provided that no part of its net earnings shall be used for the benefit of or be distributable to its members, directors, officers or any private shareholders or individual.

In 1963, it opened an addition partially funded by a loan from its endowment fund. To repay this loan, initial residents of the addition were required to pay a founder’s fee plus a monthly occupancy charge. These proceeds are to be paid into the endowment fund to cover the outstanding loan and the annual operating expenses.

The court found that the operating of a non-profit retirement home for the aged is a benevolent purpose. The property is used exclusively for the purposes of the organization.

The challenge is does the fact that the founder’s fee and occupancy charges exceed the present operating costs of the addition mean that the addition is operating “for pecuniary profit”? The court ruled that the founder’s fee and the occupancy charges paid by the residents are used solely to carry out the corporate purpose: i.e., operating a home for the aged. In this case, the fact that there is some present margin of income does not make the organization taxable. Where there is no element of gain to anyone and where all of the net income is devoted exclusively to carrying on the benevolent purposes of the institution, there is not an operating for “pecuniary profit.”

66 Opinion of the Attorney General 232 (1977). The Opinion commented on the criteria for exemption as a retirement home established by the Milwaukee Protestant Home case. The Milwaukee Protestant Home case established three criteria: (1) the organization must be a benevolent association; (2) the property must be used exclusively for the purposes of the association; and (3) the real and personal property must not be used for pecuniary profit.

The Opinion went on to state that in order to qualify as “benevolent”, the persons benefited need not be objects of charity but the classification must have some limits, i.e., to help retired persons of moderate means live out their remaining years. Further, all phases of the operation of any such retirement home should have the common denominator of serving aged and retired persons. Also, there must be a significant age limitation as to occupant eligibility.

***St. John's Lutheran Church v City of Bloomer*, 118 Wis.2d 398, 347 N.W.2d 619 (Ct. App. 1984).** The church organized St. John's Lutheran Foundation, Inc. to operate a home for the aged. The City argues that, because the residents do not receive rental discounts or services without charge, no benevolent aid is provided and the home is not entitled to exemption. In addition, the City argued that the facility is not exempt because it does not provide nursing care.

The court ruled that based on Milwaukee Protestant Home, the property is exempt. The fact that neither rental discounts, services without charge, benevolent aid, nor nursing services are provided does not change the benevolent purpose and character of the organization.

The failure to include the word "benevolent" in the articles of incorporation does not affect the exemption. It is the facts as a whole that determines whether the property is exempt.

The court also ruled that provision in the articles of incorporation for distribution of its remaining assets upon dissolution to one or more organizations which are exempt under Section 501(c)(3) of the Internal Revenue Code satisfies the requirement that the assets not be used for pecuniary profit. It is not necessary that these organizations also be exempt from property taxation.

***Deutsches Land, Inc. v City of Glendale*, 225 Wis.2d 70, 591 N.W.2d 583 (1999).**

City appealed from judgment of the Circuit Court, Milwaukee County, declaring that certain real property owned by a benevolent association devoted to the advancement of German culture was either wholly or partially exempt from general property taxes. The Court of Appeals, reversed, and association petitioned for review. The Supreme Court, held that: (1) generalized assertions of association members about association's use of park was insufficient to establish association's actual benevolent use of park relative to its total use; (2) as a matter of first impression, tax exemption statute's preamble would allow exempt organization to lease a part of its property to a for-profit organization and maintain exemption on non-leased part; (3) unsupported observations and recollections of general manager of bar and banquet facility was insufficient to support partial tax exemption of building; and (4) soccer fields were not necessary for the location and convenience of any building that qualified for a tax exemption. Beginning in 1993, Deutsches Land sought an exemption from Wisconsin property taxes under sec. 70.11, Wis. Stats.

Deutsches Land sought a full exemption for its soccer fields and Old Heidelberg Park and a 25% exemption for the Bavarian Inn building for the years 1993 through 1995. The City of Glendale denied the applications for exemption and Deutsches Land filed suit in the Milwaukee County Circuit Court. The court ruled Deutsches Land was entitled to a full exemption on the soccer fields and Old Heidelberg Park and a 25% exemption for the Bavarian Inn building.

Glendale appealed to the Court of Appeals and the decision was reversed. The Court of Appeals determined Deutsches Land did not meet the "used exclusively" requirement of sec. 70.11(4). Wis. Stats. As a result, Deutsches Land could not receive an exemption for Old Heidelberg Park and the Bavarian Inn. Based on the same subsection, the court ruled there was no evidence in the record that the soccer fields were necessary for the location and convenience of any building that was exempt from taxation. The Court of Appeals held that Deutsches Land was not entitled to a real property tax exemption on any of its property.

Deutsches Land appealed to the Wisconsin Supreme Court to rule that it was entitled to an exemption from real property tax. Deutsches Land did not offer sufficient evidence to support its requested exemptions from property taxes for the years 1993 through 1995. Deutsches Land must show its actual exempt use to sustain its burden of proof. A benevolent organization must detail its use of the property for tax assessors to determine what types of activities occur on the property.

Benevolent organizations may seek exemption from property tax for up to 10 acres provided they satisfy the conditions stated in the statute. Deutsches Land did not meet its burden of proof.

The taxation of property is the rule and exemption is the exception. The Supreme Court on previous cases has ruled that an organization must show three facts to qualify for a total exemption under sec. 70.11(4), Wis. Stats. The organization must prove the following: 1) they are a benevolent organization; 2) it owns and exclusively uses the property, and 3) it uses the property for exempt purposes.

Deutsches Land is not entitled to an exemption on the soccer fields. Sec. 70.11(4), Wis. Stats., does not allow exemptions for “buildings necessary for the location and convenience of lands.”

To determine if there is a partial exemption, organizations must meet the criteria set forth in the preamble to sec. 70.11, Wis. Stats. The preamble lists the conditions under which exemption organizations may lease their property and maintain their exempt status. The conditions are: 1) if the lessor uses all of the leasehold income for maintenance of the leased property, construction debt retirement of the leased property or both and, 2) if the lessee would be exempt for taxation under this chapter if it owned the property. Deutsches Land is not an exempt organization, and is not entitled to a partial Exemption for Waldhaus or the Bavarian Inn. Deutsches Land did not provide documentation to support its partial exemption claim.

Columbus Park Housing Corporation v City of Kenosha, 2003 WI 143, 267 Wis.2d 59, 671 N.W.2d 633. The Supreme Court reversed the Court of Appeals decision. Taxpayer, a nonprofit organization that rehabilitated and provided low-income housing commenced action seeking to recover property taxes for one year and requesting declaratory judgment that properties were exempt. The Circuit Court, Kenosha County, granted taxpayer's motion for summary judgment. City appealed. The Court of Appeals affirmed. City appealed. The Supreme Court held that: (1) taxpayer did not meet lessee identity required for tax exemption because individuals to whom taxpayer rented units would not qualify as tax exempt if they owned the property; (2) lessee identity condition in preamble does not apply only if a benevolent association leases to a for-profit business entity; and (3) taxpayer was not entitled to tax exemption as a matter of public policy.

Kenosha raised three issues on appeal. However, the Supreme Court only addressed the following:

“(1) whether a benevolent association satisfies the lessee identity condition in the preamble of Wis. Stats., §70.11 when it rents property to low-income individuals participating in Section 8 of the Federal Fair Housing Act;...” The Supreme Court did not address the two remaining issues since Columbus Park did not satisfy the lessee identity condition in the preamble of sec. 70.11, Wis. Stats.

Kenosha sought review of the Court of Appeals decision granting a summary judgment affirming Columbus Park's property tax exemption. Kenosha argued Columbus Park does not meet the lessee identity condition in the preamble to sec. 70.11, Wis. Stats. Both parties agree that Columbus Park is a benevolent association under sec. 70.11(4), Wis. Stats. The parties also agree the low-income tenants would not qualify for a property tax exemption if they owned the property.

The Court held Columbus Park did not satisfy the lessee identity condition in the preamble of sec. 70.11, Wis. Stats. The property is taxable since the condition was not met. The Court stated when tax exemptions are reviewed, taxation is the rule and exemption is the exception as required by sec. 70.109, Wis. Stats. The Court applies a "strict but reasonable" interpretation to exemption statutes. The Court does not have the authority to determine policy related to property tax exemptions. Property tax exemptions "... exist purely by virtue of "legislative grace."

NOTE: As a result of the Supreme Court decision, the legislature enacted 2003 Wisconsin Act 195. Act 195 changing the language in the introduction on sec. 70.11, Wis. Stats., to read "... and except for residential housing,..." This language allows property leased for residential housing to maintain its property tax exemption.

University of Wisconsin Medical Foundation, Inc. v City of Madison, 2003 WI App 204, 267 Wis.2d 504, 671 N.W.2d 292. The Court of Appeals affirmed the Circuit Court's judgment dismissing the University of Wisconsin Medical Foundation, Inc. (Foundation) exemption claim. The Foundation claims it is exempt from property taxes as:

- a benevolent association under sec. 70.11(4), Wis. Stats., and as
- a nonprofit organization performing medical research, education of physicians or treatment of deserving destitute individuals under sec. 70.11(25), Wis. Stats.

The University of Wisconsin established the Foundation in 1995 to improve the administration of the medical school. The Foundation is a non-stock, nonprofit corporation required to operate exclusively for charitable, education and scientific purposes. It is prohibited from carrying on a trade or business for profit and from distributing any earnings or profit for the benefit of any private individual.

In 1998, the Foundation purchased the Physicians Plus Medical Group for \$8,000,000 including seven clinics in Madison and a staff of approximately 225 doctors and 1,100 other employees. This acquisition made the Foundation one of the 10 largest practice groups in the nation. Approximately 98% of the patients paid for their treatment through personal funds, private insurance or government programs. The Foundation provided services at its Madison clinics at a reduced rate or free for 2% of their patients. Research and educational activities were carried out at some of the clinics, however detailed records on these activities were not kept.

The Foundation requested property tax exemptions for 1998 and 1999 from the City of Madison (City) for its clinics, administrative buildings, parking facilities and personal property acquired when it purchased Physicians Plus. The City denied the request and levied property taxes of approximately \$900,000 per year on the properties and the Foundation paid the taxes. In 2000, the Foundation filed a claim against the City to recover the property taxes

based on its claim that the properties should be exempt under secs. 70.11(4) & (25), Wis. Stats. The City moved for a summary judgment stating the Foundation did not use the properties “exclusively” for exempt purposes as required.

In making its decision the court stated real and personal property is presumed taxable under sec. 70.109, Wis. Stats. The Foundation did not meet their burden to prove the properties were used exclusively under secs. 70.11(4) or (25), Wis. Stats. The court granted the City’s request for a summary judgment on the Foundation’s claim for exemption under secs. 70.11(4) or (25), Wis. Stats.

Marshfield Clinic v City of Eau Claire and Al Andreo, City Assessor, 2004 WI App 21, 269 Wis.2d 542, 674 N.W.2d 680. The Court of Appeals affirmed the Eau Claire County Circuit Court decision denying Marshfield Clinic’s request for a property tax refund. The Clinic has not proved it uses its property exclusively for benevolent purposes under secs. 70.11(4) and 70.11(25), Wis. Stats.

The Marshfield Clinic operates three health care clinics in Eau Claire. Marshfield is exempt from federal income taxes as a nonprofit corporation. Marshfield filed suit against the City and the City assessor requesting a refund of property taxes for 2000 and 2001. Marshfield claims it is exempt from property taxes under sec. 70.11(4), Wis. Stats. The Eau Claire Circuit Court denied the request and ruled Marshfield did not meet its burden to prove it is a benevolent association, it owns and exclusively uses its property, and uses its property exclusively for benevolent purpose.

Northwest Wisconsin Community Services Agency, Inc. v City of Montreal, 2010 WI App 119, 328 Wis.2d 760, 789 N.W.2d 392. The plaintiff, a benevolent association, sued the city under section 74.35 to recover property taxes assessed on property it rented to low-income individuals. It also sought a declaration it was exempt from property taxes. The city failed to file a timely answer. The circuit court entered default judgment, ordering the refund and declaring the plaintiff was exempt from future property taxes for the property.

The court of appeals reversed the judgment in part, holding the circuit court exceeded the scope of its authority when it granted taxpayer prospective tax relief, pursuant to statute authorizing recovery of unlawful taxes, by exempting taxpayer from future payment of taxes applicable to its low-income rental housing. The statute only authorized court to order return of taxes already paid, not taxes that might be assessed in the future, and in ruling as it did, court improperly usurped the legislature’s prerogative to establish criteria governing tax exemptions. The court reasoned that tax-exempt status is not automatic but is subject to continuing review. Because the legislature is empowered to change the criteria for tax exemptions in any legislative session, the court of appeals concluded that the circuit court erred by declaring the plaintiff’s property exempt from property taxes in future years. A taxpayer’s status from the previous year, as owner of real property that was exempted from general property taxes, is not automatic but subject to continuing review.

Beaver Dam Community Hospitals, Inc. v City of Beaver Dam, 2012 WI App 102, 344 Wis. 2d 278, 822 N.W.2d 491. The law does not require facilities licensed under Ch. 50, Wis. Stats. (e.g. hospitals, hospices, nursing homes, community-based residential facilities and certain other facilities) that are owned by a nonprofit to be used for benevolent activities in

order to qualify for an exemption under. § 70.11(4)(a). In 2009 and 2010, the City of Beaver Dam assessed taxes on real and personal property used for Eagle's Wings, a community-based residential facility licensed under Chapter 50 of the Wisconsin Statutes and owned by a tax-exempt nonprofit corporation, the Beaver Dam Community Hospitals. The hospital contested the assessments and sought a refund of taxes paid, asserting that the facility was exempt under sec. 70.11(4)(a), as a Chapter 50 facility owned by a nonprofit entity. The circuit court agreed with the hospital, and the City appealed. On appeal, the City argued that the exemption applied only to benevolent associations. Because there was no showing of "benevolent use" of the facility, the City asserted it was not exempt. The Court of Appeals rejected this argument.

Section 70.11(4)(a) exempts:

Property owned and used exclusively by churches or religious, educational or benevolent associations, *or by a nonprofit entity that is operated as a facility that is licensed, certified, or registered under ch. 50*, including benevolent nursing homes but not exceeding 10 acres of land necessary for location and convenience of buildings while such property is not used for profit.

The court found that the plain language of the statute meant that no benevolence was required of entities licensed under Chapter 50. The City argued that the phrase "including benevolent nursing homes" was meant as a clause of limitation that required those licensed under Chapter 50 to be benevolent as well. The court disagreed, noting that Wisconsin courts have repeatedly held that "include" is a term of illustration or inclusion, not one of limitation or exclusion.

Regency West Apartments, LLC v City of Racine, 2016 WI 99, 372 Wis.2d 282, 888 N.W.2d 611. In an action brought by the owner of an apartment complex subject to low income housing credits to recover refunds for claimed excessive taxation, the Wisconsin Supreme Court granted the owner's petition for review. Specifically, the Court held that : (1) the income approach required calculation of net operating income based on income and expenses specifically projected for the complex; (2) appraiser could not derive the capitalization rate from market-rate properties; (3) sales of three properties were not "reasonably comparable" arms-length sales as required for assessor to rely on the sales when assessing the apartment complex; and (4) evidence was sufficient to meet burden of showing that city's assessed value was excessive.

Nonprofit Hospitals

Section [70.11\(4m\)\(a\)](#), Wis. Stats. exempts from the property tax real property owned and used, and personal property used exclusively for the purpose of any hospital of 10 beds or more devoted primarily to the diagnosis, treatment, or care of the sick, injured, or disabled, which hospital is owned and operated by a corporation, voluntary association, foundation, or trust, no part of the net earnings of which goes to the benefit of any shareholder, member, director, or officer.

This statute denies an exemption to any hospital which is operated principally for the benefit of or as an adjunct to the private practice of a doctor or group of doctors. In addition, any part of a nonprofit hospital that is used for commercial purposes, such as a doctor's office or a for-

profit pharmacy, is taxable.

***St. Joseph's Hospital Ass'n. v Ashland County*, 96 Wis. 636, 72 N.W. 43 (1897).** An association incorporated by members of a Roman Catholic religious order, without capital stock, for the purpose of conducting a hospital where the sick and maimed of all classes of persons, without distinction on account of race, religion, or position in life, are received and treated, with or without charge, according to the ability of the patient, and which permits no dividends or pecuniary profits to be paid to the members of the order, but loans, without interest, the money received in excess of expenses to other organizations of the same character, is a "benevolent association."

22 Opinion of Attorney General 749 (1933). A nonstock hospital, the articles of which provide for no dividends or pecuniary profits to members and which excludes no one because of poverty, is a "benevolent association" and exempt from taxation.

***Riverview Hospital v City of Tomahawk*, 243 Wis. 581, 11 N.W.2d 188 (1943).** A hospital which a physician established for personal convenience and for a nominal consideration was conveyed to a nonprofit corporation, which the physician organized in such a way as to retain control of the hospital and use it for greater profit in the practice of the profession, was not operated by a "benevolent association" so as to be exempt from taxation under statute, even though the hospital received all patients regardless of ability to pay and operated at a loss which was made up by the physician.

Provisions of articles of incorporation are not controlling in determining whether a corporation is a benevolent association entitled to tax exemption, but the court will consider the close connection between donor and donee and reserved power of control by donor over the institution and its capability of enabling the donor to harvest the returns flowing from the combination of the institution and private practice.

Whether a hospital is operated by a "charitable organization" entitled to statutory tax exemption is to be determined from the relationship between the hospital and its actual owner, the test being its origin and the objects of its organization, its complete dedication to charitable purposes, and absolute divorce from gain to those controlling ownership.

***Prairie du Chien Sanitarium Co. v City of Prairie du Chien*, 242 Wis. 262, 7 N.W.2d 832 (1943).** The fact that a hospital takes all, or at least a fair number of charity patients applying and the fact that a hospital receives and is dependent on donations indicates that it is a "benevolent association" which is entitled to exemption from taxation under statute.

But if all books of the hospital show substantial profit, that is a circumstance tending to negate the idea that the hospital is a "benevolent association" within the statute exempting such associations from taxation.

Where a hospital was maintained primarily for greater convenience and profit of managing physicians in the practice of their profession, the hospital was not a "benevolent association" so as to be exempt from taxation under statute, although physicians received no salaries but only offices in the hospital rent free and one meal a day for supervising the hospital, and the hospital cared for county and municipal patients, comprising about 30 percent of the total patients for a contract price that was less than cost.

***Bethel Convalescent Home, Inc. v Town of Richfield*, 15 Wis.2d 1, 111 N.W.2d 913 (1961).** A nonstock corporation which operated a hospital for the aged, was not entitled to tax exemption on its real estate which was purchased entirely with borrowed money that was to be repaid from five percent of the gross income even though the bylaws provided that the members should not convey the property, except to one engaged in a nonprofit undertaking with similar objectives, when such provision would not prohibit a sale of the property with the net proceeds available to the members.

***Associated Hospital Service, Inc. v City of Milwaukee*, 13 Wis.2d 447, 109 N.W.2d 271 (1961).** Blue Cross is exempt under secs. 182.032(2) (a) and (5), Wis. Stats. It is considered a nonprofit corporation of hospital service. The test of a nonprofit corporation is whether any dividends or pecuniary profits are contemplated to be paid to its members. Blue Cross contemplates no such payments.

***Columbia Hospital Ass'n. v City of Milwaukee*, 35 Wis.2d 660, 151 N.W.2d 750 (1967).** Section. 70.11(4m)(a), Wis. Stats. exempting nonprofit hospitals from general property taxes and applying to property which is used exclusively for purposes of any hospital of ten beds or more devoted primarily to diagnosis, treatment or care of the sick, injured or disabled does not limit the meaning of the word "hospital" to institutions performing the primary purpose of a hospital or to institutions like a typical small hospital offering limited facilities, but refers to property used for any and all hospital purposes, not just for primary purpose of care, diagnosis, or treatment.

This case exempted residential property owned by the hospital and rented to residents and interns as property "exclusively used for hospital purposes". Section 70.11(4m), Stats., was subsequently amended to limit the exemption for residential property to dormitories of 12 or more units which house student nurses enrolled in a state accredited school of nursing affiliated with the hospital.

***First National Leasing Corp. v City of Madison*, 81 Wis.2d 205, 260 N.W.2d 251 (1977).** Equipment leased by a corporation to a hospital that is used exclusively by the hospital is exempt from property tax assessment. It is irrelevant that the lessor derives a profit or secures a benefit from the ownership.

***St. Elizabeth Hospital v Appleton*, 141 Wis.2d 787, 416 N.W.2d 621 (1987).** St. Elizabeth Hospital provided walk-in medical services in its emergency room facility under the licensed trade name "First Care." Based on the severity or urgency of the injury, patients are directed to the emergency, outpatient, or "First Care" area of the facility. The "First Care" waiting area is separate and distinct from the emergency room waiting area.

The assessor assessed the real and personal property of the "First Care" portion of the emergency room. The assessor determined the "First Care" unit to be separate and distinct from the hospital's emergency room and to be "an adjunct to the private practice of a group of doctors".

The court held that if the general use of the property is for a hospital purpose and the particular use is reasonably necessary, then the facility is held to be exclusively used for hospital purposes although there may be incidental benefit to others. The court concluded

that the “First Care” service is a direct function of the hospital’s broad purpose of diagnosing and treating the sick or injured. Additionally, it is not necessary that the “First Care” unit be integrated into the emergency room to be exempt. It is the reasonable necessity of the facility, not its proximity to the hospital, that determines if it is exempt.

Therefore, the court concluded that providing an immediate care service is a valuable and necessary function of St. Elizabeth Hospital and its “First Care” unit is entitled to exemption.

St. Clare Hospital of Monroe, Wisconsin, Inc. v City of Monroe, 209 Wis.2d 364, 563 N.W.2d 170 (Ct. App. 1997). Decision affirmed. St. Clare overstates the similarities between this case and the *St. Elizabeth* case. Unlike the *St. Elizabeth* case, St. Clare’s clinic physicians receive variable compensation, supervise non-physician staff, and the clinic and hospital generate billing statements by two separate software systems.

“Doctor’s office” is not a technical phrase that has a peculiar meaning in the law, but is defined according to its common usage as “the building where doctors have their offices.” The type of services provided, the schedule of hours, and inpatient facilities were considered by the court to determine that the building is used as a “Doctor’s Office.”

The fact that the doctors at St. Clare do not own the medical practice, building, or equipment does not in itself remove the clinic from being defined as a “Doctor’s Office.”

The definitions contained in the “Hospital & Regulation Approval Act” and “Clean Indoor Air Act” are not helpful in determining whether the clinic is “used as a doctor’s office for purposes of property tax exemption.” Also, sec. 70.11(4m)(a), Wis. Stats., does not provide that the word “hospital” has the meaning provided by sec. 50.33(2), Wis. Stats.

Joint use of some equipment and facilities does not change the fundamental use of the building from a “doctor’s office” to something else.

The Court determined that following a “strict but reasonable” construction of sec. 70.11(4m)(a), Wis. Stats., leads to the conclusion that the clinic building was “used as a doctor’s office” and thus is not exempt from property taxation. As of October 21, 1997, no petition for review to the Wisconsin Supreme Court has been received.

Group Health Cooperative of Eau Claire, Group Health Cooperative of South Central Wisconsin and Family Health Plan Cooperative v Cate Zeuske and the City of Glendale, 229 Wis.2d 846, 601 N.W.2d 1 (1999). Group Health Cooperative of Eau Claire, Group Health Cooperative of South Central Wisconsin and Family Health Plan Cooperative (collectively GHC) appeal from a summary judgment granted in favor of the Wisconsin DOR, Cate Zeuske and the City of Glendale, Wisconsin, regarding tax liabilities of GHC.

GHC states the trial court erred when it granted summary judgment due to the following:

1. the challenged portions of 1995 Wisconsin Act 27 are unconstitutional; and
2. Glendale should have exempted Family Health Plan from paying property tax in 1994 since Family Health Plan was preparing the property for a benevolent purpose.

GHC challenged three specific provisions of Act 27. They are specifically, secs. 70.11(4), and

(4m), Wis. Stats., which now provides that general property tax exemptions are not available to “an organization that is organized under sec. 185.981, Wis. Stats., or chapters 611, 613, or 614 that offers a health maintenance organization ... or a limited service health organization.” In addition, secs. 71.26(1)(a) and 71.45(1), Wis. Stats., remove corporate income tax exemptions for income of “cooperative sickness care associations organized under section 185.981, or of a service insurance corporation organized under Chapter 613, that is derived from a health maintenance organization.”

GHC is composed of nonprofit, benevolent, cooperative sickness care associations that provide health care services to the community. They filed an action in July, 1996, challenging the validity of the 1995 Wisconsin Act 27. The challenged portions of Act 27 are not unconstitutional, and the Glendale property was not being used at the time of the assessment for an exempt purpose, the judgment is affirmed.

FH Healthcare Development, Inc., and United/Dynacare, LLC., v City of Wauwatosa, 2004 WI App 182, 276 Wis.2d 243, 687 N.W.2d 532. Landlord, a non-profit corporation, and tenant, which was jointly owned by non-profit hospital and for-profit corporation, filed suit against city, seeking to recover payment of real property and personal property taxes regarding laboratory space and laboratory equipment. The Circuit Court, Milwaukee County, denied all motions for summary judgment. Landlord, tenant, and city filed joint petition for interlocutory appeal, which was granted. The Court of Appeals, held that: tenant's laboratory work constituted a “commercial purpose,” for purposes of statute excluding from non-profit hospital's real and personal property tax exemption any property used for commercial purposes; landlord was not entitled to partial exemption from property taxes for space that was used for laboratory; and building was subject to property taxes while vacant and partially constructed.

Milwaukee Regional Medical Center, Inc. v City of Wauwatosa, 2007 WI 101, 304 Wis.2d 53, 735 N.W.2d 156. The decision of the Court of Appeals was affirmed. MRMC's property was not exempt from property tax under secs. 70.11(2) or (4), Wis. Stats. for the years at issue. To determine "beneficial owner" the court stated that a totality of the circumstances test should be applied. A totality of the circumstances test is a fact specific inquiry – there is no single deciding factor. The court highlighted several factors to evaluate when making the beneficial ownership determination: accrual of financial benefit (Is rent paid? To whom?), length of lease, exclusive occupancy, legal title to buildings, recognition as owner by financial institutions.

Covenant Healthcare System, Inc. v City of Wauwatosa, 2011 WI 80, 336 Wis.2d 522, 800 N.W.2d 906. A nonprofit clinic owned and operated by a tax-exempt hospital may be exempt under sec. 70.11(4m)(a), Wis. Stats., if the clinic is used exclusively for the purposes of the hospital.

Covenant Healthcare System, Inc. operated an outpatient clinic which provided a broad range of outpatient medical services, including a 24-hour urgent care center. The clinic was located five miles away from St. Joseph's hospital, a tax-exempt entity owned and managed by Covenant.

Covenant filed Property Tax Exemption requests for 2003 to 2006 for the first, third and fifth floors of the building. The City of Wauwatosa denied the exemptions.

The Supreme Court determined that the Clinic effectively served as a department of the larger Hospital. The court found that the Clinic was designed, constructed and operated to alleviate the burden on the downtown Hospital by providing additional space for outpatient services and that, given this high degree of integration, the Clinic was used exclusively for the purposes of the hospital as required by sec. 70.11(4m)(a). The Clinic's services were integrated with and complementary to the hospital's services; both were staffed by the same four rotating physician groups and patient records were accessible at either location.

Furthermore, the court found that the exemption should not be disqualified on grounds that the Clinic was a "doctor's office." The Clinic was constructed to significantly higher standards than a typical medical office, and it was accredited by the Joint Commission on the Accreditation of Hospitals, an organization which does not accredit private doctor's offices. Additionally, the Clinic possessed many qualities normally attributed to a hospital, including a gift shop, public cafeteria, space for visitors, accommodation for overnight stays and an Urgent Care Center which functioned similarly to a hospital emergency room. Furthermore, while patients would normally receive one bill for all services rendered at a doctor's office, Clinic patients received a facility bill from the Clinic and a professional services bill from the attending physician.

Finally, the court found that the Clinic was not used for commercial purposes, nor was there improper inurement to a member. Charitable organizations are not required to operate at a loss and the mere existence of profits by itself is not enough to establish an improper commercial purpose. Furthermore, because the term "member" under sec. 70.11(4m)(a) does not include not-for-profit entities, any potential transfer of funds from the Clinic to the Hospital would not constitute improper inurement to a member.

***Beaver Dam Community Hospitals, Inc. v City of Beaver Dam*, 2012 WI App 102, 344 Wis.2d 278, 822 N.W.2d 491.** The law does not require facilities licensed under Ch. 50, Wis. Stats. (e.g. hospitals, hospices, nursing homes, community-based residential facilities and certain other facilities) that are owned by a nonprofit to be used for benevolent activities in order to qualify for an exemption under. § 70.11(4)(a).

In 2009 and 2010, the City of Beaver Dam assessed taxes on real and personal property used for Eagle's Wings, a community-based residential facility licensed under Chapter 50 of the Wisconsin Statutes and owned by a tax-exempt nonprofit corporation, the Beaver Dam Community Hospitals. The hospital contested the assessments and sought a refund of taxes paid, asserting that the facility was exempt under sec. 70.11(4)(a), as a Chapter 50 facility owned by a nonprofit entity. The circuit court agreed with the hospital, and the City appealed.

On appeal, the City argued that the exemption applied only to benevolent associations. Because there was no showing of "benevolent use" of the facility, the City asserted it was not exempt. The Court of Appeals rejected this argument.

Section 70.11(4)(a) exempts:

Property owned and used exclusively by churches or religious, educational or benevolent associations, or by a nonprofit entity that is operated as a facility that is licensed,

certified, or registered under ch. 50, including benevolent nursing homes but not exceeding 10 acres of land necessary for location and convenience of buildings while such property is not used for profit.

The court found that the plain language of the statute meant that no benevolence was required of entities licensed under Chapter 50. The City argued that the phrase "including benevolent nursing homes" was meant as a clause of limitation that required those licensed under Chapter 50 to be benevolent as well. The court disagreed, noting that Wisconsin courts have repeatedly held that "include" is a term of illustration or inclusion, not one of limitation or exclusion.

Property of U.S. Government

All U.S. Government real and personal property is exempt from general property tax, regardless of where it is located as long as beneficial ownership does not accrue to someone other than the federal government. When personal property not owned by the federal government is located on federal real property, it is generally assessable unless it is on a federal enclave where the State of Wisconsin has given up all jurisdictional rights.

NOTE: The U.S. Government has consented to the taxation of certain property under the United States Code. Please see WPAM Chapter 20 for further information on taxation of certain U.S. Government property.

Foreign diplomat's official residence is exempt from taxation. However, summer homes or cottages or second homes are taxable. Summer homes may be exempt if proven to be used for governmental or public purposes. A real estate transfer return is required to be filed for all sales made by a Menominee Indian grantor, even though no transfer fee is due on sales where the grantor resides on the reservation. A real estate transfer fee is due on sales by a Menominee Indian grantor who does not reside on the reservation.

Native American owned real property on an Indian reservation is not subject to state and local taxation unless an Act of Congress provides for it. Non-Native American owned real property on an Indian reservation is taxable, unless an Act of Congress expressly prohibits such taxation.

Personal property owned by an enrolled member of the tribe or the tribe, which is kept on the reservation, is not taxable. Personal property owned by non-Native Americans and kept on the reservation are taxable unless it can be shown that taxation has been preempted by Federal law.

As a general rule, ownership is the deciding factor for determining taxability of property on the reservation. Property off the reservation which is owned by Native Americans is considered taxable unless preempted by Federal law.

27 Opinion of Attorney General 508 (1938). Personal property owned by the federal government on real estate used for coast guard purposes, located within a township, is exempt from taxation, and local authorities are not authorized to assess it.

39 Opinion of Attorney General 78 (1950). Machines owned by a private corporation located in the federal forest products laboratory are not exempt from local taxation.

Memorials

Section [70.11\(9\)](#), Wis. Stats., allows for an exemption of personal property owned and real estate owned, occupied, and used as a memorial hall by any organization of United States war veterans. Commonly these halls contain restaurant and bar facilities which are open to both members and non-members alike. Where part of the building is used for an unrelated trade or business, such as a bar or restaurant, that part may be assessed.

***Alonzo Cudworth Post No. 23 American Legion v City of Milwaukee*, 42 Wis. 2d 1, 165 N.W.2d 397 (1969).** Under the section exempting memorial halls occupied by organizations of United States war veterans from property taxation but providing for taxation in part of any portion of hall not used for exempt purposes and used for pecuniary profits, use of any part of the building by nonmembers for which compensation is received or its use by members for purposes outside of the object of the organization operate to defeat tax exemption. Action of the commissioner of assessments and Board of assessors in holding that American Legion Post memorial hall, which contained a bar and restaurant on ground floor that was used by members and up to a limit of nine guests per member, was taxable in part was not arbitrary, capricious or unreasonable.

Cemeteries

13 Opinion of Attorney General 43 (1924). A tract of land used as cemetery was exempt under sec. 70.11(13), Wis. Stats., even though hay cut upon it was sold and a small building was temporarily leased, the proceeds of which were donated to cemetery purposes. Cemetery purposes, would include the manufacture of burial vaults sold exclusively to customers of the cemetery only for use on the cemetery grounds.

30 Opinion of Attorney General 358 (1941). Exemption from taxation under subs. (8), (now subs. (13)) of sec. 70.11, Wis. Stats., is applicable to cemetery corporations organized under sec. 180.01, Wis. Stats., et seq., the business corporation statutes as well as those organized under sec. 157.01, Wis. Stats., et seq., pertaining to cemeteries. Burial grounds are exempt from taxation whether the lots therein be owned by a corporation or whether the corporation has sold them to individuals for burial purposes.

***Highland Memorial Park, Inc. v City of New Berlin* 67 Wis. 2d 363, 227 NW 2d 72 (1975).** Two types of cemetery property are exempt by sec. 70.11(13), Wis. Stats. (1) Land which is used exclusively as public burial grounds, and (2) land which adjoins such burial grounds, owned and occupied exclusively for cemetery purposes. The second category obviously includes land reserved for burial purposes.

Archaeological Sites

***Timothy Wrase and Barbara Wrase v City of Neenah*, 220 Wis.2d 166, 582 N.W.2d 457(Ct. App. 1998).** The issue before the court involves the construction of sec. 70.11(13m), Wis. Stats. Statutory construction is a question of law. Section (13m) states: "Archaeological sites and contiguous lands identified under sec 44.02(23), Wis. Stats., if the property is

subject to a permanent easement, covenant or similar restriction running with the land and if that easement, covenant or restriction is held by the state historical society or by an entity approved by the state historical society and protects the archaeological features of the property."

The court held the proposed method of assessment of valuing the entire parcel then subtracting the covenanted portion would amount to "double-dipping" the exemption statute. Not only would you be exempting the covenanted lands but you would also be reducing the tax burden on the remaining lands not subject to the covenant.

The court cites the WPAM page 22-7. (1998 WPAM Revised 12/96) The WPAM states, "Properties where part is exempt due to an archaeological site may not necessarily experience a reduction in total property value. As with other property factors and market conditions, the market must be carefully analyzed to determine the effect on value."

The court also determined that the language in sec. 44.30, Wis. Stats., was met in that the property owner who covenants his or her land still enjoys the fact that particular land is exempt from taxation.

Property Held in Trust

***Little Sissabagama Shore Owners Assoc., Inc. v Town of Edgewater and Sawyer County*, 208 Wis.2d 259, 559 N.W.2d 914 (Ct. App. 1997).** Little Sissabagama Lake Shore Owners Association, Inc., appeals a judgment dismissing the association's writ of certiorari requesting review of the County's denial of tax exempt status for land owned by the association. The trial court dismissed the association's writ of certiorari based on the failure to file a notice of claim and claim (notice of claim) with the County prior to filing the writ. The association contends that the trial court erred by holding the association was required to give notice to the County before filing this action. The Court of Appeals held that a notice of claim is not required when appealing a county board's determination under § 70.11(20), STATS and reversed the circuit court.

This appeal requires an interpretation of the interaction between secs. 70.11(20) and 893.80, Wis. Stats. The construction of a statute presents a question of law reviewed de novo (reviewed anew; reviewed a second time). *State ex rel. Frederick v McCaughtry*, 173 Wis.2d 222, 225, 496 N.W.2d 177, 179 (Ct. App. 1992). The county board acted with authority under sub sec. (d) of sec. 70.11(20), Wis. Stats., when it denied the requested tax exempt status.

The court case *DNR v City of Waukesha*, 184 Wis.2d 178, 515 N.W.2d 888 (1994), does not declare a requirement for a notice of claim. The *Waukesha* case extended sec. 893.80, Wis. Stats., to all actions including those in equity and not just to those actions seeking money damages. However, such an action does not require submitting a notice of claim when appealing a county board's determination under sec. 70.11(20), Wis. Stats., similar to the right of an inmate not to file a habeas corpus action. This case complies with sec. 893.80, Wis. Stats., and applies in each case arising under sec. 70.11(20), Wis. Stats.

An exempt organization need not provide a notice of claim under sec. 893.80, Wis. Stats., if (1) the County had actual notice of the incident giving rise to the action, and (2) the exempt

organization satisfied the requirements of sec. 893.80(1)(b), Wis. Stats., *Waukesha*, 184 Wis.2d at 197, 515 N.W.2d at 895; sec. 893.80(1)(a), Wis. Stats.

When the county board acts under sec. 70.11(20), Wis. Stats., automatic compliance with the elements of sec. 893.80(1)(b), Wis. Stats., occurs for the following reasons:

1. The County knows the location of the property in question and its owner.
2. The County knows about the relief sought in every case; the taxpayer requests tax exempt status for a certain parcel of property.
3. The entire county board knows of the claim since the county board acts on claims filed under sec. 70.11(20)(d), Wis. Stats.
4. The county board's vote of denial makes the taxpayer aware.

To fulfill the requirements of sec. 70.11(20), Wis. Stats., an exempt organization automatically complies with the elements of sec. 893.80(1)(b), Wis. Stats., and the presence of actual notice. The County that acts under sec. 70.11(20), Wis. Stats., has actual notice because it specifically addresses the tax exempt status issue of this taxpayer's property.

Jewelry, Household Furnishings, and Apparel

40 Opinion of Attorney General 430 (1951). A law library used by a lawyer in the law practice was not exempted from property taxes by sec. 70.111(1), Wis. Stats.

***Mary Faydash v City of Sheboygan*, 2011 WI App 57, 332 Wis.2d 397, 797 N.W.2d 540.** A home that was used by a taxpayer three months out of the year while made continuously available for rent via the Internet was deemed to have a commercial use that was neither de minimis nor inconsequential and therefore the personal property within the home was not exempt under sec. 70.111, Wis. Stats.

In March, 2006 Mary Faydash purchased a single-family home in the City of Sheboygan. She furnished the home with her personal property, and it was used only by Faydash and her family that year. In 2007 and 2008, Faydash began making the home available for rent over the Internet. She was able to rent the home sporadically, with sixteen overnight stays occurring in 2008. During the years 2007 and 2008, Faydash and her family used the home and the personal property within for approximately 3 months each year.

For 2008, the City assessed the personal property within the home and levied \$625 in tax. The City characterized the property as having "a commercial purpose", and therefore argued that the property was not exempt under sec 70.111, Wis. Stats.

Faydash paid the taxes under protest and made a Claim to recover Unlawful tax on Personal Property pursuant to sec 74.35, Wis. Stats. She filed a complaint with circuit court contending the personal property was kept for personal use, that the property was exempt by law from taxation, and that the levy of personal property tax was an unlawful tax. The City filed a motion for summary judgment.

The Circuit Court granted the City's motion for summary judgment. Faydash appealed.

The Court of Appeals upheld the Circuit Court's decision. The Court noted that mere inconsequential or de minimis commercial use would still qualify the personal property within the home exemption. However, the Court found that it was "key" that Faydash's home was continuously advertised over the Internet. This feature, the Court found, meant the property had "a commercial purpose" that went beyond mere de minimis or inconsequential commercial use.

Thus, the Court held that because Faydash did not establish a pattern of de minimis or inconsequential use, she failed to meet her burden of proof that the personal property was exempt.

Boats

Watercraft that are owned by businesses that are rented to individuals for recreational use are not exempt from taxation. Watercraft, and their outboard motors, that are owned and used for personal recreational pleasure are exempt.

***Town of LaPointe v Madeline Island Ferry Line, Inc.*, 179 Wis.2d 726, 508 N.W.2d 440 (Ct. App. 1993).** Operator of ferry line between mainland and island appealed from judgment of the Circuit Court, concluding that ferry line was not exempt from personal property taxes on its three ferry boats. The Court of Appeals, held that: (1) statute exempting from personal property taxes all "watercraft employed regularly in interstate traffic" was ambiguous, as it was capable of being understood by reasonably informed persons to exempt watercraft either employed and moving between states or employed in interstate commerce; (2) statutory phrase "interstate traffic" means "interstate commerce" and not "moving between states"; and (3) because ferry carried significant numbers of passengers, parcels and other freight moving in interstate commerce to and from island, it was regularly employed in interstate commerce, and was therefore exempt from paying personal property tax. Reversed.

The Court of Appeals resorted to judicial construction of the legislative intent of sec. 70.111(3), Wis. Stats., because of the ambiguous meaning of "interstate traffic" which the Court determined is synonymous with the term "interstate commerce." This conclusion is supported by the WPAM on page 15-12 (1992 WPAM, Revised 12/89) which uses the terms interchangeably.

In addition, the Court of Appeals compared the principles learned from the rulings of *United States v Yellow Cab Co.*, 332 U.S. 218, 228 (1947) with *Charter Limousine, Inc. v Dade County Board of City Commissioners*, 678 F.2d 586 (5th Cir. 1982) and determined that the Ferry is employed in interstate commerce because an interstate vehicular traveler cannot complete a journey to or from the island without taking the Ferry. Furthermore, the Ferry carries a significant number of parcels and other freight that are moving in interstate commerce to and from Madeline Island; therefore, the Court concluded that it is regularly employed in interstate commerce within the meaning of sec. 70.111(3), Wis. Stats., and is exempt from paying personal property tax subject to sec. 70.15, Wis. Stats.

Other Exemptions

Under the exemption granted by sec. 70.111(17), Wis. Stats., the used farm machinery, goods on consignment, and replacement parts are now exempt as merchants' stock. Section

70.111(20), Wis. Stats., exempts “All equipment used to cut trees, to transport trees in logging areas or to clear land of trees for the commercial use of forest products.” In addition to sec. 70.111(9), Wis. Stats., which in general terms exempts farm machinery used by any person in farming, there are other exemptions or legal opinions regarding specific farm machinery and equipment.

1. Irrigation Equipment. In order for irrigation equipment to be exempt from taxation it must pass two tests:

- it must be defined as personal property under sec. 70.04(2), Wis. Stats., including pumps, power units to drive the pumps, transmission units, sprinkler devices and sectional piping; and
- it must be used by a farmer in the operation of a farm.

If these two tests are met, the irrigation equipment is exempt. The only related item that would be taxable would be the well, which is considered part of the real estate.

2. Milkhouse Equipment. Milkhouse equipment used by a farmer including mechanical can coolers, bulk tanks, and hot water heaters is exempt from property tax under sec. 70.111(14), Wis. Stats. This exemption applies whether the property is classified as real estate or personal property.

3. Manure Storage Facilities. Any manure storage facility used by a farmer is exempt from the property tax regardless of whether it is classified as real estate or personal property, sec. 70.11(15), Wis. Stats.

4. Bees and All Bee Equipment. Section 70.111(2), Wis. Stats., exempts all bees and bee equipment from the property tax. Bees and bee equipment are no longer subject to an occupational tax.

5. Grain Storage Containers. In *Wisconsin Department of Revenue v. A.O. Smith Harvestore Products, Inc.* 72 Wis. 2d 60 240 N.W. 2d 357 (1976) it was held that grain storage containers assembled on farm property are considered fixtures and, therefore, assessable as real estate.

28 Opinion of Attorney General 302 (1939). A chicken hatchery is exempt only if the primary use is in the operation of a farm; the hatchery is not exempt if the commercial use is the primary use. The primary use test versus the incidental use test may be applied to farm machinery owned by a farmer and used in the operation of the farm and also in a logging operation.

***Pulsfus Poultry Farms, Inc. v Town of Leeds*, 149 Wis. 2d 797, 440 N.W.2d 329 (1989).**

As part of its egg-producing activities, Pulsfus maintains a “layer house” containing approximately 10,800 cages, each cage containing eight hens. It is constructed of steel beam framing and metal siding on a concrete foundation. The layer house creates a controlled environment for the hens, automatically controlling the temperature, light, and humidity. The hens are fed, watered, medicated, and relieved of their eggs and wastes by automated machinery and equipment. The farmer-operator uses a system of suspended walkways to enter the structure, observe the hens, and repair equipment. The operator spends only a few hours a day in such activities.

Pulsfus contended that the “use or function” of the layer house is farm machinery and equipment. Therefore, it should be exempt under sec. 70.111(9), Wis. Stats. The Town contended that the layer house is a building, or real property. Therefore, it should not be exempted under sec. 70.111(9) Wis. Stats.

The Supreme Court ruled that sec. 70.111(9), Wis. Stats., only exempts personal property. Section 70.03, Wis. Stats., defines real property as “not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto...”

Section 70.04, Wis. Stats., defines personal property as “goods, wares, merchandise, chattels and effects ... and not included in the term ‘real property’ as defined in s. 70.03.” The court held that the layer house is a building. The layer house is constructed of steel beams, metal siding, and a roof. It stands on a permanent concrete foundation. Its primary, and arguably only, function is to provide for the habitation of chickens.

The Town also contends that the items of equipment inside the facility are fixtures and therefore not exempt. The court applied a three part test to determine whether or not these items are fixtures. The three tests are:

1. Actual physical annexation to the real estate;
2. Application or adaptation to the use or purpose to which the realty is devoted;
3. Intention on the part of the person making the annexation to make the item a permanent part of the realty.

The court ruled that the items inside the facility met all three of the tests and are fixtures. The layer house structure and integrated equipment is real property. It is therefore not exempt under sec. 70.111(9), Wis. Stats. Only personal property is exempt under this statute.

Village of Lannon v Wood-Land Contractors, Inc., 2003 WI 150, 259 Wis.2d 879, 672 N.W.2d 275. Village brought action against land clearing company after company refused to pay taxes on tree cutting equipment. The Circuit Court, granted village's motion for summary judgment. Company appealed. The Court of Appeals affirmed. Company appealed. The Supreme Court, held that: (1) subsection of statute setting forth personal property exemption for logging equipment required use of equipment test, rather than “primary purpose” of business test, in determining whether equipment was exempt from taxation, and (2) trial court was required on remand to determine what equipment was entitled to tax exemption.

Wood-Land argues the Court of Appeals erred in applying the “primary purpose” of the business test instead of the use of equipment test. Wood-Land uses the equipment in question to clear land of trees. Wood-Land claims their equipment should be exempt from taxation under sec. 70.111(20), Wis. Stats., as logging equipment.

In 2000, the Village of Lannon taxed Wood-Land’s tree cutting equipment. Wood-Land refused to pay the taxes and the Village sued. The Village interprets “to clear land of trees for commercial use” to mean logging as an operation not as an incidental part of a business.

The Circuit Court ruled the statute was designed to exempt the equipment of companies systematically engaged in the logging business, not those who incidentally cut logs and sell the products.

The trial court ruled that Wood-Land was not in the “primary” business of logging and the exemption was appropriately denied. They also stated that when there is a doubt about an exemption, the statutes are interpreted in favor of taxation rather than exemption. The Supreme Court held the Court of Appeals erred in adopting the “primary purpose” of the business test. The Supreme Court agreed with Wood-Land that section 70.111(20) is defined by the use of the equipment.

Section 70.112(4), Wis. Stats. Special Property and Gross Receipts Taxes or License Fees

All special property assessed under Chapter 76 and such property of any telephone company, car line company, and electric cooperative association as is used and useful in the operation of the business of such company or association is exempt from general property taxes. In cases where a general structure (this does not include land) is used in part for the operation of a public utility and in part for non-operating purposes of a utility, the general structure is assessed by the local assessor at the percentage of its full market value that fairly measures and represents the extent of its use for non-operating purposes.

While part of a general structure may be assessed locally and part by the DOR, this is not the case with land. In cases where a property is used in part for the operation of a public utility and in part for non-operating purposes, the land is either completely exempt from local taxation, or entirely subject to local taxation, depending upon the predominant use. Refer to Chapter 19 for additional information on the valuation of utilities.

Rented gas conversion units installed in private homes by the public utility are taxable to either the property owner or the utility company depending on the contract. If it is a rental contract, then the burner is taxable to the public utility as non-operating personal property. If it is a conditional sales contract, the burner is taxable to the property owner.

TDS Real Estate Investment Corp. & Central State Telephone Co. v City of Madison, 151 Wis.2d 530, 445 N.W.2d 530 (Ct. App. 1989). In an action for declaratory relief, the Wisconsin Court of Appeals, District IV, ruled that the real estate of a telephone company that is used in part for operating purposes and in part for non-operating purposes is not subject to proportional assessment. Such real estate is exempt from local assessment and taxation only if its “dominant” or “principal” use is for operating purposes.

Under sec. 76.38(8), Wis. Stats., telephone companies pay a telephone license fee in lieu of all other taxes on all property used and useful in the company’s business. A provision in Sec. 70.112(4), Wis. Stats., which requires the proportional assessment of telephone company property used and useful in part for operating purposes and in part for non-operating purposes, applies only to general structures and not to real estate. Therefore, if a general structure for which an exemption is sought is used and useful in part for the company’s business and in part for non-operating purposes, that general structure shall be assessed for taxation at the percentage of its full market value that represents the extent of its use for non-operating purposes. The court rejected the company’s claim that proportional assessment also applies to real estate.

In this case, the city assessor determined that the company’s real estate was subject to

assessment and taxation in its entirety and that 90% of the value of the improvements was subject to local taxation. (See WPAM Chapter 10, Telephone Company Assessment).

Section 70.112(5), Wis. Stats., Motor Vehicles, Bicycles, Snowmobiles

Motor vehicles are exempt from taxation per sec. 70.112(5), Wis. Stats.; however, street sweepers are not exempt under this statute. Although they are motorized vehicles, they are not designed to transport persons or property on public highways, they are designed to do a different job.

Opinion of Attorney General 290 (1931). An automobile equipped with a sawing outfit or feed grinding outfit was exempt from taxation, but the outfit was not part of the automobile and was to be separately taxed.

29 Opinion of Attorney General 17 (1940). “You state in certain instances the use of cement mixers mounted upon trucks eliminates the necessity of a concrete mixer at the manufacturing plant and also at the place of the construction job at which the concrete is used. The right proportion of cement, sand, gravel and water are put into the mixer on the truck at the central manufacturing plant of the company operating the same and during the transportation of this material to the construction job upon which they are working at the time, the mixer is operated so that the mixture is completed upon arrival. We perceive no substantial distinction between a cement mixer so mounted and used and a feed mill or sawing outfit mounted securely on a truck, which would bring the former within the exemption provision. In either case the apparatus is installed for use on the truck. In each instance the apparatus installed is principally for a manufacturing use as distinct from a transportation use. The latter is the controlling factor. The primary purpose of the concrete mixer mounted on the truck is not to serve the ends of transportation, but to effect a manufacturing process. That the cement mixer is used while the truck is operating over the highway, while a feed mill or sawing outfit is used only when the truck is stationary is not sufficient to give the cement mixer a transportation use so as to be part of the vehicle which is exempt.”

“It seems quite clear that the distinct and sole use of such freezing units in refrigerator trucks is in aid of transportation. Their function is the preservation of the commodity carried while in transit. By virtue of this function, such freezing units are an integral part of the truck...”

38 Opinion of Attorney General 126 (1949). A well-drilling outfit mounted on a truck is not exempt from personal property tax as a motor vehicle.

Section 70.112(7), Wis. Stats., Mobile Homes

In general, all mobile homes subject to a monthly parking permit fee under sec 66.0435, Wis. Stats., and all recreational mobile homes as defined in sec. 70.111 (19), Wis. Stats., are exempt from general property taxes. However, the mere licensing of mobile home parks, without the license fee for the park or the monthly parking permit fee for the mobile home, would not permit the exemption of all mobile homes. The exemption is granted because the

property is otherwise “taxed.” The taxable status of a mobile home can be determined by using the chart found in WPAM Chapter 19.

***Ahrens v Town of Fulton*, 2002 WI 43, 242 Wis.2d 543, 629 N.W.2d 783.** The decision of the Court of Appeals was affirmed. The Town properly assessed and taxed the representative owners’ mobile homes as improvements to real property. The non-representative owners were remanded to the Circuit Court to determine if these owners were properly classified as improvements to real property based on this opinion.

The Supreme Court ruled sec. 70.043(1) Wis. Stats., states a mobile home is an improvement to real property when it is resting for more than a temporary time, in whole or in part, on some other means of support than its wheels before it can be taxed as real property. The legislature intended that anything more than a transient location would be permanent and, accordingly, is an improvement to real property.

All of the representative owners' mobile homes were “set upon a foundation” within the meaning of the statute. The Court found the Town properly assessed and taxed the mobile homes as improvements to real property and dismissed the representative owners’ case.

Native American Property

Native American owned real property on an Indian reservation is not subject to state and local taxation unless an Act of Congress provides for it. Non-Native American owned real property on an Indian reservation is taxable, unless an Act of Congress expressly prohibits such taxation.

Personal property owned by an enrolled member of the tribe or the tribe, which is kept on the reservation, is not subject to tax. In general, personal property owned by non-Native Americans and kept on the reservation is subject to tax unless it can be shown that taxation has been preempted by Federal law. However, improvements on trust land owned by non-Native Americans that could qualify as personal property is not subject to tax.

Property off the reservation owned by Native Americans is considered subject to tax unless preempted by Federal law.

***Town of Menominee v Sarah Skubitz*, 53 Wis.2d 430, 192 N.W.2d 887 (1972).** Skubitz, a member of the Menominee Indian Tribe, living on lands transferred from the United States to the Menominee Enterprises, Inc., a Wisconsin corporation charged with the management of lands for the benefit of the Menominee Tribe, is subject to personal property taxes on improvements owned by the taxpayer and located on lands owned by Menominee Enterprises, Inc. The taxpayer had the option to lease or purchase the real estate after Menominee Enterprises, Inc. received title to the real estate but refused to accept either. The term "leased lands" contained in Sec. 70.17, Wis. Stats., is broadly construed so as to encompass a multitude of situations in which the occupier of lands not owned by him places improvements on those lands. Since improvements on leased lands may be assessed as either real or personal property and the Town of Menominee chose to assess the improvements as personal property taxable to the taxpayer, the assessment was upheld.

66 Opinion of Attorney General 290 (1977). There have been a number of questions raised on the taxability of property within Menominee County and what effect the United States Supreme Court decision in *Bryan v. Itasca County*, 426 U.S. 373, 96 S.Ct. 2102 (1976) has on these questions.

In *Bryan*, the court held invalid the state personal property tax as applied to a mobile home of an enrolled Chippewa Indian where such mobile home was located on land held in trust for tribal members. This opinion has a limited effect on the taxation of Menominee Indians and Menominee property because taxation jurisdiction in this case is based on the Menominee termination and restoration legislation.

1. **Menominee Termination Act (June 17, 1954)** This act discontinued the reservation status of Menominee tribal land and authorized the state to tax this property when the act became effective April 30, 1961.
2. **Menominee Restoration Act (December 22, 1973)** This act repealed the termination act and reinstated all rights and privileges of the tribe. The state is still authorized to tax real property until the property is placed in trust status.

On April 22, 1975, real property and other assets owned by Menominee Enterprises, Inc., were placed in trust and were therefor exempt. Some real property owned by tribal members was also placed into trust status on this date and at various dates thereafter which also removed such property from taxable status.

***Cass County, MN, et al. v Leech Lake Band of Chippewa Indians*, 524 U.S. 103, 118 S.Ct. 1904 (1998)** Is state and local taxation allowed on land once part of the reservation, subsequently sold off to private ownership interests, then reacquired, but not put into trust status. The court held that all parcels were taxable. The Court said that because of the allowance for public sale of reservation land to non-Indians, under the Nelson act, it was the clear intention of Congress was to allow for taxation of those lands. Since the land was removed from Federal protection, the land was made freely alienable, as allowed for under the *Yakima* decision, unless specifically stated to the contrary. The tribal repurchase of such lands was not specifically authorized by Congress, and no Congressional legislation revoked state taxing authority. Furthermore, Sec. 465 of the Indian Reorganization Act allows the Secretary of the Interior the authority to place such lands in trust, and then stipulate it is not subject to state or local taxation. The assumption by the court is since that was not done in this case, the Tribe had no right to expect tax exempt status.

***Keweenaw Bay Indian Community v Naftaly, et al.*, 2006 Fed.App. 0207P, 452 F.3d 514** . The issues are: 1) Whether individual parcels of land allotted to the Tribe or its members in fee simple under the 1854 Treaty are subject to property taxation under the Treaty's terms, and 2) If not, whether Congress clearly expressed its intent after 1854 to permit state taxation of reservation lands. The court ruled the State's property tax assessments were disallowed based on the following: 1) All applicable treaties and federal statutes must be read against the backdrop of Indian sovereignty; 2) Even though a treaty does not contain an express provision exempting state taxation, it is to be interpreted in the Indians' favor; 3) Because Article 11 of the treaty is unclear as to the exact meaning and scope of removal, the Court must interpret its meaning in the Tribe's favor; 4) Article 11 of the treaty prevented any form of involuntary state alienation, including the sale of the parcels in fulfillment of a tax judgment. Therefore, it also prevents state taxation of the parcels to begin with; 5) An

interpretation disallowing state taxation supports the purpose of the treaty to provide a permanent home for the Chippewa bands; and, 6) Since 1854, Congress has not clearly expressed its intent to abrogate these treaty rights or permit state taxation of these reservation lands.

Denial of Computer Exemption Claim

***Xerox Corp v Wisconsin Department of Revenue*, 2009 WI App 113, 321 Wis.2d 181, 772 N.W.2d 677.** The Court of Appeals affirmed the decision of the circuit court and the Tax Appeals Commission that multi-function devices (MFDs) such as copier/printer/scanner/fax machines are not exempt as computers, servers, peripheral equipment, and printers. The court relied on the Commission's construction of Sec 70.11 (39) Wis. Stats., and its adoption of a legal rule, that in order to be exempt, an MFD must *be* an exempt item and not merely *contain* an exempt item.

Denial of Exemption – Exclusive Appeal Procedure

***TOPS Club, Inc., v City of Milwaukee*, 2003 WI App 62, 260 Wis.2d 563, 659 N.W.2d 484.** The Court of Appeals affirmed the circuit court's decision. TOPS appeals the circuit court order dismissing its complaint against the City of Milwaukee.

TOPS submitted a tax exemption request to Milwaukee for the tax year 2001, as an educational, charitable and benevolent organization under sec. 70.11(4), Wis. Stats. Members of TOPS receive education, motivation and group support to attain and maintain physician-prescribed weight goals.

Milwaukee sent TOPS a letter denying the request and informed them the exclusive procedure for disputing the determination was to follow the procedures in sec. 74.35, Wis. Stats. TOPS did not follow the procedures of sec. 74.35; Wis. Stats., instead they paid the taxes "under protest" under sec. 74.33, Wis. Stats. TOPS stated they didn't need to comply with the procedures in sec. 74.35, Wis. Stats., since the property tax was void due to their exemption from property taxes.

Under 1997 Wisconsin Act 27, section 311m was enacted with the specific legislative intent to overrule the holding in *Friendship Village* that denial of tax exemption could be challenged via a declaratory-judgment action.

"Absent a constitutional infirmity, courts must apply statutes as they are written, unless to do so would lead to an absurd result that did not reflect the legislature's intent." *State v. Young* affirmed 191 Wis. 2d 393, 528 N.W. 2d 417 (1995). The section is not ambiguous; it trumps the common-law cases it has overruled. See *Ervin v City of Kenosha*, 159 Wis.2d, 464, 475, 464 N.W.2d 654 (1991) (statute supplants common-law doctrine when that is what legislature intended).

Treatment Plant and Pollution Abatement Equipment: Lagoon Lands

60 Opinion of Attorney General 154 (1971). The property tax exemption for pollution control facilities provided in sec. 70.11(21) (a) Wis. Stats., applies to pollution control facilities incorporated into new plants to be constructed, in addition to those installed to abate or eliminate existing pollution sources.

Waste Treatment Facility

City of Green Bay v Wisconsin Department of Revenue, Wisconsin Tax Appeals Commission, Docket No. 06-M-146, December 21, 2007. Note: This case was decided under the 2005-06 statutes, so its value as precedent is limited. Sec. 70.11(21)(a), Wis. Stats., was amended in 2007. City of Green Bay (City) appealed a determination by the State Board of Assessors (BOA) that reduced the DOR's property tax assessment of manufacturer Green Bay Packaging, Inc. (GBP) to zero, finding that GBP qualified for a total exemption under sec. 70.11(21)(a), Wis. Stats. (2005-06), as interpreted in ***The Newark Group, Inc. v Wisconsin Department of Revenue.***

The court ruled: "1) The phrase "abating or eliminating pollution," used in sec. 70.11(21)(a), Wis. Stats., includes preventing pollution; 2) The statute did not require that the property be used primarily for the exempt purpose – only that the exempt purpose be one of the purposes for which the property is used; 3) The Commission refused to overturn Newark Group and instead affirmed its central holding, but limited the scope of the case in the following way: Where there is a combined recycling and manufacturing facility, a partial exemption is consistent with sec. 70.11(21)(a), Wis. Stats. (2005-06), where part of the facility may qualify as a waste treatment facility and part of the facility may not; 4) In this case, the tax-exempt parts of the mill included: bale storage and unloading areas, recycled fiber cleaning, screening, and preparation areas, the land and buildings that house the paper machine where water from the manufacturing process is recycled in a closed-loop process water system, the water storage facilities, and the boiler and baghouse used to meet environmental air standards. The taxable parts of the mill included: the main office, the maintenance shop, the sheet metal shop, and maintenance offices, the shipping building, and the parking areas."

Denial of Exemption for Rented Personal Property

United Rentals, Inc. v City of Madison, 2007 WI App 131, 302 Wis.2d 245, 733 N.W.2d 322. Taxpayer, an equipment rental company, sued city for refund of taxes paid for rented personal property. The Circuit Court, entered summary judgment in favor of city. Taxpayer appealed. The Court of Appeals held that under the plain and unambiguous language of statute creating exemption from taxation for rented personal property, property available for rental for more than one month was to be taxed.

The issue is whether the rental property owned by United Rentals qualifies as "personal property held for rental for periods of one month or less..." and thus qualifies for a tax exemption under sec. 70.111(22), Wis. Stats. The court held the following:

"Personal property is presumed taxable. Exemptions are only allowed to the extent the plain language of a statute permits; 2) sec. 70.111(22), Wis. Stats., is clear and unambiguous. The legislature expressly intended that the exemption apply only to property held for rental for one month or less, and, therefore, property available for rental for more than one month is taxable; 3) Because United Rentals' personal rental property may be rented for more than one month, the property does not qualify for an exemption under Wis. sec. 70.111(22), Wis. Stats."

Board of Review

The Board of Review system was established to give taxpayers a formalized method of appealing an assessment. Before an assessment can be appealed outside the taxation district it must first be heard at the local Board of Review. It is the responsibility of the Board to correct any apparent errors in the roll and raise or lower incorrect valuations. It is important to note that the Board does not act as an appraiser or assessor to value property, but serves as a quasi-judicial body that decides on the validity of assessments from facts presented, under oath, before it.

General

***Shove v City of Manitowoc*, 57 Wis. 5, 14 N.W. 829 (1883).** An arbitrary increase, without examination of sworn witnesses, is void.

***State v Gaylord*, 73 Wis. 306, 41 N.W. 518 (1889).** The power of the Board to review and alter extends not merely to the correction of errors in the roll, but also to lowering or raising the valuation of any property, including securities on the assessment roll; and the sworn statement as to the amount of such securities, made by the taxpayer to the assessor, is not conclusive on the Board.

***Brown v Oneida County*, 103 Wis. 149, 79 N.W. 216 (1899).** The court held that, “the Board is a creature of the statute, and has only such powers given to it by the statute.”

***State ex rel. Kimberly-Clark Co. v Williams*, 160 Wis. 648, 152 N.W. 450 (1915).** The court said, “The Board of Review is not an assessing body and it is not to do over the work of the assessor or substitute its judgment for his.” Court set aside an assessment made by the Board of Review after the Board had made a personal viewing of the property.

***Krembs v City of Merrill*, 183 Wis. 241, 197 N.W. 818 (1924).** The Board of Review cannot rule on the taxability of property, except in a prima facie way by putting taxable property on the tax roll when it has been omitted.

***State ex rel. International Business Machines Corporation v Board of Review, City of Fond du Lac*, 231 Wis. 303, 285 N.W. 784 (1939).** A Board of Review is not an assessing body but rather a quasi-judicial body whose duty it is to hear evidence tending to show errors in the assessment roll and to decide upon the evidence adduced whether the assessor’s valuation is correct.

***Clear Channel Outdoor Inc. v. City of Milwaukee*, 2017 WI App 15, 374 Wis.2d 348, 893 N.W.2d 24.** Billboard permit owner brought excessive-assessment action against city for taxing its billboard permits as real property, sought a declaratory judgment that the assessments were invalid, and sought a refund of taxes paid. Following dismissal by the Circuit Court, Milwaukee County, pending exhaustion of administrative remedies, which was affirmed by the Court of Appeals. The Circuit Court, Milwaukee County, granted summary judgment for city. Permit owner appealed. The Court of Appeals held that: (1) billboard permits are taxable real property, (2) city had a rational basis to tax billboard permits as real property, as opposed to taxing liquor, food, and cigarette license permits, and (3) billboard permits were not comparable to liquor, food, and cigarette license permits as

parcels for taxation as real property, such that city's taxation of billboard permits would violate state constitution's tax-uniformity rule.

The holding is significant for taxes prior to 2014 as the Legislature excluded taxing billboard permits as real property but did not make the change retroactive.

***Milewski v. Town of Dover*, 2017 WI 79.** Property owners brought action against municipality, alleging excessive property tax assessment and raising as-applied constitutional challenges to statutes governing procedure to be followed in challenging tax assessor's property valuation. The lead opinion held that: (1) property owners had a due process right to contest tax assessor's valuation of their real property as excessive; (2) tax assessor who enters a home to conduct an "interior view" occupies private property for the purpose of obtaining information and is, therefore, conducting a Fourth Amendment search; and (3) statutory scheme governing practices for challenging tax assessor's property valuation was unconstitutional as applied to the property owners. Please see Chapter 9-21 (Data Collection), Chapter 5-10 (Notification Process: Requesting Access to Property for Data Collection) and Chapter 21-19 (Access to BOR) for further guidance on proper procedures for the BOR and overall impact of *Dover* and subsequent law changes.

Procedures

Once the assessor has placed a value on all taxable property listed on the assessment roll and signed the affidavit attached to the roll, the assessments are presumed correct. At this time, the assessor is not allowed to impeach the information found in the assessment roll nor is the Board of Review permitted to change an assessment without sworn testimony. The Board of Review meets once the assessment roll has been completed and delivered to the municipal clerk.

65 Opinion of Attorney General 162 (1976). The Board of Review cannot meet in a closed session under sec. 19.85(1)(2), Wis. Stats., to deliberate, discuss, or otherwise act with respect to the hearing before it. Board of Reviews do not conduct hearings as covered by sec. 19.85(1)(2), Wis. Stats.

***State ex rel Nekoosa Papers, Inc. v Board of Review of Town of Saratoga*, 114 Wis.2d 14, 336 N.W.2d 384.** The court held that while sec. 70.47(8)(e), Wis. Stats., requires that all hearings before the board be recorded, sec. 70.47(9) Wis. Stats., which governs the board's determination is silent regarding the record the board must make when it deliberates. Thus, no record need be made of the board's deliberation.

***Richard Hermann, et al. v Town of Delavan Board of Review*, 215 Wis.2d 370, 572 N.W.2d 855 (1998).** Supreme Court agreed with the Court of Appeals and affirmed its decision. The detailed and comprehensive objection and appeals procedure provided in chapters 70 and 74 were intended to be the exclusive means by which taxpayers may challenge the valuation of real property assessed for taxation.

The Court has adopted the general principle that, where a method of review is prescribed by statute...the prescribed method is exclusive. These procedures and remedies, being expressly provided by statute, are therefore considered exclusive and must be employed before other judicial remedies are pursued.

Bender v Town of Kronenwetter, 2002 WI App 284, 258 Wis.2d 321, 654 N.W.2d 57. The Court of Appeals upheld the circuit court's findings that "complete and accurate records of the (Board of Review) meetings were not kept... Sec. 70.47(8)(e), Wis. Stats., states in part, that " All proceedings shall be taken in full by a stenographer or by a recording device." Yet there is no transcript or recording of a number of evidentiary and decision hearings... The erratic records have made it difficult and sometimes impossible to tell whether there was a quorum at each evidentiary and decision hearing as required by sec. 70.47(1), Wis. Stats., and whether any board member voted on an assessment after failing to attend the evidentiary hearing on that valuation in violation of sec. 70.47(9)(b), Wis. Stats.

"Another problem is that all the board members who voted on a decision may not have attended the evidentiary hearing on that assessment or have read a transcript or listened to a recording of the evidentiary hearing at least five days before voting as s. 70.47(9)(b) requires."

"Still another problem is that a majority of the Board members may not have agreed on each of the assessment decisions... the record suggests that not all voting members were at the evidentiary hearings and therefore, should not have been counted in the majority vote... Allowing a board member to vote or participate in deciding an assessment when he did not attend the evidentiary hearing and deciding cases without the agreement of at least two board members are fundamental errors."

"Because the court has found numerous errors in the proceedings of the board that affect each petitioner, it finds those proceedings void and remands each of the assessments that petitioners had hearings on before the Board for a rehearing."

Organization

Sec. [70.46](#), Wis. Stats., specifies the organization of the Board of Review. The Village Clerk cannot be excluded from a Board of Review composed of public officials.

Bender v Town of Kronenwetter, 2002 WI App 284, 258 Wis.2d 321, 654 N.W.2d 57. The Court of Appeals upheld the circuit court which stated: *"It is clear from s. 70.46(1) that the assessor cannot act as a Board of Review member in deciding appeals. Common sense dictates that an assessor should not be judging the merits of his own assessments when a taxpayer appeals to the Board of Review. The assessor has a right to be present at a decision hearing, as any other citizen does at an open meeting, but the assessor cannot participate in any way or vote on the cases. The action by the Board in allowing the assessor to repeatedly give information, participate and even vote at decision hearings was a major error that materially prejudiced petitioners' rights to a fair appeal. Sec. 70.46(1) and due process considerations forbid this participation by an assessor."*

Notice

Sec. [70.365](#), Wis. Stats., states that the notices shall be sent at least 15 days before the meeting of the Board of Review, except for any year that the taxation district conducts a revaluation under sec. 70.05, Wis. Stats., the notice shall be sent at least 30 days before the meeting of the BOR. This is 15 or 30 calendar days, weekends and legal holidays are not excluded from the calculation of the 15 or 30 days.

***State ex rel. John R. Davis Lumber Co. v Sackett*, 117 Wis. 580, 94 N.W. 314 (1903).**

The court held, “The Board of Review must give the property owner notice of intention to increase his assessment before it can legally increase it.” Section 70.47(10), Wis. Stats., states that the Board of Review can add omitted property but must notify the property owner. The Board cannot raise an assessment except upon reasonable evidence submitted to it; to do so constitutes jurisdictional error.

***Bogue v Laughlin*, 149 Wis. 271, 136 N.W. 606 (1912).** Property owners cannot complain that they did not receive the statutory six days' notice of the assessment of property as omitted property, where they appeared generally before the Board of Review, pursuant to the notice.

***Milwaukee County v Dorsen*, 208 Wis. 637, 242 N.W. 515 (1932).** A taxpayer is not entitled to specific notice of the time and place of the meeting of the Board of Review. The statute fixing the time and place of meeting, together with the giving of such general notice as statute may require, is sufficient to constitute due process.

***Town of Amnicon v Kimmes*, 249 Wis. 321, 24 N.W. 2d 592 (1946).** The failure of the defendant, in action by the town to recover unpaid personal property taxes, to appear before Board of Review and present objections was not excused because of a statement by the assessor to the defendant's employee that the assessor would notify the defendant when the Board of Review met and the assessor's failure to do so, since it was no part of the official duty of the assessor to notify persons against whom assessments were made of the time of the meeting of the Board.

***State ex rel. Baker Mfg. Co. v City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952).**

Where the original meeting of the city Board of Review to consider the taxpayer's objection to the assessment of its personal property was adjourned to no particular time, a later meeting to consider the assessment not referring to the adjourned meeting and held almost two months after the first meeting, was a new meeting and not an adjourned meeting, and the statutory 48-hour notice was required to be given to the taxpayer.

Objections

***Bratton v Town of Johnson*, 76 Wis. 430, 45 N.W. 412 (1890).** The court determined that the requirement under former par. 1061, Stats., that no person would be heard, in any action or proceeding, to question the equality of any assessment unless the person has first made an objection before the Board of Review and made an offer to sustain the same by competent proof. This was determined as valid because the Board of Review procedure afforded a reasonable and sufficient time and opportunity for making such an objection.

42 Opinion of Attorney General 126 (1953). In proceedings to this section (sec. 70.47, Wis. Stats.), objections to valuations must be in writing unless expressly waived by action of the Board, the clerk must take notes of testimony given unless it is reported by a stenographer or recording device, and no assessment may be raised or lowered except after a hearing as provided for in subpars. (8) and (10), Stats., herein.

***Bitters v Newbold*, 51 Wis.2d 493, 187 N.W.2d 339 (1971).** A taxpayer wishing to appeal an assessment appeared at the Board of Review with an improvised objection form. At the meetings, the taxpayer refused to fill out the proper objection form or be sworn in and left the meeting without testifying. When the tax bills were later issued based on the original assessment, only the portion of the bill based on the taxpayer's estimate of value was paid. The taxpayer then filed a claim under sec. 74.73, Wis. Stats. For recovery of illegal taxes. The court held that the Board of Review may deny a taxpayer a hearing if the objection is not stated on an approved form; the Board does not have to accept the information supplied by the taxpayer in a different style. A certiorari review is limited to the action of the Board. In this case the taxpayer did not meet the requirements of appearing at the Board of Review.

***State ex rel. Reiss v Board of Review of Town of Erin*, 29 Wis.2d 246, 138 N.W.2d 278 (1965).** In this case the taxpayer had filled out answers to all the questions on the form, including date of purchase and purchase price, improvement (nature and value), amount of fire insurance carried on the buildings, and that there had been no recent commercial appraisal of the buildings. However, in answer to the question "What is the present fair market value of this property?" the objecting taxpayer wrote "I do not know." The court says, "*Even if it were considered that the Board had accepted the answers to other questions, the answer remained insufficient. Surely the single most important fact relevant to an assessment is the fair market value of the property, and a taxpayer who desires to proceed with an objection in good faith must be prepared to take a position as to what the fair market value is.*"

The majority of the court held that the taxpayer had not properly filled out the objection form and therefore had no right to a hearing at the Board of Review.

***Bender v Town of Kronenwetter*, 2002 WI App 284, 258 Wis.2d 321, 654 N.W.2d 57.** The Court of Appeals upheld the circuit court which stated that "the failure of some petitioners to file standard objection forms does not lead to the conclusion that they have no standing in an appeal on a writ of certiorari. Although Board members made statements on the record that they would not consider assessments for which no forms had been filed, they went ahead and did just that ... Because the Board heard testimony on these petitioners' assessments, and then went on to discuss and decide or change most of those valuations, this court finds that the Board waived the filing requirement. The Board's actions led these six petitioners to reasonably believe that their assessments had been reviewed like the other taxpayers and that they had a right to appeal the decisions to this court despite the failure to file forms."

Patrick P. Fee and Mark P. Fogarty v Board of Review for Town of Florence, 2003 WI App 17, 259 Wis.2d 868, 657 N.W.2d 112. Taxpayers sought certiorari review of tax assessment of their land, claiming property should have been classified agricultural and taxed according to use value, following affirmation of tax assessor's valuation by town board of review. The board moved to quash the writ. The circuit court found that taxpayers were not entitled to hearing because they had improperly filled out objection form, and that board had correctly affirmed the assessment. Taxpayers appealed. The Court of Appeals, held that: (1) board waived requirement that taxpayers complete objection form in writing; (2) portion of taxpayers' land containing hayfield should have been classified agricultural property; (3) portion of taxpayers' land that was subject to federal conservation contract was not agricultural land; but (4) effect of conservation restriction should have been considered when valuing property.

Fee & Fogarty own a parcel in the Town of Florence containing 93 acres of hayfield and 142 acres subject to a federal conservation easement. In November of 2000, they were notified the property was assessed at \$228,000. Fogarty appeared before the Florence Board of Review (BOR). He submitted an objection form but did not state the fair market value of the property. Fee & Fogarty argue there isn't a fair market value on the property since it should be valued according to its use as an agricultural property.

The assessor argued Fogarty was not entitled to a hearing since the objection form was incomplete. The BOR allowed Fogarty a hearing over the assessor's objection and affirmed the assessment. The Court of Appeals did not address this argument because the BOR waived the writing requirement by allowing the hearing. The Court of Appeals was unable to conclude the entire parcel should be classified as agricultural land based on the evidence presented.

The Court of Appeals ruled that the assessor should have classified the land not subject to the conservation contract as agricultural under Wisconsin Administrative Code 18.05 in effect at the time of the assessment. The Court of Appeals remanded to the circuit court to remand to the BOR to assess the hayfield at its use value and determine the conservation contract's effect on the property's value.

Sworn Testimony

Under Sec. [70.47\(8\)](#), Wis. Stats., the Board of Review must hear upon oath all persons who appear before it in relation to the assessment. The board may allow the property owner, or the property owner's representative, at the request of either person, to appear before the board, under oath, by telephone or to submit written statements, under oath, to the board. The board shall hear upon oath, by telephone, all ill or disabled persons who present to the board a letter from a physician, osteopath, physician assistant, as defined in s. [448.01\(6\)](#), or advanced practice nurse prescriber certified under s. [441.16\(2\)](#) that confirms their illness or disability.

Steele v Dunham, 26 Wis. 393 (1870). A town Board of Equalization or Review, in determining the value of land within the town, is acting upon a subject within the jurisdiction; and if it increases the assessor's valuation without examining any person upon oath in relation thereto, it acts erroneously and contrary to law.

***Town of Wauwatosa v Gunyon*, 25 Wis. 271 (1870).** The court stated that a note should be made in the records—“refused to swear,” when parties refuse to swear or present evidence under oath. The Board may then proceed to hear the appeal.

***State ex rel. Heller v Fuldner*, 109 Wis. 56, 85 N.W. 118 (1901).** Where no evidence under oath is given or offered before the Board of Review upon an application to reduce an assessment, the Board has no power to reduce the valuation.

***State ex rel. Giroux v Lien*, 112 Wis. 282, 87 N.W. 1113 (1901).** The court held, “The statutes contemplate oral evidence as the only thing upon which the Board can act in raising or lowering a valuation and cannot act on ‘ex-parte’ affidavits.”

***State ex rel. Vilas v Wharton*, 117 Wis. 558, 94 N.W. 359 (1903).** Letters and affidavits of the purchasers of property are not admissible as evidence before a Board of Review upon the question of whether the title passed to them prior to the assessment date.

***State ex rel. N.C. Foster Lumber v Williams*, 123 Wis. 73, 100 N.W. 1052 (1904).** When a taxpayer gives evidence against the amount which the assessor has fixed, it is but right that the taxpayer furnish all the enlightenment possible without evasion or concealment. If the taxpayer refuses this in any degree, the statute denies benefit from the statement the taxpayer chooses to make.

***State ex rel. De Forest v Hobe*, 124 Wis. 8, 102 N.W. 350 (1905).** Oral testimony only can be accepted by the Board of Review. In this case the court stated, “Deposition of property owner taken in another state cannot be considered by the Board. Personal appearance by owner cannot be waived.”

***Ryerson’s Estate*, 239 Wis. 120, 300 N.W. 782 (1941).** The taxpayer not being required to furnish the assessor with a sworn statement describing and valuing property, the assessment roll is not admissible for any other purpose than that prescribed by statute, but statements made to assessor or the Board of Review with respect to description and value of property, whether written or oral, may be received in evidence against taxpayer as an “admission against interest”; it being within the power of the assessor and Board to require a taxpayer to submit to an examination.

***Bender v Town of Kronenwetter*, 2002 WI App 284, 258 Wis.2d 321, 654 N.W.2d 57.** The Court of Appeals upheld the circuit court which held “another error that the Board made was failing to swear the assessor in when he spoke at the evidentiary hearings. Sec. 70.47(8), Wis. Stats., requires that all persons be sworn before giving evidence on the valuation of property to the Board of Review. These transcripts show that each objecting taxpayer, taxpayer’s attorney and witnesses (if any) were all duly sworn, but never once was the assessor sworn before he gave testimony. The assessor spoke at many hearings without being under oath. The Board should have had the assessor take an oath before speaking about any assessments or offering information... The fact that the assessor testified at several evidentiary hearings without being under oath like all the other witnesses requires a finding that these hearings were void.”

Assessor Presumed Correct

State law identifies the process for assessors to determine the value of a property subject to taxation. The assessor needs to first determine the proper classification since classification determines the value standard. Once the classification is determined, the assessor establishes a value that can be full market value, 50% of market value, or use-value based upon classification. Since the process of determining a valuation or assessment includes classification, the presumption of correctness also applies to the classification of a property.

***Salscheider v City of Fort Howard*, 45 Wis. 519 (1878).** Testimony from an assessor, that “had all the property in the city been thrown on the market on the day of assessment”, it would not have brought in more cash than the sums at which it was assessed, has no tendency to prove that the assessment of the same is at its full value.

***Bass v Fond du Lac County*, 60 Wis. 516, 19 N.W. 526 (1884).** The court ruled, “The Board of Review and the clerk should see to it that the assessor’s affidavit is signed and attached to the roll, for its absence is prima facie evidence of the inequality or injustice of the assessment and shifts the burden of proving it equitable and just to the municipality.”

***Spear v Door Co.*, 65 Wis. 298, 27 N.W. 298 (1886).** A party who has conveyed real estate, with covenants of warranty, or mortgaged real estate, and covenanted to pay all taxes subsequently levied thereon, can after making such conveyance or mortgage, maintain an action to set aside an illegal tax levied upon such real estate while the party was the owner thereof.

***State ex rel Giroux v Lien*, 108 Wis. 316, 84 N.W. 422 (1900).** In proceedings before the Board of Review, the assessor’s valuation is prima facie correct.

***State ex rel. Vilas v Wharton*, 117 Wis. 558, 94 N.W. 359 (1903).** Where the agent of one to whom lumber was assessed for taxation testified before the Board of Review that all said lumber had been sold prior to May 1, and produced in evidence, the contracts of sale, if the contracts were effectual to pass the title, such evidence of non-ownership overcame the presumption in favor of the assessment.

***State ex rel. Kimberly-Clark Co. v Williams*, 160 Wis. 648, 152 N.W. 450 (1915).** The assessor’s valuation of property is prima facie correct and is binding on the Board of Review in the absence of evidence showing it to be incorrect.

***Walthers v Jung*, 175 Wis. 58, 183 N.W. 986 (1921).** Assessed valuation cannot be impeached by testimony which states that as compared with less than two percent of the value of other tracts of land in the town, the assessed valuation is too high. Such testimony also sustains the conclusion that the lands upon which the comparisons are made is assessed too low, as well as the conclusion that the taxpayer’s land is assessed too high.

***State ex rel. Enterprise Realty Co. v Swiderski*, 269 Wis. 642, 70 N.W.2d 34 (1955).** The assessor’s valuation is presumptively correct and the owner’s evidence that such valuation exceeded construction costs was not sufficient to upset the assessor’s valuation. Construction costs do not prove the sale price.

***Bonstores Realty One, LLC v City of Wauwatosa*, 2013 WI App 131, 351 Wis.2d 439, 839 N.W.2d 893.** Sec. 70.32(1), Wis. Stats., requires the assessors to follow the requirements outlined in WPAM, as well as case law, which sets forth a three-tier assessment methodology. In excessive assessment claim appeals, the Court must accord the assessor's assessment a presumption of correctness.

The presumption of correctness is not overcome just because contrary evidence is presented. "The substantial evidence test is the appropriate standard to apply to a challenger's evidence to determine whether the presumption of accuracy [of the assessment] is overcome." The appellate court agreed with the circuit court's reasoning that all three approaches to value should be used and reconciled, that comparable properties must be truly comparable, and that other relevant information could be used in determining the assessed value.

***Sausen v. Town of Black Creek Board of Review*, 2014 WI 9, 352 Wis.2d 576, 843 N.W.2d 39.** A taxpayer who objects to an assessment on the basis of the classification of the taxpayer's property has the burden of proving that the classification is erroneous.

Generally, a party seeking to use a judicial or quasi-judicial process like the Board of Review (BOR) to advance his or her position carries the burden of proof.

Sec. 70.47(7), Wis. Stats., gives the taxpayer objecting to a valuation the burden of presenting evidence to the board in support of the objection. Similarly, sec. 70.49(2), Wis. Stats., provides an assessor's assessment with a presumption of correctness.

Valuations and classifications are both part of an assessor's assessment and there is no logical reason to treat the taxpayer's burden of proof in a challenge to a classification differently from a taxpayer's burden of proof to a challenge to a valuation or an assessment. It is also consistent with the underlying statutory assessment scheme to use the same burden of proof rule for valuations, classifications, and assessments.

Witnesses

***State ex rel. N.C. Foster Lumber Co. v Williams*, 123 Wis. 61, 100 N.W. 1048 (1904).** It was the taxpayers contention that the Supervisor of Assessments had acted as the assessor, made the assessment, and furnished evidence at the Board of Review to sustain the assessment. The court held that the Supervisor of Assessments did not have the jurisdiction to take the place of the assessor and make the assessment. A Supervisor of Assessments is a competent witness to give testimony before a Board of Review, and the fact that in giving this testimony the Supervisor of Assessment was supporting the assessment, goes to the weight of the testimony, but not its competency.

***State ex rel. M.A. Hanna Dock Co. v Willcuts*, 143 Wis. 449, 128 N.W. 97 (1910).** The court held, "The assessor is a competent witness before the Board of Review."

***State ex. rel. Park Falls Lumber Co. v Stauber*, 190 Wis. 310, 207 N.W. 409 (1926).** Witnesses, who neither had any personal knowledge concerning sales of lumber companies' plants, nor had been engaged or worked about a sawmill, and had no experience in construction or operation of same, were incompetent to testify as to private sale value of

lumber mill equipment under St. 1925, sec. 70.32(1), Wis. Stats., for purposes of assessment.

***State ex rel. Flambeau Paper Co. v Windus*, 208 Wis. 583, 243 N.W. 216 (1932).** The fact that assessment valuation witnesses did not participate in the sales respecting which they testified did not disqualify them on the theory that their knowledge was based on hearsay. Witnesses sworn by the city are qualified and competent to testify respecting the value of their company's plant for taxation.

***State ex rel. Baker Mfg. Co. v City of Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952).** While subs. (8), par. (d), Stats., provides the Board of Review may compel attendance of witnesses and, if requested by tax assessor, must compel attendance of such witnesses, it was not bound to compel such witnesses at the request of a taxpayer, and, where the Board of Review issued subpoenas for persons requested by taxpayer and delivered such subpoenas to taxpayer for such use as it might wish to make of them, the Board went as far as it was required

***State ex rel. Gregersen v Board of Review, Town of Lincoln*, 5 Wis.2d 28, 92 N.W.2d 236 (1958).** The court admits that extraordinary cases might arise wherein "it may be very important to the taxpayer to examine the assessor as an adverse witness at the very outset..." of the proceedings. The court proceeds to quote favorably the language in the case of *Baker Mfg. Co. v Evansville*, 261 Wis. 599, 53 N.W.2d 795 (1952):

"...few questions to the assessor may quickly establish facts which could otherwise be proved only by the time-consuming and expensive method of proving the values of a large sampling of properties to show that discrimination has been practiced against one class. Other examples might be suggested. Where the case is one of that sort, the taxpayer's right to determine the order in which he will present his case, and to call the assessor at the outset for cross-examination, is a matter of such substance that only extraordinary circumstances could warrant its denial. On the other hand, in an ordinary case where the sole contention is that the assessor has overestimated the value of taxpayer's own property, circumstances may justify the Board in requiring the taxpayer to present his own testimony on value or that of his expert witnesses before examining the assessor."

The court then concludes that if the taxpayer "thought he would be prejudiced by waiting until after his own testimony to examine the assessor, he owed it to the Board to assert such prejudice and explain how it might result. Having failed to do so, he cannot later be heard to say in court that the Board exceeded its jurisdiction in directing him to put in other testimony first." The court also remarked that in the certiorari proceeding the taxpayer should have, but did not, show how the Board's action was prejudicial to a material degree.

Evidence

***Milwaukee Iron Co. v Schubel*, 29 Wis. 444 (1872).** The Board of Review has no authority to value property arbitrarily or capriciously, but must be governed by the sworn evidence before it, where that is clear and uncontradicted; although, if the evidence is conflicting, the decision of the Board may be final.

***Hixon v Oneida County*, 82 Wis. 515, 52 N.W. 445 (1892).** The fact that two businessmen,

in their testimony as to the value of lands which have been assessed for taxation, differ considerably from the judgment of the assessor and the Board of Review, is not sufficient to impeach the assessment or to show intentional undervaluation.

***State ex rel. Hellere v Lawler*, 103 Wis. 460, 79 N.W. 777 (1899).** The clear intent and meaning of St. 1898, sec. 1061, Wis. Stats., was to place it beyond the power of the Board of Review to change the valuation of real estate without evidence, and to make it the duty of such Board to change such valuation in accordance with the evidence.

***State ex rel. N.C. Foster Lumber Co. v Williams*, 123 Wis. 61, 100 N.W. 1048 (1904).** In proceedings before a Board of Review to reduce the assessor's assessment, the Board is not bound to accept as true the evidence upon one side or that of the other, but may, in the exercise of its judgment, disregard the evidence on both sides, and fix a valuation between the two extremes. In proceedings before a Board of Review for the reduction of an assessment of sawmill property for taxation, the testimony of the owner bore mainly on what the property was worth to disorganize and dispose of its parts. The testimony in support of the assessment bore mainly on what the property was worth as an entirety and as a going concern; that is, what the property would bring at private sale, assuming that a buyer, with the same opportunity for the use of the mill as the owner, was at hand, and had the means to buy it. The court held that under sec. 70.32, Wis. Stats., providing that real property shall be valued at the value which could ordinarily be obtained therefor at private sale, and prescribing what elements the assessor shall consider in determining the value, the evidence of the owner furnished no basis for valuing the property, while the evidence in support of the assessment was sufficient to warrant the Board in adopting the assessor's valuation.

***State ex rel. Edward Hines Lumber Co. v Fisher*, 129 Wis. 57, 108 N.W. 206 (1906).** "Board may consider evidence of an earlier hearing to support its findings and is not held to regular court rules on evidence."

***State ex rel. M.A. Hanna Dock Co. v Willcuts*, 143 Wis. 449, 128 N.W. 97 (1910).** While a city Board of Review has no jurisdiction to set aside an assessment where there was no evidence to impeach it, it has jurisdiction to sustain the assessment if there is any evidence which reasonably justifies it doing so.

***State ex rel. Lake Nebagamon Ice Co. v McPhee*, 149 Wis. 76, 135 N.W. 470 (1912).** A mere opinion of the owner with reference to the value of personal property, unsupported by facts or circumstances and coupled with evasive answers as to the quantity and market value, does not so nullify the valuation of an assessor that the Board of Review is without jurisdiction to confirm the latter.

***State ex rel. Althen v Klein*, 157 Wis. 308, 147 N.W. 373 (1914).** The Board of Review cannot change the assessor's valuation without evidence; but if, in any reasonable view of it, the evidence furnished a substantial basis for the action of the Board in making a change, and there is nothing to show that it acted arbitrarily or dishonestly, its decision will not be interfered with by the courts.

***State ex rel. Kimberly-Clark Co. v Williams*, 160 Wis. 648, 152 N.W. 450 (1915).** Disregard, by the Board of Review, of competent testimony, unimpeached by other evidence,

which shows the assessor's valuation to be incorrect, is a jurisdictional error.

***State ex rel. Pierce v Jodon*, 182 Wis. 645, 197 N.W. 189 (1924).** The court held, "All that can be asked of assessment officers is that they act on the evidence and facts before them, honestly and without discrimination against such property. When this is done and the case is before us on appeal, we will examine the record to ascertain if there is any competent, credible evidence to sustain the valuations placed upon the property by the assessing officers, and if there be such, it is not our province to weigh the testimony to determine where the preponderance lies."

***Worthington Pump & Machinery Corporation v City of Cudahy*, 205 Wis. 227, 237 N.W. 140 (1931).** The court stated, "Taxpayer's income tax return and annual report to stockholders is competent evidence as an admission by taxpayer of the value of his property."

***State ex rel. Flambeau Paper Co. v Windus*, 208 Wis. 583, 243 N.W. 583 (1932).** The court said that, "It was proper to consider cost, depreciation, replacement value, income, industrial conditions, location and occupancy, sales of like property, book value in a prospectus and appraisals produced by owner."

***State ex rel. North Shore Development Co. v Axtell*, 216 Wis. 153, 256 N.W. 622 (1934).** Assessed value of land improvements would not be disturbed, notwithstanding that the taxing authorities introduced no witnesses to contradict the landowner's testimony where from such testimony it could be reasonably concluded that the improvements were assessed at fair value.

If there is credible evidence before the Board of Review that may in any reasonable view support the assessor's valuation, such valuation must be upheld by Board.

***State ex rel. Collins v Brown*, 225 Wis. 593, 275 N.W. 455 (1937).** "It has been consistently held that in this state the assessor's valuation is prima facie correct and will not be set aside in the absence of evidence showing it to be incorrect." The fact that the property was sold immediately after the assessment at a lower price than the assessment does not prove the assessment wrong unless it is shown that the price paid is that which could be obtained at a private sale. The burden of proof is upon the person attacking the assessment.

***Rahr Malting Co. v City of Manitowoc*, 225 Wis. 401, 274 N.W. 291 (1937).** If there is any competent credible evidence to sustain the valuation placed upon the property by assessing officers, the assessment must be sustained by the court, since the court cannot weigh the testimony to determine where the preponderance lies. The valuation given to realty on the taxpayer's income tax report which included income from realty and deductions for insurance and repairs, when considered with evidence of the sale price of the realty, appraised price, and going value, was sufficient, competent, and credible evidence to sustain the assessment of tax officials.

***State ex rel. First & Lumbermen's National Bank of Chippewa Falls v Board of Review Chippewa Falls*, 237 Wis. 306, 296 N.W. 614 (1941).** The rule on real estate assessment is that value for tax purposes shall be arrived at by the assessor from an actual view or from the best information that can be practically obtained as to the full value which

would ordinarily be obtained for property at a private sale, and when the assessor has complied with such rule and the Board of Review has been guided by competent evidence in passing upon fairness of assessment, a court can not disturb the findings.

***Ryerson's Estate*, 239 Wis. 120, 300 N.W. 782 (1941).** In all cases, parties who rely upon sales of property to establish the fair market value for general and inheritance tax purposes should bear the burden of establishing that the sales were made by a person willing to sell but not obliged to sell to a willing buyer who was not obliged to buy, together with such other circumstances as indicate that the price was fairly obtained in an open market.

***State ex rel. Kenosha Office Bldg. Co. v Herrmann*, 245 Wis. 253, 14 NW 2d 157, rehearing denied, 245 Wis. 253, 14 N.W.2d 910 (1944).** Evidence supported the findings that the action of the city Board of Review in confirming the assessment of the taxpayer's realty was arbitrary in that its conclusion to confirm the assessment was predetermined and that it failed to give fair consideration to the taxpayer's testimony to establish that the assessment had not been fixed upon the statutory basis, and hence, justified the trial court in vacating the assessment.

***State ex rel. Goldsmith Building Co. v Bolan*, 259 Wis. 460, 49 N.W.2d 409 (1951).** Where a realtor in a certiorari proceeding conceded that the Board of Review of real estate tax assessment could have placed a value of \$212,000 or \$175,000 upon realtor's property, and in view of the fact that there was no evidence before the Board to sustain a finding of a lesser value, realtor was not prejudiced by an assessment of \$150,000.

***State ex rel. Evansville Mercantile Ass'n. v City of Evansville*, 1 Wis.2d 40, 82 N.W.2d 899 (1957).** The court will not substitute its opinion of property valuation for that of the Board of Review if there is a conflict in testimony respecting the value of the property, the assessor's valuation will be upheld if there is credible evidence before the BOR to support it.

Where there was a contemporaneous sale of property which had been subsequently assessed at value greater than the sale price, the taxpayer still had the burden of showing that the sale was made under normal conditions so as to lead to the conclusion that the price paid was that which ordinarily could be obtained for the property.

***Central Cheese Co. v City of Marshfield*, 13 Wis.2d 524, 109 N.W.2d 75 (1961).** If the company overstated its inventory of cheese for taxation purposes on its Form 10, it would be entitled to prove that fact, but the Board of Review could properly disregard a personal unsupported statement of an officer of the taxpayer to that effect. The Board of Review in reviewing the assessments of personalty of taxpayers had the power to compel the attendance of witnesses and the production of all records containing material facts.

***Bauermeister and others v Town of Alden*, 16 Wis.2d 111, 113 N.W.2d 823 (1962).** Owners of 22 properties alleged that their lakeshore properties were assessed in 1959 at a much higher ratio (average 96.9%) than six farms they picked out as comparisons which were assessed at an average ratio of 53.8%. The court gave much weight to the fact that these farms were not random samples; and that testimony of tabulated sales of farms sold in 1957, 1958, and 1959 showed that "the particular farms sold were assessed at a higher percentage of the respective sales price than the particular lakeshore properties sold in the same year...

These facts tend to show that there was no discrimination in favor of farms, at least in the assessment of the particular properties sold.”

The court continued, “*We take judicial notice of the fact that the Department (of Revenue) determined that in 1959, in the Town of Alden, the assessed value of all real estate was 99.2% of full value, and the assessed value of all real estate and personal property combined was 95.6% of full or true value... It is of some significance that the Department, following its own statistical methods, arrived at a result which does not support the plaintiff’s contentions.*” Relief to plaintiffs was denied.

State ex rel. Home Insurance Co. v Burt, 23 Wis.2d 231, 127 N.W.2d 270 (1964). Under this section requiring real property to be assessed at the full value which could ordinarily be obtained at private sale, the assessor’s valuation must be taken as presumptively correct in proceedings attacking an assessment, but presumption gives way to undisputed competent evidence establishing a lower value or substantially higher value.

Superior Nursing Homes, Inc. v. City of Wausau, Board of Review, 37 Wis.2d 570, 155 N.W.2d 670 (1968). It is the obligation of the assessor and Board of Review to determine fair market value of property from best competent evidence available, which may or may not coincide with the construction costs less depreciation.

Dolphin v Board of Review of Village of Butler 70 Wis. 2d 403, 234 N.W.2d 277 (1975). A taxpayer went to the Board of Review with three separate appraisals of the property in question. No other testimony was presented and the Board stated that they would notify the taxpayer by mail of their decision. After the hearing, the Board went into executive session with the assessor present, but not the taxpayer. At this session, the assessor proceeded to attack the taxpayer’s appraisals. Based on this information the assessment was reduced, but not to what the taxpayer’s appraisals had indicated.

The court held that the executive session was more than a mere deliberation session. It was closer to a continuation of the quasi-judicial hearing but without the potentially bothersome presence of the objecting taxpayer. This session was ruled improper and amounted to a jurisdictional error on the part of the Board of Review.

Rite-Hite Corporation and Michael H. White v Board of Review of the Village of Brown Deer, 216 Wis.2d 189, 575 N.W.2d 721 (Ct. App. 1997). Appeal from a judgment of the circuit court for Milwaukee County. The court held the following: “*1) Under the scope of our review, whether the “comparable” properties identified by Rite-Hite’s expert were sufficiently comparable to the Rite-Hite property to be used in arriving at a fair-market value for the Rite-Hite property was the Board’s call. Further, the Board credited the assessor’s cost-approach methodology over that used by the expert hired by Rite-Hite and White. This, too, was the Board’s call. Rite-Hite and White have not demonstrated that the Board’s determination was unreasonable or that it represented its will and not its judgment. 2) The assessor testified that he did not believe that the disparity of assessment ratios among the various statutory classes of property violated the uniformity clause. The Board, too, rejected the argument made by Rite-Hite and White that the uniformity clause required uniformity of taxation among all classes of taxable property. This was in error. Accordingly, we remand this matter to the Board for either: a reassessment of the Rite-Hite property in compliance with*

Article VIII, S. 1 of the Wisconsin Constitution, or a uniformity analysis that demonstrates that the assessment of the Rite-Hite property was done in conformity with that provision. 3) Rite-Hite and White's contention that the assessor cannot ask questions of the witnesses presented by the objecting taxpayer is without merit. 4) Giving the Board access to legal advice on technical and procedural matters advances rather than retards the goal of setting a fair assessment."

ABKA Partnership v Board of Review, Village of Fontana-On-Geneva-Lake, 231 Wis.2d 328, 603 N.W.2d 217 (1999). Owner of resort property brought action for certiorari review of village board of review's decision upholding \$8,500,000 assessment for resort. The Circuit Court, upheld assessment, and owner appealed. The Court of Appeals, affirmed in part, reversed in part, and remanded, and owner sought further review. The Supreme Court, held that: (1) income from resort owner's management of rental condominiums was inextricably intertwined with resort property and, thus, was properly included in assessing value of property for tax purposes; (2) assessor was not required to use actual figures as the data for assessment of resort property; (3) owner failed to establish that assessor's methodology for valuing resort property was erroneous; and (4) assessor's inclusion of condominium rental income in the valuation of resort property did not violate unitary taxing rule.

The majority decision determined the management income is “inextricably intertwined” with the resort property and the assessor employed proper data and methodology. The determination of the Board of Review was made according to law and is supported by a reasonable view of the evidence.

The majority cautioned that the determination is not to be “...construed as a broad license to ignore the site of income and thus assess income derived from any off-site property that may have a tenuous relationship to the main property being assessed. It is true that the off-site location of income lends itself to the initial conclusion that the income should not be encompassed in the assessment.”

The portion of the order upholding the assessor’s “rounding” of the final assessed value was remanded with direction to reduce the rounded assessment to the actual assessed value.

Appeals

Once the Board of Review has adjourned, the appeal of an assessment must follow the procedures outlined in WPAM Chapter 21 - Board of Review & Assessment Appeals. Whenever the valuation of property is being questioned, the taxpayer must have first appeared before the Board of Review and presented sworn testimony.

State ex rel. John R. Davis Lumber Co. v Sackett, 117 Wis. 580, 94 N.W. 314 (1903). Where a Board of Review commits a jurisdictional error in increasing the valuation of property, injustice to the owner is presumed, in the absence of any showing to the contrary in the record of the proceedings of the Board, and upon a proceeding by certiorari to challenge the assessment, if there is no affirmative showing that substantial justice has been done, it is error to quash the writ upon the ground that the petitioner has not shown injustice.

***State ex rel. J.S. Stearns Lumber Co. v Fisher*, 124 Wis. 271, 102 N.W. 566 (1905).** “In order for the appellate court to remove the findings of the Board, the evidence must be overwhelmingly against the Board’s findings.”

***State ex rel. Bues v Phelps*, 174 Wis. 203, 182 N.W. 749 (1921).** The court held, “A taxpayer must first appear before the Board of Review, object to the valuation of his property and make full disclosure of this property before bringing action to question his assessment.”

***Milwaukee County v Dorsen*, 208 Wis. 637, 242 N.W. 515 (1932).** A taxpayer who does not appear before the Board of Review and object to the validity of the tax sought to be imposed cannot thereafter question the tax imposed on either the property or the income.

***Highlander Co. v City of Dodgeville*, 249 Wis. 502, 25 N.W.2d 76 (1946).** An assessment on property on any basis other than the full value obtainable at private sale, as required by statute, is illegal and if the assessment is so substantially out of line with other assessments as to impose an inequitable tax burden, the taxpayer may proceed under sec. 74.73, Wis. Stats., relating to the recovery of taxes unlawfully assessed.

***Pelican Amusement Co. v Town of Pelican*, 13 Wis. 2d 585, 109 NW 2d 82 (1961).** The taxpayer, who claimed that the real and personal property taxes were illegal and excessive was required to file written objections with the clerk of the Board of Review and to appear before the town Board of Review and make full disclosure of all of the taxpayer’s property before bringing an action for the recovery of the alleged illegal excessive taxes paid.

In cases of illegal taxes not involving the amount or valuation of property or excessive assessment, it is not necessary to comply with the statutes requiring the taxpayer to file a written objection and appear before the town Board of Review.

***State ex rel. Garton Toy Co. v Town of Mosel*, 32 Wis.2d 253, 145 N.W.2d 129 (1966).** If the assessor or the Board of Review has excluded from consideration evidence entitled to consideration or the assessor has based the valuation on improper considerations, has gone upon false assumption or theory in determining the amount of the assessment, has given unwarranted effect to facts considered, or has drawn from the unwarranted conclusions, the assessment must be set aside on certiorari.

On appeal, the Supreme Court would not determine the values in reassessment to follow remand upon the vacation of the assessment; reassessment would be the function of the assessor, corrected if necessary by the Board of Review.

***Marina Fontana et al v Village of Fontana-on-Geneva Lake*, 69 Wis.2d 736, 233 N.W.2d 349 (1975).** Taxpayers brought action against the village under sec. 74.73, Wis. Stats. (Recovery of Illegal Taxes) claiming an excessive increase in the valuation of the real estate owned by them. They also claimed that they were not given notice of the increased assessment even though it was in excess of \$100 as required by sec. 70.365, Wis. Stats. The village countered these claims by pointing out that according to the case of *Pelican Amusement Co. v. Pelican*, 13 Wis. 2d 585, any objection to the assessment must begin at the Board of Review. The taxpayers had not appeared at the Board. The village also contended that the taxpayers failed to properly plead which alternative provision of sec. 74.74, Wis. Stats., they relied on for the reassessment of the property taxes. The court found that the Pelican case was decided in 1961 and that sec. 70.365, Wis. Stats., was enacted two years later. This later enactment of sec. 70.365, Wis. Stats., modified the holding in the Pelican case. The failure to give the required notice of assessment waived the taxpayer's obligation to appear at the Board of Review. The court dismissed the village's second contention that the taxpayers did not properly plead which alternative provision of sec. 74.74, Wis. Stats., because the responsibility of determining which alternative to proceed under lies with the trial court.

***State ex rel. Geipel v City of Milwaukee* 68 Wis.2d 726, 229 N.W.2d 585 (1975).** The scope of review by certiorari is strictly limited in Wisconsin... the reviewing court may consider only...

1. Whether the Board kept within its jurisdiction;
2. Whether it (the Board of Review) acted according to law;
3. Whether its action was arbitrary, oppressive or unreasonable and represented its will and not its judgment; and
4. Whether the evidence was such that it might reasonably make the order a determination in question.

***Dueterbeck et. al. v Town of Koshkonong Board of Review*, 2000 WI App 6, 232 Wis.2d 16, 605 N.W.2d 904.** The Town violated the rule of uniform taxation when the assessor applied a different method when valuing the Blackhawk Bluff properties, than it applied to other lakefront residential properties, and to other residential properties in the Town in 1993.

The Appeals Court concluded that the 1994 valuations were also the result of the discriminatory appraisal practices used by the assessor in 1993, and, therefore, that the Town's 1994 valuations violated the rule against uniform taxation as well.

The court found the Dueterbeck Owners were entitled to relief for both years; that the circuit court had properly exercised its authority in ordering a refund; and that the Dueterbeck owners are entitled to costs. The court voided the refund for the Saenger Trust Owners, since they did not appeal their 1993 assessment to the Board of Review.

***Karen M. Joyce v Town of Tainter*, 2000 WI App 15, 232 Wis.2d 349, 606 N.W.2d 284.** The orders were affirmed by the Appellate Court based on the following: 1) the assessor acted as a de facto public officer, even if the assessor was not appointed correctly; and 2) a reasonable view of the evidence before the board indicates that the assessor did consider comparable sales.

Armin Nankin, Trustee of the Gertrude H. Weiss Revocable Trust v Village of Shorewood, 2001 WI 92, 245 Wis.2d 86, 630 N.W.2d 141. Taxpayer in a county with a population in excess of 500,000 brought action against village for a declaratory judgment on the constitutionality of a statute permitting only certiorari review of assessment. The Circuit Court, ruled in favor of village. Taxpayer appealed. The Court of Appeals affirmed in an unpublished opinion. Review was accepted. The Supreme Court, held that: (1) the statute allowing circuit court action to recover a property tax based on an excessive assessment in a county with a population of less than 500,000, but permitting only certiorari review of assessments in larger counties, violates state and federal equal protection clauses, overruling *S.C. Johnson*, 206 Wis.2d 292, 557 N.W.2d 412, and (2) the unconstitutional statute is severable.

"We conclude that Nankin has met his burden of proving that sec. 74.37(6), Wis. Stat. is unconstitutional as a violation of equal protection. The classification established in this statutory section treats members of the class significantly different than members outside the class. We cannot determine any rational basis for this disparate treatment. Accordingly, we find this statutory section unconstitutional. We reverse the decision of the court of appeals and grant summary judgment in favor of Nankin. Because the legislature has not indicated its intent otherwise, we conclude that sec 74.37(6), Wis. Stats., is severable from the remainder of the statute."

U. S. Bank National Association, et. al. v City of Milwaukee, 2003 WI App 220, 267 Wis.2d 718, 672 N.W.2d 492. What impact does *Nankin* have on sec. 74.37, Wis. Stats., for property owners in Milwaukee County?

Fourteen City of Milwaukee properties appeal an order dismissing their claims for property tax refunds, under sec. 74.37, Wis. Stats., against the City. Prior to the *Nankin* decision, Milwaukee County property owners were not allowed to challenge property taxes under Section 74.37. *Nankin* declared this restriction to be unconstitutional.

The Court decision is based on the following issues:

A. Section 74.37(2)(b)5, Wis. Stats. Issue: The City of Milwaukee's BOR is not done by Jan 31, so taxpayers cannot meet the deadline.

First, a citizen's resort to the courts may not be frustrated because inaction by the governmental body whose action the citizen seeks to contest makes impossible the citizen's compliance with rules requiring the citizen to act within a certain time.

Second, "[t]he cardinal principle of statutory construction is to save and not to destroy. Thus, where part of a statute is struck, portions of other statutes that conflict with the surviving statute should not be allowed to nullify full operation of the surviving statute—especially when those now-inconsistent provisions were compatible with the statute before the excised part was removed.

B. Sections 74.37(4)(a) & 70.47, Wis. Stats. Issue: Milwaukee taxpayers cannot comply with sec. 70.47(13), Wis. Stats.

Section 74.37(4)(a), Wis. Stats., says that taxpayers need not comply with sec. 70.47(13), Wis. Stats. before they may use sec.74.37, Wis. Stats. It is immaterial that City of Milwaukee taxpayers cannot comply with sec. 70.47(13), Wis. Stats.; they never had to comply with it.

C. Section 74.37(4)(b), Wis. Stats. Issue: Milwaukee taxpayers cannot comply with the

payment statutes referenced. Again, under the rules of statutory construction we have already discussed, the intent of the legislature that protesting taxpayers must first pay their taxes before they may use sec. 74.37, Wis. Stats., can be easily obeyed by, as the trial court recognized, substituting the provision applicable to City of Milwaukee taxpayers; the pre-payment concept is the significant part of the legislative scheme, not the specific provision implementing that scheme.

- D. Section 74.37(4)(c), Wis. Stats. Issue: The omission of any reference to (16) in sec. 74.37(4)(c), Wis. Stats., read literally, means that City of Milwaukee taxpayers could bring BOTH a Writ of Certiorari and a claim under sec.74.37, Wis. Stats. First, as we have already discussed, sec. 70.47(13), Wis. Stats., does not apply to City of Milwaukee taxpayers. There is thus no conflict. Second, as to the trial court's concern that City of Milwaukee taxpayers will attempt to use *both* secs.74.37 and 70.47(16), Wis. Stats. to challenge a tax assessment, we question whether given the clear advantages of the procedures authorized by sec. 74.37, Wis. Stats., *Nankin*, 2001 WI 92 at ~19-33, 245 Wis.2d at 101-108, 630N. W.2d at 148-151, any City of Milwaukee taxpayer would be tempted to also use the writ-of-certiorari procedure set out in sec.70.47(16), Wis. Stats.
- E. Section 70.47(16), Wis. Stats. Issue: The only appeal is via certiorari, by statute. Section 74.37, Wis. Stats., trumps any provision that was once, but no longer is, consistent with its provisions, and this includes that part of sec. 70.47(16), Wis. Stats., that says that those contesting City of Milwaukee property-tax assessments may only seek judicial review of those assessments *via* certiorari.

General

Tax Incremental Financing

***Sigma Tau Gamma Fraternity House v City of Menomonie*, 93 Wis.2d 392, 288 N.W.2d 85 (1980).** The City of Menomonie approved the formation of a Tax Incremental District. Under the Tax Incremental Law, cities are authorized to create tax incremental districts to assist in financing needed public improvements in areas, 25% of which are blighted, in need of rehabilitation or conservation work (sec. 66.435, Wis. Stats.), or suitable for industrial sites (sec. 66.52, Wis. Stats.) Included in this city of Menomonie district was the Sigma Tau Gamma Fraternity House. Even though the fraternity house was in satisfactory condition, the city started condemnation proceedings to take the property for elimination of blighted slum areas and encourage improvements under the tax incremental financing

The owners of the fraternity house challenged:

1. the right of the city to condemn property under the Tax Incremental Law; and
2. the constitutionality of the Tax Incremental Law because of:
 - a. lack of uniformity and
 - b. lack of public purpose.

Addressing the first challenge, the court held that tax incremental financing is authorization for financing not condemnation. Any proceedings to take property must be done according to appropriate condemnation laws. Since all legislative enactments are presumed constitutional, the court held the Tax Increment Law as constitutional.

***State ex rel. Olson v City of Baraboo Joint Review Board*, 2002 WI App 64, 252 Wis.2d**

628, 643 N.W.2d 796. The Court found that the meeting notice contained the required elements as required by law. They also found that anyone interested in the TIF district was reasonably apprised that they should attend the Joint Review Board meeting. The notice made clear that the board would be considering whether to approve the TIF district.

On the expenditure issue, the Circuit Court stated "It was the common council's responsibility to authorize expenditures, and that the Joint Review Board had no authority to approve or deny individual portions or items of the project plan." The Court of Appeals agreed with the Circuit Court with regard to the Joint Review Boards duties.

The Court also found that the Joint Review Board is not barred from approving a TIF District if some land within the district would have been developed without being in a TIF. The Court of Appeals noted that the review board must look at the district "as a whole" and determine whether development would occur without the use of tax incremental financing.

In conclusion, the Court of Appeals found that the Joint Review Board acted according to the law and that its decision was reasonable.

Objection to County Assessment

***Thompson v Kenosha County*, 64 Wis.2d 673, 221 N.W.2d 845 (1974)** The court held that abolishing the office of town assessor in favor of a county assessor system (sec. 70.99, Wis. Stats.) does not violate the uniformity clause.

Municipal Services on Tax Roll (Special Assessments)

Opinion of Attorney General (January 12, 1968) "...you asked whether towns, villages and cities may add to their tax rolls the amounts due from property taxpayers for goods and services such as gravel, snowplowing and blacktopping, which have been furnished by the taxing district to the taxpayer. Certainly in the absence of any statute authorizing such a practice, a taxing district would have no basis for adding such items to the regular tax roll and treating these amounts due as liens upon the property. In some instances the amounts due for goods and services furnished by a municipality may be added to the tax roll, but this is pursuant to express statutory authority. See, for example, section 94.22 regarding the cutting of noxious weeds by a municipality, and section 66.069(1) (b), regarding amounts due for water."

State Assessment of Manufacturing Property

***State ex rel. Fort Howard Paper Co. v State of Wisconsin, Lake District Board of Review*, 82 Wis.2d 491, 263 N.W.2d 178 (1978).** The court found the assessment of manufacturing property as provided in sec. 70.995, Wis. Stats., does not violate either the uniform taxation or the equal protection clauses of the Wisconsin Constitution. The taxpayer failed to prove that the revaluation of manufacturing property over a four-year period would violate sec. 70.32, Wis. Stats., requiring full value assessments.

***S.C. Johnson & Sons, Inc. v Wisconsin Department of Revenue*, 202 Wis.2d 714, 552 N.W.2d 102 (Ct. App. 1996).** The resolution of this case depends on an interpretation of sec.

70.995, Wis. Stats. If the plain meaning of the statute is clear, then the rules of statutory construction or other extrinsic aids are not examined by the Court. *UFE Inc. v. LIRC*, No. 94-2794, [slip op. at 4 (Wis. May 22, 1996)].

The first two sentences of sec. 70.995(1)(a), Wis. Stats. creates three categories of manufacturing property: (1) lands, buildings, structures and other real property used in manufacturing, assembling, processing, fabricating, making or milling tangible personal property for profit; (2) warehouses, storage facilities and office structures when the predominant use is in support of property belonging to the first group; and (3) all personal property owned or used by any person in this state engaged in any of the activities mentioned and used in the activity.

Section 70.995(1)(a), Wis. Stats., does not provide that structures used predominantly in support of manufacturing property are manufacturing property. It plainly limits the support structures that qualify as manufacturing property to warehouses, storage facilities or office structures.

The plain language of sec. 70.995(1)(a), Wis. Stats., cannot be ignored. Armstrong Park is not incorporated into a structure that is used for manufacturing and it is not a warehouse, storage facility, or office structure.

Although the introductory language of sec. 70.995, subsection (2) confuses the distinction between the activities or industries included in the definition of manufacturing and the type of property included in the definition of manufacturing property, a reasonable interpretation of subsection (2) is that it defines the activities or industries that are considered manufacturing. It does not add a fourth category of manufacturing property.

This conclusion is based on two reasons: First, subsection (1)(d) refers to the classification in subsection (2) as “activities”; second, the Petitioner’s fourth category includes the second category, making an extra requirement that the support structure be a warehouse, storage facility or office structure. Courts should avoid interpreting extra constructions into statutes. *State v. Wachsmith*, 73 Wis.2d 318, 324, 243 N.W.2d 3410, 3414 (1976).

The Wisconsin Supreme Court denied S.C. Johnson’s petition for review on September 17, 1996. The Court of Appeals decision stands.

Zip Sort, Inc., d/b/a Federal Mailing Systems v Wisconsin Department of Revenue, 2001 WI App 185, 247 Wis.2d 295, 634 N.W.2d 99. Zip Sort first argues that de novo review is necessary because the question the TAC faced was one of first impression, as well as one where it had no special expertise. Zip Sort asserts that it uses technology not contemplated by the SIC manual, which was published in 1987, and that the TAC therefore could not rely on the SIC manual. We disagree. Even assuming the TAC has not previously decided whether the application of bar codes to mail is manufacturing under sec. 70.995, Wis. Stats., it is still entitled to some degree of deference. Assuredly, this is not the first time that the TAC has been called upon to make sec. 70.995, Wis. Stats., determinations for business activities that, due to technological advances, were not specifically contemplated by the fourteen-year old SIC manual. The WPAM is promulgated by DOR and is the primary document for defining assessment standards and practices in Wisconsin. See *Campbell*, 210 Wis. 2d at 258. The WPAM explicitly recognizes that not all business activities will be covered by the SIC

manual, and it sets forth the three questions precisely for the purpose of interpreting “the criteria and general definitions included in sec. 70.995(1)(a) and (b), Wis. Stats.” The TAC’s decision to apply the three questions in the WPAM in interpreting sec. 70.995, Wis. Stats., was therefore reasonable. The questions themselves refer to language in the statute, and Zip Sort’s assertion that the general definition of “manufacturing property” in the statute must be analyzed independently of the questions is no more reasonable than the interpretation of the TAC.

We conclude that the TAC is experienced in interpreting sec. 70.995, Wis. Stats., and that any inconsistency in its past decisions was with regard to an issue not dispositive of this case. We disagree with Zip Sort’s assertion that the correct standard of review is *de novo*.

The TAC’s interpretation of sec. 70.995(1)(a), Wis. Stats., is reasonable, and the alternative proposed by Zip Sort is not more reasonable. Therefore, we need not determine whether the proper standard of review is due weight deference or great weight deference.

APV North America, Inc. v Wisconsin Department of Revenue, Wisconsin Tax Appeal Commission, Docket Number 01-M-220, December 13, 2002. The Tax Appeals Commission granted the Department of Revenue’s (DOR) motion and dismissed the petition for review. The Commission lacks matter jurisdiction over the petition because North America, Inc. (APV) was not aggrieved by the action of the State Board of Assessors. They requested and received a reduced assessment.

APV owns a manufacturing property in Lake Mills. The DOR assessment on the property was \$6,889,700. APV filed an objection with the State Board of Assessors stating the property should be valued at \$6,000,000 based on the asking price of the property. At the time, APV was negotiating the sale of the property. The Board of Assessors issued its Notice of Determination for \$6,000,000 on October 16, 2001.

APV and the buyer agreed to a price of \$4,400,000 after receiving the Notice of Determination but before filing the petition for review. APV filed a petition for review with the Commission to further reduce the assessment to \$4,400,000. On January 4, 2002, the property sold for \$4,400,000.

Recovery of Taxes Paid

S.C. Johnson & Sons, Inc. v Town of Caledonia, 206 Wis.2d 292, 557 N.W.2d 412 (Ct. App. 1996). Property owner could challenge real estate property tax assessment by applying for trial *de novo* to recover amount of refund claim disallowed by taxing authority, as alternative to certiorari review. Traditionally, statutes have permitted an action for the recovery of illegal taxes paid. In *Pelican Amusement Co. v. Town of Pelican, 13 Wis. 2d 585, 109 N.W.2d 82 (1961)*, the Supreme Court addressed sec. 74.73(1), Wis. Stats., 1957, the predecessor statute to the present sec. 74.37, Wis. Stats. That statute permitted an action for the recovery of illegal taxes paid (*Pelican, 13 Wis.2d at 591, 109 N.W.2d at 85*). The court said: “Prior to 1955, sec. 74.73(4), Wis. Stats., required an allegedly excessive assessment to be re-viewed by an appeal from the determination of the board of review by a writ of certiorari to the circuit court.” Note: By Ch. 440, Laws of 1955, the provision that required an appeal from the determination of the Board of Review was eliminated.

The language in sec. 74.37(4)(a), Wis. Stats., when compared with the certiorari statute, sec. 70.47(13), Wis. Stats., supports the interpretation that sec. 74.37(4)(a), Wis. Stats., embodies the *Pelican* rule that envisions the alternative methods of judicial review.

In 1987, the legislature enacted sec. 74.37, Wis. Stats., in its current form. Consistent with the *Pelican* holding, sub sec. (3)(d) of this statute authorizes an action in circuit court to collect the amount of the claim not allowed. Section 74.37, Wis. Stats., carries language that signals the legislative intent to create a separate and distinct method of judicial review.

Since the legislature eliminated the certiorari method of judicial review by the language in sec. 70.47(13), Wis. Stats., it contemplated another in sec. 74.37(3)(d), Wis. Stats., by providing for a separate action in the circuit court. For example, before an action under sec. 74.37, Wis. Stats., may be commenced, the taxpayer must first pay the disputed tax and comply with the claim procedures set out in the statute—Section 74.37(4)(b), Wis. Stats. Section 70.47, Wis. Stats., carries no such requirement

The legislature provided a clear signal that they contemplated alternative methods of judicial review at the option of the taxpayer when constructing sec. 74.37(4)(c), Wis. Stats. Section 74.37(4)(c), Wis. Stats., provides that no action may be brought under this statute if the taxpayer has contested the assessment for the same year under sec. 70.47(13), Wis. Stats., the certiorari statute. Section 74.37(3)(d), Wis. Stats., allows for a trial de novo as a means of judicial review when the taxpayer claims an excessive tax.

The Town failed to meet the exceptions of the “no standing rule” and thus could not make a valid argument that Johnson’s interpretation of the statute produced a constitutional violation of the uniformity clause.

Because the Town raised a statutory construction argument, the trial court is correct to examine this argument as a constitutionality issue. In similar situations where a municipality sought to defend a taxpayer’s suit by raising claims of unconstitutionality, the Wisconsin Supreme Court has analyzed the question under the “no standing” rule and its exceptions. See, for example, *Fulton Found. v Department of Taxation*, 13 Wis.2d 1, 11, 108 N.W.2d 312, 317 (1961) and *Associated Hosp. Serv., Inc. v City of Milwaukee*, 13 Wis.2d 447, 469, 109 N.W.2d 271, 282 (1961). The rule does not apply: (1) when the governmental agency has a duty to raise the issue, or the agency will be personally affected if it fails to do so, and the statute is held invalid; and (2) if the issue is of “great public concern.” The Town did not meet any of these conditions.

***Northbrook Wisconsin, LLC v City of Niagara*, 2014 WI App 22, 352 Wis.2d 657, 843 N.W.2d 851.** Sec. 74.37(4)(a), Wis. Stats., requires taxpayers to file an objection before the city BOR prior to filing an excessive assessment claim unless the taxing authority failed to give the taxpayer notice required under sec. 70.365, Wis. Stats.

If a taxpayer does not receive notice of an assessment because the assessed value of that taxpayer's property has not changed, that taxpayer still generally must file an objection before the BOR because sec. 70.365, Wis. Stats., does not require notice when an assessment has not changed.

Subdivided Property

***Whitecaps Homes, Inc. v Kenosha County Board of Review*, 212 Wis.2d 714, 569 N.W.2d 714 (Ct. App. 1997).** Home developer challenged county board of review's assessment of individual lots. The Circuit Court, affirmed, and developer appealed. The Court of Appeals, held that credible evidence supported county board of review's valuation of the lots. The court must consider: “(1) [w]hether the board kept within its jurisdiction; (2) whether it acted according to law; (3) whether its action was arbitrary, oppressive or unreasonable and represented its will and not its judgment; and (4) whether the evidence was such that it might reasonably make the order or determination in question.” *Metropolitan Holding Co. v Board of Review*, 173 Wis.2d 626, 630, 495 N.W.2d 314, 316 (1993) (citations omitted).

Because the Whitecaps development has relatively small lot sizes, the front foot method is more appropriate to use than the square foot method according to the WPAM, Part I at page 8-2 (1997 WPAM Revised 12/91).

For the Board to choose an across-the-board reduction in such an instance is not arbitrary when the lots and the lots containing partially completed homes in a development are so similarly situated and it is apparent that the assessor's initial valuation considered those lots and partially completed homes which presented unique characteristics.

The Board's decision to reduce the overall land assessments by some percentage was a proper exercise of its discretion. The value assigned to each lot by a developer who sells only home packages may not necessarily be considered comparable to an arm's-length sale.

The evidence before the Board provided a “substantial basis” for the Board's decision to reject the assessor's methodology and utilize a flat assessment value for these lots. See *N.C. Foster Lumber Co.*, 123 Wis. at 65, 100 N.W. at 1049.

Use-Value of Farmland

***Mallo v Wisconsin Department of Revenue*, 2002 WI 70, 253 Wis.2d 391, 645 N.W.2d 853.** The summary judgment from the Dane County Circuit Court in favor of DOR was affirmed and the action dismissed. Section 70.32(2r), Wis. Stats., grants the DOR authority to promulgate Wisconsin Administrative Code Section Tax 18.08, implementing full use value assessment of agricultural land beginning January 1, 2000. After reviewing the plain language of the sec. 70.32, Wis. Stats., the court concluded it is unambiguous and gives DOR the authority to promulgate Wis. Admin Cost Tax 18.08. In addition, the legislature was aware of the pending challenge to the proposed rule's impact and neither legislative committee objected to the rule.

Compensation for Partial Taking of Land

***National Auto Truckstops, Inc. v State of Wisconsin, Department of Transportation*, 2003 WI 95, 263 Wis.2d 649, 665 N.W.2d 198.** Commercial property owner appealed condemnation award of state Department of Transportation (DOT) regarding partial taking of land for reconstruction of a highway intersection. Following a jury trial, the Circuit Court, entered judgment awarding compensation to owner. Owner appealed. The Court of Appeals,

affirmed. Owner petitioned for further review. The Supreme Court, held that: (1) frontage road did not necessarily constitute reasonable access to owner's truck stop; (2) remand was required to permit jury to determine whether change in access was reasonable; and (3) evidence based on "income approach" to valuation was inadmissible, given availability of "comparable sales" evidence. Affirmed in part, reversed in part, and remanded.

National Auto Truckstops, Inc. (National) petitioned the Supreme Court to review the decision of the court of appeals related to exclusion of certain evidence when determining an appropriate amount of compensation for the partial taking by the Department of Transportation (DOT). DOT condemned 0.27 acres of National's frontage along Highway 12 for a reconstruction and widening project. The jury awarded National \$275,000. The circuit court denied the motions from National and DOT for a new trial. National appealed the decision and the court of appeals affirmed the judgment and order of the circuit court.

National owns a truck stop outside of Hudson near the intersection of U.S. Highway 12 and Interstate 94. Before the Highway 12 reconstruction project the truck stop had two direct access points, one for trucks and the other for cars. The truck stop consists of a travel center, diesel and gasoline sales, a restaurant, convenience store, diesel truck services and other services. Twin City East manages and operates the truck stop through a lease with National.

The Supreme Court reviewed two issues in this case:

1. Did the circuit court erroneously exclude evidence of the alleged damages due to a change in access to National Auto's property; and
2. Did the circuit court erroneously exclude evidence based on the income approach when valuing the taken property?

DOT acquired National's property under sec. 84.09, Wis. Stats. DOT claims it changed access to the truck stop as an exercise of its police power and the action is not compensable. The Supreme Court disagreed with DOT. In previous cases, the Supreme Court has stated "the Wisconsin statutes specifically provide that compensation shall be paid when there is a partial taking of premises, such as access rights under the power of eminent domain."

The Supreme Court held that the circuit court erroneously excluded evidence related to National's alleged damages due to the change in access. This issue was remanded to the circuit court for a jury to determine if the change in access was reasonable. No compensation will be awarded if the jury finds the change in access was reasonable. If the jury finds the change was not reasonable, National will be entitled to just compensation.

The circuit court did not err when it excluded income approach information to value the condemned portion of National's parcel. The Supreme Court ruled in *Leathem*, 94 Wis. 2d at 413 that income evidence is normally inadmissible to establish property values since the business income depends on too many variables, such as an owner's skill and talent, and is therefore not reliable as a guide to fair market value. There are three exceptions to this rule: 1) when the character or the property is such that profits are produced without the labor and skill of the owner; 2) when profits reflect the property's chief source of value; and 3) when the property is so unique that comparable sales are unavailable. "...Wisconsin law holds that income evidence is never admissible where there is evidence of comparable sales." The court of appeals noted that evidence of comparable sales was available in this case.

National believes income evidence should be allowed since there is a lease and the rental income is non-speculative. The Supreme Court disagreed stating they are bound by prior case law deeming that “income evidence is never admissible where there is evidence of comparable sales.” In *Leathem* the Supreme Court stated “...because there was evidence of market value based on comparable sales, for that reason alone the trial court was justified in holding valuation based on income to be inadmissible.”

Billboards

***Adams Outdoor Advertising v City of Madison*, 2006 WI 104, 294 Wis.2d 441, 717 N.W.2d 803.** Taxpayer brought claim against city for excessive personal property assessments of its billboards. The Circuit Court, upheld the assessments. Taxpayer appealed. The Court of Appeals certified questions. The Supreme Court held that city was entitled to use third tier methods of assessment to assess taxpayer's billboards; city's rejection of all approaches and factors other than an income approach in assessing taxpayer's billboards was improper; a billboard permit is a right or privilege appertaining to real property, rather than personal property, for property tax purposes; income attributable to billboard permits is properly included in a real property tax assessment, not a personal property tax assessment; and the same methods of appraisal may be used in eminent domain as are used in appraising personal property for tax purposes. Reversed and remanded.

Adams appealed under sec. 74.37, Wis. Stats., after appearing at the Board of Review. The Court consolidated the 2002 and 2003 actions. The City's Assessor testified the billboards were appraised using the income approach since there were no recent arm's-length sales of billboards and no reasonably comparable sales information.

The City was entitled to use the 3rd tier methods of assessment to assess the billboards in the absence a recent arm's-length sale. The income approach used cannot be the sole controlling factor in determining value as the prevailing practice for assessing billboards throughout 121value of billboard permits in the assessment since the permits are not tangible personal property.

“We conclude that because billboard permits are real property, as defined in Wis. Stats. § 70.03, the income attributable to them is properly included in the real property tax assessment, not the personal property tax assessment. Any value attributable to the billboard permits is not inextricably intertwined with the structure of the billboards. The primary value of the permits is unrelated to the structures; rather, the primary value of the permits appertains to the location of the underlying real estate.”

The City's use of the income approach violating the Uniformity Clause was not questioned due to the (2) stated errors immediately above.

***Clear Channel Outdoor Inc. v. City of Milwaukee*, 2017 WI App 15, 374 Wis.2d 348, 893 N.W.2d 24.** Billboard permit owner brought excessive-assessment action against city for taxing its billboard permits as real property, sought a declaratory judgment that the assessments were invalid, and sought a refund of taxes paid. Following dismissal by the Circuit Court, Milwaukee County, pending exhaustion of administrative remedies, which was affirmed by the Court of Appeals. The Circuit Court, Milwaukee County, granted

summary judgment for city. Permit owner appealed. The Court of Appeals held that: (1) billboard permits are taxable real property, (2) city had a rational basis to tax billboard permits as real property, as opposed to taxing liquor, food, and cigarette license permits, and (3) billboard permits were not comparable to liquor, food, and cigarette license permits as parcels for taxation as real property, such that city's taxation of billboard permits would violate state constitution's tax-uniformity rule.

The holding is significant for taxes prior to 2014 as the Legislature excluded taxing billboard permits as real property but did not make the change retroactive.

Constitutionality of Appeals Options

***Metropolitan Associates, v City of Milwaukee*, 2011 WI 20, 332 Wis.2d 85, 796 N.W.2d 717.** The Court found all of 2007 Wisconsin Act 86's modifications to secs. 70.47, 73.03, and 74.37, Wis. Stats., unconstitutional. Instead, property owners may challenge Board of Review assessment determinations with either certiorari or de novo review. This ruling reversed a prior Court of Appeals decision. Also, property owners are not afforded the right to a jury trial in disputes over property assessments. *Metropolitan* is a result of the legislature's second attempt to limit property owners' ability to seek judicial review of property assessments. The first attempt was challenged in *Nankins v. Village of Shorewood*, 2001 WI 92. The *Nankin* court struck down a statute that denied property owners in counties over 500,000 people the ability to challenge property assessments with de novo review in circuit courts. The statute in *Metropolitan* allowed municipalities to "opt out" by providing an enhanced certiorari review in place of the traditional de novo review.

The court in *Metropolitan* reasoned that Act 86 lacked a rational basis because it created a distinct class of taxpayers in the "opt out" municipalities, this new class was treated differently because they were unable to contest their case in a court trial and there was no rationale for treating these citizens differently than others. Therefore Act 86's denial of de novo review to a distinct class of citizens violated both the Wisconsin and the United States Constitutions.

Fair Market Value

***State of Wisconsin ex rel. Stupar River LLC v Town of Linwood, Portage County Board of Review*, 2011 WI 82, 336 Wis.2d 562, 800 N.W.2d 468.** Owner of country club sought review of decision of town board of review, upholding property tax assessment. The Circuit Court, affirmed. Owner appealed. The Court of Appeals, affirmed. Owner sought review. The Supreme Court, held that: assessed value of a property, for property tax purposes, is not required to equal the fair market value of that property, and evidence supported \$1,893,400 property tax assessment.

In 2001, Stupar River LLC purchased a property in the Town of Linwood for \$830,000. In 2002, the town assessed the property at \$1,831,500. Stupar mounted an unsuccessful legal challenge to the 2002 assessment. The same \$1,831,500 figure was used for the years 2003 and 2004.

In 2005, the assessed value increased to \$1,893,400. Once again Stupar challenged the

assessed value. While litigation over the 2005 value was pending, the 2006 assessment resulted in a lower value of \$1,435,900. The circuit court remanded the case to the Board of Review with instructions to either re-assess the property for the years 2003 - 2005 in a manner consistent with the 2006 appraisal or to provide a rational explanation as to why the 2006 value was lower.

The Board of Review opted for the latter, explaining that the lower 2006 value was not due to any change in the fair market value of the property but was instead made in response to a Department of Revenue report calling for a lower total assessed value of the commercial class of properties in order to "bring it back in line with the other classes of properties."

Stupar argued that the assessed value of a property must, pursuant to sec 70.32(1), Wis. Stats., equal that property's fair market value, and that the lower 2006 value demonstrated that the 2003, 2004 and 2005 values were above fair market value of the subject property.

The court disagreed. The *Property Assessment Manual* requires only that a property's assessed value be *based on* fair market value and need not be *equal to* its fair market value in order to comply with sec. 70.32(1), as assessments at a percentage of fair market value are acceptable when applied uniformly. Thus, the court concluded that the 2005 assessment was made in accordance with sec. 70.32(1) and the assessed value was presumed accurate in the absence of any evidence to the contrary.

David G. Hildebrand and Susan G. Hildebrand v Town of Menasha, 2011 Wi App 83, 334 Wis.2d 259, 800 N.W.2d 502. In a Final Assessment Resolution mailed to landowners, landowners were assessed \$33,205.60 in construction costs for the installation of an asphalt trail abutting their commercial property. In response, landowners filed a notice of appeal to the circuit court. The Circuit Court, found that town could not legally assess landowners' commercial property for the cost of installing asphalt trail which abutted their property, and town appealed. The Court of Appeals, held that special assessment imposed upon landowners did not constitute valid and enforceable exercise of town's police power.

A municipality may not legally assess commercial property for the cost of installing a portion of an asphalt recreational trail, where the purpose is to complete a trail system in that county and the property is already served by a trail. Section 66.0703(1)(a), Wis. Stats., allows certain municipalities to levy special assessments upon property in a limited and determinable area for special benefits conferred upon the property by any municipal improvement. Special assessments can only be levied for local improvements. The primary purpose of the improvements was not local benefit, but general benefit. The purpose was to complete a recreational trail system throughout Winnebago County that would eventually connect with other municipalities. The lower court also noted that the Hildebrand property was on a trail system before the new trail was installed.

The court also rejected the Town's argument that a recreational trail was the same as a sidewalk under sec. 66.0907, Wis. Stats.

State Prescribed Forms

The Wisconsin Department of Revenue (DOR) is given the duty of preparing standardized forms assessors need to use to report various data to DOR and property owners. All assessors should use the State Prescribed Forms; however, if you are using a form other than a State Prescribed Form, you must submit the form to the Office of Technical and Assessment Services for approval. The form will be reviewed to ensure that it contains all of the required information. If the form is approved for use, a letter of approval will be sent. The approved alternate form will be assigned a form number for the specific municipality it was submitted for. If you assess multiple municipalities, a list of the municipalities in which the submitted form will be used must be included with the form.

Forms can be found on the DOR website at <https://www.revenue.wi.gov/Pages/HTML/formpub.aspx>. The forms can be found under several different headings on the website.

- Government – Property Tax Forms
- Government – Property Tax Exemptions
- Government – Property Assessment Forms
- Government – State Prescribed Forms
- Utility Tax – Occupational Tax

State Prescribed Forms can be found at: <https://www.revenue.wi.gov/Pages/Form/govasr-spflist.aspx>

Assessors should be sure that they are using the most current forms available. A revision date is listed on the bottom of the form. For example, PA-5/661 (R.7-11).

The following is a list of State Prescribed Forms by WPAM Chapter.

Chapter 1

Annual Assessment Report PR-800

Chapter 2

Application for Temporary Certification PC-724

Application for Recertification of Assessment
Personnel Continuing Education Alternative PM-112

Chapter 6

70.055 Expert Assessment Resolution PR-203

Revaluation Contract PR-209

Standard Specifications PR-210

Chapter 8

Occupational Tax on Operators of Iron Ore
Concentration Docks PA-002

Statement of Personal Property PA-003 Update Annually

Occupational Tax on Operators of Coal Docks PA-006

Occupational Tax on Petroleum Products PA-014

Objection Form for Real Property Assessment	PA-115A	
Objection Form for Personal Property Assessment	PA-115B	
Manufactured & Mobile Home Valuation Worksheet	PA-117	
Manufactured & Mobile Home Statement of Monthly Municipal Permit Fee	PA-118	
Property Record Card	PA-500	
Assessor's Affidavit	PA-533	
Real Estate Assessment Roll	PA-539-2	
Correction of Errors by Assessors	PA-5/661	
Agricultural Work Card	PA-703	
Summary of Board of Review Proceedings	PA-800	
Tax Exemption Report	PC-220	
Multi-parcel Tax Exemption Report	PC-220A	
Taxation District Exemption Summary Report	PC-226	
Unrelated Business Income Report	PC-227	
Fixed Asset Schedule	PE-106	Update Annually
Summary of Open Book Actions	PR-130	
Property Tax Exemption Request	PR-230	
Low Income Property Owner's Certification of Occupancy	PR-231	
Notice of Amended Assessment at Open Book and Waiver of Amended Assessment Notification	PR-297	
Agricultural Land Conversion Charge	PR-298	
Notice of Personal Property Assessment	PR-299	
Notice of Assessment	PR-301	
Notice of Board of Review Determination	PR-302	
Request for Exemption of Renewable Energy System Income & Expense Questionnaire	PR-303	
Agricultural Use Value Information Request	PR-323	
	PR-324	
 <u>Chapter 17</u>		
Statement of Personal Property	PA-003	Update Annually
 General Forms		
Agent Authorization Form – Property Assessment	PA-105	
Request to View Property Notice	PR-300	

Appendix

Special Inspection Warrant – Wis. Stat. § 66.0119

A special inspection warrant allows for a search (inspection) of a home for the purpose of collecting data. For property assessment, data is an important component to develop the value subject to property tax. If the required data can be obtained through any other means, those options should be exhausted before obtaining the warrant.

General Procedure

- Complete forms with guidance from municipal attorney
- Contact municipal court clerk to inquire regarding hours that municipal judge signs warrants
- Bring forms to judge for signature at specified time
- Coordinate with local sheriff regarding time to conduct the inspection
- The forms to complete include: the warrant, an endorsement, the affidavit and the return

Probable Cause Requirement

- The Fourth Amendment's requirement that all search warrants be supported by "probable cause" can be satisfied demonstrating the reasonableness of the regulatory package
- The need for accurate property tax assessments as mandated in the Uniformity Clause of the Wisconsin Constitution is the applicable regulatory package for this type of special inspection warrant
- Probable cause to support a special inspection warrant is established upon a showing that the reasonable legislative or administrative standards for conducting an inspection are satisfied with respect to a particular establishment

Resources

- Municipal Attorney – contact before starting the process to determine reasonableness of request for the warrant and whether to proceed
- [Wis. Stat. § 66.0119](#)
- [Uniformity Clause of the Wisconsin Constitution](#)
- [Fourth Amendment to the United States Constitution](#)
- [Milewski v. Town of Dover](#)
- [Wisconsin State Law Library](#)

Warrant Forms

STATE OF WISCONSIN _____ OF _____ COUNTY OF _____

In the Matter of the Real Property at **SPECIAL INSPECTION WARRANT -§66.0119**

_____ of _____

The _____ of _____ To the Assessor of said municipality:

WHEREAS, _____ has this day complained to said court upon oath that on the _____ day of _____, 20____, in said municipality, in and upon certain property in the _____ of _____ more particularly described as follows: _____, Tax Key No. _____, there now exists a necessity to determine the details of value of the improvements made upon the property and requests that a Special Inspection Warrant be issued to search said property;

WHEREAS, the property is not a public building;

WHEREAS, the court is authorized to issue Special Inspection Warrants to the Municipal Assessor under Wis. Stat. § 66.0119;

WHEREAS, the Assessor has shown by the attached sworn Affidavit that consent to enter for interior and exterior inspection purposes has been refused or why consent cannot be obtained;

WHEREAS, the Affidavit establishes that an interior and exterior inspection is necessary to determine the value of the property for property tax assessment purposes;

WHEREAS, the court is mindful of the legal principle that "a person's home is their castle," and that the Fourth Amendment standards are applicable to interior views of said property by Assessors.

NOW, THEREFORE, in the name of the _____ of _____, Wisconsin, you are commanded forthwith to search said property, _____, for such purposes. The scope of this warrant is limited to conducting an exterior and interior viewing of the above described property for property tax assessment purposes.

The reasonable time period within which this Warrant must be executed is ten (10) days from the date of the signing by the court.

Dated at _____, Wisconsin, this _____ day of _____, 20_____.

BY THE COURT:

Honorable _____
Municipal Judge, _____, of _____

SUBSCRIBED AND SWORN TO before me
this _____ day of _____, 20_____.

Notary Public, _____ County, WI

My commission _____.

ENDORSEMENT ON WARRANT

Received by me this _____ day of _____, 20_____ at _____ a.m./p.m.

_____ of _____ Municipal Property Assessor

AFFIDAVIT FOR SPECIAL INSPECTION WARRANT (WIS. STAT. § 66.0119)

STATE OF WISCONSIN

County of _____

In the _____ court of the _____ of _____

_____, a Municipal Assessor, being duly sworn, says that on the ____ day of _____, 20____, in said county, in and upon certain property in the _____ of _____, and more particularly described as follows: _

_____,

there now exists a necessity to conduct an interior and exterior inspection of the property for property tax assessment purposes. The facts tending to establish the grounds for issuing a special inspection warrant are as follows:

Wherefore, Municipal Assessor _____ requests that a special inspection warrant be issued to inspect such property for said purposes.

(Municipal Assessor requesting warrant)

Subscribed and sworn before me this _____ day of _____, 20____

Signature of Judge

Judge of the _____ Court

RETURN OF SPECIAL INSPECTION WARRANT

STATE OF WISCONSIN

County of _____

_____ Court

I hereby certify that by virtue of the within warrant I inspected the named property and found the following things:

Dated this _____ day of _____, 20____

Signature of Municipal Assessor

STATE OF WISCONSIN CITY OF MADISON, COUNTY OF DANE

In the Matter of the Real Property at
601 West Doty Street
City of Madison

SPECIAL INSPECTION WARRANT -§66.0119

The City of Madison - To the Assessor of said municipality:

WHEREAS, Mandy Miller, has this day complained to said court upon oath that on the 24th day of July, 2017, in said municipality, in and upon certain property in the City of Madison, more particularly described as follows: 601 West Doty Street , Tax Key No. XXOIO, there now exists a necessity to determine the details of value of the improvements made upon the property and requests that a Special Inspection Warrant be issued to search said property;

WHEREAS, the property is not a public building;

WHEREAS, the court is authorized to issue Special Inspection Warrants to the Municipal Assessor under Wis. Stat. § 66.0119;

WHEREAS, the Assessor has shown by the attached sworn Affidavit that consent to enter for interior and exterior inspection purposes has been refused or why consent cannot be obtained;

WHEREAS, the Affidavit establishes that an interior and exterior inspection is necessary to determine the value of the property for property tax assessment purposes;

WHEREAS, the court is mindful of the legal principle that "a person's home is their castle," and that the Fourth Amendment standards are applicable to interior views of said property by Assessors.

NOW, THEREFORE, in the name of the City of Madison, Wisconsin, you are commanded forthwith to search said property, 601 West Doty Street, for said purposes.

The scope of this warrant is limited to conducting an exterior and interior viewing of the above described property for property tax assessment purposes.

The reasonable time period within which this Warrant must be executed is ten (10) days from the date of the signing by the court.

Dated at Madison, Wisconsin, this 24th day of July, 2017.

BY THE COURT:

Honorable John Q. Magistrate
Municipal Judge, City of Madison

SUBSCRIBED AND SWORN TO before me
this _____ day of _____, 20____.

Notary Public, _____ County, WI
My commission _____.

ENDORSEMENT ON WARRANT

Received by me this 24th day of July, 2017 at 11:00a.m.

City of Madison
Property Assessor

SAMPLE

AFFIDAVIT FOR SPECIAL INSPECTION WARRANT (WIS. STAT. § 66.0119)

STATE OF WISCONSIN

County of Dane

In the municipal court of the City of Madison

Mandy Miller, a Municipal Assessor, being duly sworn, says that on the 24th day of July, 2017, in said county, in and upon certain property in the City of Madison, and more particularly described as follows: 601 West Doty Street, there now exists a necessity to conduct an interior and exterior inspection of the property for property tax assessment purposes.

The facts tending to establish the grounds for issuing a special inspection warrant are as follows:

1. On May 1, 2017, a notice was left at the residence with prescribed language requesting a date and time on which to view the interior of the property for the purposes of tax assessment.
2. Upon expiration of the required 30 day notice period, Assessor Miller contacted homeowner to set a time to view the property. Property owners declined.
3. In developing a valuation with the best information available as prescribed by statute and in the Wisconsin Property Assessment Manual, a need to view the interior of the home became clear due to a lack of data regarding an extensive tear down and remodel that occurred coupled with an incomplete property record card that had not been reviewed for over ten years.
4. An interior view of the home is required to establish facts about the property for developing an accurate property tax assessment due to an extensive remodel and incomplete property record card.

Wherefore, Municipal Assessor Mandy Miller requests that a special inspection warrant be issued to inspect such property for said purposes.

(Municipal Assessor requesting warrant)

Subscribed and sworn before me this 24th day of July, 2017

Signature of Judge
Judge of the Municipal Court

RETURN OF SPECIAL INSPECTION WARRANT

STATE OF WISCONSIN

County of Dane

Municipal Court

I hereby certify that by virtue of the within warrant, I inspected the named property and found the following things:

- a remodeled home with additional bathroom (3 total) and grade AA fixtures
- an expanded garage (3 car)
- in ground swimming pool
- solarium

Dated this 25th day of July, 2017

Signature of Municipal Assessor

Compound Interest Tables

Compound interest tables are used in the direct sales comparison and income approaches. The tables are used for the conversion of cash equivalency in the direct sales approach and the determination of the capitalization rate in the income approach. An explanation of the derivation of these factors can be found in many mathematical, economic and appraisal texts. The following information will describe: (1) the six compound interest factors; (2) the relationship between the factors; and, (3) the determination of values using a financial calculator.

The basic tenet of compound interest is that interest payments left on deposit earn interest themselves. The original principal is increased by the amount of interest earned during the term of deposit; and, that interest amount will also earn interest during the subsequent terms of the deposit. This “compounding” of the principal by the earned interest is the basic principle from which each of the six compound interest factors are derived.

The six compound interest factors are often compiled into a table calculated on an expressed interest rate (e.g., 5-1/4%, 8%, 10-1/2%) over a range of years for a specified term (e.g., annual, semi-annual, quarterly, monthly). A conventional format is to arrange the values for the factors into six columns. Although the interest rate is always expressed as an annual rate, it is important to note that the calculations to determine the tabular factors use the appropriate periodic interest rate. For example, the calculations for a monthly table at an annual interest rate of 9%, use the monthly rate of .0075 (.09/12) instead of the .09 annual interest rate and the term is expressed in the number of months instead of the number of years.

The factors displayed in columns one through three address the future value of the given amount. The factors displayed in columns four through six address the present worth of the given amount. Examples of monthly tables at rates of 8%, 9%, and 10% are shown at the end of this section. Factors from these three tables are referred to in the previous cash equivalency adjustment problems and will be used in the Illustrations that follow. The formulas used to develop the tables are also described although a working knowledge of them is not necessary in order to use the tables.

Column One:

Future Value Of \$1 At Interest - The total amount available in the future from the deposit of one dollar today. The total includes the initial deposit and the interest earned. The factor is calculated by adding the periodic interest rate (I) to the one dollar (1) and then raising that quantity by a power (n) that is equal to the number of terms in the deposit: $(1+I)^n$. For example, one dollar deposited for five years at an annual rate of 9%, paid monthly, has a future value of \$1.57 at the end of the 60 month term: $(1+.0075)^{60} = 1.565681$. Note that both the interest rate and the term of the deposit in this example are expressed in monthly quantities. The formula for column one is the basis for calculating all six compound interest tables. This future value of 1.565681 in the above example may be obtained in several ways: by using column one of the 9% monthly compound interest table; by using the $(1+I)^n$ formula; or, by using a financial calculator. Financial calculators typically have the following special function keys: n = number of terms; I = interest rate; PV = present value; FV = future value; and, PMT = amount of the payment. By entering the appropriate interest rate, term, and

present value (I, n, PV), a financial calculator can be used to determine the future value (FV) for a column one factor. The calculator's handbook will explain the proper way to use these keys.

The future value of a deposit of \$2,500, made under the same conditions stated above, can be determined by multiplying the factor (1.565681) by the amount of the principal (\$2,500). The \$2,500 will be worth \$3,914.20 at the end of the 60 month term: $\$2,500 \times 1.565681 = \$3,914.20$. The future value can also be determined by using 2500 as the amount of the PV entry on a financial calculator (the I and n entries remain the same). The use of a financial calculator will save a step in the calculations, as opposed to using the formula method, since it is not necessary to first calculate the column one factor and then multiply that value by the principal amount in order to obtain the future worth of the deposit.

It is important to apply the appropriate interest rate and term in these calculations whether the future value is being determined by use of the compound interest table, the formula, or a financial calculator. For example, if the 9% interest in the above calculations is paid annually instead of monthly, the column one factor will be lowered to 1.538624 and the \$2,500 deposit will be worth \$3,846.56 at the end of five years since the factor will now be based on the calculation of $(1+.09)^5$. The factors in column one are reciprocals of the factors in column four, the present value of reversion. The reciprocal of a given quantity is the result of dividing 1 by that quantity. The reciprocal of x is equal to $1/x$.

Column Two:

Accumulation Of 1 Per Period - Instead of having just the original deposit of one dollar compounding interest, as in the column one situation, one dollar is added to the deposit at the end of each term. Column two calculates the future worth of the deposit in this situation.

To calculate the future value of 1 for the column two factor, one dollar (1) is subtracted from the basic formula (since the deposits are made at the end of the terms); and, the remainder is divided by the periodic interest rate: $[(1+I)^n - 1]/I$. Expanding on the column one example, if one dollar is deposited each month for 60 months, the future value of 1 will be \$75.42: $(1.565681 - 1)/.0075 = 75.424136$.

Again, the use of a financial calculator is much more convenient. In addition to making entries for the term and interest, only a payment entry (PMT) needs to be made to determine the future value (FV). A deposit of \$50 per month for five years at an annual interest rate of 9%, paid monthly, will have a future value of \$3,771.21 at the end of the 60 months. Making entries on a financial calculator for n, I, and PMT in order to calculate FV, is an easier process than having to first determine the column two factor (75.424136), and multiplying it by the amount of the payment (\$50) to determine the future value of \$3,771.21. The value for the column two factor obtained from a table must be multiplied by the payment amount in order to calculate the future value. The factors in column two are reciprocals of the factors in column three, the sinking fund factor.

Column Three:

Sinking Fund Factor - The amount that must be deposited in order to accumulate one

dollar at the end of the term, given the interest rate, is the factor shown in column three. This factor is the reciprocal of column two; therefore, it is calculated by dividing the periodic interest rate by the remainder of one subtracted from the basic formula:

$$I/[(1+I)^n - 1].$$

How much must be deposited each month in order to accumulate \$1,000 at the end of three years given an 8% annual interest rate? From the compound interest table or by the calculation of the formula, the Sinking Fund Factor is .02467. Multiplying the factor by \$1,000 shows that \$24.67 must be deposited each month in order to accumulate the desired amount. Monthly deposits of \$24.67, plus the interest earned, will accumulate \$1,000 at the end of three years.

Determining this value on a financial calculator requires entries for n, I, and FV. The FV entry will be the desired amount (1000) to be accumulated at the end of the period. The PMT is the value to be determined. The use of \$24.67 as the PMT entry in a column two calculation, illustrates the reciprocal relationship between columns two and three, as that calculation will derive a future value of \$1,000.01.

Column Four:

Present Value Of Reversion - The present worth of one dollar that will be obtained at a future date, is the factor shown in column four. That future dollar is discounted by the given interest rate for the time between the present and its future date of collection. This factor is the reciprocal of the future value of one and can be calculated by determining the reciprocal of column one's factor: $1/(1+I)^n$.

A property estimated to be worth \$20,000 in three years, is currently worth how much given an 8% annual interest rate, paid monthly? From the compound interest table, or by calculation of the formula, the column four factor is .787255. Multiplying this value by the \$20,000 future worth, indicates a present value of \$15,745.10.

A financial calculator can determine this present value (PV) with n, I, and FV entries. The FV entry for this example will be the \$20,000 future worth of the property. The indicated PV of \$15,745.10 can be used with entries for n and I to determine a future value for the property in a column one calculation. This again illustrates the reciprocal relationship between columns one and four.

Column Five:

Present Worth Of 1 Per Period - The present value of the deposit needed in order to receive one dollar per period for a given number of periods, at a given interest rate, is the factor shown in column five. This factor is calculated by dividing the remainder of one subtracted from the basic formula by the product of the periodic interest rate multiplied by the basic formula: $[(1+I)^n - 1]i(1+I)^n$.

What amount must be deposited today, given a 9% interest rate, in order to receive \$50 per month for three years? The formula and the compound interest table will show a column five factor of 31.446805. Multiplying this factor by the desired payment of \$50 shows that the

percent value of the deposit is \$1,572.34.

The financial calculator needs entries for n, I, and PMT in order to calculate the present value (PV) for this case. Since the PMT entry is the desired \$50 per month, the use of a financial calculator will save time as opposed to calculating this value by use of the formula.

Column five factors were used in many of the cash equivalency problems in Chapter 7. The column five factors are the reciprocals of the column six factors, the installment to amortize.

Column Six:

Installment To Amortize - The factor shown in column six is the amount required to amortize the principal and interest in a given number of terms. This value can be calculated by dividing the product of the periodic interest rate multiplied by the basic formula, by the remainder of one subtracted from the basic formula: $I(1+I)^n / [(1+I)^n - 1]$.

What monthly payment, given a 9% annual interest rate, will be required in order to repay a \$1,500 loan in three years? The formula and the compound interest table show a factor value of .031799. The multiplication of the loan amount by the factor results in a monthly payment amount of \$47.70.

Entries of n, I, and PV are needed on a financial calculator in order to determine the PMT. The reciprocal relationship between columns five and six can be shown by using \$47.70 as the PMT entry in a column five calculation. This will result in a PV of \$1,500.01.

The value of a financial calculator can be seen in the cash equivalency adjustment determinations discussed in Chapter 7. For example, in the Discounting Payments section, the property is purchased at a favorable 8% rate as opposed to the normal 10% rate, the present value (PV) adjustment for cash equivalency can be readily determined. The loan amount of \$75,000 is entered as the present value (PV); the term of the loan and the favorable interest rate are entered as n and I; and, a PMT can be determined. The normal interest rate (I) can then be entered (no need to re-key the value for n) and the cash equivalent value of financing (PV) can then be determined. These few entries will obtain the same results (with minor rounding variations) as the step-by-step calculations shown in the discounting payments section.

Summary:

The ability to use compound interest tables is essential to the solution of many income approach and direct sales comparison approach problems. The cash equivalency problems show the importance of the tables. Deriving the formulas is not necessary in order to use the tables or a financial calculator. The use of the compound interest tables is not complicated, but the assessor should be careful to select the table (monthly, quarterly, annually) that reflects the conditions of the problem.

Resources

Further information regarding compound interest can be found at the following sites:
[Federal Deposit Insurance Corporation](#), [Office of the Comptroller of the Currency](#).

Column Relationships

This chart shows five ways that the compound interest table factors can be determined. The chart illustrates the relationships between the columns.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
$(1+I)^n$	$[(1+I)^n - 1]/I$	$I/[(1+I)^n - 1]$	$1/(1+I)^n$	$[(1+I)^n - 1]/I(1+I)^n$	$I(1+I)^n/[(1+I)^n - 1]$
$1/$ Col. 4	$1/$ Col. 3	$1/$ Col. 2	$1/$ Col. 1	$1/$ Col. 6	$1/$ Col. 5
<u>Col. 6</u> Col. 3	<u>Col. 1</u> Col. 6	<u>Col. 6</u> Col. 1	<u>Col. 3</u> Col. 6	<u>Col. 2</u> Col. 1	<u>Col. 1</u> Col. 2
<u>Col. 2</u> Col. 5	<u>Col. 5</u> Col. 4	$1/$ Col. 5 x Col. 1	<u>Col. 5</u> Col. 2	<u>Col. 4</u> Col. 3	<u>Col. 3</u> Col. 4
Col. 6 x Col. 2	Col. 1 x Col.5	Col. 6 x Col.4	Col. 5 x Col. 3	$1/$ Col. 3 x Col. 1	Col. 1 x Col. 3

Compound Interest Tables

Monthly Payments Interest Rate - 8.00%

	1	2	3	4	5	6	
Period	Amt of \$1 at Interest	Accumulation of one per Period	Sinking Fund Factor	Present Value of Reversion	P.V. of Ord. Annuity 1 per Period	Installment to Amortize	Period
Interest = Rate Months	0.080 (Decimal)		Base =	0.006667			n Periods
1	1.006667	1.000000	1.000000	0.993377	0.993377	1.006667	1
2	1.013378	2.006667	0.498339	0.986799	1.980176	0.505006	2
3	1.020134	3.020044	0.331121	0.980264	2.960440	0.337788	3
4	1.026935	4.040178	0.247514	0.973772	3.934212	0.254181	4
5	1.033781	5.067113	0.197351	0.967323	4.901535	0.204018	5
6	1.040673	6.100893	0.163910	0.960917	5.862452	0.170577	6
7	1.047610	7.141566	0.140025	0.954553	6.817005	0.146692	7
8	1.054595	8.189176	0.122112	0.948232	7.765237	0.128779	8
9	1.061625	9.243771	0.108181	0.941952	8.707189	0.114848	9
10	1.068703	10.305396	0.097037	0.935714	9.642903	0.103703	10
11	1.075827	11.374099	0.087919	0.929517	10.572420	0.094586	11
Years							
1	1.083000	12.449926	0.080322	0.923361	11.495782	0.086988	12
2	1.172888	25.933190	0.038561	0.852596	22.110544	0.045227	24
3	1.270237	40.535558	0.024670	0.787255	31.911805	0.031336	36
4	1.375666	56.349915	0.017746	0.726921	40.961913	0.024413	48
5	1.489846	73.476856	0.013610	0.671210	49.318433	0.020276	60
6	1.613502	92.025325	0.010867	0.619770	57.034522	0.017533	72
7	1.747422	112.113308	0.008920	0.572272	64.159261	0.015586	84
8	1.892457	133.868583	0.007470	0.528414	70.737970	0.014137	96
9	2.049530	157.429536	0.006352	0.487917	76.812497	0.013019	108
10	2.219640	182.946036	0.005466	0.450523	82.421481	0.012133	120
11	2.403869	210.580392	0.004749	0.415996	87.600600	0.011415	132
12	2.603389	240.508387	0.004158	0.384115	92.382799	0.010825	144
13	2.8194693	272.920391	0.003664	0.354677	96.798498	0.010331	156
14	.053484	308.022575	0.003247	0.327495	100.875783	0.009913	168
15	3.306922	346.038223	0.002890	0.302396	104.640591	0.009557	180
16	3.581394	387.209151	0.002583	0.279221	108.116870	0.009249	192
17	3.878648	431.797246	0.002316	0.257822	111.326732	0.008983	204
18	4.200574	480.086130	0.002083	0.238063	114.290595	0.008750	216
19	4.549220	532.382968	0.001878	0.219818	117.027312	0.008545	228
20	4.926803	589.020419	0.001698	0.202971	119.554291	0.008364	240
21	5.335725	650.358749	0.001538	0.187416	121.887606	0.008204	252
22	5.778588	716.788131	0.001395	0.173053	124.042099	0.008062	264
23	6.258207	788.731118	0.001268	0.159790	126.031474	0.007935	276
24	6.777636	866.645339	0.001154	0.147544	127.868387	0.007821	288
25	7.340176	951.026401	0.001051	0.136237	129.564522	0.007718	300
26	7.949407	1042.411049	0.000959	0.125796	131.130667	0.007626	312
27	8.609204	1141.380579	0.000876	0.116155	132.576785	0.007543	324
28	9.323764	1248.564531	0.000801	0.107253	133.912075	0.007468	336
29	10.097631	1364.644697	0.000733	0.099033	135.145030	0.007399	348
30	10.935730	1490.359461	0.000671	0.091443	136.283493	0.007338	360

Compound Interest Tables

Monthly Payments Interest Rate - 9.00%

	1	2	3	4	5	6	
Period	Amt of \$1 at Interest	Accumulation of one per Period	Sinking Fund Factor	Present Value of Reversion	P.V. of Ord. Annuity 1 per Period	Installment to Amortize	Period
Interest = Rate Months	0.090 (Decimal)		Base =	0.007500			N Periods
1	1.007500	1.000000	1.000000	0.992555	0.992555	1.007500	1
2	1.015056	2.007500	0.498132	0.985167	1.977722	0.505632	2
3	1.022669	3.022556	0.330845	0.977833	2.955556	0.338345	3
4	1.030339	4.045225	0.247205	0.970554	3.926110	0.254705	4
5	1.038066	5.075564	0.197022	0.963329	4.889439	0.204522	5
6	1.045852	6.113631	0.163568	0.956158	5.845597	0.171068	6
7	1.053696	7.159483	0.139674	0.949040	6.794637	0.147174	7
8	1.061598	8.213179	0.121755	0.941975	7.736613	0.129255	8
9	1.069560	9.274778	0.107819	0.934963	8.671576	0.115319	9
10	1.077582	10.344339	0.096671	0.928003	9.599579	0.104171	10
11	1.085664	11.421921	0.087550	0.921094	10.520674	0.095050	11
Years							
1	1.093806	12.507586	0.079951	0.914238	11.434912	0.087451	12
2	1.196413	26.188470	0.038184	0.835831	21.889146	0.045684	24
3	1.308645	41.152716	0.024299	0.764148	31.446805	0.031799	36
4	1.431405	57.520711	0.017385	0.698614	40.184781	0.024885	48
5	1.565681	75.424136	0.013258	0.638699	48.173373	0.020758	60
6	1.712552	95.007027	0.010525	0.583923	55.476848	0.018025	72
7	1.873202	16.426928	0.008589	0.533845	62.153964	0.016089	84
8	2.048921	139.856163	0.007150	0.488061	68.258438	0.014650	96
9	2.241124	165.483222	0.006042	0.446204	73.839381	0.013542	108
10	2.451357	193.514277	0.005167	0.407937	78.941692	0.012667	120
11	2.681311	224.174837	0.004460	0.372951	83.606420	0.011960	132
12	2.932836	257.711569	0.003880	0.340966	87.871091	0.011380	144
13	3.207957	294.394279	0.003396	0.311724	91.770017	0.010896	156
14	3.508885	334.518079	0.002989	0.284990	95.334564	0.010489	168
15	3.838043	378.405768	0.002642	0.260549	98.593408	0.010142	180
16	4.198078	426.410426	0.002345	0.238204	101.572760	0.009845	192
17	4.591886	478.918252	0.002088	0.217775	104.296610	0.009588	204
18	5.022637	536.351674	0.001864	0.199098	106.786856	0.009364	216
19	5.493795	599.172747	0.001668	0.182023	109.063531	0.009168	228
20	6.009151	667.886869	0.001497	0.166412	111.144954	0.008997	240
21	6.572851	743.046851	0.001345	0.152140	113.047870	0.008845	252
22	7.189430	825.257357	0.001211	0.139093	114.787589	0.008711	264
23	7.863848	915.179777	0.001092	0.127164	116.378106	0.008592	276
24	8.601532	1013.537538	0.000986	0.116258	117.832217	0.008486	288
25	9.408415	1121.121937	0.000891	0.106287	119.161622	0.008391	300
26	10.290988	1238.798494	0.000807	0.097172	120.377014	0.008307	312
27	11.256354	1367.513924	0.000731	0.088838	121.488172	0.008231	324
28	12.312278	1508.303749	0.000662	0.081219	122.504034	0.008162	336
29	13.467254	1662.300631	0.000601	0.074254	123.432775	0.008101	348
30	14.730576	1830.743483	0.000546	0.067886	124.281865	0.008046	360

Compound Interest Tables

Monthly Payments Interest Rate - 10.00%

	1	2	3	4	5	6	
Period	Amt of \$1 at Interest	Accumulation of one per Period	Sinking Fund Factor	Present Value of Reversion	P.V. of Ord. Annuity 1 per Period	Installment to Amortize	Period
Interest = Rate Months	0.100 (Decimal)		Base =	0.008333			n Periods
1	1.008333	1.000000	1.000000	0.991735	0.991735	1.008333	1
2	1.016736	2.008333	0.497925	0.983539	1.975274	0.506258	2
3	1.025208	3.025069	0.330570	0.975410	2.950685	0.338904	3
4	1.033752	4.050278	0.246896	0.967349	3.918035	0.255229	4
5	1.042366	5.084030	0.196694	0.959355	4.877390	0.205027	5
6	1.051053	6.126397	0.163228	0.951426	5.828817	0.171561	6
7	1.059812	7.177450	0.139325	0.943563	6.772380	0.147658	7
8	1.068643	8.237263	0.121399	0.935765	7.708146	0.129732	8
9	1.077549	9.305906	0.107458	0.928031	8.636177	0.115791	9
10	1.086528	10.383456	0.096307	0.920362	9.556540	0.104640	10
11	1.095583	11.469984	0.087184	0.912755	0.469295	0.095517	11
Years							
1	1.104713	12.565568	0.079582	0.905212	11.374508	0.087915	12
2	1.220391	26.446915	0.037811	0.819409	21.670854	0.046144	24
3	1.348181	41.781821	0.023933	0.741739	30.991235	0.032267	36
4	1.489354	58.722491	0.017029	0.671432	39.428160	0.025362	48
5	1.645308	77.437072	0.012913	0.607788	47.065369	0.021247	60
6	1.817594	98.111313	0.010192	0.550177	53.978665	0.018525	72
7	2.007920	120.950418	0.008267	0.498027	60.236667	0.016601	84
8	2.218175	146.181075	0.006840	0.450820	65.901488	0.015174	96
9	2.450447	174.053712	0.005745	0.408088	71.029355	0.014078	108
10	2.707041	204.844978	0.004881	0.369406	75.671163	0.013215	120
11	2.990504	238.860492	0.004186	0.334391	79.872986	0.012519	132
12	3.303649	276.437875	0.003617	0.302695	83.676528	0.011950	144
13	3.649584	317.950101	0.003145	0.274003	87.119542	0.011478	156
14	4.031743	363.809199	0.002748	0.248031	90.236200	0.011082	168
15	4.453919	414.470344	0.002412	0.224521	93.057439	0.010746	180
16	4.920303	470.436373	0.002125	0.203239	95.611258	0.010459	192
17	5.435523	532.262777	0.001878	0.183974	97.923008	0.010212	204
18	6.004693	600.563213	0.001665	0.166536	100.015632	0.009998	216
19	6.633463	676.015597	0.001479	0.150750	101.909902	0.009812	228
20	7.328073	759.368832	0.001316	0.136461	103.624619	0.009650	240
21	8.095418	851.450239	0.001174	0.123526	105.176801	0.009507	252
22	8.943114	953.173773	0.001049	0.111817	106.581856	0.009382	264
23	9.879575	1065.549090	0.000938	0.101218	107.853729	0.009271	276
24	10.914096	1189.691572	0.000840	0.091624	109.005045	0.009173	288
25	12.056945	1326.833393	0.000753	0.082939	110.047230	0.009087	300
26	13.319464	1478.335755	0.000676	0.075078	110.990629	0.009009	312
27	14.714186	1645.702395	0.000607	0.067961	111.844605	0.008940	324
28	16.254954	1830.594508	0.000546	0.061519	112.617635	0.008879	336
29	17.957060	2034.847241	0.000491	0.055688	113.317392	0.008824	348
30	19.837399	2260.487905	0.000442	0.050409	113.950820	0.008775	360

Tables of Weights and Measures

Some of the most commonly used tables of weights and measures, together with other useful information follow:

Linear Measure

1 foot	12 inches
1 yard	3 feet or 36 inches
1 rod	5 ½ yards or 16 ½ feet or 198 inches
1 furlong	40 rods or 220 yards or 660 feet or 7,920 inches
1 mile	8 furlongs or 320 rods or 1,760 yards or 5,280 feet or 63,360 inches

Surveyor's Linear Measure

1 link	7.92 inches
1 rod	25 links
1 chain	4 rods or 100 links or 66 feet
1 furlong	10 chains
1 mile	8 furlongs or 80 chains or 320 rods

Square Measure

1 square foot	144 square inches
1 square yard	9 square feet or 1,296 square inches
1 square rod	30 ¼ square yards or 272 ¼ square feet or 625 square links
1 square chain	16 square rods
1 acre	10 square chains or 160 square rods or 4,840 square yards or 43,560 square feet
1 square mile	640 acres

Cubic Measure

1 cubic foot	1,728 cubic inches
1 cubic yard	27 cubic feet
1 cord foot	16 cubic feet
1 cord of wood	8 cord feet or 128 cubic feet
1 perch of stone or masonry	24 ¾ cubic feet

Angles and Arcs

1 minute	60 seconds
1 degree	60 minutes
1 right angle	90 degrees
1 quadrant	90 degrees
1 circumference	360 degrees

Other Measurements

1 span.....	9 inches
1 hand.....	4 inches
1 knot.....	6,086 feet
1 fathom.....	6 feet
1 stone.....	14 pounds

Hay Measure

About 500 cubic feet of well settled hay is considered a ton. Hay at the bottom of a large mow, other than clover hay, would probably weigh a ton for about 450 cubic feet. It may take 600 to 700 cubic feet of dry, unsettled hay to make a ton.

Grain Measure

To find the capacity in bushels of a bin or wagon-bed, multiply the cubic feet by 8/10. For greater accuracy, add 1/3 of a bushel for every 100 cubic feet.

To find the cubic feet, multiply the length, width, and depth in feet together.

To Find Capacity of Cylindrical Tanks Standing on End

To find the capacity in cubic feet of a round cistern or tank: multiply the square of the average diameter by the depth, and multiply the product by .785.

To Convert Cubic Measure into Gallons and Bushels

To convert cubic inches into gallons, divide by 231. To convert cubic feet to gallons, multiply by 7.48.

To convert cubic inches into level bushels, divide by 2,150.42. To convert cubic feet into bushels, multiply by .8. For greater accuracy, add 1/3 of a bushel for every 100 cubic feet.

To Find Contents of Corn in Crib

To find the contents in bushels of a corn crib multiply the cubic feet by 4 and divide the product by 9. This allows 2 1/4 cubic feet for a bushel. It is the rule most generally used, and will hold out in ordinary good corn, even if measured at the time it is cribbed.

Example: Find the contents of a corn crib 18 feet long, 7 feet wide, and 8 feet high.

Answer: $7 \times 8 \times 18 = 1,008$ cubic feet $\times 4 = 4,032 \div 9 = 448$ bushels.

Approximate Capacity of Round Silos

(The diameter is shown at the top of the columns and depth at the left.)

Height of Silo	Inside Diameter of Silo in Feet and Capacity in Tons (2,000 lbs.)					
	10 ft.	12 ft.	14 ft.	16 ft.	18 ft.	20 ft.
Feet	Tons	Tons	Tons	Tons	Tons	Tons
20	26	-----	-----	-----	-----	-----
22	30	-----	-----	-----	-----	-----
24	34	49	-----	-----	-----	-----
26	38	55	-----	-----	-----	-----
28	42	61	83	-----	-----	-----
30	47	67	91	-----	-----	-----
32	51	74	100	131	-----	-----
34	56	80	109	143	-----	-----
36	61	87	118	155	196	-----
38	66	94	128	167	212	-----
40	70	101	138	180	229	280

Legal Weight of Various Commodities Per Bushel

(Minimum Weights by Wisconsin Statute)

	Pounds per Bushel
Alfalfa Seed.....	60
Alsike Seed	60
Apples	44
Barley.....	48
Beans, white	60
Blue Grass Seed.....	14
Bran	20
Buckwheat	5
Clover Seed	60
Coal	80
Corn, shelled.....	56
Corn in the ear.....	70
Flaxseed.....	56
Hungarian Grass Seed	48
Malt, Barley.....	34
Millet Seed.....	50
Oats.....	32
Onions.....	57
Onion Sets.....	32
Peaches	48
Peaches, dried.....	33

Pears48
 Peas.....60
 Peas, wrinkled56
 Potatoes, Irish.....60
 Potatoes, Sweet.....54
 Rye56
 Timothy Seed.....45
 Wheat.....60

Equalization District Offices

[Equalization Bureau](#)

Manufacturing District Offices

[Manufacturing & Utility Bureau](#)

Department of Revenue

[Department of Revenue](#)

Other Sources of Information

For Information on:

Contact:

Farmland Preservation Program

[Department of Agriculture, Trade, and Consumer Protection](#)

Forest Crop Law
 Managed Forest Law
 Woodland Tax Law

[Department of Natural Resources](#)

Homestead Credit

[Homestead Credit Information](#)

Property Tax Deferral Program

[WHEDA](#)

Technical Colleges

[Wisconsin Technical College System](#)

Sources of Publications

[Appraisal Institute](#)

[International Association of Assessing Officers \(IAAO\)](#)

[League of Wisconsin Municipalities](#)

[Wisconsin Agriculture Statistics Service](#)

[Wisconsin Department of Revenue](#)

[Wisconsin Farm Bureau Federation](#)

[Wisconsin Government Finance Officers Assn.](#)

[Wisconsin Municipal Clerks Association](#)

[Wisconsin Register of Deeds Assn. \(WRDA\)](#)

[Wisconsin Taxpayers Alliance](#)

[Wisconsin Towns Association](#)

[Wisconsin Association of Assessing Officers \(WAAO\)](#)

Cost Manuals and Services

[Marshall & Swift / CoreLogic](#)

[R.S. Means Company, Inc.](#)

[The American Institute of Architects](#)

Other Suggested Publications

Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th edition (Chicago: Appraisal Institute, 2015).

Bloom, George F., and Harrison, Henry S., *Appraising the Single Family Residence* (Chicago: American Institute of Real Estate Appraisers, 1978).

Draper, N.R. and Smith, H., *Applied Regression Analysis*, 3rd edition (New York: John Wiley & Sons, Inc., 1998).

Ellwood, L.W., *Ellwood Tables for Real Estate Appraising and Financing*, third edition (Chicago: American Institute of Real Estate Appraisers, 1970).

Fisher, Jeffrey and Martin, Robert, *Income Property Valuation*, 3rd edition (Kaplan Publishing 2007).

Hoag, John S., *Fundamentals of Land Measurement* (Chicago: Chicago Title Insurance Company, 1977).

International Association of Assessing Officers, *Property Assessment Valuation*, 3rd edition (Chicago: IAAO, 2010).

Murray, William G., *Farm Appraisal and Valuation*, 6th edition (Ames, Iowa: Iowa State University Press, 1983).

Ring, A.A., *The Valuation of Real Estate*, 4th edition (Englewood Cliffs, New Jersey: Prentice-Hall, 1993).

A Standard System of Identifying and Coding Local

Assessment Classification - Three Digit Level

Category	Code
Residential Sites	160
Residential River Frontage Value	181
Residential Lake Frontage Value	182
Residential Road Frontage Value	183
Residential Unmeandered Land	184
Total Residential Frontage Value	180
Residential Parcel Size Adjustment	190
Total Residential Lands	100
Commercial Sites	260
Commercial River Frontage Value	281
Commercial Lake Frontage Value	282
Commercial Road Frontage Value	283
Commercial Unmeandered Land	284
Total Commercial Frontage Value	280
Commercial Parcel Size Adjustment	290
Total Commercial Lands	200
Manufacturing Sites	360
Manufacturing River Frontage Value	381
Manufacturing Lake Frontage Value	382
Manufacturing Road Frontage Value	383
Manufacturing Unmeandered Land	384
Total Manufacturing Frontage Value	380
Manufacturing Parcel Size Adjustment	390
Total Manufacturing Lands	300
1st Grade Tillable Land	411
2nd Grade Tillable Land	412
3rd Grade Tillable Land	413
Irrigated Land	414
Total Tillable Land	410
Orchards	420
Prime Pasture	441
Secondary Pasture	442

Category	Code
Residual Pasture	443
Total Pasture	440
Cranberry Bogs	451
Tobacco	452
Ginseng	453
Muck	454
Ponds	455
All Other Agricultural Land Not Elsewhere Coded	456
Total Specialty Lands	450
Agricultural River Frontage Value	481
Agricultural Lake Frontage Value	482
Agricultural Road Frontage Value	483
Agricultural Unmeandered Land	484
Total Agricultural Frontage Value	480
Agricultural Parcel Size Adjustment	490
Total Agricultural Lands	400
Fallow 1st Grade Tillable Land	501
Fallow 2nd Grade Tillable Land	502
Fallow 3rd Grade Tillable Land	503
Fallow Pasture Land	504
Total Fallow Lands	505
Swamp	511
Waste	512
Conservation Easements	513
Total Swamp and Waste	510
Quarries, Pits and Mines	531
Privately Owned Dumps, Sanitary Land Fills, Etc.	532
Total Quarries Pits, Mines & Privately Owned Sanitary Land Fills, Dumps, Etc.	530
Unmeandered Waters (Privately owned non-navigable)	540
Residual River Frontage Value	581
Residual Lake Frontage Value	582
Residual Road Frontage Value	583
Residual Unmeandered Land	584
Total Residual Frontage Value	580
Residual Parcel Size Adjustment	590
Total Residual Lands	500
Primary Forest	611
Secondary Forest	612
Residual Forest	613
Cutover	614
Total Forest and Cutover	610
Seedlings	651
Pine Plantation	652
Christmas Tree Plantation	653
Total Seedling Pine and Christmas Tree Plantations	650

Category	Code
Forest River Frontage Value	681
Forest Lake Frontage Value	682
Forest Road Frontage Value	683
Forest Unmeandered Land	684
Total Forest Frontage Value	680
Forest Parcel Size Adjustment	690
Total Forest Lands	600
Other Homesites	700
Regular Forest Crop, Special Forest Crop, Managed Forest Land and Woodland Tax	811
Utilities	812
Total Specially Taxed Lands	810
County Forest Crop	820
Federally Owned	830
State Owned Meandered Waters	841
State Owned Navigable Waters (not on government survey)	842
All Other State Owned	843
Total State Owned	840
County Owned	850
School Owned	860
Municipal Owned	870
Other Exempt	881
Exempt Unmeandered Land	884
Total Other Exempt and Exempt Unmeandered Land	880
Total Specially Taxes Lands and Exempt Lands	800
Total Parcel	900

A Standard System for Identifying and Coding Local

Assessment Classification - Three Digit Level

- 160 Residential Sites - include all of the land under the buildings and area immediately surrounding them; land that is used for wells, septic systems, etc.
- 181 Residential River Frontage Value.
- 182 Residential Lake Frontage Value.
- 183 Residential Road Frontage Value.
- 184 Residential Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be residential.
- 180 Total Residential Frontage Value.

- 190 Residential Parcel Size Adjustment.
- 100 Total Residential Lands - is the total of all the residential land within a specified area.
- 260 Commercial Sites - include all of the land under buildings, parking lots, etc., and area immediately surrounding them. Also includes the land used for wells, septic systems, etc.
- 281 Commercial River Frontage Value.
- 282 Commercial Lake Frontage Value.
- 283 Commercial Road Frontage Value.
- 284 Commercial Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be commercial.
- 280 Total Commercial Frontage Value.
- 290 Commercial Parcel Size Adjustment.
- 200 Total Commercial Lands - is a total of all the commercial land.
- 360 Manufacturing Sites - the acreages of manufacturing sites are from the SAM rolls.
- 381 Manufacturing River Frontage Value.
- 382 Manufacturing Lake Frontage Value.
- 383 Manufacturing Road Frontage Value.
- 384 Manufacturing Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be manufacturing.
- 380 Total Manufacturing Frontage Value.
- 390 Manufacturing Parcel Size Adjustment.
- 300 Total Manufacturing Lands - is a total of all the manufacturing land within a specified area.
- 411 1st Grade Tillable Land - land being used for farm purposes and made up of all those soil series and types shown on the County or Regional Soil Survey as possessing the best production capabilities with suitable slope and erosion ratings.

- 412 2nd Grade Tillable Land - land being used for farm purposes which is plowed or capable of being plowed and made up of soil series and types shown on the County Soil Survey as having a lesser production capability than 1st grade soils through of good slope and erosion ratings. It also includes lands comprised of those soil types with the best production capability but whose poorer slopes and erosion ratings exclude them from being classed as 1st grade.
- 413 3rd Grade Tillable Land - land being used for farm purposes which is plowed or capable of being plowed and made up of soil series and types on the Soil Survey with the poorest productivity rating or those soils of higher productivity with the poorest slope and erosion ratings which prevent them from being classed in a higher grade. Sometimes the poorest lands in this grade have been cultivated for a period of years and then cultivation has been abandoned. Such land is not included in this grade but in pasture.
- 414 Irrigated Land - tillable land that is being irrigated.
- 410 Total Tillable Land - is the total of all tillable land which constitutes the 1st grade, 2nd grade, 3rd grade and irrigated sub-classes.
- 420 Orchards - is an acre or more of land that has any type of orchard planted on it - i.e., apples, cherries, etc.
- 441 Prime Pasture - pasture adjacent to a road; with water; well drained; near buildings; good forage grasses; relatively open.
- 442 Secondary Pasture - pasture lacking 3 or more of the above elements of prime pasture.
- 443 Residual Pasture - transitional; not E or F; marginal usefulness among tillable acreage, e.g., drainage ditches, rocky knobs, frost pockets, sink holes or waterswamp.
- 440 Total Pasture - all pasture land.
- 451 Cranberry Bogs - include producing bogs and any surrounding land used directly in production such as ditches, dams, dykes, etc. It does not include, reservoirs; they should be classed as swamp. NOTE: Producing bogs are limited by the Federal Market Order and all producers are members of the Wisconsin Cranberry Growers Association. A list of growers can be obtained from the association. Nonproducing bogs should be classed as swamp.
- 452 Tobacco - land used to produce tobacco.
- 453 Ginseng - land used to produce ginseng.
- 454 Muck - land composed of very poorly drained, organic soils. Typically muck is black or dark gray in color. Some of this land is cleared of natural vegetation, drained and used for producing mint, horseradish and potatoes. Some of the land has remained in natural vegetation.
- 455 Pond - a small body of water not surrounded by swampland.

- 456 All Other Agricultural Land Not Elsewhere Coded - all other specialty agricultural lands not included in the other 450 series will be included in this category.
- 450 Total Specialty Lands - total of specialty lands and other agricultural land not elsewhere coded in the 450 series of codes.
- 481 Agricultural River Frontage Value.
- 482 Agricultural Lake Frontage Value.
- 483 Agricultural Road Frontage Value.
- 484 Agricultural Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be agricultural.
- 480 Total Agricultural Frontage Value.
- 490 Agricultural Parcel Size Adjustment.
- 400 Total Agricultural Lands - this is a total of all tillable land plus total pasture and transitional land, orchards, cranberry bogs and agricultural homesites. The total for this code represents all land used for agricultural purposes.
- 501 Fallow 1st Grade Tillable Land - Code 411 lands left fallow.
- 502 Fallow 2nd Grade Tillable Land - Code 412 lands left fallow.
- 503 Fallow 3rd Grade Tillable Land - Code 413 lands left fallow.
- 504 Fallow Pasture Land - pasture land left fallow.
- 505 Total Fallow Lands - all fallow land.
- 511 Swamp - is water saturated land. The land is always low and usually displays small bodies or winding channels of open water. Organic soil texture and very high water tables are also characteristic of swamp.
- 512 Waste - can refer to many land features such as bedrock outcrops, extremely steep slopes (over 30%), slag piles, and other non-productive land.
- 513 Conservation Easements - these are normally lands in which a permanent easement either restricting farm use or for hunting and fishing rights are held either by the DNR or the Federal Fish and Wildlife Service. These lands would normally be classified as pasture or swamp and waste.
- 510 Total Swamp and Waste - is the total of 511, 512 and 513.
- 531 Quarries, Pits and Mines - these are quarries, pits and mines not listed on the SAM roll. If they are producing they may be listed on the SAM roll and carried as manufacturing.

If they are not, they are classed as 531 whether they be non-producing or abandoned.

- 532 Privately Owned Sanitary Land Fills, Dumps, etc.
- 530 Total Quarries, Pits and Mines and Privately Owned Sanitary Land Fills, Dumps, etc.
- is the total of 531 and 532.
- 540 Unmeandered Waters - Privately Owned Non-navigable - those that do not have their bounds established on the government survey. An example would be a non-navigable stream that has changed its course. The government survey would indicate land where the water now flows. This section would be unmeandered privately owned water. By the same token, the former river bed would be classed as unmeandered land.
- 581 Residual River Frontage Value.
- 582 Residual Lake Frontage value.
- 583 Residual Road Frontage Value.
- 584 Residual Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be residual.
- 580 Total Residual Frontage Value.
- 590 Residual Parcel Size Adjustment.
- 500 Total Residual Lands - the total of all residual land.
- 611 Primary Forest - land covered with productive timber; has excellent access; has utilities available; is high and dry.
- 612 Secondary Forest - small wooded pockets interspersed among tillable land; has poor access; is marginal in production.
- 613 Residual Forest - low and wet; nearly inaccessible.
- 614 Cutover - land in a transitional stage between forest and its next use; trees have been removed by logging.
- 610 Total Forest and Cutover - total of all forest lands coded in the 610 series of codes.
- 651 Seedlings - land planted in pines 0-3 feet tall where you cannot determine if ultimate use is logging or cutting Christmas trees.
- 652 Pine Plantation - land planted with unsheared pines for the purpose of logging.
- 653 Christmas Tree Plantation - land planted with sheared pines to be cut for Christmas trees. Shearing usually begins when trees are approximately 4 feet tall. Cutting usually occurs at 8-10 years maturity.

- 650 Total Seedling, Pine and Christmas Tree Plantations - total land planted in seedlings, pine or Christmas trees.
- 681 Forest River Frontage Value.
- 682 Forest Lake Frontage Value
- 683 Forest Road Frontage Value.
- 684 Forest Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry." This land may be forest land.
- Total Forest Frontage Value.
- 690 Forest Parcel Size Adjustment.
- 600 Total Forest Lands - is the total of all forest lands.
- 700 Other Homesites - includes all of the land under the buildings and area immediately surrounding them; land that is used for wells, septic systems, etc
- 811 Regular Forest Crop, Special Forest Crop, Managed Forest Land and Woodland Tax.
- 812 Utilities - this classification includes all utilities such as electric companies, gas companies, railroads, etc., subject to taxation under Chapter 76.
- 810 Total Specially Taxed Lands - reflects the total of specially taxed lands.
- 820 County Forest Crop - forest lands which have been entered by action of county boards under Sec. 28.10 into the forest crop program under Sec. 77. This land is listed in the assessment roll under County Forest Crop Acres.
- 830 Federally Owned - all of federally owned lands. If it is federally owned, it may be exempt from assessments. Examples are U.S. highways, federally owned forest, etc.
- 841 State Owned Meandered Waters - all navigable bodies of water are property of the state. Their bounds have been established on the government survey.
- 842 State Owned Navigable Waters - again, all navigable waters are property of the state. State owned navigable waters are those that have not had their bounds established on the government surveys. For example, new river channels or elevated lake levels may have occurred since the original government survey.
- 843 All Other State Owned - as the category implies. Examples are: state highways, state owned forests, conservation lands, etc.
- 840 Total State Owned - is the total of the 840 series.

- 850 County Owned - all county owned lands.
- 860 School Owned - all school owned lands.
- 870 Municipal Owned - includes such things as dumps and sanitary landfills if not privately owned. All municipal owned lands fall into this category.
- 881 Other Exempt - includes lands used for Lions Foundations, scouts, Bible camps, etc. (Sec. 70.11).
- 884 Exempt Unmeandered Land - land which, because of a change in the course of a river or a drop in the water level, now is "high and dry," this land may be exempt property belonging to a unit of government or may be part of a parcel qualifying for an exemption under Sec. 70.11.
- 880 Total Other Exempt and Exempt Unmeandered Land - is the total of 881 and 884.
- 880 Total, Other Lands - the total of all exempt lands.
- 900 Total Parcel - is the total acreage summation. For example, the 100, 200, 300, 400, 500, 600, 700, and 800 categories when added together, will equal the total parcel.

Percent Change

A parcel of land that was valued at \$17,500 has been reassessed to a value of \$21,400. What is the percent change in the valuation of the parcel? To calculate the percent change in any number, multiply the quotient of the difference between the two values of the number, divided by the base (previous) value of the number, by 100: percent change = 100 [(new value - base value)/base value].

The percent change in the value of the parcel above is 22.3%.

$$100[21,400 - 17,500]/17,500 = 100 [3,900/17,500] = 100 (.22285) = 22.3\%$$

Interpolation

Interpolation is a process whereby an unknown number between two given data points is determined. Interpolation assumes a linear relationship between data points. The process of interpolation will be illustrated in the calculations below.

The cost of a factory weighing scale is dependent on its weight capacity and surface area. The X-axis of this cost table shows the tonnage capabilities of the scale; while the Y-axis shows the square footage of the scale's surface. The tabular values are the cost of the scales associated with those pairs of criteria.

Factory Scales

	X →	1	5	10	25	Tons
Y ↓						
Square	15	4,236	5,748	7,638	13,308	
Footage	30	5,147	6,510	8,214	13,326	
	48	6,516	7,578	8,906	12,889	
	63	7,275	8,256	9,482	13,160	
	75	8,130	8,936	9,942	12,962	

From the table, the cost of a 30 square foot, 5 ton capacity scale is \$6,510. However, how is the cost of a 60 square foot scale with a one ton capacity determined? Although a cost for that scale is not shown on the table, it can be calculated by interpolation. The estimated cost for the 60 foot/1 ton scale will be between \$6,516 and \$7,275, the costs for the 48 and 63 square foot, one ton scales, respectively. Furthermore, the estimated cost will be closer to \$7,275 than \$6,516 since the desired scale's size is closer to 63 square feet than it is to 48 square feet. This cost will be the same proportionate distance between the two tabular limits for cost (\$6,516 and \$7,275) as the desired area of 60 is between the two tabular areas (48 and 63).

The difference between the desired area and the smallest area ($60-48 = 12$) and, total difference between the two tabular areas ($63-48 = 15$), are the first calculated. The difference between the two known costs is determined ($\$7,275-\$6,516 = \$759$); and, that remainder is multiplied by the ratio of the area's differences: $\$759 \times 12/15 = \607.20 . This product is the proportionate amount that the estimated cost is above the cost associated with the lower area. Adding this amount to that cost ($\$6,516 + \607.20) results in an interpolated value for the 60 square foot/1 ton scale of \$7,123.20.

This process is illustrated as follows:

Step: Comment:

1. $(60-48)/(63-48) = 12/15$ ratio between areas
2. $7275 - 6516 = 759$ difference between known costs
3. $759 \times 12/15 = 607.20$ difference times ratio
4. $607.20 + 6516 = 7123.20$ product added to the lower cost = interpolated value

The interpolation in the above example occurred in the vertical axis of the table. Interpolation can also occur along the horizontal axis. For example, the cost of a 15 square foot scale with 4 ton capability is interpolated as follows:

1. $(4-1)/(5-1) = 3/4$ ratio between indices
2. $5748 - 4236 = 1512$ difference between known costs
3. $1512 \times 3/4 = 1134$ difference times ratio
4. $1134 + 4236 = 5370$ product added to the lower cost = interpolated value

What is the cost of a 35 square foot scale with a 7 ton capacity? Neither of the stated criteria for this scale are shown on the table. A double interpolation (both horizontal and vertical)

must be performed in order to calculate the cost. The computations below, show that the sequence of the interpolation does not make a difference in the final estimate.

Horizontal:

1. $7-5)/(10-5) = 2/5$
2. $8214 - 6510 = 1704$
3. $1704 \times 2/5 = 681.60$
4. $681.60 + 6510 = 7191.60$ [30 square foot/7 ton scale]
5. $8906 - 7578 = 1328$
6. $1328 \times 2/5 = 531.20$
7. $531.20 + 7578 = 8109.20$ [48 square foot/7 ton scale]
8. $(35-30)/(48-30) = 5/18$
9. $8109.20 - 7191.60 = 917.60$
10. $917.60 \times 5/18 = 254.89$
11. $254.89 + 7191.60 = 7446.49$ [35 square foot/7 ton scale]

Vertical:

1. $(35-30)/(48-30) = 5/18$
2. $7578 - 6510 = 1068$
3. $1068 \times 5/18 = 296.67$
4. $296.67 + 6510 = 6806.67$ [35 square foot/5 ton scale]
5. $8906 - 8214 = 692$
6. $692 \times 5/18 = 192.22$
7. $192.22 + 8214 = 8406.22$ [35 square foot/10 ton scale]
8. $(7-5)/(10-5) = 2/5$
9. $8406.22 - 6806.67 = 1599.55$
10. $1599.55 \times 2/5 = 639.82$
11. $639.82 + 6806.67 = 7446.49$ [35 square foot/7 ton scale]

Many statistical and financial calculators are able to estimate this linear function and interpolate a cost using simple linear regression. The X and Y values for the data pairs are entered into the calculator which is then used to estimate any other X or Y value. The calculator's handbook is the best source to determine if this process is possible on that machine.

Interpolation assumes a linear relationship exists throughout the table. The values in the table should be examined to see whether they vary at some constant rate, or with constant differences, or according to some other algebraic law. If the variation is not uniform, the reasonableness of the interpolation will be in question.

Extrapolation

Extrapolation is a process of estimating a value lying outside the range of data pairs given in a table.

What would be the cost of a 100 square foot scale of 5 ton capacity? The desired square footage

is beyond the indices of the table. The use of a linear estimation process on a calculator mentioned above, is the easiest way to calculate this extrapolated cost.

Manually, extrapolation involves solving the linear equation for the estimated value of Y where: $Y = A + Bx$. For this equation, n = number of data pairs; $A = \text{mean}(Y) - B[\text{mean}(X)]$; and, $B = [\text{sum}(XY) - (\text{sum}(X) \text{sum}(Y))/n] / [\text{sum}(X^2) - ((\text{sum}(X))^2/n)]$. Using the five costs from the five ton column as the Y values and their associated square footages as the X values, the following values can be calculated for A and B: $B = 53.13$; $A = 4950.99$.

Therefore, for an X of 100 square feet, the extrapolated cost for Y will be \$10,263.99: $[4950.99 + 53.13(100) = 10263.99]$.

The inherent danger in extrapolation, is the same as for interpolation. A linear relationship is assumed to exist throughout (and beyond) the table's data pairs. The extrapolated value of \$10,264 for the 100 square foot/5 ton scale is accurate for the values and relationships assumed for the data pairs on the cost table. However, those assumptions may be wrong for data pairs outside the lower and upper limits of the table. Therefore, extrapolation, if done at all, should be performed with extreme caution; and, with the understanding that the reliability of extrapolated value will be subject to question.

Cash Equivalent Financing

The definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The best indication of market value would be an arm's-length sale of the property paid for totally in cash if, according to professionally accepted appraisal practices, the sale conforms to recent arm's-length sales of reasonably comparable property. However, because of the large dollar amounts involved in real estate transactions, strictly cash sales are rare. In most transactions, the buyer pays a portion of the sales price in cash and borrows the remainder. The seller rarely keeps all of the purchase price. The seller usually has a mortgage and a real estate commission to pay. In addition, both the buyer and seller may have to pay closing costs.

The process of cash equivalency is to analyze the transaction, to determine whether or not any of the financing conditions had an effect on the sales price, and to determine the amount

that the sales price was affected. Cash equivalency assumes that through this process the transaction can be adjusted to a cash amount that is indicative of market value. The cash equivalency process is designed to adjust only financial items. This process is not designed to adjust those items that make the transaction a non-arm's-length transaction. For example, this process does not attempt to make adjustments for the length of time that the property was on the open market, that the buyer or seller was not knowledgeable, or that the buyer or seller was compelled to act.

The purpose of this section is to explain the basis for the adjustments for cash equivalency, what elements of a transaction do and do not need adjustment, and how to make the various adjustments. Note: When using the comparable sales approach, the cash equivalent adjustment must be made before making any other adjustments. Further discussion of cash equivalency in valuations can be found here: [Appraisal Institute - Cash Equivalency in Valuations](#)

Basis for Cash Equivalency

There are several reasons for making cash equivalent adjustments. Cash equivalent adjustments are required by statute, by court case, and by appraisal theory. In *State ex. rel. Flint v. Kenosha County Rev. Bd.*, 126 Wis. 2d 152, 376 NW 2d 364, (1985), the court held that the law requires the use of the cash equivalency adjustment in assessing real property based upon the sale of comparable properties.

Section 70.32, Wis. Stats., directs the assessor to use professionally acceptable appraisal practices. Appraisal theory states that there may be a difference between sales price and market value. The arm's-length sale of a property is the best evidence of market value. However, not all sales are arm's-length. For example, the sale between a parent and child, is usually not an arm's-length sale. Even a sale that is arm's-length may not be market value. For example, a sale that is not recent will not represent market value; but, may be adjusted to show the effect of time on the sales price and, thus, become an indication of market value. Similarly, a property may sell for a price that is influenced by the financing terms. By making the adjustment as outlined in this section, the assessor can adjust this sale so that it becomes an indication of market value.

Sales Not Needing Adjustment

Not every sale needs adjustment. Nor does every condition of a sale need adjustment. It is important that the assessor realizes what elements or conditions of a sale are "typical" of the market place and for which no adjustments need be made. It may be helpful to describe what a typical, or usual, transaction involves. A property owner lists the property with a real estate broker for a specific price. Either that broker or another broker produces a buyer who makes an offer at a price that is acceptable to the seller. This process may involve offers from several different buyers or offers and counter-offers between the buyer and the seller. The buyer agrees to pay a certain percentage of the sales price in cash and obtains the balance as a loan from a bank, savings and loan, credit union, or other third-party that is in the business of making real estate loans. At the closing, the seller receives the money, pays a commission to the real estate broker, pays off any outstanding mortgages on the property, and keeps the balance. Unless there is some unusual circumstance connected with this transaction, the

sales price should need no adjustment to be an indication of market value. The sales price may need adjustment for such items as number of bedrooms, size, location, etc. in order to be used as an indication of market value for other properties.

Typical Financing

The buyer in this transaction obtains a loan from a bank, savings and loan, credit union, or other third party that is in the business of making real estate loans. Because few transactions are strictly cash, most purchasers obtain a loan to cover part of the purchase price. This is typical of the real estate market and the assessor need make no adjustment for this.

Closing Costs

Closing costs are fees usually expressed as a percentage of the loan amount charged to the buyer by the financial institution to cover the costs of processing the loan. These costs include an appraisal of the property, legal fees, survey, credit checks, and other costs associated with the processing of the loan. Since these costs are based on the loan and do not affect the sales price, no adjustment need be made for them. Closing costs should not be confused with seller's points which do affect the sales price and will be discussed later.

Real Estate Commissions

Real estate commissions are the fees paid to the broker by the seller for bringing about the sale of the property. The commission is usually expressed as a percentage of the sales price and varies depending on the type of property involved and can vary from broker to broker. The real estate commission is considered an economic cost of acquiring the property and no adjustment need be made for it.

Properties sold by the owner will require a more thorough analysis. An owner who is knowledgeable and willing to devote a sufficient amount of time and energy should be able to receive a price close to or the same as if sold through a broker. If the seller could only obtain the same price as the broker less the commission, a prudent seller would not waste the time and effort necessary to sell the property without a broker. A prudent buyer should be willing to purchase a property for the same or nearly the same amount whether it is sold by the owner or through the broker. However, not all buyers and sellers are prudent. Therefore, the assessor will have to analyze each transaction not involving a broker to determine whether this affected the sales price. Any adjustment made for this situation should be made after the cash equivalency adjustment.

Income Tax Considerations

Income tax considerations can influence the structuring of the real estate transaction. One party may wish to structure the transaction so that some taxes are deferred, some taxes are treated as capital gains, or some of the price can be classified as a deductible expense. Although income tax considerations can and do play a role in the structuring of the transaction, they rarely influence the sales price of the property and, therefore, have no influence on the cash equivalency adjustment.

Title Insurance

Title insurance is often required by lending institutions to protect against any loss because of a defect in the title. This is not a part of the real estate transaction and has no effect on the sales price.

Transfer Fee

The sale of real estate usually requires the filing of a new deed with the County Register of Deeds. A transfer fee of 30¢ per \$100 is required for all recordings except those exempted by statute. Although the transfer fee is based on the sales price or estimate of value, the fee has no effect on the sales price and no adjustment need be made for it.

Sales Needing Adjustment

The conditions of the sale that need adjustment are those noncash items that either have an affect on the sales price or are not expressed in cash. Remember, the purpose of the cash equivalency adjustment is to convert noncash items into their worth as cash in order to arrive at a market value estimate of the worth of the property. The noncash items can be divided into either tangible or intangible items.

Tangible Items

Some real estate transactions will include such items as real estate, automobiles, boats, jewelry, furniture, and other items of tangible property as part of the purchase price. In many cases a recent appraisal of the real estate will have been made. The assessor should review the appraisal to be sure that it represents market value. If there is no appraisal or the appraisal does not represent market value, the assessor will have to make a market value estimate of the property. Similarly, for the other tangible items, appraisals may exist for these items or, the assessor should consult “blue books” or experts in these fields for estimates of the worth of the property.

Intangible Items

Intangible items are items that have little worth in and of themselves but are representative of greater worth. Money is an intangible item in that the worth of \$100 does not represent the value of the paper or metal coins involved. This section gives a brief explanation of different intangible items that may be involved in a cash equivalency transaction.

Seller's Points

Seller's points are additional percentages of the loan amount paid by the seller to enable the purchaser to obtain a loan through guaranteed loan programs such as the Veteran's Administration (VA) or Federal Home Administration (FHA). These programs restrict the maximum interest rate that a lending institution can charge the borrower. This rate is usually less than the current rate being charged by the institution. For the institution to achieve the desired rate, it charges points (a point is one percent of the loan amount). The points increase the yield that the lending institution receives to an amount equivalent to a

loan at the market interest rate. Federal law prohibits the buyer from paying points. Therefore, the seller has to pay them. The seller usually either raises the selling price or does not reduce the asking price as much as the seller would for a “cash” sale. Either way the sales price is higher than it would be for a normal transaction and, thus, requires a cash equivalent adjustment.

Stocks and Bonds

Stocks and bonds represent ownership or liens on businesses and other property. Stocks and bonds have a par or face value on the certificates. However, this is not necessarily market value and thus, requires a cash equivalent adjustment.

Assumed Mortgages

The seller usually must pay off any existing mortgage at the time of the sale. In some cases, the buyer may be allowed to continue the payments as if nothing had happened. This is called an assumed mortgage and can be advantageous to the buyer provided that the interest rate is below the current market rate. Because the assumed interest rate is less than the market interest rate, a cash equivalent adjustment is necessary. The purchaser still has to make a down payment to the seller and often obtain additional financing. Most mortgages written currently do not allow for loan assumption. Those that do usually require a fee from the purchaser that provides the lender with the same return as a current mortgage.

Blended Mortgages

A blended mortgage takes the outstanding mortgage loan balance and interest rate and the new loan amount and interest rate and blends them into one mortgage. This is usually done by weighing the loan balances by the interest rate of each loan to come up with a new interest rate. Since the existing interest rate is below the current market rate, a cash equivalent adjustment is necessary.

Wrap-Around Mortgage

A wrap-around mortgage is subordinate to but inclusive of an existing mortgage(s) on a property. In general, a third-party lender refinances the property by assuming the existing mortgage (and its debt service) and “wraps around” a new junior mortgage. The wrap-around lender extends to the borrower an amount equal to the difference between the balance outstanding on the existing mortgage(s) and the face amount of the new loan.

An alternative “wrap-around” is when the seller continues to pay off the existing institutional loan while the buyer makes payments on a seller financed loan. This allows the buyer the advantage of continuing the payments on an existing mortgage at a lower interest rate. In either case, since part of the mortgage is at a below market interest rate, a cash equivalent adjustment is necessary.

Land Contracts

Land contracts are seller carried loans at a less than market interest rate. They are usually

for a short-term (usually 3-4 years) at which time the buyer obtains a loan from an institutional lender. The sales price is usually raised to compensate the seller for the below market interest rate. The buyer gets to pay the below market interest rate for several years in anticipation of interest rates being lower when the time comes to obtain an institutional loan. The use of the land contract also enables the buyer to purchase a property with a smaller down payment than an institutional lender would require. The balance of the purchase price due at the end of the land contract is often referred to as a “balloon” payment. Since the loan is made at a below market interest and the sales price raised because of it, a cash equivalent adjustment is necessary.

Subsidized Down Payment

Many of today's mortgages require the buyer to make a substantial down payment. In order to allow the buyer to purchase the property, the seller will provide the down payment at a below market interest rate. The balance of the purchase price is financed through an institutional lender. Because the seller makes the loan at a below market interest rate, a cash equivalent adjustment is necessary.

Interest Only Payments, Then Equal Amortization

In this type of financing, the buyer makes only the interest payment on the mortgage for several years. No principal payments are made. At the end of this period, the buyer makes amortization payments to cover both the principal and interest. This is done by a buyer who hopes that either interest rates will come down in several years or that the buyer's income will rise enough over several years to cover the interest and principal payments. Because the buyer is making lower payments than normal, a cash equivalent adjustment is necessary.

Steps in the Cash Equivalent Adjustment

Determining the Date of Adjustment

It is important that the assessor make sure that all data regarding the cash equivalent adjustment reflect the actual conditions on the date of sale. Interest rates, the availability of mortgage money, mortgage terms and conditions, and the value of noncash items will change over time. Therefore, the assessor must make sure that the cash equivalent adjustment reflects the conditions on the date of the sale. This date is established from the date of conveyance entered on the real estate transfer return. The closing date and transfer date could be several months after the sales terms were agreed upon and conditions may have changed since then.

Identify the Noncash Components

In this step, the assessor determines what noncash items (both tangible and intangible) are involved in the transaction. This would be all elements except cash and include real property, personal property, assumed loans, new loans, seller's points, stocks and bonds, and other items.

Ascertain the Face Value and Market Value of the Noncash Components as of the Date of Sale

In this step, the assessor determines the face value of any new mortgages and the outstanding balance of any assumed loans. The face value of new loans will be stated in the note and the outstanding balance of an existing loan can be readily calculated. The market value of stocks and bonds can be looked up in various financial papers. The market value of automobiles can be looked up in various “blue books.” The market value of real estate, paintings, jewelry, etc. should have been established by appraisals done near the date of sale. If no appraisals were made, the assessor will either have to make an appraisal or consult an expert in that field to determine the market value of the item.

Determine the Terms and Conditions of the Financing

In this step, the assessor determines the interest rate, down payment, amortization period, number of payments, timing of payments, seller points, and balloon for the loan, land contract, or other financing instrument.

Determine the Terms and Conditions of Typical Financing

In this step, the assessor determines the same items as in the previous step that are typical or normal for the marketplace. The assessor should talk to real estate brokers, lenders, and appraisers to determine what is typical for the municipality for that type of property. The Department recommends using the Federal Land Bank interest rate for most preferred borrowers adjusted to reflect the required cost of stock purchase as the typical interest rate for agricultural property.

Make the Adjustment as Needed

In this step, the assessor makes the calculations necessary to determine the value of the cash equivalent financing. Specific examples are given in the next section. The assessor must have access to Compound Interest Tables to make the adjustment.

Determine the Cash Equivalent Value of the Property

In this step, the assessor adds the cash equivalent value of all noncash items to any cash payments to arrive at the cash equivalent value of the property.

Examples of Cash Equivalent Adjustments

This section gives examples of how to apply the steps listed in the previous section to the various financing conditions of the sale that need adjustment. Some of the examples will be applicable to more than one situation and will be so identified.

Seller Points

Seller points are charged when the lending institution has to make a below market loan (VA or FHA) and charges the seller points (one point equals one percent) to give the lender the equivalent of the market interest rate. The points are charged on the loan amount and should

be subtracted from the purchase price to yield the cash equivalent value. In this example, the purchase price is \$100,000, the buyer obtains a 95 percent loan, and the seller must pay 4 points.

Purchase Price	\$ 100,000
Less: Down Payment	<u> 5,000</u>
Loan Amount	95,000
	<u> X .04</u>
Seller Points	\$ 3,800

Purchase Price	\$ 100,000
Less: Seller Points	<u> 3,800</u>
Cash Equivalent Value	\$ 96,200

Discounting Payments

This adjustment is made when the buyer obtains a below market interest rate. The assessor calculates the payment at the below market interest rate. This is done by multiplying the loan amount times the periodic payment factor at the below market interest rate (from column 6 of the Compound Interest Tables). The payment is then divided by the periodic payment factor at the market interest rate. In this step, the assessor determines what loan amount at the market interest rate would require the same monthly payment as the below market loan. This result is the cash equivalent value of the financing. This amount is added to the down payment to yield the cash equivalent value of the transaction

NOTE: For information on the use of Compound Interest Tables, please refer to the Appendix in this Manual. In the following examples CEV stands for Cash Equivalent Value. PPF stands for Periodic Payment Factor.

Assume that a buyer purchases a property for \$100,000 with a 25 percent down payment, a 20 year term, at an 8 percent rate of interest. All conditions are normal except that the market interest rate is 10 percent. All payments are assumed to be monthly.

Purchase Pr	\$ 100,000	
Less: Down Payment	<u> 25,000</u>	
Loan Amount	75,000	
PPF (20 years @ 8%)	<u> x .008364</u>	
Monthly Payment	\$ 627.30	
PPF (20 years @ 10%)	<u> ÷ .009650</u>	
CEV of Financing	\$ 65,005.18	
Down Payment	\$ 25,000.00	
CEV of Financing	<u>65,005.18</u>	
CEV of Transaction	\$ 90,005.18	Rounded \$ 90,000

An alternative method to determine the cash equivalent value is to calculate the monthly payment as above and then to determine the present value of this income stream at the

market interest rate by multiplying the monthly payment by the factor from column 5 of the Compound Interest Tables at the market interest rate.

Purchase Price	\$	100,000		
Less: Down Payment	—	<u>25,000</u>		
Loan Amount		75,000		
PPF (20 years @ 8%)	x	<u>.008364</u>		
Monthly Payment	\$	627.30		
PV Coefficient (20 years @ 10%)	x	<u>103.624619</u>		
CEV of Financing	\$	65,003.72		
Down Payment	\$	25,000.00		
CEV of Financing		<u>65,003.72</u>		
CEV of Transaction	\$	90,003.72	Rounded	\$ 90,000

Both methods produce the same result and can be used in valuing assumed mortgages, land contracts, or any financing at below market interest rates. This procedure will be used as part of the process of determining the cash equivalent value in several of the following procedures.

Mortgage With Balloon

This type of financing involves payments at a below market interest rate with final payment of the balance at some time in the future. This is usually done in hopes that in several years the interest rate will drop enough for the buyer to finance the loan with a typical lending institution. This is done by discounting the payments (as done in the previous example) for the length of the below market interest rate loan. The next step is to determine the present worth of the payments to be made to the lending institution. This is done by multiplying the monthly payment times the Present Value of an Annuity (from column 5 of the Compound Interest Tables). Since these payments will not begin for several years, the present value of this income stream must be calculated by multiplying the present value, determined in the previous step by the Present Value of a Reversion factor (from column 4 of the Compound Interest Tables) at the market interest rate at the time of sale. Then add the down payment, the discounted payments, and the present value of the reversion to determine the cash equivalent value of the transaction.

Assume: The purchase price of the property is \$100,000. The seller will carry the loan for 5 years based on an 8 percent loan for 20 years. At the end of 5 years, the buyer anticipates getting a loan from a lending institution at 8 percent for the remaining 15 years. The current market interest rate is 10 percent. The buyer also makes a 10 percent down payment.

Purchase Price	\$	100,000
Less: Down Payment (10%)	—	<u>10,000</u>
Loan Amount	\$	90,000
PPF (20 years @ 8%)	x	<u>.008364</u>
Monthly Payment}	\$	752.76
PPF (5 Years @ 10%)	÷	<u>.021247</u>
CEV of Discounted Payments	\$	35,429

Value of the Balloon:

Monthly Payment (as calculated above)	\$	752.76	
PV Coefficient (15 yrs @ 8%)	x	<u>104.640591</u>	
PV of Income Stream	\$	78,769.25	
PV of Reversion (5 yrs @ 10%)	x	<u>.607788</u>	
CEV of Balloon	\$	47,875.01	
Down Payment	\$	10,000.00	
CEV of Discounted Payments		35,429.00	
CEV of Balloon		<u>47,875.01</u>	
CEV of Transaction	\$	93,304.01	Rounded \$ 93,300

Assumed Mortgage and Conventional Mortgage

When a mortgage is assumed it rarely provides the total amount that the buyer needs to borrow. The buyer will need to obtain an additional loan for the balance of the purchase price. The cash equivalent value is calculated by determining the present worth of the remaining income stream for the assumed mortgage and adding it to the value of the new loan, assuming it is at the market interest rate, and the down payment.

Assume: The purchase price is \$100,000. The buyer makes a down payment of 10%, or \$10,000. The buyer assumes a mortgage which was written 5 years ago for \$50,000 for 20 years at 8% and has a remaining balance of \$43,750. The buyer also obtained a mortgage from a lending institution for the remainder of the purchase price, \$46,250, for 20 years at the market interest rate of 10%.

Assumed Mortgage Original Amount	\$	50,000.00	
PPF (20 years @ 8%)	x	<u>.008364</u>	
Monthly Payment		418.20	
PPF (15 years @ 10%)	÷	<u>.010746</u>	
CEV of Assumed Mortgage	\$	38,916.81	
Down Payment		10,000.00	
Face Value of New Mortgage		46,250.00	
CEV of Assumed Mortgage		<u>38,916.81</u>	
CEV of Transaction	\$	95,166.81	Rounded \$ 95,200

If the buyer obtained the new mortgage at a below market interest rate, the assessor would use the Discounting Payments procedure as previously explained to determine the cash equivalent value of the new mortgage. The assessor would add this value to the cash equivalent value of the assumed mortgage and the down payment to determine the cash equivalent value of the transaction.

Blended Mortgage

A blended mortgage has the same principle as the previous example except that the two separate mortgages are weighted or “blended” into one new mortgage at a below market

interest rate. The assessor discounts the payments for this new mortgage and adds it to the down payment to determine the cash equivalent value of the transaction. For this example we will assume the same conditions as the previous example. Determining the blended rate:

Assumed Mortgage	\$ 43,750	÷	\$ 90,000	=	48.6%
New Mortgage	<u>\$ 46,250</u>	÷	\$ 90,000	=	<u>51.4%</u>
	\$ 90,000				100.0%

Assumed Mortgage Rate	8%	x	48.6%	=	3.9%
New Mortgage Rate	10%	x	51.4%	=	<u>5.1%</u>
Blended Rate					9.0%

Purchase Price	\$ 100,000				
Less: Down Payment	<u>10,000</u>				
Loan Amount	90,000				
PPF (20 years @ 9%)	<u>x .008997</u>				
Monthly Payment	809.73				
PPF (20 years @ 10%)	<u>÷ .009650</u>				
CEV of Financing	\$ 83,909.84				
CEV of Financing	\$ 83,909.84				
Down Payment	<u>10,000.00</u>				
CEV of Transaction	\$ 93,909.84		Rounded	\$ 93,900	

The cash equivalent value obtained by this method is slightly different from the results obtained in the previous example because the buyer assumed a mortgage with a 15 year term in the previous example. The blending of that mortgage into a 20 year mortgage in this example lowers the present value of the financing because the assumed loan in the previous example is recovered over a shorter period of time and thus has a higher value than the blended loan.

Interest Only Payments, Then Equal Amortization

In this financing arrangement, the buyer makes only the interest payments on the mortgage for a certain period of time. At that time, the buyer pays equal amortization payments over a period of time to pay off the mortgage. The assessor discounts the interest payments as done in previous examples. The assessor also discounts the amortization payments and, since they do not start for several years, the assessor must determine the present worth of the income stream deferred for several years. The assessor adds the cash equivalent value of the two income streams to the down payment to determine the cash equivalent value of the transaction.

Assume: The purchase price is \$100,000 and the buyer makes a 20 percent down payment. The buyer makes interest only payments for three years, then amortization payments for 15 years, both at 8 percent interest. The market rate of interest is 10 percent.

Purchase Price	\$	100,000		
Less: Down Payment	=	<u>20,000</u>		
Loan Amount	\$	80,000		
Interest Rate	x	<u>.08</u>		
Annual Interest Payment	\$	6,400		
	÷	<u>12</u>		
Monthly Payments		533.33		
PV Annuity Factor (3 yrs @ .10)	x	<u>30.991235</u>		
CEV of Interest Payments		16,528.56		
Loan Amount	\$	80,000		
PPF (15 years @ 8%)	x	<u>.009557</u>		
Monthly Payment		764.56		
PPF (15 years @ 10%)	÷	<u>.010746</u>		
Deferred Value Income Stream	\$	71,148.33		
PV of Reversion (3 yrs @ 10%)	x	<u>.741739</u>		
CEV of Amortization Payments	\$	52,773.49		
Down Payment	\$	20,000.00		
CEV of Interest Payments		16,528.56		
CEV of Amortization Payments	\$	<u>52,773.49</u>		
CEV of Transaction	\$	89,302.05	Rounded	\$ 89,300

Subsidized Down Payment

Many of today's mortgages require the buyer to make a substantial down payment. In order to allow the buyer to purchase the property, the seller may provide part or all of the down payment at a below market interest rate. The balance of the purchase price is financed through a lending institution. The assessor discounts the payments on the seller financed down payment and adds it to the buyer's down payment and the loan amount.

Assume: The purchase price is \$100,000. The buyer makes a \$5,000 down payment. The seller finances an additional \$15,000 down payment at 8 percent for 10 years. The balance of the purchase price is covered by a loan with a lending institution at the market interest rate of 10 percent.

Purchase Price	\$	100,000	
Less: Buyer's Down Payment	5,000		
Seller Subsidized Payment	<u>15,000</u>		
	-	<u>20,000</u>	
Mortgage Amount	\$	80,000	
Seller Subsidized Down Payment		15,000	
PPF (10 years @ 8%)	x	<u>.012133</u>	
Monthly Payment	\$	182.00	
PPF (10 years @ 10%)	÷	<u>.013215</u>	
CEV of Subsidized Down Payment		\$13,772.23	
CEV of Subsidized Down Payment		\$13,772.23	

Buyer's Down Payment	5,000.00		
Mortgage Amount	<u>80,000.00</u>		
CEV of Transaction	\$98,772.23	Rounded	\$ 98,800

Note: In some cases, part or all of the buyer’s down payment will be financed by the buyer’s parents, other relatives, or some other source. Unless this financing has some effect on the purchase price, no adjustments need to be made.

Summary

Cash Equivalent Financing adjustments are made to recognize the effect of below market interest rates and other forms of “creative financing” on the purchase price of a property. This adjustment has been recognized in various statutes and court cases. This adjustment must be made before any other adjustments are made when using the comparable sales approach.

This section has differentiated between those items of a transaction that do not need adjustment and those items that do need adjustment. This section also describes the steps necessary in the cash equivalent adjustment process and gives examples of various types of adjustments. This section is not meant to cover all possible cash equivalent transactions. Buyers, sellers, investors, and brokers are constantly developing new methods of structuring the real estate transaction. This section is intended to provide the assessor with a basic understanding of the cash equivalent process and how to apply it to the more common situations.

Statutory Provisions are Directory

Section 70.555, Wis. Stats., states that “directions herein given for the assessing of lands and personal property and levying and collecting taxes shall be deemed directory only, and no error or informality in the proceedings of any of the officers entrusted with the same, not affecting the substantial justice of the tax, shall vitiate or in anywise affect the validity of such tax or assessment.” In 38 Opinion of Attorney General 600 (1949) it was held that errors in descriptions in the tax roll were considered as not affecting the substantial justice of the tax and were subject to correction under sec. 74.61, Wis. Stats., or cancellation action by the county board with charge back of tax under sec. 75.25, Wis. Stats.

Sources of Maps Useful to the Assessor

[USDA - Farm Service Agency](#)

[Wisconsin Department of Transportation](#)

[Wisconsin County Contacts - GIS, RPL, Register of Deeds, LIO](#)

[Statewide Parcel Map Initiative](#)

[Wisconsin Department of Natural Resources - GIS Open Data Portal](#)

[Wisconsin Geological & Natural History Survey](#)

[Board of Commissioners of Public Lands](#)

[Wisconsin Historical Society](#)

Definition of Terms Used in Surveys and Descriptions

A **magnetic meridian** is the direction in the horizontal plane taken by a magnetized needle when it comes to rest in the earth's magnetic field.

A **true meridian** is that meridian through a given point joining the north and south poles of the earth's axis.

An **assumed meridian** is the direction chosen by consideration of convenience for any particular survey, locality, or purpose.

The **declination** of the needle is the angle, which that line makes with its reference meridian, whether the meridian be a true, magnetic or assumed meridian.

The **bearing** of a line is the angle, which that line makes with its reference meridian, whether the meridian be a true, magnetic, or assumed meridian.

The **magnetic bearing** of a line is the acute angle that it makes with the magnetic meridian.

The **true bearing** of a line is the acute angle that it makes with the true meridian.

The **azimuth** of a line is the clockwise angle that it makes with the north end of a true or assumed meridian.

The sum of the interior angles of any closed figure is always 360 degrees.

Each **degree** consists of 60 minutes.

Each **minute** consists of 60 seconds.

A **circle** is that set of all points a given distance from a given point.

The given point of a circle is called the **center** of the circle.

The **radius** of a circle is a straight line drawn from the center of the circle to any given point on the circle.

The **circumference** of a circle is the length of the circle, or the distance around the circle.

A **chord** of a circle is a straight line whose end points lie on the circle. (If the line also passes through the center of the circle, the common reference is then diameter.)

An **arc** is that part of a circle measured between two given points on the circle.

A **central angle** of a circle is an angle whose vertex is the center of the circle and whose sides contain two radii.

A **secant** is a straight line that extends beyond the circle but intersects the circle at two points.

A **tangent** is a straight line that intersects a circle at only one point.

The **point of tangency** is that point at which a tangent intersects a circle.

An **interior angle** is an angle formed by two lines which angle is enclosed by the other sides of a closed figure.

An **exterior angle** is an angle formed by two lines which angle is not enclosed by the other sides of a closed figure.

A **deflection angle** is that angle which any line makes with the proceeding line, if the proceeding line were extended. A deflection angle may be to the right or to the left and any reference to the deflection of an angle must indicate whether it is to the right or left. This is indicated by use of the letter R or L.

An **angle to the right** is the clockwise angle at any vertex between the back line and the forward line.

A line that is drawn **perpendicular** to another line is one which forms an exact angle of 90 degrees with its reference line.

Two lines that are **parallel** to each other remain the same distance apart for their entire length.

On the drawing of a circle,

Point O is the center of the circle.

Point T is the point of tangency of the tangent line ATG.

Line DOT is the diameter of the circle.

Line RO is a radius of the circle.

Line SROE is a secant of the circle.

Line ATG is a tangent of the circle.

Line RT is a chord of the circle.

The distance from R to point T measured on the circle is an arc of the circle.

The angle formed by the intersection of the lines RO and OD is a central angle of the circle.

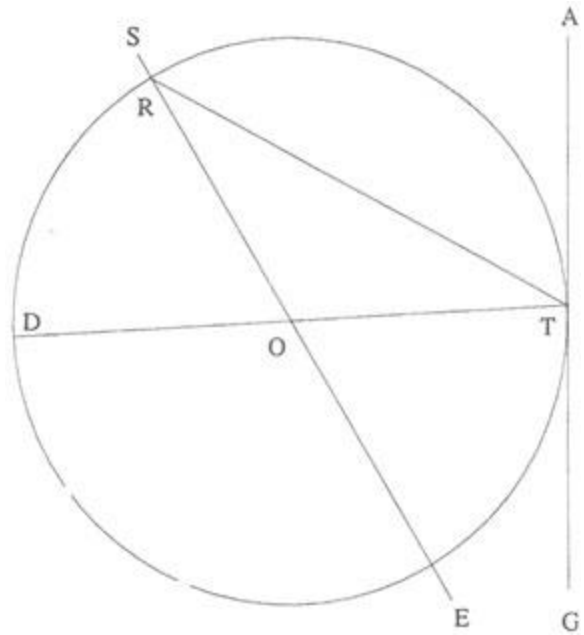


Table of Measures

Linear Measure

1 foot	12 inches
1 yard	3 feet or 36 inches
1 rod	5 1/2 yards or 16 1/2 feet or 198 inches
1 furlong.....	40 rods or 220 yards or 660 feet or 7,920 inches
1 mile	5,280 feet or 63,360 inches

Surveyor's Linear Measure

1 link.....	7.92 inches
1 rod	25 links
1 chain.....	4 rods or 100 links or 66 feet
1 furlong.....	10 chains
1 mile	8 furlongs or 80 chains or 320 rods

Square Measure

1 square foot	144 square inches
1 square yards	9 square feet or 1,296 square inches
1 square rod	30 1/4 square yards or 272 1/4 square feet or 625 square links

1 square chain..... 16 square rods
 1 acre..... 10 square chains or 160 square rods or 4,840 square yards or 43,560 square feet
 1 square mile 640 acres

Cubic Measure

1 cubic foot 1,728 inches
 1 cubic yard..... 27 cubic feet
 1 cord foot..... 16 cubic feet
 1 cord of wood 8 cord feet or 128 cubic feet
 1 perch of stone or masonry 24 3/4 cubic feet

Angles and Arcs

1 minute..... 60 seconds
 1 degree..... 60 minutes
 1 right angle..... 90 degrees
 1 quadrant 90 degrees
 1 circumference..... 360 degrees

Other Measurements

1 span..... 9 inches
 1 hand 4 inches
 1 knot 6,086 feet
 1 fathom 6 feet
 1 stone..... 14 pounds

Scale Conversions

Scales	Foot/Inch	Miles/Inch	Acres/Sq. inch
1:20,000	1,666.667	0.316	63.769
1:24,000	2,000.00	0.379	91.827
1:31,680	2,640.00	0.500	160.00
1:48,000	4,000.00	0.758	367.309
1:62,500	5,208.33	0.986	622.744
1:125,000	10,416.667	1.973	2,490.980
1:250,000	20,833.333	3.946	9,963.907
1:500,000	41,666.667	7.891	39,855.627
1:1,000,000	83,333.333	15.783	159,422.507

Scale Conversion Formulas

$$\text{Foot/Inch} = \frac{\text{Scale}}{12} \quad \text{Mile/Inch} = \frac{\text{Scale}}{63,360}$$

$$\text{Inch/Mile} = \frac{63,360}{\text{Scale}} \quad \text{Ac/Sq.in.} = \frac{(\text{Scale})^2}{43,560} \quad \text{x} \quad 144$$

Meters/In. = Ft./In. x 0.3408

Computing Acreage

In computing acreage there are several formulas that can be used.

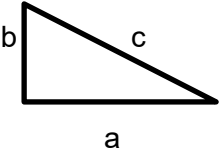
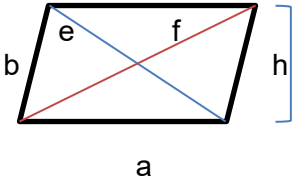

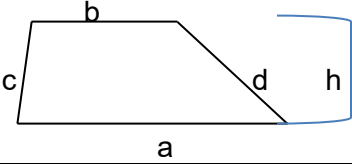
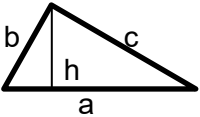
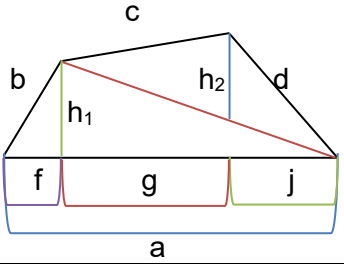
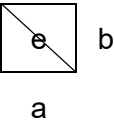
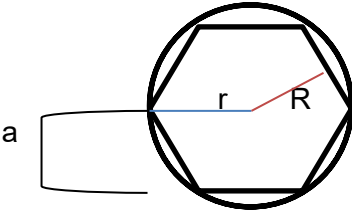
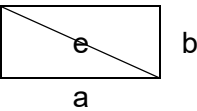

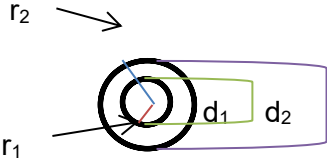
1. Multiply the length by width and divide the answer by 43,560 (square feet in one acre). That gives the number of acres in a parcel.
2. If a legal description is in acreage and one dimension of the property is known: multiply the number of acres by 43,560; divide by the known dimension to get the second dimension of the parcel.
2. If dimensions of a parcel are both in chains, multiply length by width and divide by 10 for number of acres.
3. If dimensions of a parcel are both in rods; multiply length by width and divide by 160 for number of acres.

Subdivision Possibilities of an Acre of Land Into Lots

Size of lot in feet	Width of street in feet	Width of alley in feet	Length of block in feet	Number of lot per acres	Percent of area saleable
25 x 100	40	12	350	12.37	71
25 x 100	60	20	300	10.64	61
25 x 125	66	16	594	9.44	68
30 x 110	45	12	360	9.30	70
33 x 132	50	12	330	7.00	70
37 ½ x 125	50	12	375	6.57	70
40 x 140	50	12	320	5.50	70
40 x 140	60	12	320	5.12	66
50 x 150	50	12	400	4.18	72
50 x 150	60	12	400	4.07	70
55 x 165	55	12	385	3.49	72
66 x 198	50	No	462	2.67	80

Nomenclature

Areas of Plane Surfaces

<p>a, b, c, d – Length of sides A – Area d, d₁, d₂ – Diameters e, f – Length of diagonals h – Vertical height or altitude n – Number of sides p – Perimeter r₁, r₂, R – Radii</p>	<p>General Parallelogram or Rhomboid And Rhombus Rhomboid – opposite sides parallel $p = 2(a + b)$ $e^2 + f^2 = 2(a^2 + b^2)$ $A = ah$ Rhombus – opposites sides parallel and all sides equal</p>
<p>Right Triangle $p = a + b + c$ $c^2 = a^2 + b^2$ $b = \sqrt{c^2 - a^2}$ $A = \frac{ab}{2}$</p> 	<p>$a = b$ $p = 4a = 4b$ $e^2 + f^2 = ab$ $A = ah = \frac{ef}{2}$</p> 
<p>Equilateral Triangle $p = 3a$ $h = \frac{a}{2}\sqrt{3} = .866a$ $A = a^2 \frac{\sqrt{3}}{4} = .433a^2$</p> 	<p>Trapezoid $p = a + b + c + d$ $A = \frac{(a+b)}{2} h$</p> 
<p>General Triangle Let $a = \frac{a+b+c}{2}$ $p = a + b + c$ $h = \frac{2}{a} \sqrt{s(s-a)(s-b)(s-c)} b$ $A = \frac{ah}{2}$ $A = \sqrt{s(s-a)(s-b)(s-c)}$</p> 	<p>Trapezium $p = a + b + c + d$ A = sum of areas of two major triangles $A = \frac{(h_1 + h_2)g + fh_1 + jh_2}{2}$</p> 
<p>Square $a = b$ $p = 4a$ $A = a^2 = .5e^2$ $e = a\sqrt{2} = 1.414a$</p> 	<p>Regular Polygon $p = na$ $a = 2\sqrt{R^2 - r^2}$ $A = \frac{nar}{2} = \frac{na}{2} \sqrt{R^2 - \frac{a^2}{4}}$ A = n X Area of each triangle</p> 
<p>Rectangle $p = 2(a + b)$ $e = \sqrt{a^2 + b^2}$ $b = \sqrt{e^2 - a^2}$ $A = ab$</p> 	<p>Circle $p = 2\pi r = \pi d = 3.1416d$ $A = \pi r^2 = \frac{\pi r^2}{4} = .7854d^2$ $A = \frac{p^2}{4\pi} = .07958p^2$</p> 
<p>Hollow Circle or Annulus $A = \frac{\pi}{4} (d_2^2 - d_1^2) = .7854 (d_2^2 - d_1^2)$ $A = \pi(r_2^2 - r_1^2)$ $A = \pi \frac{d_1 + d_2}{2} (r_2 - r_1)$ $A = \pi(r_1 + r_2)(r_2 - r_1)$</p> 	

Abbreviations and Terms Used in Condensing Descriptions

Abandon.....	ABND
About.....	ABT
Above described.....	ABV DESC
Abstract.....	ABS
According to the recorded plat ...	ACRP
Acre.....	A, AC
Addition.....	ADD
Additional.....	ADDL
Adjacent.....	ADJAC
Adjoining.....	ADJ. ADJN
Administrator.....	ADMR
Administrator's Deed.....	ADMR D
Agreement.....	AGMT
Ahead.....	AH
Along.....	ALG
Amount.....	AMT
And others.....	ET AL
And wife.....	ET UX OR & W
Angle.....	ANG
Angle point.....	A/P
Annexed.....	ANXD
Approved.....	APPVD OR APVD
Arbitrary.....	ARB
Assessor's plat.....	ASR PLT
Assignment of land contract.....	ALC
Assume.....	(A)
At.....	@
Auxiliary reference line.....	AR
Avenue.....	AV
Azimuth.....	AZ
Ban.....	BK
Base line.....	B/L
Bearing long chord.....	BLC
Bearing tree.....	BO
Before.....	BEF
Begin or beginning.....	BEG
Beginning at a point.....	BAP
Beginning of curve.....	BC
Being.....	BNG
Between.....	BET OR BETW
Block.....	BLK
Board.....	BRD
Book.....	BK
Boulevard.....	BLVD
Bound.....	BND

Boundary	BDY
Boundaries.....	BDRS
Bounded	BDD
Brook.....	BRK
Buildings.....	BLDGS
Cemetery.....	CEM
Cemetery deed	CEM D
Cemetery plat	CEM PLT
Center	CEN
Center angle	C/A
Center line	C/L, CL
Center of section	CEN/S
Certain	CERT
Certificate	CTF
Certificate of descent.....	CTF DES
Certified	CTFD
Certified survey	CTFD SUR
Chain.....	CH
Chains.....	CHS
Chord	CH
City.....	C
Commence.....	COM
Commencing	COMG
Commencing at a point.....	CAP
Commercial.....	COMM
Common	COMM
Company	CO
Computed.....	COMP
Concave.....	CONC
Concrete.....	CONC
Condition	COND
Consideration.....	CONSIDE
Construction	CONST
Contain or contained	CONTD
Contains.....	CONTS
Containing	CONT
Continue	CONT
Continuing.....	CONT
Convey	CONV
Corner	COR
Corners	CORS
Corporation.....	CORP
Correction	CORR
Correction deed.....	CORR D
County.....	CO
County and city.....	C & C
County surveyor	CO SUR
County trunk highway	CTH

Court.....	CT
Cover or covering.....	COV
Creek.....	CR
Curve.....	CUR
Decree.....	DEC
Dedicated or dedication.....	DED
Deed.....	D OR DD
Deeds.....	DDS
Degree.....	DEG or °
Degree of curve.....	D
Describe, description, described.....	DESC
Described as follows.....	DAF
Distant.....	DIST
District.....	DIST
Ditch.....	DIT
Division.....	DIV
Document.....	DOC
Drive.....	DR
Driveway.....	DWY
Each.....	EA
Easement.....	ESMT
East.....	E
Easterly.....	ELY
Egress.....	EGR
Elevation.....	ELV
Entitled.....	ENTLD
Escrow.....	ESC
Establish.....	ESTB
Estate.....	EST
Except, excepting, exception.....	EX
Executor.....	EXCTR
Executrix.....	EXCTR
Existing.....	EXST
Extended.....	EXTD
Extension.....	EXTN
Federal Aid Project.....	FAP
Feet, foot.....	FT
Filed.....	FLD
Final degree.....	FD
Following.....	FOL
Forest crop land.....	FCL
Foundation.....	FDN
Fourth.....	1/4
Fraction.....	FR
Fractional.....	FRL

From.....	FR
General land office survey.....	GLO
Government	GVT
Government lot.....	GVT L
Grant deed	GT DD
Granted.....	GTD
Grantee	GTEE
Grantor	GTR
Guarantee	GUAR
Guide meridian.....	GM
Half	1/2
Having	HAV
Herein described.....	HD
Heretofore	HTOFOR
Hereunto	HUNTO
Highway.....	HWY
Highway conveyance	HWY CONV
Horizontal.....	HOR
Improvement	IMP
Inch	IN or "
Inches.....	INS
Include, included, or including....	INCL
Inclusive.....	INCL
Incorporated	INC
Information.....	INFO
Ingress	INCR
Instruction	INSTR
Instrument.....	INSTR
Interest	IN
Intersection.....	INTER
Intersection angel.....	I
Intersection with interstate highway	INTER/W
Interstate highway	IH
Iron pin, iron pipe.....	IP
Joint	JT
Jointly	JTLY
Joint tenancy	JT
Judgment	JGD
Junction	JCT
Juncture.....	JCR
Known.....	KN
Known as	KN AS
Land.....	LD

Land contract.....	LC
Latitude	LAT
Lease	LSE
Left.....	LT
Length of curve.....	L
Lessee.....	LSEE
Licensed surveyor	LS
Limited highway easement	LHE
Line	LI OR LN
Link.....	LK
Lis Pendes.....	LP
Location monument.....	LM
Long chord	LC
Longitude.....	LONG
Lot.....	L
Lying	LYG
Lying and being.....	LYD & BNG
Magnetic	MAG
Man hole	MH
Manufactured	MFG
Maximum.....	MAX
Marked.....	MKD
Meander corner.....	MC
Measured	(M) MEAS
Memorandum	MEMO
Mentioned	MEN
Meridian	MER
Metes and bounds.....	M & B
Mile	MI
Mile corner.....	MC
Minimum	MS
Mineral survey.....	MS
Minutes	' or M
Miscellaneous	MISC
Month.....	MO
Monument.....	MON
More or less.....	M OR L
More particularly.....	MP
Mortgage	MTG
Motel	MO
Municipal	MCPL
Necessary	NEC
North.....	N
Northeast	NE
Northeasterly.....	NELY
Northerly	NLY
Northwest	NW

Northwesterly	NWLY
Number	NO
Official	OFCL
Official records.....	OR
Office of Register of Deeds.....	ORD
Original.....	ORIG
Other.....	OTH
Other property.....	OP
Outlot.....	OL
Page	P
Paid.....	PD
Parallel.....	PRL
Parallel to	=
Parallel with	P/W
Parcel	PCL
Part	PT
Partial.....	PTL
Particularly.....	PART
Parties.....	PTIES
Partition.....	PRTN
Party	PTY
Pavement	PVMT
Permanent	PERM
Personal estate	P EST
Place.....	PL
Plat.....	PLT
Point.....	PT
Point of beginning.....	POB
Point of commencement.....	POC
Point of curvature.....	PC
Point of tangency	PT
Point of intersection	PI
Point of compound curve	PCC
Point of reverse curve.....	PRC
Point of curve.....	POC
Portion	POR
Possession	POSN
Preliminary.....	PRELIM
Premises	PREM
Principal	PRIN
Principal meridian.....	PRIN MER
Private	PVT
Private drive	PD
Project.....	PROJ
Prolong.....	PROL
Prolongation	PR OL
Property	PROP

Property line	PL
Public	PUB
Public land	PL
Quarter	1/4
Quarter quarter	1/4 1/4
Quarter quarter line	1/4L
Quarterly	1/4ly
Quiet title.....	QT
Quit claim	QC
Quit claim deed.....	QCD
Radius	R or RAD
Railroad	RR
Railway	RY or RWY
Range	R
Range line	R/L
Ranges	RS
Real estate	REST
Record	REC
Record of survey	R OF S
Reference line	REF/L
Reference monument.....	RM
Regarding.....	RE
Regular	REG
Relocated.....	REL
Replat.....	REP
Report	REEP
Required.....	RQD
Reserve.....	RES
Reservation.....	RESVN
Residential.....	RES
Resolution	RESOL
Restaurant.....	REST
Restrict.....	RESTR
Resubdivision.....	RESUB
Reversion	REV
Right	RT
Right of way.....	ROW or R/W
Right angles	RA
Right angles to.....	R/A
River.....	RIV
Road	RD
Roadway.....	RDWY
Rods	RDS
Running	RUN or RUNG
Said.....	SD
Sanitary	SAN

Scaled.....	(S)
School.....	SCH
Second.....	" or S or 2ND
Section	S or SEC
Section corner	S/C
Section line	S/L
Series	SER
Sheriff's deed	SD
Signature	SIG
Sixteenth section	1/16
South.....	S
Southeast	SE
Southeasterly	SELY
Southerly	SLY
Southwesterly.....	SWLY
Special meander corner	SMC
Square.....	SQ
Stake	STK
Stamps	STPS
Standard	STD
Standard parallel.....	STAN PAR
Starting.....	STG
State trunk highway.....	STH
Station	STA
Street	ST
Subdivision	SUB
Subject	SUBJ
Supervisor.....	SUPER
Tangent.....	TAN
Tangent length of curve.....	T
Tax deed.....	TD
Tax exempt	TX
Tax sale.....	TXS
Temporary	TEMP
Terminate	TERM
Termination of joint tenancy... T	JTEN
Termination of life estate	T LEST
Thence.....	TH
Thereof.....	THRF
Thereon.....	THON
Therefore.....	THFRE
Through	THRU
Together.....	TOG
Together with	TOG/WI
Town	T or TN
Township.....	T or TP or TWP
Tract.....	TR
Triangulation.....	TRI

Trust deed.....	TD
Under	UND
Undivided	UND
Unincorporated.....	UNINC
United States Coast and Geodetic Survey	USC & GS
United States Geological Survey	USGS
United States highway	US HWY
Vacated	VAC
Variation.....	VAR
Vendee	VDE
Vendor.....	VDR
Village.....	VIL
Volume	VOL
Warranty deed.....	WD
West	W
Westerly	WLY
Which or whence.....	WH
With	WI
Witness corner	WC
Witness point	WP
Yard	YD
Year.....	YR
N 1/4 corner	N1/4C
S 1/4 corner	S1/4C
E 1/4 corner.....	E1/4C
W 1/4 corner.....	W1/4C

Acronym	Stands For
AAR	Annual Assessment Report
AFR	Assessor Final Report (Replaced by MAR)
ANSI	American National Standards Institute
ASCS	Agricultural Stabilization and Conservation Service
BMIR	Below Market Interest Rate
BOR	Board of Review
BPT	Bureau of Property Tax
CAD	Computer-Aided Design
CAMA	Computer Assisted Mass Appraisal
CARS	Cable Television Relay Service
CATV	Cable TV or Community Antenna Television
CBD	Central Business District
CEU	Continuing Education Requirements
DNR	Department of Natural Resources
DOA	Department of Administration
DOR	Department of Revenue
ECR	Exempt Computer Value Report
EGI	Effective Gross Income
EPA	Environmental Protection Agency
e-RETR	Electronic Real Estate Transfer Return
ERTID	Environmental Remediation Tax Incremental District
ERTIF	Environmental Remediation Tax Incremental Finance
ETRA	Economic Tax Recovery Act
FAQ	Frequently Asked Questions
FCC	Federal Communications Commission
GI	Gross Income
GIS	Geographic Information System
GRM	Gross Rent Multiplier
HAP	Housing Assistance Payment
HUD	Housing and Urban Development
IAAO	International Association of Assessing Officers
IRR	Internal Rate of Return
IRS	Internal Revenue Service
LAN	Local Area Network
LDS	Local Distribution Service
LGS	Local Government Services
LURA	Land Use Restriction Agreement
MAR	Municipal Assessment Report

Acronym	Stands For
MDS	Multi-point Distribution Service
ME	Management Expense
MFL	Managed Forest Law
MLS	Multiple Listing Service
MSO	Multiple System Operator
NAICS	North American Industry Classification System
NCTA	National Cable and Telecommunications Association
NOI	Net Operating Income
OCR	Overall Capitalization Rate
OE	Operating Expense
PAD	Provide Assessment Data
PAS	Property Assessment Specialist
PILOT	Payment in Lieu of Taxes
PRC	Property Record Card
REA	Rural Electric Association
RETR	Real Estate Transfer Return
RFP	Request for Proposal
RHS	Rural Housing Service
SCS	Soil Conservation Service
SIC	Standard Industrial Classification
SOA	Statement of Assessment
SOT	Statement of Taxes
TAR	Tax Incremental District Assessment Report
TID	Tax Incremental District
TIF	Tax Incremental Finance
USC	United States Code
USCGS	United States Coast and Geodetic Survey
USDA	United States Department of Agriculture
USPAP	Uniform Standards of Professional Appraisal Practices
WAAO	Wisconsin Association of Assessing Officers
WAN	Wide Area Network
WHEDA	Wisconsin Housing and Economic Development Authority
WPAM	<i>Wisconsin Property Assessment Manual</i>
WRDA	Wisconsin Register of Deeds Association

Glossary of Terminology

Property Tax Terms

Ad valorem tax—In reference to property, a tax based upon the value of the property.

Annual Assessment Report (AAR)—A report completed by the assessor for the municipality that explains the assessor's work that year. Assessors were required to complete an AAR for each municipality where they were the assessor from 2014 to 2019. Starting in 2020, assessors are not required to complete an AAR.

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. Assessed value is estimated as of January 1 and will apply to the taxes levied at the end of that year. Assessed value is called a primary assessment because a levy is applied directly against it to determine the tax due. Accurate assessed values ensure fairness between properties within the taxing jurisdiction. (See Equalized value for fairness between municipalities).

Assessment District—An assessor's jurisdiction; it may or may not be an entire tax district. Any subdivision of territory whether whole or part of a municipality where a separate assessment of taxable property is made. Such districts may be referred to as taxing districts, administrative districts, or special purpose districts. **(See sec. 70.08, Wis. Stats.)**

Assessment Level—The relationship between the total assessed value and the equalized value of non-manufacturing property minus corrections for the prior year over and under charges within a municipality – town, village, or city. For example if the assessed value of all the property subject to property tax in the municipality is \$2,700,000 and the equalized value in the municipality is \$3,000,000 then the “assessment level” is said to be 90% ($\$2,700,000/\$3,000,000 = .90$ or 90%).

Assessment Ratio—The relationship between the assessed value and the fair market value. For example, if the assessment of a parcel which sold for \$150,000 (fair 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. The assessment ratio does not apply to agricultural lands, agricultural forest, or undeveloped lands.

Assessing—The act of valuing a property for the purpose of establishing a tax base.

Assessment—See Assessed value.

Assessment roll—The official listing of all properties within a given municipality (Town, Village, City) by ownership, description, and location showing the corresponding assessed values for each.

The completed assessment roll is an official listing which contains owners and legal

descriptions of all real estate parcels and items of personal property within a taxation district, acreages of most parcels, the statutory classification and assessed value, according to land and improvements, of general taxable parcels.

Assessment year—The period of time during which the assessment of all properties within a given assessment district must be completed; the period between tax lien dates.

Assessor—The administrator charged with the assessment of property for ad valorem taxes; the precise duties differ from state to state depending upon state statutes.

Board of Review—A quasi-judicial board charged with the responsibility of raising or lowering assessments proven incorrect as well as correcting any errors in the assessment roll.

The Board of Review consists of a clerk and selected municipal officers (other than the assessor) or citizens. It hears all objections to the amount or valuation of property if objections are made in writing and filed with its clerk prior to adjournment of public hearings. The Board examines the assessment roll or rolls and corrects all apparent errors in description or computation, adds all omitted property to the assessment roll and determines whether an assessor's valuation is correct from evidence brought before it. The Board cannot determine exempt or taxable status of property.

CDU rating—A composite rating of the overall Condition, Desirability and Usefulness of a structure as developed by the Cole-Layer-Trumble Company and it is used nationally as a simple, direct and uniform method of estimating accrued depreciation.

Certified Assessment Evaluator—A professional designation (CAE) conferred by the International Association of Assessing Officers (IAAO) upon qualifying individuals.

Certified property tax—An ad valorem property tax where the assessment ratio varies for different property classes. This differs from state to state depending upon state statutes.

Doomage assessment—Historically, the process of arriving at an assessment from the best information available when the assessor is denied the opportunity to physically inspect a property; making an assessment without actually viewing the property or receiving and/or accepting the taxpayer's declaration of personal property.

Electronic Exempt Computer Report—The Electronic Exempt Computer Report was previously known as the Computer Exemption Report. The Exempt Computer Report is an electronically filed report filed by the assessor with the Department of Revenue by the second Monday of June. Amended filings can be submitted through September 1. This report provides the value of all exempt computer and peripheral equipment, as its true cash value.

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) and agricultural forest and undeveloped lands, which are based on 50% of their full value.

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 concept of uniformity provided in the state constitution (i.e. each person's share of the tax is based on each property's value compared to the total value of all taxable property). Typically, this would require periodic reviews of the assessments (local revaluations) to account for the constantly changing economic factors impacting property. In practical terms, you have equity in taxes when the assessed value of each property bears the same relationship to market or use value.

In reference to value, it is the owner's financial interest in the property remaining after deducting all liens (including mortgages) and charges against it.

Estimated Fair Market Value- As found on tax bills—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.

Exempt property—See **tax exemption**.

Expert help—Is employed when the governing body of a municipality not subject to assessment by a county assessor determines it is in the public interest to appoint such help to aid in making the assessments in order that they may be equitably made and in compliance with the law. The expert help may be a private firm or person, or an employee of the Department of Revenue.

Field crew—The total staff assigned to a specific appraisal project, including data collectors, reviewers, staff appraisers, clerical and administrative supporting personnel.

Forest cropland—Land taxes at a set amount per acre, must contain at least 40 or more acres, is more suitable for the growing of timber than for other purposes, assessed by the local assessor, subject to review under Chapter 70 and is open to the public for hunting and fishing.

Fractional assessment—When the assessment is made at some percentage of the full value as determined by policy by the government.

Full Value—(1) Throughout this manual this term means the value at 100% of the value standard. This is the value that should be applied in assessing the property per Wisconsin statutes, see pages 7-6 and 7-7. (2) The same as equalized value, however is often used when referring to the value of school and special districts.

General property tax—The following elements must be present: (1) a dollar amount of levy; (2) total assessed values of individual properties (parcels of real property/personal property items); and (3) uniform rate of taxation within the same common area is to be applied to all taxable real and personal property within that area.

Improvement—An addition to raw land intended to increase the value. Examples include buildings, structures, and attachments or annexations to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers.

Inequity—See **equity**.

Land value maps—A map used in conjunction with mass appraising, generally drawn to small scale and showing comparative unit land values, on a block to block basis.

Level of Assessment—See **Assessment Level**

Levy—The amount of tax imposed by a taxation jurisdiction or government unit.

Lien—A charge against property whereby the property is made the security for the payment of a debt.

Market value—The definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Mass appraisal—The process of valuing a universe of properties, as of a specified date, utilizing standard methodology, using common data and allowing for statistical testing.

Mass appraisal model—A mathematical formula or equation reflecting how supply and demand factors interact on a market level.

Mill rate—A mill is one-thousandth of one dollar. Tax rates are often expressed in mills per dollar.

Example: Tax = \$3,000 Taxable assessed value = \$100,000

Mill rate = $3,000/100,000 = 0.03$ of a dollar per dollar of taxable assessed value

Municipal Assessment Report—The Municipal Assessment Report was previously known as the Assessor’s Final Report (AFR). The Municipal Assessment Report is an electronic report filed by the assessor with the Department of Revenue. It can be filed as an “Estimate” (before the Board of Review), as a “Final” (after the Board of Review), or as an “Amended” report to make changes to a previously filed “Final” version. This electronic report provides changes in assessed values and reasons for the changes between the prior year’s assessed values and the current year’s assessed values of the entire taxation district. An estimated or final version of this report must be filed by the second Monday of June.

Notice of Changed Assessment—A written notification to a property owner of the assessed value of certain properties described therein; required by law to be given to each property owner following a change in value of the property. The assessor is not required to provide notice if land is classified as agricultural land, as defined in sec. 70.32 (2) (c) 1g. Wis. Stats., for the current year and previous year and the difference between the assessments is \$500 or less.

Over assessed—A condition wherein a property is assessed proportionately higher than comparable properties.

Parcel identification number (PIN)—An identification number, assigned to a parcel of land to uniquely identify that parcel from any other parcel within a given taxing jurisdiction.

Preferential assessment—An assessing system providing preferential treatment in the form of reduced rates to a particular class of property, such as a system providing for farm properties to be assessed in accordance to their value in use as opposed to their value in the open market.

Property class—A division of like properties generally defined by statutes and generally based upon their present use. The basis for establishing assessment ratios in a classified property assessment system.

Property record card—A document specially designated to record and process specified property data; may serve as a source document, a processing form; and/or a permanent property record.

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.

Reassessment—The revaluation of all properties within a given jurisdiction for the purpose of establishing a new tax base.

When a written complaint is made to the Department of Revenue by the owners of 5% or more of the assessed valuation of the property within a municipality stating that the assessment of property in the municipality is not in substantial compliance with the law and that the interest of the public would be promoted by a reassessment, the department can order such actual doing over of the assessment roll (**reassessment**) of all or part of the taxable property in municipality.

Revaluation—Placing new values on all taxable property for the purpose of a new assessment. The previous year's assessment roll is not affected. The term is often used in conjunction with sec. 70.055, Wis. Stats., where expert help can be hired to work with the assessor in revaluing the district.

Sales ratio study—A statistical analysis of the distribution of assessment or appraisal-to-sale ratios of a sample of recent sales made for the purpose of drawing inferences regarding the entire population of parcels from which the sample was abstracted.

Tax bill—An itemized statement showing the amount of taxes owed for certain property described therein and forwardable to the party or parties legally liable for payment thereof.

Tax exemption—Either total or partial freedom from taxation granted by specific state statute.

Tax Increment District Assessment Report—The TID Assessment Report was previously known as Tax Incremental Assessor's Final Report (TID AFR). The TID Assessment Report is an electronically filed report filed by the assessor with the Department of Revenue. Like the Municipal Assessment Report, the TID Assessment Report can be filed as an "Estimate" (before Board of Review), as a "Final" (after Board of Review), or as an "Amended" report. Amended reports make changes to a previously filed "Final" version. This electronic report provides the total assessed value of all locally assessed property in each Tax Increment District, by School District, Union High District (if any), and Special District. An estimated or final version of this report must be filed by the second Monday of June.

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.

Tax levy—In reference to property taxes, the total revenue realized by the tax.

Tax mapping—The creation of accurate representations of property boundary lines at appropriate scales to provide a graphic inventory of parcels for use in accounting, appraising and assessing. Such maps show dimensions and the relative size and location of each tract with respect to other tracts. Also known as assessment maps and cadastral maps.

Tax rate—The rate generally expressed in dollars per hundred or dollars per thousand (mills) applied against the tax base (assessed value) to compute the amount of taxes. The tax rate is derived by dividing the total amount of the tax levy by the total assessed value of the taxing district.

Tax roll—The official list showing the amount of taxes, special assessments, and charges levied against each parcel and item of personal property in the municipality.

Tax sale—The sale of a taxpayer's property to collect delinquent taxes from the proceeds of the sale when the taxpayer has failed to redeem it within the statutory period.

Taxation—The right of government to tax property to support the government.

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 sec. 74.01(6), Wis. Stats.).

Taxation Jurisdiction—An entity which is authorized by law to levy taxes on general property which is located within its boundaries. (See sec. 74.01(7), Wis. 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 (sec. 70.34, Wis. Stats.).

Uniformity—The constitutional requirement that the taxable property must bear its proportionate share of ad valorem basis taxes. 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. Following 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'.

Woodland tax lands—Land taxes at a set amount per acre, containing at least 10 acres but less than the acreage required for forest croplands, located outside villages and cities, void of an improvement having assessed value in itself and more suitable for the growing of timber than for other purposes.

Statistical Terms

Aggregate ratio—As applied to real estate, the ratio of the total assessed value to the total selling price.

Average deviation—In a distribution of values, the average amount of deviation of all the values from the mean value equal to the total amount of deviation from the mean divided by the number of deviations.

Coefficient—A value prefixed as a multiplier to a variable or an unknown quantity.

Coefficient of concentration—Percentage of ratios which lie within $\pm 15\%$ of the median; measures assessment uniformity.

Coefficient of dispersion—As applied to an assessment-to-sale ratio distribution, a measure of dispersion in a given distribution equal to the average deviation of the ratios from the mean or median ratio divided by the mean or median ratio.

Frequency distribution—A display of the frequency where each value in a given distribution occurs; or in a **grouped frequency distribution**, a display of the frequency of the values within various intervals, or value groupings occur.

Mean, Simple—A measure of central tendency equal to the sum of the values divided by the number. Also referred to as **arithmetic average** or **arithmetic mean**.

Mean, Weighted (aggregate ratio)—The total of all individual assessments divided by the total of all individual sales; measure of central tendency (average).

Median—A measure of central tendency equal to that point in a distribution above which 50% of the values fall and below which 50% of the values fall. The 50th percentile is the 2nd quartile.

Mode—A measure of central tendency equal to the value occurring most frequently in a given distribution. In a grouped frequency distribution, the mode is equal to the midpoint of the interval with the greatest frequency.

Multiple Regression analysis—A statistical technique for making statements as to the degree of linear association between a criterion (**dependent**) variable and one or more predictor (**independent**) variables; a simple linear regression having one independent variable, and multiple linear regression having more than one independent variable.

Normal distribution—A distribution in which all the values are distributed symmetrically

about the mean value, with 68.26% of the values falling between ± 1 standard deviation, 95.44% between ± 2 standard deviations, and 99.74% between ± 3 standard deviations.

Percentile rank—The relative position of a value in a distribution of values expressed in percentage terms; for instance, as applied to an assessment-to-sale ratio distribution, a ratio with a percentile rank of 83 would indicate 83% of the ratios were lower and 17% of the ratios were higher than that particular ratio.

Population—As applied to real estate, all the parcels of a given type in the group under study, i.e., all the parcels of a given neighborhood, district, etc.

Precision—As applied to real estate, it refers to the closeness of estimated value to actual selling price on an aggregate basis.

Price related differential—As applied to real estate, an analytical measure of the vertical uniformity of values in a given distribution calculated by dividing the mean ratio by the aggregate ratio; a ratio of more than one being generally indicative of the relative undervaluation of high priced properties as compared to the less valuable properties, whereas a ratio of less than 1 would indicate the converse relationship.

Quartile—Positions in a distribution at 25 percentile intervals; the **first quartile** being equal to the 25th percentile, the **second quartile** being equal to the 50th percentile or the median, and the **third quartile** being equal to the 75th percentile.

Range—The difference between the highest and lowest value in a distribution.

Ratio—A fixed relationship between two similar things expressed in terms of the number of times the first contains the second; the quotient of one quantity divided by another quantity of the same type, generally expressed as a fraction.

Sample—As applied to real estate, a set of parcels taken from a given universe which is used to make inferences about values for the universe.

Random sample—A sample where each parcel in the universe is given equal chance of being included.

Selective sample—A sample where each parcel in the universe being chosen by other criteria, is not given an equal chance of being included. Essentially all assessment-to-sale ratio studies are non-probability samples.

Sample size—As applied to real estate, the number of parcels needed from a universe to achieve a desired level of precision, given the total number of parcels in the universe and the standard deviation thereof.

Standard deviation—A measure of dispersion, variability or scatter of values in a given distribution equal to the square root of the arithmetic mean of the squares of deviations from the mean.

Standard error of the mean—A measure of the statistical variability of the mean equal to the standard deviation of the distribution divided by the square root of the sample size.

Stratified sampling—The selection of sample parcels from distinct groups within the total universe based upon the known sizes and characteristics of these distinct groups.

Variance—Take the difference of each ratio from the mean, square each of the differences and total the squares, then divide the sum by the number of ratios (n); needed to arrive at the standard deviation and to measure spread or variability. In some situations, n-1 is used as the divisor to provide a more unbiased estimator of the population variance.

Architectural and Construction Terms

Absorption field—A drainage system consisting of a series of pipes laid in trenches filled with sand, gravel or crushed stone, through which septic tank effluent may seep or leach into the surrounding ground.

Acoustical tile—A ceiling or wall tile finishing material with an inherent property to absorb sound; usually made of mineral, fiber, or insulated metal materials.

Addition—Part of building added or joined to an existing building. Living areas built onto residence after original construction; single wall in common with residence, usually only one door connects the two.

Aggregate—Any of various hard, inert materials, like sand, gravel, or pebbles added to a cementing or bonding agent to make concrete, plaster, etc.

Anchor bolt—Long bolts cemented into the top of a foundation wall, and to which the sill of the structure is bolted.

Apartment hotel—A building designed for non-transient residential use divided into dwelling units similar to an apartment house, but having such hotel accommodations as room furnishings, lounges, public dining room, maid service, etc.

Apartment house—A multi-family residence containing three or more non-transient residential living units and generally providing a number of common facilities and services.

Apron—A finish strip applied below the stool of a window to cover the rough plaster or drywall edge. A paved or hard packed area abutting a garage door or other opening.

Arcade—A series of arches and their supports, which provides covered passage between buildings. A roofed walkway or passageway, frequently with shops on both sides.

Arch—A curved structural member used to span an opening, so designed that vertical loads are transmitted as vertical or oblique stresses on either side of the opening.

Areaway—An uncovered space next to a building, for entrance of light, air or access.

Asbestos cement—A mixture of asbestos fibers, Portland cement, and water which can be formed into building products with high fire and weather resistance.

Ashlar—A wall facing of masonry slabs (stone, terra cotta) applied over the bearing masonry of exterior walls.

Asphalt—Bitumen mixed with mineral aggregates used as a hard surface for driveways, streets, etc.

Asphalt flooring—Consists of limestone dust and coarse aggregate incorporated with either asphaltic bitumen or equal proportions of asphaltic bitumen and asphalt.

Attic—An unfinished or semi-finished portion of a building lying between the highest finished story and the roof and wholly within the roof framing.

Awning—A roof-like shelter extending over a doorway window, porch, etc., which provides protection from the sun or rain.

Backfill—The material used for refilling an excavation.

Backing—Rough inner face of a wall; earth deposited behind retaining wall.

Backup—The inner, load bearing or structural portion of a masonry wall, usually finished with face brick, stone, ashlar, stucco or other decorative or protective veneer.

Balcony—A balustraded or railed elevated platform projecting from the wall or a building, usually cantilevered or supported by columns.

Balusters (bannisters)—A short pillar or post, usually circular, slender above and building below, supporting a rail; the uprights supporting the handrail of a staircase.

Balustrade—A row of balusters surmounted by a rail, coping or cornice.

Base molding—Finishing wood to cover construction joints between baseboard and floor.

Basement—A building story which is wholly or partly below grade level.

Batten—Narrow strips of wood or other material used to finish and cover the vertical joints where two boards meet.

Batter board—One of a pair of horizontal boards nailed to posts set at the corners of an excavation, used to indicate the desired level of the foundation, also as a fastening for stretched strings to indicate outlines of foundation walls.

Bay—(1) a horizontal area division of a building usually defined as the space between columns or division walls; (2) an internal recess formed by causing a wall to project beyond its general line.

Bay window—A window, or group of continuous windows projecting from the main wall of a building. A bay window has its own foundation.

Beam—(1) a long structural load-bearing member which is placed horizontally or nearly so and which is supported by both ends, infrequently, at intervals along its length; (2) a principal load supporting member of a building; may be of wood, steel, or concrete; transmits load horizontally to vertical posts, columns, or bearing walls.

Beam, spandrel—A wall beam supporting the wall above, as well as the floor.

Bearing area—The area of contact between a bearing member (beam, girder, footing) and its underlying support (column bearing wall, load bearing ground).

Bed—Horizontal surface on which structural members or slabs are laid or supported.

Bent—A transverse frame of a building designed to support either horizontal or vertical loads.

Beveled wood siding—Siding board of varying widths, with lower edge thicker than upper edge is covered by lower edge of board above. Types include Dolly Varden, and shiplap.

Board foot—A unit of measure represented by a board one foot long, one foot wide, and one inch thick, or 144 cubic inches.

Boiler—Metal vessel for heating water for generating steam.

Bolster—A horizontal timber on a post for lessening the free span of a beam.

Bond—The arrangement of individual masonry units in certain overlapping patterns to give the finished structural unit additional strength and to allow the individual elements to act together as a cohesive, integrated unit.

Brace—A structural member reinforcing a frame or truss.

Bridging—A method of bracing floor joists by fixing lateral members between the joists.

Building—Any structure partially or wholly above ground designed to shelter people, animals or goods.

Building, fireproof—A building in which all parts carrying loads or resisting stresses (frame) and all exterior and interior wall, floors, and staircases are made of incombustible materials and in which all metallic structural members are encased in materials which remain rigid at the highest possible temperature in case its contents are burned, or which provide ample insulation from such a temperature.

Building, paper—Tarred felt paper sheathing for walls and roofs, to stop drafts and insulate against dampness.

Building service systems—Those units or systems providing plumbing, sewerage, heating,

ventilating, air conditioning, lighting, power, vertical transport, fire protection and special services such as public address or oxygen to a building.

Building, single-purpose—A building designed for a specific purpose that cannot be used for another purpose without substantial alterations, e.g., a theater or church.

Built-ins—Items like cabinets, counters, desks, benches, shelving and equipment permanently attached to the building structure that cannot be removed without leaving evidence of removal. These items are not considered personal property.

Built-up roofing—Two or more layers of tarred felt, joined with bonding or sealing compound.

Bulkhead—A retaining structure of timber, steel, or reinforced concrete erected along the water for shore protection. Solid fill is usually placed behind it to extend the shore to the bulkhead line.

Bungalow—One-story dwelling unit somewhat more pretentious than a cottage.

Buttress—An external structure, usually brick or stone, built against a wall to support or reinforce it.

Caisson foundation—A foundation system where holes are drilled in the earth to bearing strata and then filled with concrete.

Chamfer—To bevel or round off a right angle corner.

Canopy—An ornamental roof-like covering supported by posts or suspended from a wall.

Cant strip—A wedge or triangular-shaped piece, generally installed on flat roofs around perimeter or at the junction of that roof and an adjoining wall.

Cantilever—A structural member projecting horizontally well beyond its vertical support.

Cap—The capital or uppermost part of a column or post; its function is to transmit supported loads to the column.

Casement window—A type of window having a sash with hinges on one side, allowing window to open vertically like a door.

Catch basin—A chamber designed in a drainage system to intercept solids and prevent their entrance into the system.

Causeway—A raised or paved way (road).

Cavity wall—A masonry or concrete wall consisting of two wythes with air space between them; the inner and outer wythes are tied together with metal ties.

Cellular concrete—Cement based concrete, mixed with fine sand and large amounts of air pockets no aggregate. Lightweight.

Chimney cap—A large stone or formed concrete which finishes the top of a chimney.

Chimney pots—Cylindrical earthenware pots at the top of the chimney shaft.

Clapboard—Siding board of varying widths, with lower edge thicker than upper edge that is covered by lower edge of board above.

Cleat—A strip fastened across something to give strength or hold in position.

Clerestory window—A window or series of windows in a wall above the primary roofline; designed to provide additional lighting and ventilation for the central part of the building.

Cofferdam—A temporary box-like structure used to hold back water or earth while work is being done inside it.

Column—(1) a structurally isolated vertical member which is at least eight to ten times as long as its least lateral dimension designed to carry loads. (2) a vertical structural member supporting horizontal members (beams, girders) designed to transmit load to bearing material at base of column.

Common brick—Local inexpensive clay brick, no uniform face or precision mold.

Composition siding—A manufactured wall covering, often finished in an imitation brick pattern.

Concrete—A hard stone-like material made by mixing sand, an aggregate such as crushed stone or gravel, cement, and water, and allowing the mixture to harden.

Concrete block—Concrete formed into the shape of a block and allowed to set until it hardens. Used as a masonry unit.

Conduit—A pipe or tube. An artificial tunnel used to enclose wires or pipes or to convey water or other fluids.

Construction, brick—A type of construction where the exterior walls are bearing walls (q.v.) made of solid brick and tile masonry.

Construction, brick veneer—A type of construction where the exterior walls are one-layer brick curtain walls backed by a wood frame.

Construction, mill—A type of construction where the exterior walls are substantial masonry bearing walls, the structural members are of heavy timber and further characterized by an open design and other safeguards against fire hazards.

Construction, reinforced concrete—A type of construction where the principal structural

members, such as the floors, columns, etc., are made of concrete poured around isolated steel bars or steel meshwork in such manner that the two materials act together in resisting forces.

Construction, steel frame—A type of construction where a framework of steel structural members for the support of all loads and the resistances of all stresses.

Construction, wood frame—A type of construction in which there is a framework of wooden structural members for the support of all loads and the resistance of all stresses.

Continuous windows—Windows designed for saw-tooth roofs or roof monitors of industrial buildings; generally top hinged and opened by mechanical operators.

Coping—A special capping at the top of a wall, serving principally as a watershed.

Corbel—A supporting bracket of stone, brick or wood projecting from side of wall.

Cornice—A projecting element at the top of a wall, serving principally as a decoration or as part of the coping.

Cottage—One-story to two-story dwelling unit of small size and humble character.

Course—A uniform horizontal layer of brick, stone, terra cotta, shingles, or some other structural material, extending continuously around a building or along a wall.

Court—An open space bordered on two or more sides by the walls of a single building, or of two or more buildings, and by a lot line or a yard on any side not so bordered.

Craneway—The steel or concrete column and girder supports and rails on which a crane travels. Oftentimes the craneway is attached to the building frame.

Crawl space—An unfinished, accessible space below the first floor, generally less than full story height.

Cupola—A small building-like structure on a roof.

Curtain wall—An exterior wall that encloses but does not support the structural frame of a building.

Damp proofing—The coating of a surface to prevent the passage of moisture.

Dead load—The weight of the structure itself plus any permanent fixed loads.

Dome—A roof shaped like a hemisphere or inverted bowl, so constructed as to exert equal oblique thrust stresses in all directions.

Dormer—1) a relatively small structure projecting from a sloping roof, 2) a window set upright in the face of such a structure.

Double hung window—A type of window containing two movable sash sections that slide open vertically.

Double tee—A structural member of pre-cast concrete composed of two beams connected by a common slab.

Double wall—An exterior frame wall with siding, sheathing and interior lining.

Downspout—A pipe for carrying rainwater from roof gutters to the ground or the storm sewer system.

Drain tile—Burnt clay tile pipe, rendered impervious to water by glazing; laid with loose unsealed joints or plastic perforated pipe laid next to the foundation wall for drainage.

Dressed and matched—Boards which are finished, or dressed on 1 or 2 sides and tongue and grooved on the edges.

Drilled caisson—A hole drilled into the ground then filled with concrete. Depending on soil conditions, a pipe lining may be included.

Drip edge—A projecting part of a sill or cornice that sheds rainwater and protects structural parts below.

Drop panel—In reinforced concrete slab construction, a thickened portion of the ceiling around a column head for load distribution.

Drywall construction—Any type of interior wall construction not using plaster as a finish material; e.g., wood paneling, plywood, plasterboard, or other type of wallboard.

Duct—A pipe to convey warm or cooled air; pipe containing electrical wires or cables.

Dwelling—Any building or portion thereof designed or occupied in whole or in part as a place of residence.

Dwelling, attached—A multi-family dwelling where the dwelling units are separated vertically by means of common or party walls. See “**terrace**.”

Dwelling, double—A two-family dwelling that the dwelling units are separated vertically, by means of a common or party wall.

Dwelling, duplex—A two-family dwelling in which the two dwelling units are separated horizontally with a private street entrance for each; i.e., a two-family flat.

Dwelling, multi-family—A building designed as a place of residence for more than two families or households; e.g., an apartment house or tenement.

Dwelling, row—Any one of a series of similar single-family, two-family, or multi-family dwellings having one or more contiguous common, or party walls.

Dwelling unit—Any room or group of rooms designed as the living quarters of one family or household, equipped with cooking and toilet facilities, and having an independent entrance from a public hall or from the outside.

Eaves—The portion of a sloping roof projecting beyond the wall of a building.

Elevation—A drawing representing a projection of any one of the vertical sides or vertical cross-sections of a building or of any other object.

Excavation—A hole or hollow dug in the earth.

Facade—The face of a building, especially one that is decorative or imposing.

Face brick—Generally, a hard burned brick of smooth or rough-texture face, of selected color and size; used to finish the exterior walls of a building.

Fascia—Any relatively broad flat vertical surface like that on the outside of a cornice. A finishing board used to conceal rafter boards.

Felt paper—A paper sheathing on walls and roofs insulating against heat, cold and dampness.

Fenestration—The design and disposition or arrangement of windows or other openings in building walls.

Fiber plank—A decking material composed of wood fibers with moisture and fire-resistive binders often used with bulb tees.

Fiberboard—Fine spun filaments of glass made into yarn, used in wooly masses as insulation. May be added to gypsum or concrete products to increase tensile strength.

Fill—The material used to equalize or to raise topography to a desired grade.

Firebrick—A brick made of fire clay that is capable of resisting high temperatures; used to line heating chambers and fireplaces.

Fire door—Door consisting of a core and external surfaces especially constructed to prevent the spread of fire.

Fireproofing—The use of incombustible materials to protect structural components of a building so it can withstand a complete burnout of contents without losing structural integrity.

Firewall—A wall of fire-resisting material erected between two parts of a building to prevent the spread of fire from one part to the other.

Flashing—Small metal strips used to prevent leaking of roofs around chimneys, dormers, hops and valleys.

Flat—Any one floor of a building two or more stories high each floor of which constitutes a single dwelling unit and has a private street entrance.

Float finish—The surface of concrete finished by a continuous spreading of the material with a flat board.

Floating foundation—(Mat, raft or rigid foundation) consists of concrete slabs usually 4 to 8 inches thick covering the entire foundation area.

Floor finish—Top, or wearing surface made of hardwood, linoleum, terrazzo, tile, or other finish materials.

Flue—The duct or space within a chimney through which combustion gases and smoke are allowed to escape.

Flue lining—The tile or pipe inside a chimney.

Fluorescent light—Produced from a fluorescent-coated tube that glows as electrons pass from one end to the other.

Footing—A spreading base to a wall, column, or other supporting member, which serves to widen the ground area to which structural loads are transmitted.

Formica—The trade name for a hard, durable plastic sheeting used for table, sink and counter tops or for wall covering resistant to heat and chemicals.

Forms—The temporary panels, usually of wood, plywood, or metal that contain and control the shape of poured concrete until it hardens.

Foundation—The structural members below grade level, or below the first tier of beams above grade level, which transmit the load of a superstructure to the ground.

Foyer—The lobby of a theater or hotel; the entrance hall of a house.

Frame—The skeletal supporting structure of a building or construction component.

Frieze—A decorative horizontal band at or near the top of a wall.

Furring—The strips of wood or metal applied to a wall or other surface to make it level, to form an air space, or to provide fastening surface for a finish covering.

Gable—(1) The triangular portion of a wall between the slopes of a double sloping roof. (2) The whole of the wall containing such a triangular portion. (3) A portion of a building extending from the remainder of the building and covered with a gable roof.

Gambrel roof—A ridged roof, with sides having two pitches or slopes.

Giant tee—A structural member of pre-cast concrete composed of a beam connected to a slab.

Girder—(1) A large or principal beam (q.v.) used to support concentrated loads at isolated points along its length. Girders usually support the beams and structure above. (2) Any main horizontal supporting member or beam.

Girt—A secondary horizontal framing member extending between columns or studs to stiffen the framing system; also to provide support for the siding or sheathing.

Glazed concrete block—Concrete block with a glossy vitreous material surface.

Grade—The plane of the natural or finished surface of the ground.

Grade beam—A horizontal load-bearing foundation member, end-supported like a standard beam, not ground-supported like the foundation wall.

Granolithic—An artificial stone of crushed granite and cement.

Grillage—A system of beams laid crosswise to form a foundation to evenly distribute the load.

Groin—The sharp curved edge formed at the junction of two intersecting vaults.

Grout—A thin, fluid mortar used to fill small joints and cavities in masonry work.

Gutter—A trough or channel along or under the roof eaves which carries rainwater to downspouts or conductors.

Gypsum—A common mineral, hydrated calcium sulfate, found in rocks; used in plaster of Paris.

Gypsum plank—A lightweight pre-cast roof deck of gypsum core with steel mesh reinforcement.

Gypsum plaster—Substance obtained by heating gypsum that sets in a firm, hard mass when mixed with water.

Gypsum wallboard—A prefabricated sheet used in drywall construction as a substitute for plaster. Made of gypsum covered with paper that can be painted, textured or wallpapered.

Hardboard—Boards formed by combining shredded wood chips and glue with pressure.

Header—1) A structural member which is laid perpendicularly to a parallel series of similar members and against which the latter members abut. 2) A brick or other piece of masonry laid in a wall in such manner that its longest dimension extends along the thickness of the wall.

Hearth—The floor of a fireplace.

Heat exchanger—Cylinder with coils in it; used to transfer heat from one gas or liquid to another.

Hip—(1) A sloping line along which two roof surfaces meet to form an external angle of more than 180 degrees. (2) A hip rafter (q.v.). Compare “**Ridge**”; “**Valley**.”

Hotel—A building designed for transient or semi-transient residential use, divided into furnished single rooms and suites and having such accommodations as lounges, public dining rooms and maid service, etc.

Hotel, apartment—See “**Apartment hotel**.”

I-beam—Steel beam with cross section resembling the letter “I” now designated “S” for American Standard Beam.

Incandescent light—Light emitted from a lamp with a fine wire filament which produces light as a current passes through it.

Insulating board or fiberboard—A building board made of compressed plant fibers such as wood, cane or cornstalks, usually formed by a felting process, dried and pressed to specified thickness.

Insulation—Any material used to reduce the transfer of heat, cold or sound.

Jack rafter—Shorter than a full-length rafter. Is found in hip roofs where the top edge of a roof slope is not horizontal, and in roofs with valleys.

Jalousies—Adjustable glass louvers in doors or windows to regulate light and air or exclude rain.

Jamb—The side framing or finish of a doorway or window.

Joist—One of a series of small parallel beams laid on edge and used to support floor and ceiling loads, and usually supported in turn by larger beams and girders.

Keene's cement—A white, hard finish durable plaster that sets quickly; used in bathrooms and kitchens.

Keystone—The central topmost stone or piece of an arch which holds the other in place.

King post—The vertical member at the center of a triangular truss.

Lally column—A concrete filled steel pipe used as a vertical framing support.

Lath—Strips of wood or expanded metal used as base for plaster walls.

Lattice—Any openwork panel of crossed strips, rods, or bars of wood or metal, used as a screen.

Leader—Pipe to conduct rainwater from roof gutters to ground or storm sewer system.

Lean-to—A small structure with a single pitch roof; built against an outside wall of a building.

Light—A window pane or section of a window sash for a single pane of glass.

Lintel—A beam over a wall opening, such as a door or window, designed to carry the load of the wall over such opening.

Live load—Any moving or variable load applied to a structure, expressed in pounds per square foot of floor areas for various types of building occupancy.

Load bearing wall—Weight of wall and portion of floor/roof load are supported by the wall, remainder is supported by the interior framing.

Lobby—An entrance passage or waiting area in a theater, hotel or other public building.

Loft—An unpartitioned or relatively unpartitioned upper story of a building, designed for storage, wholesaling, or light manufacturing.

Lookout—A short timber support for an overhanging roof at a gable.

Louver (or louvre)—A ventilator containing slats placed lengthwise across the ventilator opening, each slat being slanted in such manner as to overlap the next lower slat and to permit ventilation but exclude rain.

Luminous ceiling—A suspended ceiling of translucent materials, above, which is installed a system of fluorescent tubes, making the entire ceiling the source of light, a practice that greatly reduces glare and shadows.

Mall—Originally a shaded walk. Now adopted to designate an area for pedestrians in a retail section or shopping center.

Mansard roof—A roof with two slopes or pitches on each of the four sides, the lower slopes steeper than the upper. Convenient for adding another story to a building.

Marquise—A flat roof-like structure sheltering a doorway, having no floor beneath it and is usually supported wholly from the walls or the building.

Masonry—Anything constructed of stone, brick, concrete tile, concrete block, using mortar as a bond.

Mastic—An adhesive material used to cement two surfaces together. Flooring materials applied to the base floor in a stiff plastic state by spreading, rolling and troweling.

Mercury vapor lamp—Produced by an electric arc discharging through mercury vapor in a tube. White light.

Metal pan joist—A floor or roof system using metal pans to form a system of closely spaced beams and connecting slabs.

Mezzanine—Low story formed by placing a floor between what would ordinarily be the floor and ceiling of a high story.

Mill construction—A type of fire-resistant or slow burning construction; masonry, heavy timber framing, and planked or laminated wood floors much thicker than ordinary joist construction.

Millwork—All of the wooden portions of a building, whether frame construction or otherwise, which are customarily purchased in finished form from a planing mill, such as doors, windows, trim, balusters, etc.

Mineral wool—Insulation material made by blasting molten slag or rock with steam. Such materials are known as rock wool, glass wool, etc.

Molding (moulding)—A curved section formed in the edge or face of wood and/or stone, chiefly for the sake of ornament. Mostly used to fill corners. Classified by its purpose (bed, crown, shingle) or by design, cove, ogre, quarter-round.

Monitor roof—A raised structure on a roof having windows or louvers for ventilating or lighting a building such as a factory or warehouse.

Monolithic—Poured floor or structure in one piece.

Mortar—The bonding agent in masonry work made of lime, sand, and cement mixed with water.

Newel—The vertical post that the steps of a winding staircase turn. The post at the top or

bottom of a staircase supporting the handrail or a balustrade.

Non-bearing wall—A wall that supports only its own weight.

On center—The distance from the center of one structural member to the center of another. Term used for spacing studs, joists, rafters, etc.

Oriel—Window type; ordinarily projects beyond exterior face of wall; octagonal or hexagonal in plan, commonly corbelled or cantilevered out.

Overhang—A finished portion of a building having full story height that extends beyond the foundation wall line if part of the ground story, or beyond the exterior walls of the ground story if part of any higher story.

Overhead structure—Similar to overhang above ground story, such as overhead pedestrian walkway.

Panic device—Door opening operator usually consisting of a door-wide bar at waist height which, when pushed against, pulls back the door latching mechanism allowing the door to open.

Parapet—A low wall along the edge of a roof, balcony, ridge, or terrace. Also a parapet wall.

Parging—A coating of cement on a masonry wall, frequently used to waterproof the outside surface of a basement wall.

Parquet floor—A hardwood floor laid in small rectangular or square patterns, not in long strips.

Partition—See “**Wall, partition.**”

Penthouse—A structure or enclosure on a roof for housing stairway to roof, elevator machinery, utility room or water tank.

Pier—(1) A thick, solid mass of masonry that is fully or partially isolated from a structural standpoint and which is designed to transmit vertical loads to the earth; (2) a structure projecting from land into water for use in loading and unloading vessels. Compare “**Column.**”

Pilaster—A flat-faced pillar projecting somewhat from but engaged in, the wall of a building and used for decorative purposes or to help support truss and girder loads or both.

Pile—A heavy timber, metallic, or masonry pillar forced into the earth to form a foundation member.

Pitch—The slope of any structural member, such as a roof or rafter, usually expressed as a simple fraction representing the rise per lateral foot.

Plan—A drawing representing a projection of any one of the floors or horizontal cross-

sections of a building or of the horizontal plane of any other object or area. Compare “**Elevation.**”

Plaster—A mixture of lime, sand and water. Used as a finished surface for walls and ceilings.

Plate—A horizontal structural member laid across the top of a row of studs, serving as the frame for interior partitions, and exterior walls. The purpose of a plate is 1) to provide lateral rigidity for the wall by “tying” the studs together and 2) to serve as a support for upper story floor joists, ceiling joists and as the lower support for rafters.

Plumb (bob)—Exactly perpendicular vertical.

Plywood—A fabricated wood product constructed of three or more layers of veneer joined with glue; usually laid with grain of adjoining piles at right angles.

Porcelain—A vitrified, glass-like, coating of ceramic materials bonded to a base metal by fusion.

Post—A vertical structure member carrying stresses in compression, used where strength in bending is not a requisite.

Pre-cast concrete—Concrete structural components that are cast separately, either at a separate location or on a building site; not formed and poured in place in the structure.

Pre-engineered building—A building constructed of pre-designed, pre-manufactured, and pre-assembled units such as wall framing, floor and roof panels. Pre-engineered units are simply erected at the construction site.

Pre-stressed concrete—A structural member with reinforcing strands placed under tension either before or after the concrete sets.

Purlin—A beam running along the underside of a sloping roof surface and at right angles to the rafters, used to support the common rafters, and usually supported in turn by larger structural members, such as trusses or girders (usually run along length of building).

Radiant heat—Heat transmitted from heated surface by radiation rather than conduction or convection.

Rafter—Structural member placed, as a rule, in a sloping position and used as the supporting element for the structural material forming the plane of the roof.

Rafter, hip—A rafter placed in an inclined position to support the edges of two sloping roof surfaces which meet to form an external angle of more than 180 degrees.

Rafter, valley—A rafter placed in an inclined position to support the edges of two sloping roof surfaces which meet to form an external angle of less than 180 degrees.

Rake—A board or molding plate along the sloping sides of a frame gable to cover the ends of the siding.

Ramp—An inclined plane connecting two different floor levels and used in lieu of steps.

Reinforcement—A system of steel rods or mesh for absorbing tensile and shearing stresses in concrete work, complementing the inherent compressive qualities of concrete.

Reservoir—Below-ground fluid storage tank built with concrete walls, floor and roof.

Residence—See **Dwelling**.

Resilient tile—Flooring which includes a number of products such as asphalt, linoleum, cork, vinyl, and rubber.

Ridge—A horizontal line along which the upper edges of two roof surfaces meet to form an external angle of more than 180 degrees.

Rise—(1) In general, any vertical distance, (2) specifically, the rise of a roof, being the distance between the top of an exterior wall and the peak of the roof; the rise of a stair, being the distance from tread to tread.

Roll roofing—A roofing material made of compressed fibers saturated with asphalt, supplied in rolls.

Roof, curb (or curbed)—A roof where the pitch of the upper part of a sloping side is less than the pitch of the lower part.

Roof, flat—A roof that is flat or sloped only enough to provide proper drainage.

Roof, gable—A double-sloped roof having a cross section similar to the shape of the inverted letter “v”.

Roof, gambrel—A curbed gable roof.

Roof, hip (or hipped)—(1) In general, any roof having one or more hips, (2) usually, a roof with four sloping sides meeting along four hips or along four hips and a ridge.

Roof, lean-to—(1) A roof having a single sloping side that is supported at the upper edge by the wall of an attached building or of a larger and higher portion of the same building, (2) any roof with a single slope.

Roof, mansard—A roof with two slopes or pitches on each of the four sides, the lower slopes steeper than the upper. Convenient for adding another story to a building.

Roof, monitor—A type of gable roof, commonly found on industrial buildings, having small raised portion along the ridge with openings for the admission of light and air.

Roof, pyramid—A roof having four sloping triangular sides, usually of equal pitch, meeting together at the peak.

Roof, saw tooth—A roof with a series of parallel sloping surfaces interspersed between a series of vertical surfaces which rise from the lower edges of such sloping surfaces and contain windows for the admission of light and air.

Roof, single pitch—A roof with a single slope other than a lean-to roof.

Rotunda—A circular building or room covered by a dome.

Rubblework—Masonry built of rubble or roughly dressed stones laid in irregular courses.

Sandwich panel—A core of insulation covered on both sides with materials such as concrete, metal, or asbestos.

Sanitary sewer—A sewer carrying only waste material, not surface water.

Sash—The wooden or metal framework in which the glass of a door or window is set.

Saw kerf—A notch made by a saw in a board.

Scratch coat—The first coat of plaster applied to a wall, scratched or scored to provide a bond of the second coat.

Scuttle—A framed opening in a ceiling or roof, fitted with a lid or cover.

Shake—A shingle formed by splitting a short log into a number of tapered radial sections.

Sheathing—The covering, usually of rough lumber, placed immediately over studding or rafters.

Sheet piling—Planking or steel shafts driven close together vertically to form a temporary wall around an excavation.

Shingle—A roof or wall covering of waterproof material.

Shoring—Structural bracing used as temporary support for a building during construction.

Shutter—Hinged door that covers a window.

Siding—A finish covering for exterior walls of a building.

Sill—(1) The lower horizontal part of a door-case (the threshold) or of a window; (2) the lowest horizontal structural member of a frame building, upon which the superstructure is supported.

Skin wall—External wall covering of aluminum, porcelain enamel, steel or other material.

Slab on ground—A building floor (usually concrete) that rests on, or touches the ground.

Slate—A hard, fine-grained rock that cleaves naturally into thin, smooth-surfaced layers.

Sleeper—A structural member laid horizontally on the ground or upon a masonry base as a support to a floor or other superstructures.

Sodium vapor light—Produced by electric current passing between electrodes in lamp filled with sodium vapor. Orange light.

Soffit—The undersiding of a building member such as an arch, cornice, overhang, or stairway.

Soil stack—A general term for the vertical main of a system of soil, waste or vent piping.

Span—The horizontal clear distance between supports as between those of a bridge, or between columns of a structure.

Spandrel—A beam that lies in the same vertical plane as the exterior wall.

Specifications—A detailed description of the dimensions, materials, quantities, structural procedures, etc. applicable to a projected or completed piece of construction.

Staging—A temporary scaffolding to support workmen and materials during construction.

Stair riser—Vertical part of a step in a staircase.

Stair tread—The part of a step actually trodden on when stairs are climbed.

Stile—The upright or vertical outside piece of a sash, door or panel.

Storm sewer—A sewer that only carries rain or surface water.

Story—The portion of a building enclosed by a floor, a ceiling and the exterior walls.

Story, ground—The first story lying wholly above the ground level.

Story, half (or one-half)—(1) For buildings with a mansard or gambrel roof, a finished portion of a building which lies above the wall plate or cornice and has a usable floor area substantially less than that of the next lower story, (2) for all other buildings, a finished portion of a building which is above one or more full stories which is wholly or partly within the roof frame and has one or more exterior walls substantially lower than the full height of the story.

Story, one—A building having no finished story above the ground story.

Stretcher—A brick or other masonry unit laid length wise in a wall.

Stringer—Inclined member supporting the treads and risers of a stair.

Structural floor—Floors above the ground resting on walls or columns.

Strut—Any structural member that holds apart two or more other members by counteracting a pressure that tends to bring them together.

Stucco—A cement plaster used as an exterior wall surface finish; usually applied over a metal or wood lath base.

Stud—One of a series of small slender structural members placed vertically and used as the supporting element of exterior or interior walls.

Subfloor—The flooring laid directly on top of floor joists but beneath the finished floor.

Superstructure—The part of a building above the foundation or ground level.

Tenement—A building, usually of obsolete nature, designed primarily for non-transient residential use and divided into three or more dwelling units having common stairs, halls, and street entrances, and sometimes common bath and toilet rooms.

Termite shield—A sheet metal shield placed to prevent the entry of termites into the wooden portion of a structure.

Terrace—An unroofed level area covered with grass or masonry or both, raised above the surrounding ground level, and having a vertical or sloping front.

Terra cotta—A hard-baked pottery molded into decorative tiles, brick, etc. and used particularly for facing and trim on buildings.

Terrazzo—A durable floor finish made of small chips of colored stone or marble embedded in cement and polished in place to a high glaze.

Thickened edge slab—A type of concrete floor slab foundation where the slab is thickened around the edge in lieu of a foundation.

Threshold—A strip of wood, stone or metal placed beneath a door.

Tie—Any structural member that binds together two or more members by counteracting a stress that tends to draw them apart.

Tilt-up concrete panels—Concrete wall sections that are cast horizontally and tilted or lifted into building position.

Trim—(1) The wooden portions of a plastered room, such as the doors, windows, wainscoting, and molding, or the corresponding portions of a room finished otherwise than with plaster, (2) the contrasting elements on the exterior of a building which serve no structural purpose but are intended to enhance its appearance; e.g., the cornice, occasionally, the hardware of a house, such as locks, hinges, doorknobs, etc.

Trowel finish—The surface of concrete finished by smoothing with a trowel.

Truss—Any of various structural frames based on the geometric rigidity of the triangle and composed of members subject only to longitudinal compression and tension; rigid under anticipated loads, spans large area without interior support, i.e., Bowstring, Cambered, Flat Roof, Sawtooth, Scissors and Triangular.

Unit heat—Heat produced by factory-built, gas or electric fired heater, which contain a fan to direct heat to a specific area.

Valley—A sloping line along which two roof surfaces meet to form an external angle or less than 180 degrees.

Vapor barrier—Material used to retard the passage of vapor or moisture into walls and floors, thus preventing condensation.

Veneer—A thin ornamental or protective facing which does not add appreciably to the strength of the body to which it is attached.

Vent (ventilator)—Allows air to circulate in areas susceptible to dampness or condensation. (Basement, foundation, attic, roof and eave.)

Waffle pan construction—Flat, reinforced concrete slab foundation with a grid of projections on its lower surface to give additional rigidity. Used when bearing capacity of soil is poor or not firm enough to support a plain flat slab foundation.

Wainscot (or wainscoting)—(1) A wooden facing on the lower portion of a contrasting interior wall, (2) by extension, a facing of marble tile, or the like on the lower portion of interior walls.

Wall, bearing—A wall designed primarily to withstand vertical pressure in addition to its own weight.

Wall, common—A wall owned by one party but jointly used by two parties, one or both are entitled to such use under the provisions of a lease.

Wall, curtain—A nonbearing wall which is supported by columns, beams or other structural members, and whose primary function is to enclose space.

Wall, partition—An interior bearing or nonbearing wall separating portions of a story.

Wall, party—A wall jointly used by two parties under easement agreement and erected at or upon a line separating two parcels of land held under different ownership.

Wall, retaining—A wall designed primarily to withstand lateral pressures of earth or other filling or backing deposited behind it after construction.

Waterproofing—To render impervious to water or dampness.

Weep hole—A series of small holes in a retaining wall or similar structure that permits the drainage of water through the wall and hence reduces the pressure against the wall.

Appraisal Terms

Abandonment—(1) Cessation of the use of right of way or activity thereon with no intention to reclaim or use again. (2) The act of vacating real property and/or the leaving of fixtures or other attachments.

Abstract—To reduce a legal description of a property to another form; also, to identify a property from its legal description.

Access—(1) The means or way by which a property is approached. (2) The means or method of entrance into or upon a property.

Access Rights—(1) The right of ingress to and egress from a property which abuts upon an existing street or highway. It is an easement in the street that is appurtenant to abutting property and is a private right as distinguishable from the rights of the public. It is well-established law in the United States that the right of access cannot be denied or unreasonably restricted unless other reasonable access is available or provided or compensation is awarded. (2) The right of a riparian owner to pass to and from the waters upon which the premises border.

Accrued depreciation—See **Depreciation**.

Acre—A land measure of 160 square rods or 43,560 square feet.

Actual Age—The number of years elapsed since an original structure was built. Sometimes referred to as historical or chronological age.

Aerial photo—Airplane photography of entire U.S. land mass taken by Federal Government every few years. Available from County Agricultural Stabilization and Conservation Service Office.

Age/Life Method—A method of estimating accrued depreciation founded upon the premise that, in the aggregate, a mathematical function can be used to infer accrued depreciation from the age of a property and its economic life.

Agricultural property—Land and improvements devoted to or best adaptable for the production of crops, fruits, timber and the raising of livestock.

Air rights—The right to inclusive and undisturbed use and control of a designated air space within the perimeter of a stated land area and within stated elevations. Such rights may be acquired for the construction of a building above the land or building of another, or for the protection of the light and air of an existing or proposed structure on an adjoining lot.

Alley influence—The enhancement to the value of a property rising out of the presence of an abutting alley, most generally applicable to commercial properties.

Allocation—The allocation of the appraised total value of the property between the land and

improvements.

Allowance for Vacancy and Income Loss—That amount deducted from Potential Annual Gross Income to reflect the effect of probable vacancy and turnover, or non-payment of rent by tenants; commonly expressed as a percentage of Potential Annual Gross Income and then converted to a dollar figure, the percentage of vacancy and income loss is the complement of the occupancy ratio.

Amenities—In reference to property, the intangible benefits arising out of ownership; amenity value refers to the enhancement of value attributable to such amenities.

Anticipation, principle of—Affirms that value is created by the anticipation of future benefits. (Value may be defined as the present worth of all rights to future benefits.)

Appraisal—An estimate or opinion of value, usually in written form of the described property as of a specified date; may be used synonymously with valuation or appraised value.

Appraiser—One who estimates value. More specifically, one who possesses the expertise to execute or direct the execution of an appraisal.

Appreciation—Increased value of a property, in terms of money, from all causes. For example, or a property of any sort may appreciate as a result of inflation.

Arm's-Length Sale—A sale between two parties neither of whom is related to or under abnormal pressure from the other. See Market Value.

Assemblage—The combining of two or more continuous parcels into one ownership or use.

Aesthetic value—A value, intangible in nature, which is attributable to the pleasing appearance of a property.

Azimuth—The angle between true north or true south and an object. In surveying, it is measured clockwise from north.

Balance, principle of—Holds that value is created and maintained in proportion to the equilibrium attained in the amount and location of essential uses of real estate. The degree of value of a property is governed by the balance or apportionment of the four factors in production, land, labor, capital and management.

Base price—A value or unit rate established for a certain specified model, and subject to adjustments to account for variations between that particular model and the subject property under appraisalment.

Bearing—(1) The situation or horizontal direction of one point or object with respect to another, or to the points of the compass. (2) That portion of any member of a building that rests upon its supports.

Blighted area—A declining area or district characterized by structural deterioration and/or

environmental deficiencies.

Book value—The capital amount of property shown on the books of an accountant. Usually, it is the original cost less reserves for depreciation plus additions to capital.

Boring test—A study of load-bearing qualities of subterranean surface by analysis of bore or drilling residue (core samples).

Building Capitalization Rate—A rate which includes return on and return of capital invested in improvements, separate, and apart from capital invested in the underlying land; used in the residual techniques which separate property income into components attributable to land and to improvements.

Building Residual Technique—A technique used to estimate the value of a property from a knowledge of normal net income, the discount rate, the remaining economic life of the property, the value of the land, the income stream attributable to the building, and the income stream attributable to the land. The technique estimates total value by discounting the income stream attributable to the building and adding the result to an independent estimate of the value of the land.

Bundle of Rights Theory—Ownership of a parcel of real estate embraces six rights. These include the right to buy; the right to sell it in whole or part; the right to bequeath; the right to lease; the right to use the real estate and the right to do none of these.

Capitalization—A mathematical procedure for converting the net income which a property is capable of producing into an indication of its current value.

Cash Flow Analysis—A study of the anticipated movement of money into or out of an investment.

Central business district—The center of the city in which the primary commercial, governmental and recreational activities are concentrated.

Certificate of title—A document usually given to a home buyer with the deed, stating that the title to the property is clear. It is usually prepared by an attorney or qualified person who has examined the abstract of title for the property. It is only an opinion that the title is good, not to be confused with title insurance.

Change, principle of—Holds that economic and social forces are constantly at work and because changes brought about by these forces affect real property. The appraiser views real property and its environment as in transition, observing evidence of trends which may affect the property in the future. The law of change is fundamentally the law of cause and effect.

Chattel—In law, any property other than a freehold or fee estate in land. Chattels are treated as personal property, although they are divisible into chattels real and chattels personal.

Comparables; comparable sales—Properties that have recently sold that are similar in

important respects to a property being appraised. The sale price, and the physical, functional and locational characteristics of each of the properties are compared to the property being appraised in order to arrive at an estimate of value. By extension, the term comparables is sometimes used to refer to properties with rent or income patterns comparable to a property being appraised.

Competition; principle of—Hold that profit tends to breed competition and excess profit tends to breed ruinous competition.

Component part-in-place method—The application of the unit-in-place method to unit groupings or construction components. See **unit-in-place method**.

Condemnation—The act of government (federal, state, county, municipal), and of duly authorized units of government and public utility companies invested with the right of eminent domain, to take private property for public use and benefit, upon the payment of just compensation. It is the act of the sovereign in substituting itself in place of the owner and/or the act of taking all or a part of the rights of an owner.

Condominium—A form of fee ownership of whole units or separate portions of multi-unit buildings by statute which provides the mechanics and facilities for formal filing and recording of a divided interest in real property, where the division is vertical as well as horizontal. Fee ownership of units in a multi-unit property and joint ownership of the common areas. Not to be confused with “**Cooperative**.”

Conformity, principle of—Holds that the maximum of value is realized when a reasonable degree of homogeneity, sociological as well as economic, is present. Thus, conformity in use is usually a highly desirable adjunct of real property, since it creates and/or maintains maximum value.

Consideration—The amount of money and other valuable goods or services upon which a buyer and a seller agree to consummate a sale.

Consistent use—Maintains that a property in transition to another use cannot be valued on the basis of one use for the land and another for the improvements.

Contour line—Outline of a figure, body, mass; lines representing such an outline as the edge of the water of a lake. A line on a topographic map or chart connecting the points on a land surface which have the same elevation.

Contract rent—Payment for the use of property as designated in a lease. Used to establish the fact that the actual rent designated, or contract rent, may differ from market rent.

Contribution, principle of—A valuation principle which states that the value of an agent of production or of a component part of a property depends upon how much it contributes to the value of the whole; or how much its absence detracts from the value of the whole. The Principle of Contribution is sometimes known as the Principle of Marginal Productivity.

Corner influence—The enhancement of the value of a property rising out of its corner location; most generally applicable to commercial properties.

Cost approach—One of the three traditional approaches to value by which an indication of the value of a property is arrived at by estimating the value of the land, the replacement or reproduction cost new of the improvement, and the amount of accrued depreciation to the improvement. The estimated land value is then added to the estimated depreciated value of the improvements to arrive at the estimated property value.

Cost factor—A factor or multiplier applied to a replacement or reproduction cost to account for variations in location and time, as well as for other elements of construction costs not otherwise considered.

Cover crop—A crop planted principally for the purpose of controlling wind or water erosion during the dormant season. It is normally plowed under and not harvested.

Crop rotation—The practice of alternating, usually on an annual basis, field crops, such as corn or wheat, with legumes in order to maintain or improve the structure and productivity of the soil.

Cubic content—The cubic volume of a building within the outer surface of the exterior walls and roof and the upper surface of the lowest floor.

Cubic yard—A measure of volume that is three feet wide, three feet high, and three feet deep. There are 27 cubic feet in a cubic yard.

Curable depreciation—Those items of physical deterioration and functional obsolescence that are economically feasible to cure and hence are customarily repaired or replaced by a prudent property owner.

Deed—A written instrument that conveys an interest in real property. A quit claim deed conveys the interest described therein without warranty of title. A trust deed conveys interest described therein to a trustee. A warranty deed conveys the interest described therein with the provisions that the freehold is guaranteed by the grantor, and the grantor's heirs or successors.

Delinquent taxes—Taxes remaining unpaid on and after a date upon which a penalty for nonpayment is normally attached.

Depreciation—Loss in value from all causes; may be further classified as physical, referring to the loss of value caused by physical deterioration; functional, referring to the loss of value caused by obsolescence inherent in the property itself; and economic, referring to the loss of value caused by factors extraneous to the property.

Accrued depreciation refers to the actual depreciation existing in a particular property as of a specified date.

Normal depreciation refers to that amount of accrued depreciation one would normally expect to find in buildings of certain construction, design, quality and age.

Depreciation allowance—A loss of value expressed in terms of a percentage of replacement

or reproduction cost new.

Depth factor—A factor or multiplier applied to a unit land value to adjust the value in order to account for variations in depth from an adopted standard depth.

Depth table—A table of depth factors.

Design factor—A factor or multiplier applied to a computed replacement cost as an adjustment to account for cost variations attributable to the particular design of the subject property which were not accounted for in the particular pricing schedule used.

Deterioration—Impairment of structural condition evidenced by the wear and tear caused by physical use and the action of the elements, also referred to as physical depreciation.

Drain tile—A specially designed pipe used in a drainage system.

Easement—A non-possessing interest held by one person in land of another person whereby the first person is accorded partial use of such land for a specific purpose. An easement restricts but does not abridge the rights of the fee owner to the use and enjoyment of the easement holder's rights. Easements fall into three broad classifications: surface easements, subsurface easements and overhead easements.

Economic life—The life expectancy of a property during that it can be expected to be used profitably.

Economic obsolescence—Loss in value of a property (relative to the cost of replacing it with a property of equal utility) that stems from factors external to the property. For example, a buggy-whip factory, to the extent that it cannot be used economically for anything else, suffers substantial economic obsolescence since automobiles have replaced horse drawn buggies.

Economic rent—The rent which a property can be expected to bring in the open market as opposed to contract rent which is the rent the property is actually realizing at a given time. Also called market rent.

Effective age—The typical age of a structure equivalent to the one in question with respect to its utility and condition. Knowing the effective age of an old, rehabilitated structure or a building with substantial deferred maintenance is generally more informative than knowing its chronological age.

Effective depth—In reference to property valuation, that depth, expressed in feet, upon which the selection of the depth factor is based.

Effective gross income—The estimated gross income of a property (including service income) less an appropriate allowance for vacancies and collection losses.

Effective valuation date—In reference to a revaluation program, the date as of which the value estimate is applicable.

Eminent domain—The right by which a sovereign government, or some person acting in its name and under its authority, may acquire private property for public or quasi-public use upon payment of reasonable compensation and without consent of the owner. The right or power of the government to take private property for public use upon making just compensation.

Encroachment—The displacement of an existing use by another use.

Engineering breakdown—A method of estimating accrued depreciation under which separate estimates are made for the individual components and then totaled.

Environmental deficiency—A neighborhood condition such as adverse land uses, congestion, poorly designed streets, etc. operating to cause economical obsolescence and, when coupled with excessive structural deterioration, blight.

Escheat—Reversion of property to the state when the owner dies without leaving a will or heirs.

Excessive frontage—Frontage because of the particular utility of the lot does not add value to the lot.

Exchange value—The value, in terms of money, of a commodity to persons generally; as opposed to use value of a specific person.

Exempt property—Property not subject to general property taxation.

Feasibility Analysis—A study of the cost-benefit relationship of an economic endeavor.

Fee appraisal—Appraisals of property one at a time for a fee.

Fee simple—In land ownership, complete interest in a property, subject only to governmental powers.

Flood plain—The nearly flat surfaces along the courses of rivers and streams that are subject to overflow and flooding.

Functional depreciation/obsolescence—See **depreciation**.

Functional utility—The composite effect of a property's usefulness and desirability upon its marketability.

General property—All taxable real and personal property except that which is taxed under chapters 76 and 77. It includes manufacturing property subject to sec. 70.995, Wis. Stats., but does not include exempt property, private forest croplands, woodland tax law lands, or public lands.

Goodwill—An intangible, saleable asset arising from the reputation of the business and its relation with its customers as distinguished from the value of the physical plant and its stock.

Government lots—Those land areas which, because of location or size, could not be divided into sections and quarters under government survey. Such tracts usually lie along the edge of rivers or lakes and extend from the waterline to the first section boundary.

Government survey—A ground survey authorized by the Continental Congress in 1785 and by subsequent congressional acts, encountered in Florida, Alabama, Mississippi, and all states (except Texas) north of the Ohio or west of the Mississippi Rivers. The land is divided into townships approximately six miles square, each township normally containing 36 sections and each section normally containing 640 acres.

Grade—The classification of an improvement based upon certain construction specifications, and quality of materials and workmanship.

Grade factor—A factor or multiplier applied to a base grade level for the purpose of interpolating between grades or establishing an intermediate grade.

Grantee—A person to whom property is transferred and property rights are granted by deed, trust instrument, or other similar documents.

Grantor—A person who transfers property or grants property rights by deed, trust instrument, or other similar documents.

Gross area—The total floor area of the building measured from the exterior of the walls.

Gross income—In reference to property valuation the scheduled annual income produced by the property.

Gross income multiplier—A multiplier by which gross income of a property is multiplied and its value estimated.

Gross sales—The total amount of invoiced sales before making any deductions for returns, allowances, etc.

Ground lease—A document entitling the lessee certain specified rights relating to the use of the land.

Ground rent—Net rent from a ground lease; that portion of the total rent which is attributable to the land only.

Highest and best use—A concept in appraisal and assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical and financial constraints.

Horizon—A layer of soil approximately parallel to the land surface with more or less well-defined characteristics that have been produced through soil building processes.

Income approach—One of the three traditional approaches to value which measures the present worth of the future benefits of a property by the capitalization of its net income

stream over its remaining economic life. The approach involves making an estimate of the potential net income the property may be expected to yield, and capitalizing that income into an indication of value.

Income property—A property primarily used to produce a monetary income.

Increasing and decreasing returns—A valuation principle stating that when successive increments of one or more factors of production are added to fixed amounts of the other factors there is a resulting enhancement of income (in dollars, benefits, or amenities), initially at an increasing rate to a point of maximum return and then decreasing until eventually the increment to value becomes increasingly less than the value of the added factor (or factors). The Principle of Increasing and Decreasing Returns is sometimes known as the Principle of Diminishing Returns or the Principle of Variable Proportions.

Incurable depreciation—Elements of physical deterioration or functional obsolescence which either cannot be corrected; or if possible to correct, cannot be corrected except at a cost in excess of their contribution to the value of the property.

Industrial park—A subdivision designed and developed to accommodate specific types of industry.

Industrial property—Land, improvements, and/or machinery used or adaptable for use in the production of goods either for materials, or by changing other materials and products i.e., assembling, processing and manufacturing as well as the supporting auxiliary facilities.

Influence factor—A factor serving to either devalue or enhance the value of a particular parcel of land, or portions thereof, relative to the norm for which the base unit values were established; generally expressed in terms of a percentage adjustment.

Institutional property—Land and improvements used in conjunction with providing public services and generally owned and operated by the government or other non-profit organizations, hospitals, schools, prisons etc. Such property is generally exempt from paying property taxes.

Interest—The premium paid for the use of money; the interest rate usually incorporates a risk factor, a non-liquidity factor, a time-preference factor, an inflation factor and potentially others, too.

Investment analysis—A study reflecting the relationship between acquisition price and anticipated future benefits of a real estate investment.

Irrigation—The artificial application of water to the soil for full crop production when the rainfall is not sufficient at the time of need, or in arid regions.

Joint tenancy—Refers to the situation where two or more individuals own inseparable interest in a parcel of real property, i.e., an individual does not own a particular part of a property, but owns a proportionate share of the entire property. The ownership interests of each individual expire with the individual's demise and cannot be transferred through a will,

except in the case of the last survivor (the right of survivorship).

Land classification—The classification of land based upon its capabilities for use; and/or production.

Land contract—A purchase contract wherein the grantee takes possession of the property with the grantor retaining the deed to the property until the terms of the contract are met as specified.

Land residual technique—Land valuation technique which requires the value of the building(s) to be known; the value of the land can then be indicated by capitalizing the residual net income remaining after deducting the portion attributable to the building(s).

Landscaping—Natural features such as lawns, shrubs, and trees added to a plot of ground or modified in such a way to make it more attractive.

Land use restrictions—Legal restrictions regulating the use to which land may be put.

Lean-to—A small structure with a single pitched roof, usually erected against an outside wall of a larger structure.

Lease, lessee, lessor—A written contract by which one party (**lessor**) gives to another party (**lessee**) the possession and use of a specified property, for a specified time and under specified terms and conditions.

Leased fee—A property held in fee with the right of use and occupancy conveyed by lease to others. A property consisting of the right to receive ground rentals over a period of time, plus the right of ultimate repossession at the termination of the lease.

Leasehold—The interests in a property associated with the lessee (tenant).

Leasehold improvements—Additions, renovation and similar improvements made to a leased property by the lessee.

Leasehold value—The value of a leasehold; the difference between the contractual rent and the currently established economic or market rent.

Legal description—A description of a parcel of land that serves to identify the parcel in a manner sanctioned by law.

Lessee—One who possesses the right to use or occupy a property under lease agreement; a tenant.

Lessor—One who holds title to and conveys the right to use and occupy a property under lease agreement; a landlord.

Life estate—An interest in property that lasts only for a person's lifetime; thus the person in question is unable to leave the property to that person's heirs.

Lister—A field inspector whose principle duty is to collect and record property data (**not an appraiser**). Also referred to as a **data collector**.

Management fee—As an item of expense, the sum paid or the amount equivalent to the value of management service.

Market Analysis—A study of real estate market conditions for a specific type of property.

Market data approach—One of the three traditional approaches to value by which an indication of the value of a property is arrived at by compiling data on recently sold properties which are comparable to the subject property and adjusting their selling prices to account for variations in time, location and property characteristics between the comparables and the subject property.

Market rent—The rental income a property would most probably command on the open market as indicated by current rentals being paid for comparable space (as of the effective date of appraisal). This is preferred to the term “Economic Rent” which has traditionally been used in appraisal analysis, even though both are currently considered synonymous.

Market value—The definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Metes and bounds—Angles and distances; a description of a parcel of land accomplished by beginning at a known reference point, proceeding to a point on the perimeter of the property being described, and then tracing the boundaries until one returns to the first point on the perimeter, usually a corner. The angles are described by reference to points of the compass, and the distances are described in feet or chains; curves are treated as arcs on a circle.

Mineral rights—The right to extract subterranean deposits such as oil, gas, coal and minerals as specified in the grant.

Minimum rental—The portion of the rent in a percentage lease that is fixed.

Modeling method—A method of computing the replacement or the reproduction cost of an improvement by applying the cost of a specified model and adjusting the cost to account for specified variations between the subject improvement and the model.

Modernization—Corrective action taken to update a property so it conforms to current standards.

Mortgage, mortgagee, mortgagor—A legal document that an owner of a property (**mortgagor**) pledges the property to a creditor (**mortgagee**) as security for the payment of a debt.

Neighborhood—A geographical area exhibiting a high degree of homogeneity in residential amenities, land use, economic and social trends and housing characteristics.

Neighborhood trend—Stages in the life cycle of a neighborhood the **improving stage** characterized by development and growth; the **static stage** characterized by a leveling off of values; and the **declining stage** characterized by infiltration and decay and revitalization.

Net income—The income remaining after deducting allowable operating expenses from effective gross income.

Net lease—A lease wherein the lessee assumes to pay certain applicable operating expenses related to the cost of ownership.

Non-conforming use—A use which, because of modified or new zoning ordinances, no longer conforms to current use regulations, but is nevertheless upheld to be legal as long as certain conditions are adhered to.

Observed depreciation—Loss in value that is discernible through physical observation by comparing the subject property with a comparable property that is either new or capable of rendering maximum utility.

Obsolescence—A diminishing of a property's desirability and usefulness brought about by either functional inadequacies or over-adequacies inherent in the property itself, or adverse economic factors external to the property. Refer to functional depreciation and economic depreciation.

Occupational tax—A tax/charge on a particular trade or profession, paid and collected in the same manner as taxes on personal property; not a general property tax.

Omitted property—Real or personal property not assessed in any of the 2 previous years and entered on the assessment roll once for each previous year of omission. The value affixed by the assessor is what it should have been assessed at in the year of omission according to the assessor's best judgment.

Operating expenses—The fixed expenses, operating costs and reserves for replacements required to produce net income and are deducted from effective gross income in order to arrive at net income.

Operating income—Income derived from the general operation of a business. Not synonymous with net profit, but rather indicates a stage in profit-and-loss account where all

direct costs of operation and all direct income from operation have been taken into account and nothing else.

Overall rate—A capitalization rate representing the relationship of a net income of a property to its value it contains, in their proper proportions, the elements of both the land and the building capitalization rates.

Parcel—Piece of land held in single ownership.

Parcel count—The number of assessments of land/improvements by class on the assessment roll.

Parcel identification number—An identification number assigned to a parcel of land to uniquely identify that parcel from any other parcel within a given taxing jurisdiction.

Parent material—The unconsolidated mass from which the soil profile develops.

Pasture—Land devoted to the production of tame or native forage that is harvested directly by livestock.

Percentage lease—A type of lease where the rental is based on a percent of income (gross/net) usually with a guaranteed base rental.

Percolation—The term is used to describe the seepage of water through soil; the ability of soil to absorb water or other liquid as effluent from a septic system.

Permeability—A term used to discuss the behavior of water in soil. A soil easily permeated by water would be friable, deep, and without dense or compacted horizons restricting free movement of water.

Personal property—All goods, wares, merchandise, chattels and **(See sec. 70.04, Wis. Stats.)** effects of any nature or description having any real or marketable value and not included in the term real property. It also includes toll bridges; private railroads and bridges; saw logs, timber, and lumber either upon land or floating; steamboats, ships, and other vessels whether at home or abroad; ferry boats including the franchise for running them; ice cut and stored for use, sale, or shipment; manufacturing machinery and equipment defined in sec. 70.11(27), Wis. Stats.; and entire property of companies defined in sec. 76.02(8), Wis. Stats., located entirely within one municipality.

Plat—A map intended to show the division of land into lots or parcels. Upon recordation with the appropriate authorities, land included in the plat can be legally described by reference to the plat, omitting a metes-and-bounds description.

Plat book—A record showing the location, size and name of owner of each plot of land in a stated area.

Police power—The right of government to limit the exercise of property rights in real estate, without compensation, provided the limitation is not specific to one parcel. The limitation is

to serve the interest of public health, public safety, public morals and the general welfare.

Present worth—The current monetary value. It is the discounted value of aggregate future payments.

Principal meridians—Boundary lines indicating the rectangular survey system of the continental United States. Farmland description is by rectangular survey.

Productivity—(1) The capacity of a soil to produce crops under the environment where it occurs and under a specified system of management. (2) The amount of goods produced by labor, or other factors of production, per unit of time. (3) The net value of the services provided by space. Productivity is a direct function of use.

Progression; principle of—Indicates the value of a lesser object is enhanced by association with better objects of the same type.

Property inspection—A physical inspection of a property for the purpose of collecting and/or reviewing property data.

Quantity survey method—A method of computing the replacement or the reproduction cost of an improvement by applying unit costs to the actual or estimated material and labor

quantities and adding an allowance for overhead, profit and all other direct and indirect construction costs.

Quarter (Section)—In public land survey, it is a division of a section containing 640 acres, the quarter being 160 acres.

Range—One of a series of government survey lines extending due north and south at six-mile intervals and are numbered east or west from the principal meridian. These form the east and west boundaries of townships.

Real estate—The physical land and appurtenances affixed thereto; often used synonymously with real property.

Real property—The terms “real property” and “real estate” shall include the land and all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto, except that for the purpose of time-sharing property as defined in s. 707.02(32), real property does not include recurrent exclusive use and occupancy on a periodic basis or other rights, including, but not limited to, membership rights, vacation services and club memberships.

Recapture rate—The rate at which an investment is returned to the investor. The annual amount which can be recaptured (or allocated for future recapture), divided by the amount of the original investment.

Reconciliation—The process by which the appraiser evaluates, chooses and selects from among two or more alternative conclusions or indications to reach a final value estimate.

Regression—The measurement of the closeness with which two or more variables are associated.

Remaining economic life—The number of years remaining in the economic life of the structure or structural component, as of the date of the appraisal.

Rent—The amount paid for the use of a capital good. See economic rent.

Replacement cost—The current cost of reproducing an improvement of equal utility to the subject property; it may or may not be the cost of reproducing a replica property.

Reproduction cost—The current cost of reproducing an improvement having exactly the same characteristics as the improvement in question.

Reserve for replacements—A reserve established to cover renewal and replacements of short-lived items that will not last for the remaining economic life of a property.

Residential property—Vacant or improved land devoted to or available primarily as a place to live.

Restrictive covenant—A private agreement restricting the use and occupancy of real estate that is a part of the conveyance and is binding on all subsequent purchasers. Such covenants may have to do with control of lot size, setback and/or placement of buildings, architecture and cost of improvements.

Right of way—The privilege which one person or persons particularly described, may have of passing over the land of another in some particular line. Usually, an easement over the land of another. The term is used to describe a strip of land used for railroad and highway purposes, for pipe or pole lines and for private or public passageways.

Sales ratio study—A statistical analysis of the distribution of assessment ratios of a sample of recent sales made for the purpose of drawing inferences regarding the entire population of parcels from which the sample was abstracted.

Salvage value—The price one would be justified in paying for an item of property to be removed from the premises and used elsewhere.

Scarcity value—Value caused by a demand for a good when the supply cannot be increased. Antique furniture is an example.

Scrap value—The price for a part of a property for sale and removal from the premises for the reclamation of the value of the basic material itself, such as copper.

Section—In public lands survey, one of the 36 sections, each a mile square, that each township is divided.

Set-back—The term refers to zoning regulations designating the distance a building must be set-back from the front property line, or the height at which the upper floors of a building

are recessed, set-back from the face of a lower structure. In tall buildings there may be more than one set-back.

Site—A parcel of land that is improved to the extent that it is ready for use for the purpose it is intended.

Site development costs—All costs incurred in the preparation of a site for use.

Slope—The inclination or deviation of a surface from the horizontal; the grade. The degree of inclination usually expressed as a percentage, in highway usage it refers to the graded area beyond the shoulder area extending to natural and undistributed ground.

Software—(1) Computer programs. (2) Those parts of a computer system that are not machinery or circuits; procedures and possibly documentation are included along with programs.

Soil erosion—The wearing or carrying away of the topsoil by running water or wind.

Soil productivity—The capacity of a soil to produce crops under the environment where it occurs and under a specified system of management.

Soil profile—A vertical section of the soil through all its horizons and extending into the parent material.

Soil series—A grouping of soils having the same character of profile; the same general range in color, structure, consistence, sequence of horizons, and the same conditions of relief and drainage; and of common or similar origin (parent material) and mode of formation.

Soil survey report—A written report with a soil map, describing the areas surveyed, the characteristics and capabilities for use of the soil types and phases shown on the map, and the principal factors responsible for soil development.

Soil type—A soil that, throughout its full extent, has relatively uniform texture in addition to the soil series characteristics.

Sound value—The depreciated value of an improvement.

Sound value estimate—An estimate of the depreciated value of an improvement made directly by comparable condition, desirability and usefulness without first estimating its replacement cost new.

Standard depth (base lot)—The lot depth selected as the norm against which other lots are to be compared, generally the most typical depth.

Statistics—The science of studying numerical data systematically and of presenting the results usefully. Two main branches exist: descriptive statistics and inferential statistics.

Stratify—To divide, for purposes of analysis, a sample of observations into two or more

subsets according to some criterion. The criterion is most often, but not necessarily, a threshold value for a single variable. Houses could be stratified on the basis of whether they were brick or frame, more or less than 1,000 square feet and so on.

Sublease—See lease, the lessee in a prior lease becomes a lessor in a sublease.

Substitution, principle of—A valuation principle that states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market. The Principle of Substitution presumes that the purchaser will consider the alternatives available, that the individual will act rationally or prudently on the basis of the information about those alternatives, and that time is not a significant factor. Substitution may assume the form of the purchase of an existing property, with the same utility, or of acquiring an investment which will produce an income stream of the same size with the same risk involved in the property in question.

Super adequacy—A greater capacity or quality in the structure or one of its components than the prudent purchaser or owner would include or would pay for in the particular type of structure under current market conditions.

Supply and demand, principle of—A valuation principle stating that market value is determined by the interaction of the forces of supply and demand in the appropriate market as of the date of the appraisal.

Surplus productivity; principle of—States the net income remaining after the cost of the agents of production, (land, labor, capital and management) has been paid is considered surplus productivity.

Tangible property—Property that, by its nature, is susceptible to the senses. Generally the land, fixed improvements, furnishings, merchandise, and other items used in carrying on an enterprise.

Template—A transparent plastic instrument calibrated with various sized squares and rectangles (representing two acres, five acres, ten acres, forty acres, etc.) used for measuring acreage on aerial photographs.

Tenancy—The nature of tenure. The holding of property by any form of title. A lease or right to occupy for years; for a definite period, as one year and six months; at will, being ended at any time by landlord; at sufferance, when tenant remains after expiration of the lease; or for life, the right to occupy for one's life.

Tenancy in common—The holding of property by two or more persons each of whom has an undivided interest which upon their death, passes to their heirs and not to the survivor or survivors.

Tenancy in severalty—An ownership interest in real estate by one owner.

Tier—A row of townships, running east and west, lying between any two consecutive township lines, comprising an area six miles wide.

Tillable land—Land suitable for growing annual crops requiring plowing, harrowing, planting, cultivating and harvesting as distinguished from land on a farm not so adapted, as marsh or swampland and wood lots.

Title—Evidence of ownership, typically in written form. Title passes when a deed is accepted by the grantee.

Topographic map—A map charting natural and manmade features and surface vegetation of an area of the earth's surface. The map uses contour lines, symbols, tinting, and shading to show these features.

Topography—The relief features or surface configurations of an area, such as hills, valleys, slopes, lakes and rivers. Surface gradations are classified as: compound slope, gently sloping land, hilly land, hog wallows, hummocks, rolling land, steep land, undulating land and very steep land.

Trended historical cost—The use of cost factors (time-location) to bring historical cost to current cost levels.

Unimproved land—Vacant land, a parcel without an improvement value.

Unit cost or price—The price or cost of one item of a quantity of similar items.

Unit-in-place method—A method of cost estimating in which all direct and some of the indirect costs of each individual construction component (such as foundation walls) are specified in appropriate units (such as area, volume, or length), multiplied by an estimate of quantity required by the particular structure, and added to obtain an estimate of the cost of the structure.

Use density—The number of buildings in a particular use per unit of area, such as a density of so many apartment units per acre.

Use value—The actual value of a commodity to a specific owner, as opposed to its value in exchange.

Useful life—The period of time over which the structure may reasonably be expected to perform the function for which it was designed or intended.

Vacancy—An unrented unit of rental property.

Vacant land—Unimproved land; a parcel for which there is no improvement.

Valuation—The process or business of appraising, of making estimates of the value of something. The value typically required to be estimated is market value.

Valuation principles—Economic principles or laws concerning value which are applicable in the valuation of real property. Significant ones include: anticipation, supply and demand,

change, substitution, highest and best use, increasing and decreasing returns, competition, contribution, and conformity.

Value—The quantity of one thing that can be obtained in exchange for another; the ratio of exchange of one commodity for another, e.g., one bushel of wheat in terms of a given number of bushels of corn; thus, the value of one thing may be expressed in terms of another. Money is the common denominator by which real property value is usually measured. Value also depends upon the relation of an object to unsatisfied needs; i.e., scarcity of supply and demand. Value is the present worth of future benefits arising out of ownership to typical users or investors.

Warranty deed—A deed conveying to the grantee title to the property free and clear of all encumbrances except those stated in the deed itself.

Water frontage—Land abutting on a body of water.

Woodland—Land that is fairly densely covered with trees.

Zoning—The public regulation of the character and intensity of the use of real estate through employment of police power. This is accomplished by the establishment of districts or areas in each of which uniform restrictions relating to improvements, structure heights, areas, bulk, density of population, and other limitations are imposed upon the use and development of private property.

General Terms

Accretion—(1) The increase of land by the gradual or imperceptible action of natural forces. (2) Slow addition to land by deposition of water-borne sediment. (3) An increase of land along the shores of a body of water, as by alluvial deposit.

Alluvion—An accession to land by the gradual addition of matter (as by deposit of alluvium) that then belongs to the owner of the land to which it has been added.

Overburden—Material overlying a deposit of useful geological materials.

Reliction—(1) The gradual recession of water leaving land permanently uncovered. (2) Land uncovered by reliction.