

# 2015 ANNUAL ASSESSMENT REPORT

Wisconsin Department of Revenue  
Manufacturing and Utility Bureau



*Presided over by*  
Richard G. Chandler, Secretary

*Submitted by*  
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2135 Rimrock Road  
Madison, WI 53708-8909

Effective Valuation Date

January 1, 2015

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**Contents**

LETTER OF TRANSMITTAL ..... 6

SECTION 1 – INTRODUCTION ..... 8

    AUTHORITY ..... 8

        Wisconsin Property Assessment Manual..... 8

    STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS ..... 9

    TIMELINE OF STATE AND LOCAL FINANCE'S PROCESSES ..... 11

    CLIENT AND INTENDED USERS ..... 11

    INTENDED USE ..... 12

    EFFECTIVE DATE OF VALUES AND REPORTS ..... 12

    DEFINITION OF MARKET VALUE..... 12

    JURISDICTIONAL EXCEPTIONS..... 12

    PROPERTY RIGHTS APPRAISED..... 14

    HIGHEST AND BEST USE ..... 14

SECTION 2 – STATE DATA..... 15

    State Data..... 15

    Population..... 16

    Education ..... 17

    Industry..... 17

    Employment Statistics..... 17

SECTION 3 - SCOPE OF WORK ..... 18

    OVERVIEW..... 18

        Chapter 10 of the Wisconsin Property Assessment Manual (WPAM)..... 18

    PROBLEM IDENTIFICATION ..... 18

    CLASSIFICATION OF PROPERTY ..... 19

        Definition of Taxable Property in Wisconsin..... 19

        Definition of Manufacturing Property ..... 19

MANUFACTURING CLASSIFICATION .....	21
IDENTIFICATION OF THE PROPERTIES TO BE APPRAISED .....	22
FIELD AUDIT OF MANUFACTURING PROPERTY .....	24
SALES FIELDING .....	25
ANNUAL MARKET VALUE ASSESSMENT OF MANUFACTURING PROPERTY.....	25
M-Forms – Self-Reporting.....	25
DOR Audit of M-Forms.....	26
Field Audit Data.....	26
Market/Economic Adjustment.....	27
MANUFACTURING FULL VALUE ASSESSMENTS .....	28
Summary of Manufacturing Assessments - 2015 .....	29
ASSESSMENT APPEALS.....	30
State Board of Assessors.....	30
SECTION 4—PROPERTY DATA, MARKET DATA, AND MANUFACTURING PROPERTY DATA.....	31
PROPERTY DATA.....	31
Personal Property .....	31
Components of the Personal Property Record File .....	33
Leased Equipment Form (M-L).....	34
Real Property .....	34
Components of the Real Property Record File .....	36
MARKET DATA.....	37
Sources of Data and Reports.....	37
SUPPLY AND DEMAND .....	37
PROPERTY SALES INFORMATION .....	38
Analysis of Manufacturing Sales .....	38
TYPES OF SPACE .....	39
SECTION 5 – VALUATION .....	40
SALES COMPARISON APPROACH .....	40
Sales Analysis and Reconciliation Report (SAR).....	41

SAR Measures of Comparability.....	43
Final Assessment Reconciliation .....	44
COST APPROACH.....	44
Depreciation and Obsolescence .....	45
INCOME APPROACH.....	45
Land values.....	46
Collecting Rental Income Information .....	46
ECONOMIC ADJUSTMENTS.....	47
Factors considered when determining economic adjustments.....	47
SECTION 6 – CERTIFICATION .....	50
SECTION 7 – ITEMS IN THE ADDENDA .....	52
2015 QUESTIONNAIRE FOR POTENTIAL MANUFACTURERS PA780.....	52
2015 MANUFACTURING PROPERTY RECORD CARD (EXAMPLE).....	52
2015 MANUFACTURING PROPERTY RETURNS (M-FORMS).....	52
SOURCES OF PROPERTY AND MARKET INFORMATION .....	52
2013 - 2014 MANUFACTURING SALES RATIO ANALYSIS.....	52
MANUFACTURING ASSESSMENT SUMMARY REPORTS.....	52
DEFINITIONS.....	52

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# LETTER OF TRANSMITTAL

May 23, 2016

Richard G. Chandler, Secretary  
Wisconsin Department of Revenue  
2135 Rimrock Road, 624A  
Madison, WI 53713

Dear Secretary Chandler,

This report presents the value of property classified as manufacturing in the State of Wisconsin as of January 1, 2015. The Wisconsin Department of Revenue has used the policies, procedures and methods necessary to develop credible values for each real estate parcel and each personal property account as of January 1, 2015. Although the bureau is responsible for several other types of property, this report is specific to manufacturing property identified in sec. 70.995 Wis. Stats.

You, the Secretary of the Department of Revenue, are the client, the intended user, and the authorized user of this report. The *intended use* of this report is to explain the processes and procedures used to establish 2015 manufacturing real and personal property assessments.

The work described in this document complies with Wisconsin Statutes, case law, administrative rules, and the *Wisconsin Property Assessment Manual (WPAM)*.

The estimated values of manufacturing real and personal property are based on certain information, assumptions, possible limiting and hypothetical conditions, and jurisdictional exceptions. When and if these exist, they are identified in the body of this report or in the paper and electronic work files.

Respectfully submitted,



Timothy J. Drascic, Director  
Manufacturing and Utility Bureau

Assessor III Certification #: WI31644CA  
Expiration Date: 05/31/2019

cc: Claude Lois, Administrator, Division of State and Local Finance

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## SECTION 1 – INTRODUCTION

### AUTHORITY

Section 70.995(5), Wis. Stats., authorizes the Wisconsin Department of Revenue (DOR) to assess all manufacturing property in the state: "The department of revenue shall assess all property of manufacturing establishments included under subs. (1) and (2) as of the close of January 1 of each year..." Subparagraphs (1) through (4) define "manufacturing property" and provide specific criteria for classification and assessment of manufacturing property.

### Wisconsin Property Assessment Manual

The *Wisconsin Property Assessment Manual* (WPAM) serves as the guide for uniform property assessment throughout the State. Section 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.

The 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 Officers.

## STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is subject to the following assumptions and limiting conditions:

1. According to definitions in sec. 70.114(1), Wis. Stats., a "Taxation district" means a city, village or town, except that if a city or village lies in more than one county, the portions of that city or village that lie within each county are separate taxation districts. A "Taxing jurisdiction" means any entity authorized by law to levy taxes on general property, as defined in sec. 70.02, Wis. Stats., that are measured by the property's value. The report deals with property within local taxation districts.
2. This work described in this report is authorized according to sec. 70.995 Wis. Stats.
3. Aside from the statutory responsibilities associated with its work, DOR is not responsible for matters of a legal nature affecting either the individual properties appraised or taxation districts
4. DOR assumes that individual properties and taxation districts are under responsible and competent management
5. Understanding the opinions of value in this report requires full consideration of the data in this report, the addenda, and in the work files
6. No opinion of title is rendered for any property, and title to each property is assumed marketable
7. Any absence of a legal description has been noted
8. Where legal descriptions are presented, they have been furnished by others and are assumed correct
9. Any liens or encumbrances have been disregarded, and all parcels have been appraised as though free and clear, under responsible ownership, and under competent management
10. DOR has not surveyed the boundaries of any properties. The distances and dimensions used in the report are believed to be accurate, but are not guaranteed.
11. The information used in this report has been gathered from sources that are believed to be reliable. No responsibility is assumed for the accuracy of the information supplied by others.
12. Plans and specifications furnished by property owners are assumed accurate
13. Data provided by property owners or their representatives on the M-R and M-P Forms are presumed to be correct
14. DOR will give testimony, attend court, and deliver presentations under the rule of Wisconsin law
15. No part of this report shall be used beyond the scope of the report without prior written consent and approval of the administrative custodian
16. DOR is not qualified to detect hazardous substances, and accepts no responsibility for their possible existence. The presence of substances such as asbestos, urea formaldehyde foam insulation, chemical or fuel storage tanks, or other potentially hazardous materials, whether above or underground, may affect the value of property. Unless otherwise noted in the property record, each value estimate presented in this report presumes that there is no such material on or in the subject properties.

17. The [Americans with Disabilities Act](#) (ADA) became effective July 26, 1992. DOR is not qualified to conduct analyze, survey, or determine compliance with this act.
18. This annual assessment report has been prepared for the *intended user* for the *intended use*. It may not be used or relied upon by any other party for any other use.
19. DOR makes routine inspections of the specified properties. However, DOR staff are not qualified as building inspectors, surveyors, engineers, foresters, soils experts, biologists, or geologists.
20. DOR assumes the owners of property and taxation districts have the necessary licenses, permits, certificates, consents, or other instruments of legislative or administrative authority to operate responsibly
21. Unless noted in property work files, DOR has no knowledge of adverse conditions affecting individual parcels or their surroundings
22. This report is prepared for ad valorem tax purposes and summarizes the fair market value of manufacturing real and personal properties for the fair distribution of property taxes
23. The procedures, methods, and techniques of this report conform to the requirements of the Wisconsin Constitution, [Wisconsin Statutes](#), case law, [Administrative Rules](#), and of the 2015 edition of the [WPAM](#) and Uniform Standards of Professional Appraisal Practice (USPAP)
24. DOR has identified Jurisdictional Exceptions, which are presented in this report
25. DOR retains all supporting information in work files, including electronic records
26. The terms “assessor” and “appraiser” are synonymous in this report. The use of the specific term is selected to fit the context

## TIMELINE OF STATE AND LOCAL FINANCE'S PROCESSES

The following table shows the work product and either a) the cut-off or b) the run date, for each major task.

Work Product	Cut-Off/Run Dates – 2015 Annual Assessment																		
Notification Roll Maintenance Deadline	Cut-Off: January 30 (Close of Business)																		
Notification Roll Production	February 9																		
Notification Rolls Posted to DOR Website	February 13																		
Annual Assessment Period	M-Forms and e-filing available: January 28, 2015 Assessment Notice and Municipal Roll Production - weekly through completion date <table border="1"> <thead> <tr> <th><u>Cut-off</u></th> <th><u>Production</u></th> <th><u>Issuance Date</u></th> </tr> </thead> <tbody> <tr> <td>May 5</td> <td>May 5</td> <td>May 11</td> </tr> <tr> <td>May 12</td> <td>May 13</td> <td>May 18</td> </tr> <tr> <td>May 19</td> <td>May 20</td> <td>May 28</td> </tr> <tr> <td>June 2</td> <td>June 3</td> <td>June 8</td> </tr> <tr> <td>June 9</td> <td>June 10</td> <td>June 15</td> </tr> </tbody> </table>	<u>Cut-off</u>	<u>Production</u>	<u>Issuance Date</u>	May 5	May 5	May 11	May 12	May 13	May 18	May 19	May 20	May 28	June 2	June 3	June 8	June 9	June 10	June 15
<u>Cut-off</u>	<u>Production</u>	<u>Issuance Date</u>																	
May 5	May 5	May 11																	
May 12	May 13	May 18																	
May 19	May 20	May 28																	
June 2	June 3	June 8																	
June 9	June 10	June 15																	
IPAS Proofing	June 9 – June 16																		
IPAS Pass to STRAT <sup>1</sup> and TIF to Equalized Value	July 17																		
IPAS Final Reports, Work Plan Downloads, and Press Release Reports	July 22																		
CAMA Roll-over	August 18																		
Pass Exempt Computer Values	August 3																		
Changes to Exempt Computer Values	September 1 – September 30																		
Assessor Affidavits Run	September 28																		
Equated Rolls – Maintenance Deadline	Cut-off: October 9 (Close of Business)																		
Equated Rolls	October 13 through December 21 <table border="1"> <thead> <tr> <th><u>Production Dates</u></th> </tr> </thead> <tbody> <tr> <td>October 13, 20, 27</td> </tr> <tr> <td>November 3, 11, 17, 23</td> </tr> <tr> <td>December 1, 4, 21</td> </tr> </tbody> </table>	<u>Production Dates</u>	October 13, 20, 27	November 3, 11, 17, 23	December 1, 4, 21														
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October 13, 20, 27																			
November 3, 11, 17, 23																			
December 1, 4, 21																			
Last Date DOR (Manufacturing) May Hold Municipality from Equating	November 13																		

## CLIENT AND INTENDED USERS

The Secretary of Revenue, located at the following address, is the *client* and an *intended user* of this report.

Wisconsin Department of Revenue  
Richard G. Chandler, Secretary  
2135 Rimrock Road, 624A  
Madison, Wisconsin 53713

<sup>1</sup> STRAT: Equalization Bureau Stratification Analysis

Other *intended users* include individual taxation districts and property owners. By statutory instruction, both are notified of the assessed values via assessment notice and published roll.

## **INTENDED USE**

This is an annual assessment report for ad valorem tax purposes and the fair distribution of the property tax. The intended use of this document and its conclusions is limited to the administration of the property assessment of manufacturing real and personal property in Wisconsin according to the governing laws of this state.

## **EFFECTIVE DATE OF VALUES AND REPORTS**

The *effective valuation date* is January 1 as described in [sec. 70.01, Wis. Stats.](#) The effective date for the assessment of manufacturing property described in this report is January 1, 2015. The *report date* is the transmittal date.

## **DEFINITION OF MARKET VALUE**

This definition of *market value* applies within the context of Wisconsin statutes, case law, and in the jurisdictional exceptions.

*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 are 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.*

## **JURISDICTIONAL EXCEPTIONS**

When the guidelines in USPAP conflict with Wisconsin statutes or case law, state law always takes precedent. This is acknowledged in USPAP and the remedies to these conflicts are referred to as "jurisdictional exceptions." The Wisconsin Constitution, state statutes, case law, administrative rules,

and WPAM establish a hierarchy of valuation methods. Jurisdictional exceptions for the work described in this report include the following.

- [Section 70.32, 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 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 have defined a valuation hierarchy in [sec. 70.32, Wis. Stats.](#), often referred to as the "three tiers." This hierarchy is further discussed in Chapter 21 of the WPAM, under *State ex rel. Markarian v City of Cudahy (1970)*. A recent arm's-length sale of a subject property (Tier 1) or recent arm's-length sales of reasonably comparable properties (Tier 2) are generally considered the best evidence of value. In the absence of such sales, other approaches to value (Tier 3) may be used where applicable (cost approach, income approach, other).

- [Section 70.995 \(5\), Wis. Stats.](#), directs DOR to assess all property of manufacturing establishments in Wisconsin. Unlike the assessment of non-manufacturing property, where jurisdiction is determined by the municipality's geographic boundary, *the jurisdiction for the assessment of manufacturing property is determined by activity (use)*. DOR's universe of assessed properties is geographically dispersed throughout Wisconsin. Manufacturers may initiate, terminate or relocate their manufacturing activity during any assessment year. This exception represents a fundamental difference between the isolated assessment of "manufacturing" properties statewide by DOR (based on activity and substantial use) and the municipal assessment of non-manufacturing property (based on geographic borders).
- The State Public Records Board published the *Wisconsin Municipal Records Manual* which establishes minimum record retention times of seven years for public records, with the following exceptions:
  - ✓ No assessment roll containing forest crop acreage may be destroyed without prior approval of the Secretary of Revenue
  - ✓ 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"

- Wisconsin courts have ruled that use of discounted cash flow for subdivisions violates the principle of uniformity. Because of the ownership and marketing similarities, this uniformity provision also refers to condominiums.
- A written summary of the Wisconsin Tax Appeals Commission (TAC) does not need to be added to the work file, because the Commission's summary of the hearing is the official record of the proceedings and is in the domain of the Commission
- Personal Property may be valued using the M-P Form (Manufacturing Personal Property Return) in lieu of the analysis and model requirements for Personal Property
- Other jurisdictional exceptions may be found in the WPAM, which are substantiated by case law

## PROPERTY RIGHTS APPRAISED

Section 70.03 Wis. Stats., case law, and the WPAM define the property rights appraised. The 2015 WPAM states in part, "'Real property', 'real estate' and 'land', when used in Chs. 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."

## HIGHEST AND BEST USE

Highest and best use is defined in Chapter 7 of the WPAM<sup>2</sup>:

*Highest and best use is defined as that use which over a period of time produces the greatest net return to the property owner. 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*

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<sup>2</sup> 2015 Wisconsin Property Assessment Manual, Chapter 7, pages 7-12 to 7-13

*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.*

*It's 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. According to the book, Readings in Highest and Best Use, "[t]he fact that a property is adaptable to secondary uses may be an important consideration to a prospective buyer and thus influence market value."*

In summary, highest and best use represents the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

For the purposes of this report, it is assumed that the current use of the property represents the highest and best unless otherwise noted in the property record.

## SECTION 2 – STATE DATA

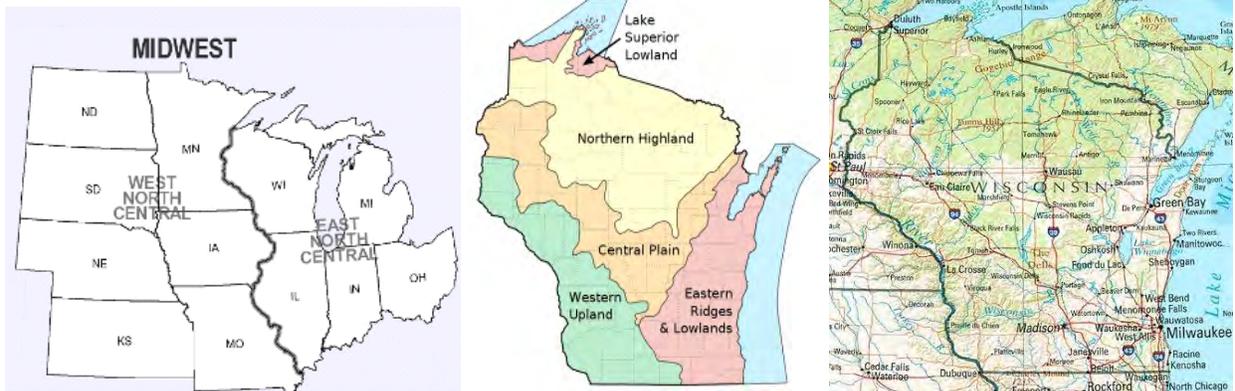
### State Data

Wisconsin is located in the north-central United States and is considered part of the Midwest. It is bordered by Illinois to the south, Iowa to the southwest, Minnesota to the west, Lake Superior to the north, Upper Michigan to the northeast, and Lake Michigan to the east. The state capital is located in Madison. The largest city is Milwaukee, located in the southeast on the shore of Lake Michigan. As of 2008, Wisconsin had an estimated



5.6 million residents. The Mississippi River is the border between southern Wisconsin and Iowa and Minnesota. The St. Croix River forms the border between Wisconsin and Minnesota to the north.

The following maps show the U. S. Census breakdown between the West North Central and the East North Central part of the United States and the overall topographic regions of Wisconsin specifically.



U.S. Census and Geographical Maps

*With its location between the Great Lakes and the Mississippi River, Wisconsin is home to a wide variety of geographical features. The state is divided into five distinct regions. In the north, the Lake Superior Lowland occupies a belt of land along Lake Superior. Just to the south, the Northern Highland has massive mixed hardwood and coniferous forests including the 1,500,000 acres (6,100 km<sup>2</sup>) Chequamegon-Nicolet National Forest, as well as thousands of glacial lakes, and the state's highest point, Timms Hill. In the middle of the state, the Central Plain has some unique sandstone formations like the Dells of the Wisconsin River in addition to rich farmland. The Eastern Ridges and Lowlands region in the southeast is home to many of Wisconsin's largest cities. In the southwest, the Western Upland is a rugged landscape with a mix of forest and farmland, including many bluffs on the Mississippi River. This region is part of the Driftless Area, which also includes portions of Iowa, Illinois, and Minnesota. This area was not covered by glaciers during the most recent ice age, the Wisconsin Glaciation.*

Wisconsin's climate is classified as humid continental, which is "marked by variable weather patterns and a large seasonal temperature variance." The summer temperatures range from 70-80 degrees and the winter temperatures 20 to 30 degrees.

### **Population**

In a report prepared by the UW-Madison Applied Population Laboratory for the Wisconsin Department of Administration, Wisconsin's population change averaged 4.5% from 1995 to 2005 and then dipped considerably in 2010 to 1.83%. The population is expected to grow slowly through 2015 at which time it is expected to increase, with a five-year increase of over 3%. The Population Lab report states, "Wisconsin's population change during the 2000s can be viewed as two distinctly different five-year periods. Based on Demographic Services' annual estimates, the state's population growth of 221,000 for 2000-2005 nearly matched the 1995-2000 change of 230,000, and the percentage gain was a solid 4.1%, or an average of about 0.8% per year. However, the slowing of the housing construction market and the

recession that began in late 2007 led to a stall of the state’s growth. For the second half of the decade, total population growth fell to 102,000, or 1.8%; in the last three years, the state likely experienced net out-migration (i.e., more residents moving out than moving in)."

Year	Projected Population	Numeric Change	Percent Change
2010	5,686,986	--	--
2015	5,783,015	96,029	1.7
2020	6,005,080	222,065	3.8
2025	6,203,850	198,770	3.3
2030	6,375,910	172,060	2.8
2035	6,476,270	100,360	1.6
2040	6,491,635	15,365	0.2

Year	Population	Numeric Change	Percent Change
1980	4,705,642	--	--
1985	4,771,758	66,116	1.4
1990	4,891,769	120,011	2.5
1995	5,134,123	242,374	5.0
2000	5,363,715	229,572	4.5
2005	5,584,522	220,807	4.1
2010	5,686,986	102,464	1.8

**Wisconsin Population**

The report also states, "The population projections in the near term reflect the probability that the state’s economy will begin to recover during the current five-year period, increasing job growth and thus leading to net migration turning from negative to positive in 2014 and 2015."

**Education**

The University of Wisconsin System had a fall 2014 enrollment of 180, 979 students; with the Technical College System adding an addition 326,544 students. The *Wisconsin Blue Book - 2015-2016* states on page 641, "Wisconsin’s private institutions of higher education encompass a broad range of schools including 8 universities, 10 colleges, 6 technical and professional schools, 3 theological seminaries, and 2 tribal colleges."

**Industry**

The *Wisconsin Blue Book - 2015-2016* states on page 623, "Wisconsin ranked 9<sup>th</sup> among the states in value added by manufacture in 2013." A total of \$83.7 billion was added. In 2013, food, machinery, fabricated metal products, and paper were the top value added industry groups.

The top five Wisconsin export groups in 2013 include industrial machinery, medical and scientific instruments, electrical machinery, vehicles, and plastic. The top five export countries include Canada, Mexico, China, Japan and Germany<sup>3</sup>.

**Employment Statistics**

*Wisconsin Blue Book - 2015-2016* states on page 660, "There were 2,923,533 workers employed in Wisconsin in 2014. Another 170,385 were part of the available workforce but were unemployed,

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<sup>3</sup> Wisconsin Blue Book - 2015 -2016, page 627.

resulting in an average unemployment rate of 5.5% for 2014.” In 2014, 464,800 Wisconsin workers were engaged in manufacturing, an increase of 9,200 since 2012.

## SECTION 3 - SCOPE OF WORK

### OVERVIEW

#### **Chapter 10 of the Wisconsin Property Assessment Manual (WPAM)**

Chapter 10 of the **WPAM** provides a thorough discussion of the scope of the State Assessment of Manufacturing property. A copy of the 2015 WPAM Chapter 10 can be found on the **DOR website**. The annual scope of work for the assessment of manufacturing property is summarized as follows:

- Classification – review classification of new and existing property
- Notification rolls issued to municipalities
- Field audit of existing real and personal property
- Field sales of manufacturing and comparable properties
- Audit of annual manufacturing returns (M-Forms)
- Annual assessments mailed to owners of manufacturing real and personal property
- Full value assessment rolls issued to municipalities
- Full value revisions
- Assessment appeals received and processed
- Equated assessment rolls issued to municipalities for tax roll purposes

### PROBLEM IDENTIFICATION

Section 70.05(3), Wis. Stats., states the jurisdictional exception differentiating the assessment of manufacturing property in Wisconsin by DOR from the assessment of general property in Wisconsin cities, towns and villages by municipal assessors, "The assessment of property of manufacturing establishments subject to assessment under s. 70.995 shall be made according to that section."

Section 70.995, Wis. Stats., defines the conditions for assessment of manufacturing property in 15 paragraphs. The problem to be solved is defined in subparagraph 5 where it states:

*The department of revenue shall assess all property of manufacturing establishments included under subs. (1) and (2) as of the close of January 1 of each year, if on or before March 1 of that year the department has classified the property as manufacturing or the owner of the property has requested, in writing, that the department make such a classification and the department later does so.*

The term "assess" means *to develop an opinion of value or to appraise*.

## CLASSIFICATION OF PROPERTY

### **Definition of Taxable Property in Wisconsin**

Wisconsin Statutes define how general property is identified, dividing it broadly as either real or personal. *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. *Real property* is land, any improvements that are attached to the land, and all fixtures, rights, and privileges pertaining thereto.

Section 70.30, Wis. Stats., defines the categories of *personal property* as follows:

- Number and value of steam and other vessels
- Value of machinery, tools and patterns
- Value of furniture, fixtures and equipment
- Value of all other personal property except that statutorily exempt from taxation

Section 70.32, Wis. Stats., directs assessors to segregate real property into one of eight classes based upon its use. The eight classes of *real property* are:

1. Residential
2. Commercial
3. Manufacturing
4. Agricultural
5. Undeveloped
- 5m. Agricultural forest
6. Productive forest land
7. Other

The subject property of this report is Class 3—Manufacturing real and related personal property.

### **Definition of Manufacturing Property**

Section 70.995(1)(a), Wis. Stats., defines "manufacturing property" to include:

*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 or offices is 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 the activity, including raw materials, supplies, machinery, equipment, work in process and finished inventory when located at the site of the 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 which engage in mining metalliferous minerals are considered manufacturing establishments.*

Section 70.995(2), Wis. Stats., further defines manufacturing property eligible for assessment under sec. 70.995 if included in any of the 20 major group classifications in Division D (Manufacturing) of the Standard Industrial Classification (SIC) Manual (1987 edition), published by the U.S. Office of Management and Budget. The 20 major groups in Division D – Manufacturing listed in subparagraphs (c) through (v) are:

**Division D – Manufacturing**

- (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 and 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 and 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

In addition, this section specifies six non-manufacturing activities that qualify as "manufacturing" for property assessment purposes. The six activities as listed in subparagraphs (a), (b), (w), (x), (y) and (z):

## Division B – Mining

(a) 10— Metal mining

(b) 14— Mining and quarrying of nonmetallic minerals, except fuels

## Division I – Services, Major Group 73 – Business Services, Industry Group 738 – Miscellaneous Business Services

(w) 7384—Photofinishing laboratories

Activities not specifically identified by SIC Code

(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 re-melting 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.

## MANUFACTURING CLASSIFICATION

Classification of manufacturing businesses for personal property taxes purposes generally starts with the business owner completing the Form PA-780 *Questionnaire for Potential Manufacturers* (see item in addenda). Per sec. 70.995(5) Wis. Stats., a written request for classification as a manufacturer must be received by DOR on or before March 1 of each year. When the form does not provide sufficient information for DOR to determine whether the business would qualify for manufacturing classification, a site visit verifying the business process is necessary.

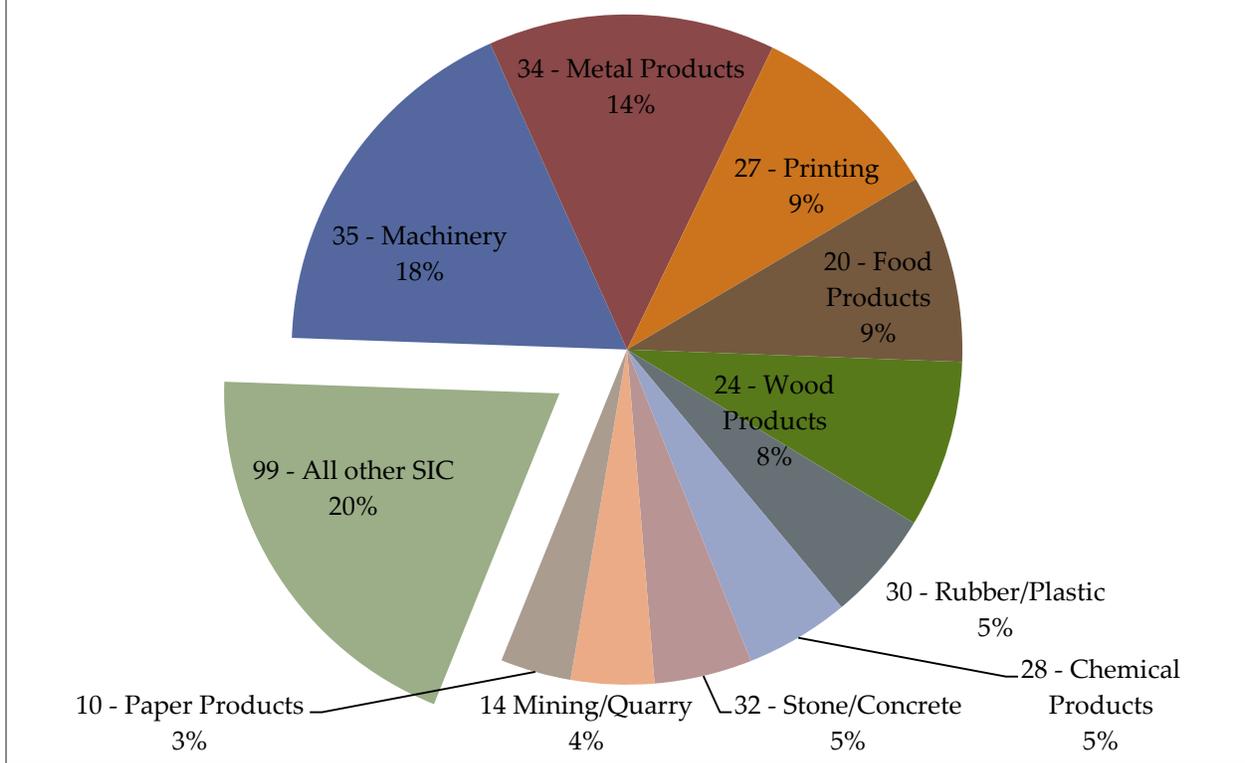
For 2015 the number of new businesses classified manufacturing are listed below:

District Office (AA)	Number of Requests	Number of Classifications
Eau Claire (AA79)	58	36
Green Bay (AA81)	80	55
Madison (AA76)	65	36
Milwaukee (AA77)	28	21

### 2015 Fielded Sales by District

Year after year, the relative distribution of manufacturing personal property accounts by SIC major group changes little. Current accounts show that 80% of all manufacturing personal property accounts are concentrated in 10 manufacturing SIC code major groups, led by 35-Machinery (except electrical), 34-Fabricated metal products (machinery and transportation equipment), and 27- Printing, publishing and allied industries (see chart on next page).

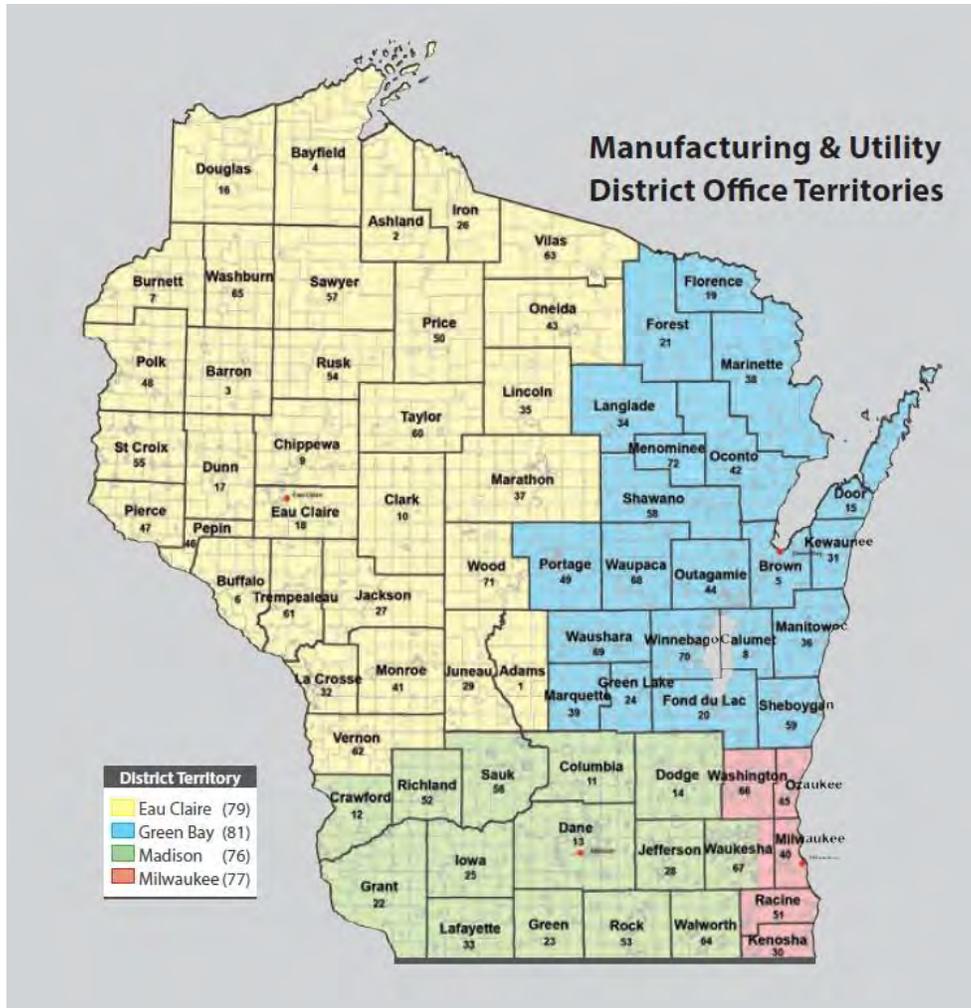
## Manufacturing Personal Property Accounts by SIC Code Major Group (2 Digit)



**Manufacturing Personal Property Accounts by SIC Code**

### IDENTIFICATION OF THE PROPERTIES TO BE APPRAISED

The subject properties include all real estate parcels and personal property accounts in the State of Wisconsin classified by DOR as manufacturing property. For administrative purposes, the state is divided into four districts as shown on the [Manufacturing & Utility Bureau Districts](#) map on page 23. The four districts are named based upon their headquarter cities and have corresponding administrative numbers: Madison (AA76), Milwaukee (AA77), Eau Claire (AA79), and Green Bay (AA81). Detail on district assignment of counties and municipalities is located in the [Manufacturing & Utility Bureau Contact Information](#).



**Manufacturing & Utility Bureau Districts**

Companies with personal property classified as manufacturing by DOR are identified in the [DOR Report – Companies Classified as Manufacturing](#) (example on page 24). The report is made available on DOR's website primarily to help leasing companies identify lessees assessed as manufacturing by DOR. The list of manufacturing personal property accounts includes company name, administrative district number (AA), district name, office location, county number (CO), county name, municipal number (MUN), and municipality name.

	A	B	C	D	E	F	G
1	<b>Companies Classified as "Manufacturing" for State (DOR) Property Assessment</b>						
2	List of companies and accounts (locations) classified as manufacturing per sec. 70.995, Wis. Stats., as of February 2014:						
	AA-CO-MUN						
	Company Alpha						
	CO-MUN-	Company Name	District # (AA)	District Name	County No. (CO)	County Name	Municipal No. (MUN)
3							Municipality Name
4	1ST CHOICE METAL FINISHING INC	81	GREEN BAY	05	BROWN	024	T. LAWRENCE
5	320 VENTURE DRIVE LLC	76	MADISON	67	WAUKESHA	136	V. HARTLAND
6	3-D SOLUTIONS INC	76	MADISON	67	WAUKESHA	291	C. WAUKESHA
7	3DT LLC	77	MILWAUKEE	66	WASHINGTON	131	V. GERMANTOWN
8	3M CO	79	EAU CLAIRE	17	DUNN	251	C. MENOMONIE
9	3M CO	79	EAU CLAIRE	17	DUNN	251	C. MENOMONIE
10	3M CO	79	EAU CLAIRE	18	EAU CLAIRE	221	C. EAU CLAIRE

List of Companies Classified as "Manufacturing" on DOR website

### FIELD AUDIT OF MANUFACTURING PROPERTY

Section 70.995(7)(b), Wis. Stats., states that, "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 investigation or on-site appraisal at full value under ss. 70.32(1) and 70.34 of all manufacturing property in this state."

The on-site, or field inspection, is referred to as a 'field audit' and the goal is to complete at least 20% each year. The actual number completed varies depending on the available resources. Selection or sequence of the field audit is influenced by several factors including the date of the last field audit, property sales, newly classified properties, new construction activity, and appeals to the State Board of Assessors (BOA) or TAC.

The "field audit" process includes a site visit, verifying data in the field, updating records (computer and paper) in the office, reconciling corresponding personal property (PP) accounts and fixed asset lists, initiating assessment corrections/revisions/omitted assessments, performing a new real estate valuation via the *Sales Analysis and Reconciliation Report (SAR)*, and applying the new value during the upcoming annual assessment. Field audits for each assessment year are generally accomplished during the preceding summer and fall (June-Dec) after completion of the full value assessment rolls.

District Office (AA)	No. Personal Property Field Audits (in 2014 for 2015)	No. Real Estate Field Audits (in 2014 for 2015)
Eau Claire (AA79)	320	425
Green Bay (AA81)	257	483
Madison (AA76)	178	328
Milwaukee (AA77)	466	490

2015 Field Audits by District

## SALES FIELDING

Sales of manufacturing properties and comparable locally-assessed commercial properties, are discovered throughout the course of the year. All sales discovered are reviewed to determine validity as arm's length sales. Sales are investigated through contact (telephone, email, or letter) with transaction participants. If the initial review determination indicates a valid arm's length sale, the property is queued up for a site visit for sales verification. Field verification is required for all manufacturing sales. The field verification and inspection may occur at any time throughout the year, but most sales are verified after the spring annual assessment processing season (Feb-June).

Field verified sales are reviewed and approved for use in the DOR Sales Database and published on [DOR's website](#). This database of sales is used for the Department's appraisals, which are called Sales Analysis and Reconciliation (SAR) reports. For the 2015 assessment year, DOR approved and published information on 153 property sales.

	Number of Sales
<b>Eau Claire (AA79)</b>	38
<b>Green Bay (AA81)</b>	50
<b>Madison (AA76)</b>	17
<b>Milwaukee (AA77)</b>	48

### 2015 Fielded Sales by District

## ANNUAL MARKET VALUE ASSESSMENT OF MANUFACTURING PROPERTY

The annual market value assessment of manufacturing property relies primarily on the annual self-reporting by manufacturers of changes to their real estate and personal property and the cyclical field audit of manufacturing property. Building permits, when available, are also used to help establish an assessment. As appropriate, additional market/economic adjustments to real estate are applied.

### **M-Forms – Self-Reporting**

[Section 70.995\(12\), Wis. Stats.](#), requires owners of every real and personal property assessed as manufacturing by DOR to annually file the appropriate state-prescribed form for each real estate parcel and/or personal property account. These self-reporting forms, known as the M-R (real estate) and M-P (personal property), are used by manufacturers to report any changes to the property they own that is assessed by DOR as manufacturing.

The M-R (Manufacturing Real Estate Return – PA-750R) is used by manufacturers, or owners of real estate leased to a manufacturer, to report changes in use, vacancy/occupancy, ownership, remodeling, new construction, demolitions or other physical changes that occurred since the last assessment date

(January 1). Information of lease terms and any recent third party appraisals is also reported. Changes to waste treatment facilities are reported for consideration of exemption under [sec. 70.11\(21\)\(am\), Wis. Stats.](#)

The M-P (Manufacturing Personal Property Return – PA-750P) is used by manufacturers to report all of their personal property located in a municipality. The manufacturer reports changes in ownership and location of personal property previously assessed by DOR, and details their assets in a series of schedules that account for all additions and deletions between assessment dates. The M-P schedules produce an estimate of "true cash value" using uniform indices that adjust the original reported cost of assets for depreciation and price/cost change over time. The process uses conversion factors published annually by DOR, which are also used in the assessment of locally assessed personal property. The valuation of fixed assets by Wisconsin assessors is more fully explained in the WPAM Chapter 16.

M-Forms can be completed by the taxpayer or designated preparer either electronically or on paper. Form access is via the DOR website.

The due date for filing M-Forms is March 1. Extensions of 30 days are granted upon request if received on or before March 1. Graduated penalties for late- or non-filing are described in [sec. 70.995\(12\)\(c\), Wis. Stats.](#) The maximum penalty is \$750.00.

The following filing data was collected from the Manufacturing Assessment System during 2015:

Electronic Filing	Paper/Non Filing	Total
18,340	1,770	20,110

M-Form Returns Filed in 2015

### **DOR Audit of M-Forms**

DOR assessors audit annual M-Forms for changes made to real estate and fixed assets of manufacturers during the preceding year leading up to the January 1 assessment date. An electronic filing system for M-Forms is available to manufacturers, as well as downloadable forms that can be manually completed and mailed to DOR offices. All forms are audited and reviewed for substantial compliance with current exemptions, classification of the assets and leased property.

Manufacturers must maintain fixed asset lists at their place of business detailing the assets reported on the M-P Form, including status as exempt or taxable. Fixed asset lists are reviewed at field audit or requested and reviewed as needed during the annual assessment audit of M-P returns.

### **Field Audit Data**

Information collected during cyclical field audits of manufacturing real estate and personal property is reviewed during the subsequent annual assessment review of the manufacturer's M-Form filings. Prior

year reporting problems identified during the field audit are reviewed to determine substantial compliance with the field audit findings. Issues discovered and not revised in the current year filing are corrected by DOR during annual assessment before finalizing the full market value.

**Market/Economic Adjustment**

Market and general economic data for Wisconsin industrial and commercial real estate markets are reviewed by manufacturing staff, where and when available. Market and economic data reviewed each year, along with manufacturing property sales data, are considered in the development of recommended guidelines for annual economic adjustments required to maintain manufacturing property at 100% fair market value. Manufacturing appraisers consider and apply the economic change recommendations for each manufacturing real estate assessment.

After considering the self-reported changes to manufacturing real property, observations and data collected from field audits, and recommended economic adjustments, each manufacturing real estate parcel's assessment is updated. Each change in real estate value is separately identified by reason for change (RFC) code. RFC coding allows real estate value changes to be aggregated for use in equalization and other purposes.

Below are the various RFC codes used when valuing real estate:

Process	Positive FRC	Negative RFC	Value Change	Acre Change	Comments
Economic	0200	1200	Y	N	Use for economic changes for land and improvements.
Annexation	0300	1300	Y	Y	Use for annexations. The values & acres coming out of an annexed municipality must match the values & acres going in to the new municipality.
New Construction and Demolition	0400	1400	Y	N	Use for adding value due to new construction, remodeling, & land improvements. 1400 use for demolition.
Exempt	0446	1446	N/Y	Y	Use for shifting exempt land and/or improvements. No value shifts land/improvements coming in, but value should shift with land/improvements going out.
Combination	0450	1450	Y	Y	Use to combine/split current manufacturing assessed parcels. Acres/value leaving the non-surviving parcel must match acres/value transferring in to the surviving parcel.
Utility	0530	1530	Y*	N	Used to increase or decrease improvement value due usefulness or servability. *Value change for improvements only, as code not available on Land tab.
Shift	0600	1600	Y	Y	Shifting from or to local assessment (for any class of property).
Field Audit	0700	1700	Y	N	Use for field audit valuation changes to land and/or improvement values. Value usually from SAR or valuation of MOS.
Miscellaneous	0800	1800	Y	Y	<u>Sale of subject</u> : Value change only, no acre change. <u>Minor acre change</u> : Acre change only, no value change.
No Change	0000	0000	N	N	Use on the Land and Improvement tabs to leave a note, or to select a 'Review Reason'.

**Reason for Change (RFC) Codes – Real Estate**

## MANUFACTURING FULL VALUE ASSESSMENTS

Upon completing the audit of M-Forms for manufacturing property in a municipality, the manufacturing full value assessment notices and rolls are produced. Real estate and personal property full value notices are mailed to taxpayers and full value rolls are produced and published on the DOR website. An example of the front and backside of a personal property assessment notice:

<p>Wisconsin Department of Revenue Manufacturing &amp; Utility Bureau 819 N 6th St Rm 530 Milwaukee, WI 53203-1606</p>		<p><b>Wisconsin Department of Revenue / Manufacturing &amp; Utility Bureau</b> 2015 Notice of Personal Property Assessment</p>	
		Notice date	May 11, 2015
		State ID no.	77-51-006-P000017775
		County of	77-51 Racine
		Taxation district	006 T of Dover
		DOR account no.	000017775
		School code	0777
		Special districts	
		<hr/>	
		Boats & watercraft	\$ 0
		Machinery & equipment	109,500
		Furniture & fixtures	5,000
		All other	9,800
		Buildings on leased land	0
		<b>Total</b>	<b>\$ 124,300</b>
		<hr/>	
<p>CONSERV FS PO BOX 580 KANSASVILLE WI 53139-0580</p>		<p><b>Contact Information</b> If you have any questions, contact the Manufacturing &amp; Utility Bureau District Office in your area at <a href="mailto:mfgtel77@revenue.wi.gov">mfgtel77@revenue.wi.gov</a> or (414) 227-4456.</p>	
<p><i>See other side for appeal procedures</i></p>		<p>MFGAA103WI (R. 04-15)</p>	

The assessment on the front of this notice is made at 100% full market value as of January 1, 2015. The Wisconsin Department of Revenue (DOR) will equate the assessment to the general level of assessment of all other property in the taxation district. Local tax rates are used to calculate the property tax levy.

If you have any questions about your assessment, email or call the district office under "Contact Information" on the front of this notice. If you disagree with this notice after discussing with the district office, you may send an appeal to the State Board of Assessors (BOA).

### How to appeal

1. File your appeal using the appropriate DOR objection form located on our website: [revenue.wi.gov/forms/manuf](http://revenue.wi.gov/forms/manuf)
2. You must file your appeal no later than 60 days after the date on this Notice, under state law (sec. 70.995(8)(b)1 and sec. 70.995(8)(d), Wis. Stats.)

### Your appeal is considered timely filed if one of the following occurs:

- The BOA receives it with the filing fee, by the 60th day
- You send it by certified mail with the filing fee, and it is postmarked before midnight of the 60th day

### Send the following to the address below

1. Your objection form
2. A \$45 filing fee (payable to "Wisconsin Department of Revenue") for each objection form you submit
3. Two copies of supporting documents for the appeal (ex: appraisals, listing contracts, EPA clean-up orders)

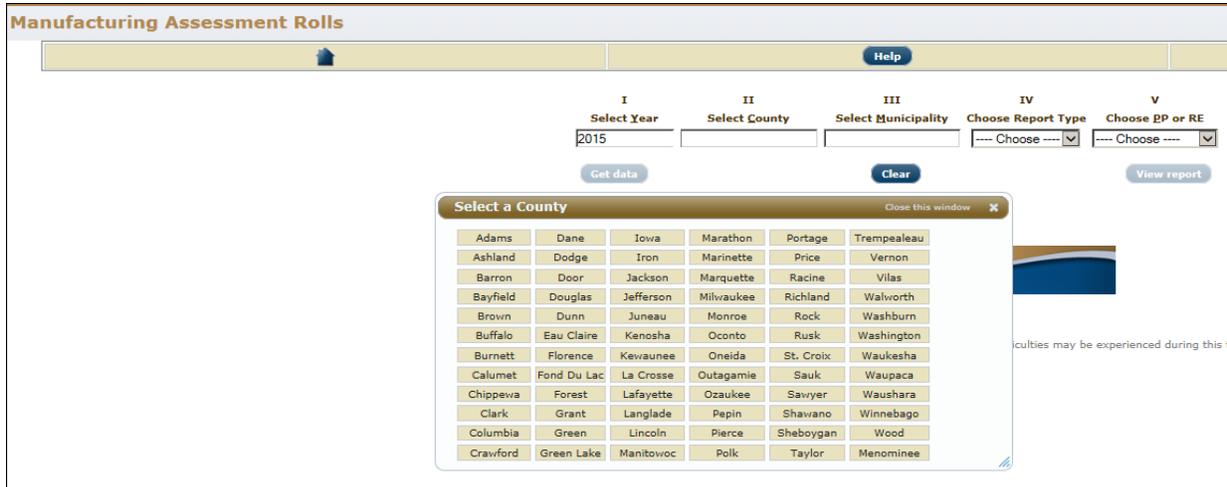
### Appeals address

State Board of Assessors, Wisconsin Department of Revenue, PO Box 8971, MS 6-97, Madison WI 53708-8971

### 2015 Personal Property Assessment Notice (Front and Back)

Late in the calendar year, DOR produces the equated manufacturing rolls which displays the original full value assessments, plus any changes applied since the initial issuance, equated to the general, aggregate level of assessment within each municipality. The equated manufacturing rolls set manufacturing property at an assessment level equitable to locally assessed property for tax roll purposes.

Manufacturing assessment roll information is accessible through the [Manufacturing Assessment Rolls application](#). The application stores data on notification, full value, and equated manufacturing rolls including current and prior years. The following image depicts the initial search screen.



**Manufacturing Assessment Rolls web application**

**Summary of Manufacturing Assessments - 2015**

All manufacturing real estate parcels and personal property accounts are assessed at full value each year. The following report, *Manufacturing Full Value Summary (by MFG AA)* (MFGAA166WI) shows manufacturing assessed values and number of accounts by district as well as for the entire state. This report is run at the conclusion of full value assessment roll production proofing. As of the report date, June 19, 2015, the DOR manufacturing assessment roll contained 11,262 real estate parcels and 9,552 personal property accounts. The breakdown by district:

WISCONSIN DEPARTMENT OF REVENUE								PAGE	1
DIVISION OF STATE AND LOCAL FINANCE (MFGAA166WI)								DATE	04/25/16
MANUFACTURING FULL VALUE SUMMARY (BY MFG AA)							YEAR 2015		
COUNTY = 99									
AA	MUNI	CURRENT TOTAL PCL CNT	CURRENT LAND	CURRENT IMPROV	CURRENT RE TOTAL	CURRENT ACCT CNT	CURRENT PP TOTAL	TOTAL MFG	
76	999	2,542	534,882,900	2,855,605,000	3,390,487,900	2,266	686,348,600	4,076,836,500	
77	999	2,480	763,012,000	3,005,463,800	3,768,475,800	2,496	657,883,700	4,426,359,500	
79	999	3,106	339,599,400	2,463,686,100	2,803,285,500	2,112	809,940,600	3,613,226,100	
81	999	3,134	435,794,000	3,359,759,100	3,795,553,100	2,678	854,063,500	4,649,616,600	
TOTAL		11,262	2,073,288,300	11,684,514,000	13,757,802,300	9,552	3,008,236,400	16,766,038,700	

**2015 Summary of Manufacturing Full Value by District (AA)**

## ASSESSMENT APPEALS

### State Board of Assessors

Manufacturing assessments may be appealed by the manufacturing property owner or the municipality where the property is located. Full value assessment notices contain information on appealing manufacturing assessments. Assessment objections (appeals) are considered timely filed with the State Board of Assessors (BOA) if they are received within 60 days after the date on the assessment notice.

Under state law ([sec. 70.995\(8\)\(a\), Wis. Stats.](#)), the BOA is comprised of DOR employees appointed by the Secretary of Revenue. The BOA investigates objections filed each year and must complete its work by April 1 of the following year. The BOA receives and investigates objections to manufacturing assessed value, both real estate and personal property, manufacturing classifications, manufacturing filing penalties and appeals of locally assessed computers assessed as taxable under [sec. 70.11\(39\), Wis. Stats.](#)

BOA determinations may be appealed to the Wisconsin Tax Appeals Commission (TAC). TAC decisions are appealed to the Wisconsin State Court System beginning at the circuit court level and continuing up to the Wisconsin Supreme Court. DOR's [Guide to Wisconsin Manufacturing Property Assessment \(PB065\)](#) includes additional information on appealing manufacturing assessments. General information on appealing to the TAC can be found in DOR's publication, [How to Appeal to the Tax Appeals Commission \(PB800\)](#).

During the 2015 assessment year, the BOA received and processed 189 objections. The following table summarizes the 2015 BOA appeals by type and determination.

Type	Count	Value	Sustained/ Deny/ Withdrawn	Changed/ Reversed	BOA Value
Real Estate*	151	564,347,700	107	44	540,703,300
Personal Property*	16	74,974,500	8	8	60,964,200
Classification	17	N/A	9	8	N/A
Filing Penalty	5	N/A	3	2	N/A
Computer Exemption	0	N/A	N/A	N/A	N/A
Total	189	639,322,200	127	61	601,667,500

\*Includes Municipality Cross-Appeals

### 2015 State Board of Assessor Appeal Summary

## SECTION 4—PROPERTY DATA, MARKET DATA, AND MANUFACTURING PROPERTY DATA

### PROPERTY DATA

#### Personal Property

In 2015, DOR completed annual assessments on 9,597 personal property accounts. This total includes electronic, paper and non-filer accounts. The total value of personal property minus exempt machinery and equipment, waste treatment equipment and computer equipment equals \$2,841,452,900 (2015 Summary of Manufacturing Full Value by District (AA)).

The M-P Form is used by the manufacturer to report all of the business' personal property located in a municipality. The owner reports any change in name, address, or location of the property. In addition, there are a number of schedules for the owner to complete:

- A – displays ownership and preparer information and is a summary of the schedules reporting taxable personal property. The values from each of the other schedules completed carry forward to this schedule.
- YP – Part 1 is a summary of accounting records and is used by the manufacturer to list all personal property costs within the municipality, such as manufacturing 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 during the last calendar year, and the balance at the end of the current year to establish the assets on hand on the current assessment date (January 1). Vehicles and waste treatment costs are entered on Y-P and have no supporting schedules. Part 2 provides a schedule for the preparer to classify items as Real Estate or Personal Property.
- S – used to report non-production supplies and expensed taxable assets. 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.

Schedules M, D, C, F and N are used for the following personal property:

- M – machinery, tools, patterns and shop equipment
- D – copiers, telephone systems and equipment
- C – computers and software exempt under sec. 70.11(39), Wis. Stats., computers and software exempt as manufacturing production equipment under sec. 70.11(27), Wis. Stats., and fax machines not used as copiers
- F – furniture, fixtures, and office equipment
- N – boilers, tanks and silos

On Schedules M, D, C, F and N, "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.<sup>4</sup>

This procedure is further explained in the WPAM, Chapter 16, 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.

Schedules for reporting leased property located at a manufacturer are:

- L – for leased personal property
- LC – for leased computers and software

On Schedules L and LC, the manufacturer reports the name and address of the owner (lessor); 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.

Five additional schedules are used to report less common or special types of personal property:

- P – lists the business' physical location (situs) and requests real estate owner information. Schedules LB and LI are included on Schedule P, requiring detailed information where applicable.
- B – for reporting boats and watercraft subject to the general property tax
- LI – for reporting all leasehold improvements. These are real estate components owned by someone other than the land and building owner.
- O – for reporting all other personal property not reported on another schedule. The manufacturer should give an adequate description of the property to enable DOR to determine if it should be assessed as real or personal property and whether it is taxable or exempt.
- LB – for reporting all buildings on leased land (BLL). BLL are structures or buildings (real estate) owned by someone other than the landowner. BLL are valued like other real estate.

Personal Property Asset List: A new manufacturer must file a personal property asset list before or with their initial M-P Form to assist DOR with identifying exempt machinery and equipment. Failure to file the asset list may result in taxing all of the manufacturer's machinery and equipment. An updated fixed asset listing is also required at field audit.

Verifying the assessment of all taxable property value for fair and equitable distribution of the property tax is the goal.

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<sup>4</sup> *Wisconsin Property Assessment Manual Chapter 10 - Manufacturing and Utility Assessment 10-31 (Revised 12/11).*

Tax Year	Roll Type	Asmt Roll	File Y...	SIC	Total Asmt	Who	When	Record	Status
2015	PP		2015	3550	110,900	EQUATED	10/26/2015 07:47 AM	Current	

Flags:	
COMPLETE:	<input type="text" value="Y"/>
PEN IND:	<input type="text" value=""/>
EQUATED:	<input type="text" value="P"/>
Original Notice Date:	<input type="text" value="15-JUN-2015"/>
Revised Notice Date:	<input type="text" value=""/>

Values:					
Roll Type:	<input type="text" value="PP"/>	Value Class:	<input type="text" value=""/>	Value Year:	<input type="text" value="2015"/>
Property Class:	<input type="text" value="3"/>	Reason Code:	<input type="text" value="0000: No Value Change"/>	SIC:	<input type="text" value="3550"/>

		Calc	Override Code	Override Value	Value
1.	BOATS:	<input type="text" value="0"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="0"/>
2.	MACHINERY:	<input type="text" value="76,900"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="76,900"/>
3.	FURN FIXTURES:	<input type="text" value="31,100"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="31,100"/>
4.	ALL OTHER:	<input type="text" value="2,900"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,900"/>
5.	BLDGS ON LEASED LAND:	<input type="text" value="0"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="0"/>
6.	TOTAL:	<input type="text" value="110,900"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="110,900"/>
7.	EXEMPT COMPUTERS:	<input type="text" value="2,400"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,400"/>
8.	EQ BOATS:	<input type="text" value="0"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="0"/>
9.	EQ MACHINERY:	<input type="text" value="85,400"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="85,400"/>
10.	EQ FURN FIXTURES:	<input type="text" value="34,500"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="34,500"/>
11.	EQ ALL OTHER:	<input type="text" value="3,200"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="3,200"/>
12.	EQ BLL:	<input type="text" value="0"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="0"/>
13.	EQ TOTAL:	<input type="text" value="123,100"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="123,100"/>

**IPAS Personal Property Assessment Screen**

**Components of the Personal Property Record File**

Each personal property account has a *physical property record file* and an *electronic record file* that may include the following:

- Location of the assets
- Listing of the assets
- Chronological activity sheet
- Historic records showing annual assessments
- M-P filings
- M-L Forms and leased equipment info
- Taxation districts info
- Field audit interview forms
- Miscellaneous documents like newspaper articles and correspondence
- Corresponding real estate account identification
- The values for each category of personal property
- Questionnaire for Potential Manufacturer
- Real estate cross reference info

Personal property record data is maintained in DOR's Integrated Property Assessment System (IPAS), an Oracle database system purchased from Tyler Technologies. Data is stored in tables and displayed on "tabs" organized within functional "transactions." The picture on page 33 displays a screen view of the Assessment (Asmt) tab.

Personal property record data is organized in the following tabs:

- PP Admin (Personal Property Administration) – taxation district information (municipal, school, union high, technical college, TID, special)
- Owners – ownership information: name, address, contact information
- Locations – location(s) of manufacturers personal property within common taxation districts
- PP Schedules (Personal Property Schedules) – assessment values by M-P Form schedule
- Totals – assessment value aggregated by statutory group per Section 70.30, Wis. Stats
- Asmt – assessed value record including full value, equated value, corrections (sec. 70.43, Wis. Stats.), notice date and penalty information.
- M-P Return – filing data from M-P Form
- Notes – free form text note fields
- Alt ID (Alternative Numbers) – alternative account identifiers and cross-references
- Entrance – record of property visitation; date, reason, contact

Under state law (sec. 70.35(3), Wis. Stats.), 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.

### **Leased Equipment Form (M-L)**

The M-L Form is used by anyone who owns and leases personal property to a manufacturer. On this form the owner reports: name of the lessee and where the equipment is located; type of equipment; quantity; brand name and model number of equipment; lease dates and number; year manufactured or acquired; cost or price; gross rent; whether it is a capitalized lease; and owner's estimate of value.

This form provides a cross-reference to validate leased equipment information received from the taxpayer on the M-P Form. DOR does not assess leased property to the lessor. All property leased, loaned or located at a manufacturer is assessed to the manufacturer.

### **Real Property**

In 2015, DOR completed annual assessments on 11,263 real estate accounts. This total includes vacant and improved parcels. The total value of real estate equals \$13,754,798,700 (2015 Summary of Manufacturing Full Value by District (AA)).

The M-R Form is used by the real estate owner to report all of the changes to the real estate in the prior calendar year. The M-R requires data and costs for the following schedules:

- A – Owner and property detail
- Y-R (Part 1 & Part 2) – summary of real estate accounting records
- R-1 (Part 1) – new construction and construction in progress detail
- R-1 (Part 2) – new construction and construction in progress costs
- R-2 – remodeling detail and costs
- R-3 – demolition and demolition in progress detail and costs
- R-4 – land improvements detail and costs
- R-5 – real estate lease detail
- R-6 – waste treatment detail
- B – summary and owner signature

Data provided on the M-R is audited by DOR appraisers and the contributory value of the reported data is factored into the assessment.

Once the full value is set, it is reflected on the assessment tab in IPAS (lines 1, 2 and 3 below). Later when the municipality is equated, the equated value is displayed on lines 4, 5 and 6.

Tax Year	Roll...	Asmt Roll	RFC	Class	Land Asmt	Imp Asmt	Total Asmt	Who	When	Record	Status
2015	RE		0000	3	108,000	2,369,000	2,477,000	EQUATED	10/19/2015 03:56 PM	Current	

Flags:				
COMPLETE:	<input type="text" value="Y"/>			
PEN IND:	<input type="text" value=""/>			
EQUATED:	<input type="text" value="P"/>			
Original Notice Date:	<input type="text" value="28-MAY-2015"/>	Revised Notice Date:	<input type="text" value=""/>	

Values:					
Roll Type:	<input type="text" value="RE"/>	Value Class:	<input type="text" value=""/>	Value Year:	<input type="text" value=""/>
Property Class:	<input type="text" value="3"/>	Reason Code:	<input type="text" value="0000: No Value Change"/>	SIC:	<input type="text" value="1446"/>
		Calc	Override Code	Override Value	Value
1.	FMV LAND:	<input type="text" value="108,000"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="108,000"/>
2.	FMV BUILDING:	<input type="text" value="2,369,000"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,369,000"/>
3.	FMV TOTAL:	<input type="text" value="2,477,000"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,477,000"/>
4.	EQUATED LAND:	<input type="text" value="100,600"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="100,600"/>
5.	EQUATED IMPS:	<input type="text" value="2,207,100"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,207,100"/>
6.	EQUATED TOTAL:	<input type="text" value="2,307,700"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="2,307,700"/>
7.	70.43 CORRECT LAND:	<input type="text" value="0"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="0"/>

IPAS Real Estate Valuation Assessment Screen

### **Components of the Real Property Record File**

Components of the real property record files include data on the land and the improvements. Because of the varied locations of manufacturing property across the state, it is not possible to show individual parcels on a single map. However, the individual parcels can be found using most county websites with parcel layers, such as:

- [Access Dane](#)
- [Milwaukee County Land Information Office's Interactive Mapping Service](#)
- [Wisconsin Department of Natural Resources Interactive Web Mapping Applications](#)
- [Wisconsin Land Information Association Parcel Project](#)

In areas without GIS, it is necessary to rely on paper plat maps.

Each real estate parcel has a *physical record file* and an *electronic record file*. These files may include:

- Legal description
- Sketch of the improvements showing items, including size, story height, and number of floors
- Listing form identifying the property's physical attributes
- Property record card
- Photographs
- Chronological activity sheet
- Historic records
- M-R returns
- Field Audit Interview Report
- Land sketch
- Costing ladder with depreciation estimates
- Cost template
- Sales Analysis and Reconciliation Report
- Miscellaneous documents (newspaper articles and correspondence)
- Sale sheet if a sale occurred
- Assessment figures
- Corresponding personal property account identification
- Appropriate taxation districts
- Board of Assessor recommendation and/or determination

The electronic property record is maintained in IPAS.

The visible 'tabs' in its web-based graphical interface define the IPAS database table structure. The interface structure for real estate includes tabs for:

- Parcel (general parcel data)
- Land (land parcel data)
- Buildings (CAMA summary)
- Interior/Exterior (CAMA building detail)

- Features (special features)
- OBY (other building and yard items)
- Sales (sales events)
- M-R Return (M-Form filing data)
- Values (valuation data entry)
- Asmt (assessment data)
- Owners
- Notes
- Alternate ID (other parcel numerical references)
- Legal (taxation districts)
- Legal Desc (legal description)
- Permits
- Entrance – site visit history

An example of the real estate property record card (PRC) from IPAS is included in the addendum to this report. The PRC includes detailed ownership, land, CAMA (Computer Assisted Mass Appraisal) cost data on manufacturing properties, photographs, sketches, sales and assessment data.

The real estate file also includes the annual M-R Form required of every manufacturing real property owner. The M-R Form requests information from owners that may influence the assessment of the property including any recent sale, listing or appraisal of the property, new construction, remodeling, demolition, and information on tenants and lease information. A copy of the 2015 M-R Form can be found in the addenda.

## **MARKET DATA**

### **Sources of Data and Reports**

Throughout the year, DOR personnel collect data from a variety of sources including local, state and federal governments, real estate market participants, real estate publications, newspapers, and subscription services. A list of data sources and references can be found in the Addenda to this report.

DOR's Division of Research and Policy periodically publishes reports on Wisconsin's economy.

## **SUPPLY AND DEMAND**

Supply and demand control the price of real estate in the marketplace. *Supply* is the availability of land, office, warehouse, and production space for sale or lease. Availability is determined by the number of improved sites which allow manufacturing activities. *Demand* is determined by space preferences, the size of the market, and the price of substitute space. Supply and demand are inversely related. For example, if the amount of industrial space increases with demand remaining constant, the price for manufacturing buildings decreases. In addition, if more consumers move into a market area but the supply of space remains constant, the price increases.

Sales transactions indicate the amount of activity in the market and historic trends can indicate the relationship between supply and demand.

## **PROPERTY SALES INFORMATION**

DOR directly collects information about the sales of commercial and manufacturing property through the Real Estate Transfer Return (RETR) System. The Manufacturing & Utility Bureau investigates sales of industrial properties classified as manufacturing, and as applicable, commercial properties of an industrial nature. Sales are verified to determine if they are arm's-length transactions. This verification includes: an interview of the grantor, grantee, and broker; an on-site inspection; and a written sale report. Sale reports are publically available and are located on the [DOR website](#).

### **Analysis of Manufacturing Sales**

Arm's-length sales of manufacturing real estate provide general information on the quality of the manufacturing real estate assessments. The comparison of DOR's full value real estate assessment to a manufacturing parcel's sale price provides a ratio that may be used to identify significant differences in the assessment of manufacturing property by location, type, and size of property. Sales ratios may indicate the need for economic adjustment during the annual assessment process.

Sales ratio studies provide assessors statistical methods of evaluating their work to improve real estate assessments. Sales ratio studies are described in the WPAM, Chapter 14 and the International Association of Assessing Officers (IAAO) Standard on Ratio Studies.

Because of the relatively low number of sales of manufacturing real estate parcels, the unique characteristics of many of the properties sold, and the dispersed (statewide) location of the sales, the sales ratio analysis has limitations. The assessment of manufacturing is not geographically defined by municipal boundaries, so sales ratios of manufacturing real estate parcels only provide DOR with broad measures of assessment performance and market trends.

The sales ratio measures provide guidance to DOR when establishing economic change parameters for use during the annual full market value assessment of manufacturing real estate. Typically there are not enough sales of homogeneous properties from smaller geographic areas to properly stratify sales by property type or neighborhood, as a local assessor would with residential properties.

A sales ratio analysis of manufacturing sales from 2013-2014 can be found in the addenda. The summary statistics are included in the table below.

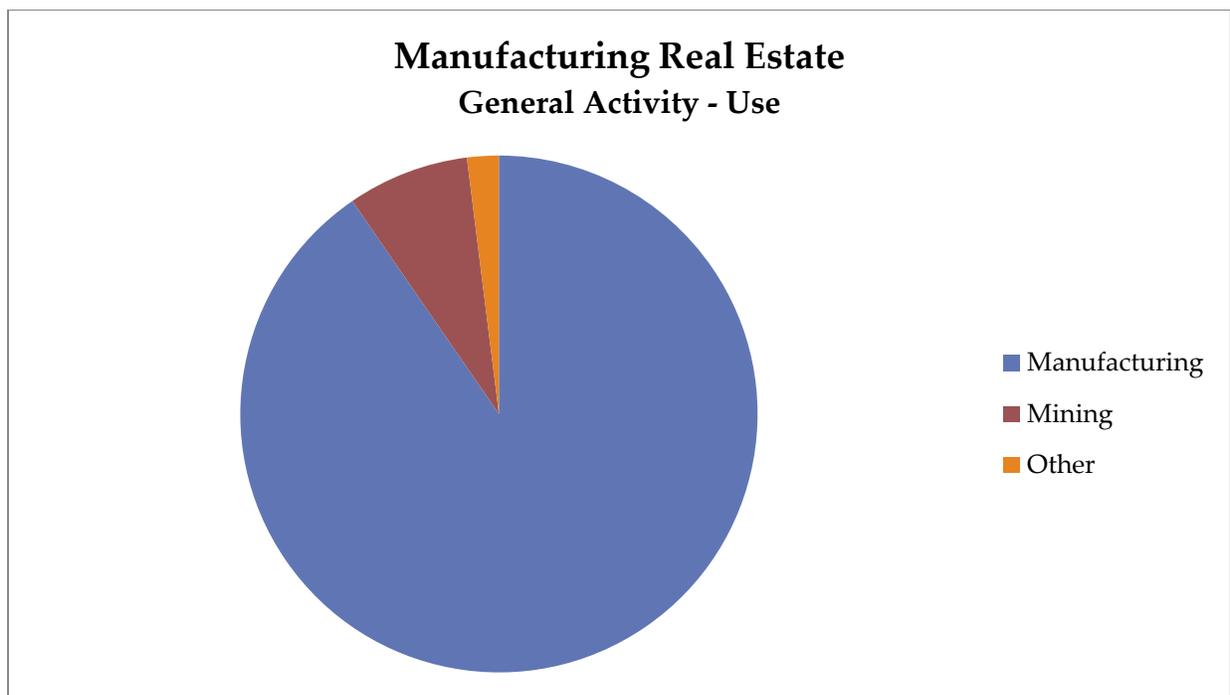
**2013-2014 Sales Ratio Study - (Class 3)**

Number of Sales:	123	RATIOS	NO.	PCT
Mean:	1.01.0302	Under 100%:	57	46.34%
Weighted Mean:	1.0335	at 100%:	1	0.81%
Geometric Mean:'	0.9991	Over 100%:	65	52.85%
Median Ratio:	1.0213		123	100.00%
Average ABS DIF :	0.1944			
Coefficient of Dispersion :	19.04			
Coefficient of Variation :	25.17			
Price Related Differential :	1.00			

**TYPES OF SPACE**

In 2015, DOR assessed 11,263 real estate parcels. Using the *Standard Industrial Classification Manual (SIC), 1987*, the general description of the activities occurring at these properties can be summarized as follows:

- 90.4% are involved in manufacturing activities
- 7.6% are involved in mining
- 2.0% are involved in other activities including photofinishing laboratories, scrap metal processing and warehousing



**Manufacturing Real Estate Parcel by Manufacturing Activity**

## SECTION 5 – VALUATION

The methods used to value manufacturing property are consistent with professionally accepted standards and practices of Wisconsin assessors outlined in the WPAM, in general, and in Chapter 10, specifically. The valuation process uses one or more of the following approaches where appropriate:

- Sales Comparison Approach (primary method)
- Cost Approach
- Income Approach

### SALES COMPARISON APPROACH

The Appraisal Institute describes the sales comparison approach as:

*A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available.*

This approach, the one primarily used in Wisconsin (Tier 2), uses reasonably comparable properties that recently sold to value manufacturing real property. Appraisers field investigate sales to determine if they represent arm's length transactions. The data collected is recorded on a "Sale Report," which includes the following information:

- Transaction information – includes buyer, seller, conveyance date, conveyance type, sale price
- Sale Data – includes total sale price, personal property value, most recent asking price, time on the market
- Property Improvement Data – includes primary square footage, office square footage, wall height, clear height, frame type, wall type
- Land and Improvement Sale Analysis– includes land value, improvement value, estimates for physical depreciation, functional and economic obsolescence
- Comments–from the buyer, seller, broker, and appraiser investigating the sale are recorded to convey the terms and conditions under which the property sold

If recent sales include properties that are similar to the subject property, the Sales Comparison Approach receives the most weight in the determination of the subject property value.

Manufacturing property sales are on the [DOR website](#).

### **Sales Analysis and Reconciliation Report (SAR)**

Property sale data collected for the *Sale Report* is also added to the comparable sales database in the *Sales Analysis and Reconciliation Report (SAR)*. This report is an Excel template that can accommodate all three approaches to value for a manufacturing subject property. The primary valuation approach always present in a SAR is the Sales Comparison Approach. The sales approach in the SAR is a hybrid model that provides algorithms for uniform adjustment of comparable sale attributes with the ability for the appraiser to make individual adjustments for unique characteristics of manufacturing properties. The SAR is used by all appraisers of manufacturing property, primarily to revalue property after a cyclical field audit review, but also used during appeal investigations for BOA or Tax Appeals Commission (TAC).

The SAR template provides property data attributes for the subject manufacturing property and comparable sales, for analysis in a traditional sales comparison grid. Comparable sale attributes are adjusted to those of the subject property. The adjusted sale prices for comparable properties provide an indication of fair market value for the subject property.

The table on the next page displays the sales comparison approach as implemented in the SAR template.

AA: 79		COUNTY #: 09	Munic #: 211	2015 Sales Analysis & Reconciliation Report				Appraiser:
COMPUTER OR PARCEL NO:		20000-4513-00000001	ParID: 000007613	Eau Claire District				
OWNER'S NAME:		WATTON JEFFREY & DEBORAH		Manufacturing Assessment - w/ Dept of Revenue				
SITUS ADDRESS:		420 WELL ST						
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Enter PARID Only for Data to Auto-Fill</div>								
SALES COMPARISON INDICATOR								
List of Comps from Select Worksheet-->		Enter ID#	Enter ID#	Enter ID#	0	0		
ITEM	SUBJECT	SALE #1	SALE #2	SALE #3				
SALE ID #	--	13-81-025-2	14-79-003-2	13-79-036-2				
COUNTY	CHIPPEWA	36 - MANITOWOC CO	32 - LA CROSSE CO	37 - MARATHON CO				
MUNICIPALITY	CHIPPEWA FALLS	C MANITOWOC	C LA CROSSE	C WAUSAU				
ADDRESS OF COMPS		4443 Custer St	2860 21st Place	820 S 66th AVE				
COMM / NEIGH		2	3	3				
FAAC / LAND VALUE	2,790	41,900						
IMP \$ SP	*****	192,100	407,800	321,400				
IMP SP/3F	*****	\$ 8.74	\$ 18.33	\$ 12.37				
# MONTHS	*****	21	10	13				
T.ADJ. SP	*****	\$8.74	\$18.33	\$12.37				
ATTRIBUTES	DESCR TN	DESCR TN	ADJMT	DESCR TN	ADJMT	DESCR TN	ADJMT	
IMP. SF	21,830	21,375	X	22,250	X	25,974	X	
AGE	25	20	X	25	X	25	X	
FRAME	4	4	X	4	X	4	X	
WALL	7	7	X	7	X	7	X	
NO. STYS.	1	1	X	1	X	1	X	
S/C RATIO	5.6	2.6	X	4.1	X	3.7	X	
COMMUNITY RATE	3	2	X	3	X	3	X	
NEIGHBORHOOD RATE	2	3	X	2	X	2	X	
PHYSICAL RES.	Fair	48	X	53	X	49	X	
FUNCTNL RES.	85	80	X	95	X	95	X	
LOCATION RES.	35	87	X	35	X	35	X	
OTHER ECO. RES.	100	100	X	100	X	100	X	
OFFICE %	3.6	8.8	X	3.9	X	3.8	X	
HEIGHT	13	17	X	16	X	17	X	
USE (SIC CODE)	3565	2430	X	3565	X	2672	X	
SPRINKLER %	0.0	0		100		0		
ADJUSTMENTS								
CONDITION	48	50	-0.35	53	-1.73	49	-0.25	
LOCATION RES.	35	87	0.70	35	0.00	35	0.00	
OFFICE %	3.6	8.8	0.07	3.9	1.04	3.8	0.72	
HEIGHT	13	17	-0.70	16	-1.10	17	-0.39	
Site Coverage		5	0.44		0.00		0.00	
Layout & Design		-5	-0.44	-5	-0.32	-5	-0.62	
Sprinklers			0.00	-5	-0.32		0.00	
			0.00		0.00		0.00	
			0.00		0.00		0.00	
			0.00		0.00		0.00	
GRS ADJ	%		30.83%		31.15%		20.86%	
GRS ADJ	\$/sf		2.70		5.71		2.58	
NET ADJ	\$/sf		-0.28		-3.63		-1.14	
ADJUSTED SALE PRICE/SF			8.46		14.70		11.23	
GROSS WTS			0.29		0.29		0.43	
Land Previous Assmt / Acres		\$34,900	2,790					
Imprs Previous Assmt / SF:		\$221,300	21,830					
Total Prior Assessment:		\$262,200						
SALES COMPARISON INDICATED VALUE				COMPARABILITY INDEX				
UNIT VALUE PER SQUARE FOOT	\$	11.43		WTGA %		27		
IMPROVEMENT VALUE		250,203		COMP COY%		22	UNADJ. COY%	
MARKET VALUE OF THE PROPERTY	\$	292,103		AVE GS A%		28	TOP COY%	
							40	

### 2015 Sales Analysis and Reconciliation Report (SAR)

Header rows in the SAR grid (above) display the subject parcel's DOR Administrative Area (AA #), County #, and Municipal #. They also show the subject parcel's Computer Number, Parcel ID, Owner's Name, Situs Address, and Appraiser's Name.

Below the header information, the comparable sales grid includes the comparable Sale ID#, County, Municipality, Community Neighborhood rating, Acres and Land Value, the Improvement Sale Price, Improvement Selling Price per square foot, # of Months since the sale, and Time Adjusted Sale Price.

Subject property attributes are gathered from IPAS, and entered in the third column of the SAR.

The appraiser selects reasonably comparable sales. The grid allows for 1-6 sales. The sale is adjusted for differences between the sale property and the subject property.

The SAR model includes automatic calculations that uniformly adjust four property attributes for differences between the subject property and each selected comparable sale. The automatic calculations can be overridden by the appraiser if necessary:

- Condition – an adjustment made by comparing the physical residual (based on observed condition) of the sale property to the physical residual (based on observed condition) of the subject property. The formula for the adjustment is: (Physical residual of the subject) minus (physical residual of the sale) divided by (physical residual of the sale) times (selling price per square foot of the sale).
- Location\_residual – calculated by subtracting the sale locational residual from the subject locational residual times the selling price per square foot for the sale, divided by 100
- Office % – 1% for each percentage of difference between the subject and the comparable. The adjustment is capped at 10%.
- Height – 2% times the sale price per square foot times the difference between the subject and the comparable. The adjustment is capped at 20%.

The SAR model also includes manual calculations that uniformly adjust other property attributes for differences between the subject property and each selected comparable sales. Attributes that may be considered for percentage adjustments, include:

- Market change
- Size
- Site coverage ratio
- Quality
- Layout and design
- Sprinkler
- Terms
- Other

### **SAR Measures of Comparability**

These measures explain how the selected sales compare to the subject property.

1. Individual gross adjustment percent (GRS ADJ %) – this value is a direct measure of comparability for each comparable. The lower the gross adjustment, the greater the reliability.
2. Weighted average gross adjustment percent (WTGA%) – this value is used to measure the overall relative amount of adjustment for a specific model, and is the product of each comparable's gross adjustment multiplied by the reciprocal for that comparable. This measure emphasizes the low percentage adjustments.
3. Comparability coefficient of variation (COMPCOV%) – this is the standard deviation divided by the average time adjusted selling price and is a measure of relative dispersion. It is used to describe and

measure the variation among the adjusted selling prices of all comparables used in the sales comparison approach. The greater the spread, the less reliable this approach is as an overall indicator of value. However, this statistic is only useful when analyzed along with the WTGA% because it identifies the range, but not the level of comparability.

Evaluating the sales comparison approach also requires the appraiser to evaluate:

- Gross adjustment percentage for each sale
- Gross adjustment in terms of \$/sf
- Net adjustment in terms of \$/sf
- Adjusted sale \$/sf, the final comparability coefficient of variation percent
- Gross weights assigned to each sale

Collectively, these indices determine if this approach provides compelling and defensible evidence of value for the subject

When few reasonably comparable sales are available in the database, it may be necessary to rely on another valuation approach, such as the Cost Approach or the Income Approach. Estimates of value based on cost, income, or other sources of market data (Tier 3), including third party appraisals, are entered into the SAR template and weighted for reconciliation purposes.

### **Final Assessment Reconciliation**

The appraiser's final value estimate depends on the sales, individually, and as a group. Appraisers use the gross adjustment to determine the degree of comparability – the higher the gross adjustment, the less comparable the sale and the less weight the sale receives. The final value estimate is a system-weighted average of the reciprocal percent-to-total to the adjusted selling price of each comparable. This is a direct application of the rules of best evidence. This process minimizes the influence of outliers and maximizes the influence of more similar comparables.

Because this process considers the relative comparability of each comparable to the subject, it is considered a better estimator than either the average adjusted sale price, or any one adjusted sale price.

The appraiser may weight one or more of the other approaches to value (cost or income) in the final value reconciliation. This decision is based on the relative strength or weakness of the evidence provided in each approach.

## **COST APPROACH**

The Appraisal Institute describes the cost approach as:

*A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation*

*from the total cost, and adding the estimated land value. Adjustments may be then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.*

IPAS incorporates the Marshall & Swift® valuation cost system, which is used to estimate the replacement cost new (RCN) of the subject land and building improvements. Physical depreciation, functional obsolescence, and economic obsolescence are estimated for each property.

### **Depreciation and Obsolescence**

Physical depreciation is the loss in value due to deterioration through wear and tear, time, negligence, and the effects of nature or the elements. (WPAM, Volume 1, page 7-33, revised 12/11)

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, and occurs in all types of property. (WPAM, Volume 1, page 7-33, revised 12/11)

Economic obsolescence is the loss in value due to factors outside the property. This includes changes in population and economic trends, encroachment of inharmonious use, and inadequate government services. (WPAM, Volume 1, page 7-35, revised 12/11)

Estimates for physical depreciation, functional obsolescence, and economic obsolescence are based on the appraiser's observations.

The Cost Approach is most appropriately used to value newer properties, but may be relied upon when there are no recent sales of reasonably comparable properties, or when the property is a special purpose or single purpose property not typically available for lease. The estimated cost approach value developed in IPAS can be used in the SAR template as another indicator of value (Tier 3) for reconciliation.

## **INCOME APPROACH**

The Appraisal Institute describes the income capitalization approach as:

*A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. On year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.*

The following equation shows the specification for the direct capitalization of income approach to value. When used to value manufacturing property, the direct capitalization approach is the preferred income approach method. The direct capitalization approach method in the general form can be defined as:

$$V = I / R \quad \text{Where:} \quad \begin{array}{l} V = \text{Value} \\ I = \text{Income} \\ R = \text{Rate} \end{array}$$

Or more specifically,  $V = (I - E) / R$

$$\begin{array}{l} V = \text{Value} \\ I = \text{Income} \\ E = \text{Expenses} \\ R = \text{Rate} \end{array}$$

The process of dividing the income by the rate is called *capitalization* and the rate is commonly referred to as the *cap rate*. There are several methods for developing a rate. DOR utilizes current reports such as PricewaterhouseCoopers (PwC) to determine the cap rate. The final value estimate using this approach yields a total value, including both the land and the improvements.

### **Land values**

Land values are determined using multiple resources:

- Recent land sales received by DOR – sales are investigated to determine if they are arm's length
- Local assessor information – discussions with local assessors provide information, such as new commercial activity that impacts land values
- Newspaper articles – includes land sales information
- Current asking prices for vacant land parcels available for development

If land sales are unavailable, the appraiser uses improved sales to extract a land value. If the improvement value is known, this value is subtracted from the total sale price. The remaining residual value is the land value.

DOR assesses land currently used for a manufacturing activity, or in support of a manufacturing activity, such as an employee parking lot. Vacant land owned by a manufacturer, but not used for manufacturing purposes is locally assessed.

### **Collecting Rental Income Information**

DOR collects rental income information using several sources. A direct source is the Schedule R-5-Real Estate Lease form. This is a self-reporting form that asks the property owner to identify rental information including:

- Tenant name and address
- Area leased
- Length of the lease
- Inception date
- Relationship between the owner and the tenant

Income information is also gathered from PwC, which is a nationally recognized source for property income data.

The Income Approach may be used if the subject property lends itself to a rental market. A property does not have to be leased to use this approach. Conversely, this approach may be used for a leased property; however, the Sales Comparison Approach may provide sales very similar to the subject. In that case, the appraiser may choose the Sales Comparison Approach as the most compelling and defensible indicator of value.

Current market rent must be used in this approach to determine an estimate of value. If the current rent is below market rent, it encumbers the value of the property and must be considered an encumbrance in the final value reconciliation.

When appropriate, and when income data exists, the Income Approach indicator of value (Tier 3), is developed in the SAR template for reconciliation:

*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
INCOME APPROACH INDICATOR						OTHER INDICATORS						
*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
RENTABLE SF =		20,000	RENT / SF	10.00	*****	SOURCE DESCRIPTION = FINAN APPRSL						
					*****	IMPROVEMENT	TIME ADJ	OTHER ADJ			IND VALUE	
OVERALL RATE % =		9.00	IND VALUE	2,222,222	*****	VALUE =	2,220,000	1.00	1.00	*****	2,220,000	*****
*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

2015 Sales Analysis and Reconciliation Report (SAR) – Income Approach Indicator

## ECONOMIC ADJUSTMENTS

Each year, appraisers complete site inspections for selected manufacturing properties. For real estate, appraisers complete a SAR, considering the appropriateness of the three approaches to value for assessment purposes. Appraisers apply *market change adjustments* to the sales DOR uses on the SAR, to account for any economic changes between the sale date and the assessment date. These changes are market driven, and have no relationship to the quality of our assessments.

During annual assessment, where necessary to maintain all manufacturing real property at estimated full market value, economic adjustments are applied to real estate not field reviewed for the current assessment year. When applied, these economic adjustments effectively update the prior year’s assessment to January 1 of the current year.

### Factors considered when determining economic adjustments

#### Sale Ratios

Given adequate sales data and a stable economy, the assessment/sales ratios may reveal a pattern indicating economic adjustments needed for types of properties (ex: different locations, sizes, construction type or age).

**BOA Appeals**

Analyzing the shared attributes of properties appealed, and resulting in assessment reductions, may reveal common characteristics to consider for economic adjustment.

**SARs**

Patterns in SAR valuations may indicate economic adjustments are required in the locations undergoing field review.

**Market Trends**

Information gathered from various sources throughout the year may provide information for economic adjustment arising from changing consumer behavior affecting the market valuation of particular building types, markets locations, or industries.

**Overall Economy**

General economic factors affecting the regional, national, and global economies are researched to monitor potential impact on the Wisconsin commercial/industrial real estate market. Financial markets, including lending practices of financial institutions, amount, and location of new construction projects, income property vacancy rates, unemployment rates, stock market activity, and consumer confidence can all have an effect on real estate markets over time.

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## SECTION 6 – CERTIFICATION

We certify that, to the best of our knowledge and belief:

- Statements of fact contained in this report are true and correct
- Reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and represents our personal, impartial, and unbiased professional analyses, opinions, and conclusions
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved. If either our property or property owned by any family member is within the district, we certify that we have complied with the ethical provisions of Wisconsin Statute and USPAP when appraising these properties.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment
- Engagement in this assignment was not contingent upon developing or reporting predetermined results
- Compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal
- Inspections of properties that are the subject of this report are outlined in the “Scope of Work” section of this report
- We affirm that our data collection program incorporates quality control measures, including checks and audits to ensure current and consistent records

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## **SECTION 7 – ITEMS IN THE ADDENDA**

### **2015 QUESTIONNAIRE FOR POTENTIAL MANUFACTURERS PA780**

### **2015 MANUFACTURING PROPERTY RECORD CARD (EXAMPLE)**

### **2015 MANUFACTURING PROPERTY RETURNS (M-FORMS)**

- Real Estate (M-R) – PA-750R
- Personal Property (M-P) – PA-750P
- Leased Property (M-L) – PA-750L
- M-Form Filing Statistics – 2015

### **SOURCES OF PROPERTY AND MARKET INFORMATION**

### **2013 - 2014 MANUFACTURING SALES RATIO ANALYSIS**

### **MANUFACTURING ASSESSMENT SUMMARY REPORTS**

- 2015 Summary of Values and Counts by Administrative Area (TSMCC123WI)
- 10 Year History of Manufacturing Assessments (TSMCC124WI)
- Five Year History of Manufacturing Assessments (TSMCC130WI)
- Manufacturing Full Values by County 2013-2015 (TSMCC134WI)
- Manufacturing Annual Assessment Values for Select Municipalities 2013-2015 (TSMCC135WI)
- 2015 Reasons for Real Estate Assessment Change (TSMCC136WI)

### **DEFINITIONS**