



Understanding Your Assessment

A public information brochure provided by
INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS.

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ARE YOU CONCERNED ABOUT YOUR PROPERTY TAXES?

To express your concern effectively, you must understand the two parts of the property tax system: valuation and taxation.

Your assessor's office determines the value of your property; your taxing authority determines the amount your property will be taxed. It is the combination of these two parts that determines how much you will pay in taxes. This pamphlet deals primarily with the first part—how the assessor's office determines the value of your property.

WHAT IS THE ROLE OF THE ASSESSOR?

The assessor is responsible for estimating the value of your property, which determines your assessed valuation. The assessor does not determine your property taxes. Instead, the assessed valuation determines the overall share of taxes you pay. Because your assessment affects your property taxes, it is important that your assessed value be accurate and fair. It is also important that you understand how the value of your property is estimated and what can cause property values to change.

HOW IS YOUR PROPERTY VALUE ESTIMATED?

The assessor estimates the value of your property typically by first examining and collecting information on the physical characteristics of the property. Physical characteristics can include, among others, the square footage of land and improvements, the number of bedrooms in a home, whether or not the improvements include a garage, the number of bathrooms, and the nature of amenities such as swimming pools and fireplaces. For some properties such as income-generating properties, the assessor estimates the amount of income the property can generate. On other properties, nonphysical characteristics such as easements can affect the value of improvements. Location also is a key characteristic affecting value.

Using a mass appraisal system, the assessor analyzes sales, income, and cost data to arrive at an estimate of value. In some instances where warranted, the assessor may rely more heavily on sales or income or cost data to estimate the value. Also, the assessor may find in some instances that particular properties cannot be analyzed through mass appraisal and require individual appraisals to estimate the value.

WHAT CAUSES PROPERTY VALUES TO CHANGE?

A property's value can change for many reasons. The most obvious is that the property changes: a bedroom, garage, or swimming pool is added, or part of the property is destroyed by flood or fire. Sometimes, a change in use can affect the property's value, such as an apartment building being converted to condominiums.

The most frequent cause of a change in value is a change in the market.

If a town's major industry leaves, property values can collapse. As decaying neighborhoods with good housing stock are discovered by young homebuyers, prices gradually rise and then soar as the neighborhood becomes fashionable. A shortage of detached houses in a desirable city neighborhood can send prices to ridiculous levels. In a recession, larger homes may stay on the market for a long time, but more affordable homes are in demand so their prices rise.

In a stable neighborhood with no extraordinary pressure from the market, inflation can increase property value.

Q: If assessed value rises, do taxes have to rise?

A: No

Q: If assessed value falls, do taxes have to fall?

A: No

WHAT IS THE ROLE OF TAXING AUTHORITIES?

Taxing authorities decide the amount of the property tax that is owed each year, including whether the overall property tax rises, falls, or stays the same. Subject to state and local limitations, the taxing authority can determine property taxes either by adjusting the total dollars requested or by adjusting (or not adjusting) the tax rate. The amounts set by the taxing authority in combination with your assessed value determine how much you pay in taxes.

For example, suppose taxing authorities decide to raise \$1 million in property taxes and the assessor estimates the total assessed value of all taxable property in your community at \$100 million. Then the property tax rate would be calculated by dividing the amount of tax to be raised by the total assessed value:

$$\text{\$1 million}/\text{\$100 million} = 1 \text{ percent.}$$

If your home's assessed value is \$100,000, your property tax bill will be:

$$1 \text{ percent} \times \$100,000 = \$1,000.$$

For another example, suppose the total assessed value of your community doubles from \$100 million to \$200 million and the amount to be raised stays the same. The tax rate will be:

$$\text{\$1 million}/\text{\$200 million} = 0.5 \text{ percent.}$$

Your taxes, even though your home has doubled in value, will be the same:

$$0.5 \text{ percent} \times \$200,000 = \$1,000.$$

Sometimes, property owners are lucky enough to experience growth in the value of their properties while others remain the same or even fall. In these instances, property owners may experience higher taxes even if all other factors stay the same. For example, suppose your home doubles in value from \$100,000 to \$200,000 but the amount requested by the taxing authority remains at the same at \$1 million and the overall assessed value of your community remains the same at \$100 million. Then the tax rate will be:

$$\text{\$1 million}/\text{\$100 million} = 1 \text{ percent.}$$

However, your taxes will increase from:

$$1 \text{ percent} \times \$100,000 = \$1,000$$

to

$$1 \text{ percent} \times \$200,000 = \$2,000.$$

Property taxes can also increase when your community's assessed value increases and the taxing authority chooses to keep the tax rate the same. For example, if the taxing authority decides to keep the tax rate at 1 percent even

though it could have raised the same amount of overall taxes at 0.5 percent, then your taxes will be:

$$1 \text{ percent} \times \$200,000 = \$2,000.$$

The taxing authorities are demanding more money, even though they have not changed the rate.

WHAT ARE THE GROUNDS FOR AN APPEAL?

If you believe the estimated value of your property is incorrect, you will want to know:

- How the assessor values property
- How to gather information about your property and similar properties
- How the appeals process works and what the deadlines are

You also have a responsibility to furnish accurate information about your property to the assessor.

An assessment appeal is not a complaint about higher taxes. It is an attempt to prove that your property's estimated market value is either inaccurate or unfair.

You may appeal when you can prove at least one of three things:

- Items that affect value are incorrect on your property record. You have one bath, not two. You have a carport, not a garage. Your home has 1,600 square feet, not 2,000 square feet.
- The estimated market value is too high. You have evidence that similar properties have sold for less than the estimated market value of your property.
- The estimated market value of your property is accurate but inequitable because it is higher than the estimated value of similar properties.

Note: You will not win an appeal because you think your taxes are too high. This is an issue you must take up with the officials who determine budgets. However, you may be eligible for tax relief or exemptions. The assessor's office can give you information about exemptions.

THE APPEALS PROCESS—STEP BY STEP

Procedures and Deadlines

When you receive your assessment notice, read it for instructions about deadlines and filing procedures. If they are not clear, call the assessor's office for information. Be sure you understand and follow instructions. A missed deadline or incorrect filing can cause an appeal to be dismissed.

Informal Review

The first step in an appeal is usually an informal meeting with someone in the assessor's office (sometimes this informal review is handled by telephone or mail or on

line). Information on the mechanics and deadlines for setting up an appointment should be included with your assessment notice, along with similar information for the entire appeals process.

The information in the assessor's office, including the property characteristics and assessments of similar properties, is public in most states. This information can be helpful in preparing your appeal.

Preparation

Prepare for the meeting. Find your property identification number on your assessment notice. Use this number to view or obtain a copy of your property record from the assessor's office.

Review the facts on the property record. Is the architectural style correctly stated? If not, a recent photo of your home will help correct the information. Check the square footage of the living area of your home, the size of your lot, the number of bathrooms and bedrooms, the presence or absence of a garage or finished basement, the construction materials, the condition, and so on.

Gather as much information as you can on similar properties in your neighborhood. Ask the assessor's office or a real estate broker for sales prices on these properties. Use the addresses of comparable properties to review their property record forms, which should also show their appraised values. (In some states, it is against the law for the assessor to provide this information.)

Compare the features of these properties with the features of yours. If there are differences, the values of the properties may be different.

The Meeting

The purpose of the informal review, which is not yet an appeal, should be:

- To verify the information on your property record form
- To make sure you understand how your value was estimated
- To discover if the value is fair compared with the values of similar properties in your neighborhood
- To find out if you qualify for any exemptions
- To be sure you understand how to file a formal appeal, if you still want to appeal

The person conducting the meeting will probably review your property record form with you and give you information about comparable properties. Present any information you have gathered.

The person conducting the meeting may not commit to a change in value at this meeting, even though you may have uncovered an error or the assessment appears to

be inequitable. The decision about a value change may have to be made by someone else and communicated to you in writing. If this is so, find out when you can expect to hear from the office.

View the assessor's office as an ally, not an adversary. Employees of the office should have been trained to be calm, polite, and helpful, but they are only human. If you are calm and polite, they are likely to be more helpful and can concentrate on giving you the information you need for an appeal.

Formal Appeal

Residential appeals are often settled at the local level. If you are not satisfied with the results of your informal review, you have several more opportunities. The first level of formal appeal is usually to a local board. Your appeal is more likely to be successful if you present evidence that comparable properties in the same neighborhood are assessed for less than yours. Copies of property record forms on your comparables, with records of their estimated market values or sales prices, are your best defense. Note any differences between your property and the comparables and point out these differences. A recent appraisal of your own property can be good evidence of its value. The appeal board is interested only in the fairness and accuracy of the value placed on your property, not in whether you can afford to pay your taxes or whether taxes are too high.

You should be certain to find out when you can expect results from this level of appeal and to what and how many tax years the result will apply.

Additional Levels of Appeal

If you disagree with the local board's decision, additional administrative or legal remedies may be available. In some cases, it may be advisable for you to seek legal or professional representation in pursuing your claims. Information about these is available from your assessor's office.

QUESTIONS

Your assessor is often the best source for answering questions. In addition, many communities have taxpayer advocacy groups that can assist you with your questions. You can try consulting the International Association of Assessing Officers, an association of assessing officers from around the United States and the world, or your local bar association.

WAS THIS BROCHURE HELPFUL?

Send comments to:

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