



POLICY PAPER

Wisconsin Department of Revenue
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Property Assessment Reform

An overview of the Property Assessment Reform proposal

The Wisconsin Department of Revenue (DOR) is proposing sweeping changes to the way property is assessed in the state. Under the proposal, property will be assessed annually at full market value for the first time. Property taxpayers will no longer see tax bills that are based on outdated values causing unfair levies between property owners within the same municipality.

The proposal makes critical recommendations to the way state and local government and the assessment industry work together to assess property values to the benefit of Wisconsin's taxpayers. By implementing annual full market value, Wisconsin will eliminate the need for the current equalization process. It will require every parcel to be assessed as an independent asset. This system will provide a more rational, market-based system for calculating a taxpayer's property taxes.

Additionally, the proposal requires the collection of data by property from assessment districts through the use of advanced technology at the state level. This new process will greatly reduce the number of data errors incurred by paper processes and facilitate a new, more efficient mechanism by which assessed values are transmitted securely, posted timely and certified. Equally important, electronic records of property data will be available on the DOR Website. Property owners will have transparent and up-to-date access to information related to the assessed value of all properties across the state.

A key aspect to this proposal is the creation of new assessment districts in order to form more economically representative groups of properties for accurate assessed value purposes. The proposed change allows local governments to retain control of their assessment function but lower the costs of providing full value assessments by maximizing the purchasing power of municipalities to procure assessment services. The proposal will also improve the Board of Review process by allowing diverse participants from within larger assessment districts to work together to facilitate more effective, objective local boards that have more resources and are better trained.

Finally, the proposal makes substantial modifications to the practices and standards of the assessment industry. The modifications will raise the quality of assessment services and ensure Wisconsin residents receive services that meet the highest national standards.

It is estimated that the process would be phased-in over five years. DOR will continue to value manufacturing and utility properties.

The proposal was developed with input from all levels of local government, members of the assessment industry and other experts in property valuation. Town hall meetings were held across the state and citizen feedback has been an important contribution to this effort.

The case for annual full market values

Annual full market valuation will mean that every property in the state will be valued based on current economic activity and more consistently valued fairly with comparable properties.

In the past, some municipalities allowed property values to lag behind the market due to an antiquated state law that allowed the revaluation process to be stretched out for more than five years. In other municipalities, there were often not enough sales or other economic activity to ensure that each property was fairly assessed. The outcome was that many properties were often over-assessed or under-assessed resulting in incorrect tax bills and a general lack of confidence in the reliability of values across Wisconsin. While equalization at the state level compensated for inequities between municipalities, fairness was not always achieved between individual property owners.

The following table shows examples, from the 2008 property tax bills, of how property values in some municipalities do not reflect changes in the real estate markets and create huge tax fluctuations for property owners.

EXAMPLE	FLUCTUATION IN PROPERTY TAXES
City in Crawford County has not reassessed the parcels since 2003.	A property which sold for \$520,000 in 2008 paid \$10,600 too little in taxes, while one which sold for \$20,000 overpaid by \$1,300 .
Town in Vilas County has not reassessed the parcels since 2001.	A property which sold for \$1,250,000 in 2008 paid \$4,300 too little in taxes, while one which sold for \$175,000 overpaid by \$1,700 .
Town in Walworth County has not reassessed the parcels since 2006.	A property which sold for \$102,000 in 2008 paid \$750 too little in taxes, while one which sold for \$500,000 overpaid by \$5,300 .
Village in Waukesha County has not reassessed the parcels since 2003.	A property which sold for \$435,800 in 2008 paid \$2,700 too little in taxes, while one which sold for \$225,000 overpaid by \$280 .
Town in Winnebago County has not reassessed the parcels since 2002.	A property which sold for \$228,000 in 2008 paid \$1,200 too little in taxes, while one which sold for \$27,000 overpaid by \$680 .
Town in Sawyer County has not reassessed the parcels since 2003.	A property which sold for \$222,000 in 2008 paid \$360 too little in taxes, while one which sold for \$300,000 overpaid by \$930 .

With new technologies and substantial changes in state law, Wisconsin can correct these gaps by moving to a full market based valuation process.

New assessment districts provide better economic data and local control

New assessment districts will ensure that necessary market information, like comparable sales, is available for accurate assessments. Assessment districts will produce economies of scale and better resource sharing between member municipalities. Similar to joint fire and sanitation districts, Wisconsin municipalities are already familiar with joining together to provide government services. This proposal remains consistent with the experiences of municipalities across the state.

The proposal calls for the creation of a maximum of 400 assessment districts statewide. Municipalities will need to apply to the DOR for final approval of a new assessment district within the first year of enactment of legislation. If any municipality has not joined an approved assessment district within that timeframe, DOR will assign the municipality to an approved one. An assessment district must remain formed for a minimum of 10 years.

Other minimal requirements are included to provide consistency in implementing and managing larger assessment districts, such as, any approved district should be composed of a minimum of 7,000 parcels, a district can be formed on a consortium basis or use existing governmental boundaries, such as county lines or school districts.

In many ways, this model reflects current market practices where one assessor contracts with a number of different municipalities for similar assessment services. However, with the new assessment districts, there would be one contract, giving municipal government the ability to efficiently procure assessment services, share infrastructure and gain consistency in assessed values.

The proposal goes to great lengths to ensure that every municipality retains a voice in managing these larger assessment districts including contracting or hiring an assessor and managing the composition and operation of the Board of Review. As is the current practice, DOR will retain broad authority to set standards related to the appeals process, such as requiring a five-member minimum limit of the Board of Review and regular training requirements.

Property data will be filed electronically and available on the DOR Website

Currently, property data is not collected or retained in a consistent manner across all assessment districts. Moreover, it is not transmitted to DOR in a consistent format, with many files submitted on paper or in different electronic formats. As a result, the current annual equalization process is cumbersome and inefficient and the resulting certified values are normally completed near the August 15th statutory deadline. This tight timeframe does not allow for municipalities to review values for accuracy before they are certified by DOR.

Under the proposal, the assessment district will electronically file the full market value for each property, along with its characteristics, to DOR by the first Monday in May.

Requiring the use of advanced technology at the state level that is matched with mandated electronic filing of property data from assessment districts, will significantly enhance the effectiveness and timeliness of the state valuation process. Values will be posted earlier, allowing more time to review the results, reduce errors in the transmission and the recording of

property data and allow final values to be certified with minimal corrections later in the levy process.

Equally important, electronic records of property data will be available online at a single access point. For the first time, property owners will have up-to-date information related to the assessed value of all parcels statewide.

Improved assessment practices will provide more accuracy and consistency across the state

Both the Wisconsin Property Assessment Manual and state statutes will be the sources of standards for assessor certification in Wisconsin under the new proposal. Substantial changes in the management and enforcement of the certification process are recommended to ensure a modern and accountable property assessment industry. The basis for these new standards comes from nationally accredited institutions like the Appraisal Institute and the International Association of Assessing Officers. These requirements will enhance the performance, reliability and accuracy of assessed values in every Wisconsin community.

A Board of Tax Exemptions will assist assessors with complex issues

The proposal creates a state Board of Tax Exemptions to provide guidance to assessors on complicated and changing property tax exemption challenges. Although the Board's findings will not be binding, they will provide guidance in the Wisconsin Property Assessment Manual and help provide consistency statewide in the treatment of property tax exemptions.

Implementation phased in over five years

Year 1	Municipalities submit assessment district proposals to the DOR.
Years 2 -3	DOR approves assessment districts and assigns municipalities to districts who have not submitted an application to a district.
Year 4	Assessment districts assume all responsibility for creating assessment rolls.
Year 5	Statewide all assessment districts are required to assess at full market value. DOR audits district processes to verify standards and uniformity. DOR begins to adopt district values as full market values.