

UNDERSTANDING YOUR TAX BILL

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This project is an attempt at compiling relevant information that is the process for the taxation process and the preparation of the tax bill. I would like to provide concise information in one place so an average taxpayer can understand the process and system that produces their tax bill.

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COUNTY TREASURER'S OFFICE

The Green Lake County Treasurer's office is responsible for all county expenditures and receipts. The County Treasurer is directly responsible for the day-to-day operation of the cash management process, including collection, disbursement planning and investments.

The Green Lake County Treasurer's Office is the Chief Tax Collection Office. In Green Lake County, the Treasurer's office is the main collection and distribution point for all assessment data. All municipal assessors funnel the assessment information into this office where it is entered into the county's computer system. This assessment data is the basis for the computation of taxes. Local clerks verify the assessment information and use the total assessment figures along with the approved levies to calculate a mill rate for each taxpayer. The various levies are also entered into the computer system and verified. Calculations are done and the tax bills are produced in this office.

The Green Lake County Administrative Committee oversees the County Treasurer's office. In addition, the County Treasurer reports to the Finance Committee.

PROBLEM

When the tax bills are produced and mailed to the taxpayers in Green Lake County many of the taxpayers call the Green lake County Treasurer's office with questions regarding the bill. There usually is confusion regarding the percentages of increases that are printed on the tax bill as well as questions regarding individual levies. These questions were often not easily answerable because the local levies were set at various local meetings with the totals funneled into the office. The County Treasurer and the office personnel don't know much more about school, town-village-city levies than the callers do. I felt a need to prepare something that would help an average taxpayer understand their tax bill. I felt an explanation was needed that was easy for the taxpayer to understand and I felt it should be accessible.

The core problem, as I see it, is that there is frustration at many levels when tax bills are received. Taxpayers are confused about the increases and would like a clear answer. Newspapers print tax rate figures when budget hearings are held. The tax rates quoted at these meetings don't match any number on the printed tax bill. Tax rates quoted are based on equalized values and tax bills are prepared using assessed values. This is very confusing—even to the county personnel. In short, the property tax bill generates frustration at many levels.

I'd like to provide an understandable way for the taxpayers to know the basics of their bill. There are so many "pieces" that fit together to make the complete tax bill. I think an available power point presentation on our County web site would be a

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comprehensive way for taxpayers to gain a basic understanding of the different processes and pieces.

Failure to resolve this problem of confusion will lead to more confusion, and more distrust of the government in general. Taxpayers need to feel that their needs are met and the government cares about them. They also need to get answers to their questions.

The basic “players” in this puzzle are:

- a. The Assessor – who calculates the assessed values that drive the amount of the tax bill,
- b. State of Wisconsin Dept of Revenue, who provides the equalized value totals to be used in determining the tax rates and apportionment
- c. The County Clerk who works with the county levy,
- d. Local Clerks and Boards who set their own levies,
- e. The Green Lake County Treasurer’s office that compiles information and produces the tax bill.

I would like to try to piece all of these procedures and levies together to help average taxpayers understand the puzzle of the tax bill.

THE ASSESSOR:

Throughout the year, the State of Wisconsin DOR analyzes the data they receive after each Board of Review. After a year passes, the State provides a total equalized value for each municipality. At the same time that the DOR is analyzing sales, the assessor is analyzing sales for the municipality. Assessments placed on the property by the assessors are based on values as of Jan. 1 of the current year, using the current ratio.

The real property shall be valued by the assessor in the manner specified in the Wisconsin Property Assessment manual under s73.03(2a) stats., from view or from the best information that the assessor can practically obtain, at the full value which could ordinarily be obtained therefore at a private sale. Value of the Buildings and Land should equal the Market Value. Numerous Wisconsin court cases held full value as equal to market value.

CRITERIA FOR ASSESSING:

Square footage – this is divided by the first floor, basement (finished or not), and any additional floors. The assessor measures the living area, calculates the base value, and then adds porches, decks, and sunrooms. Value of the additional area is different from the first floor value. If no basement—negative value is given. Garages are an additional value that is added on.

Exterior – values for “frame” – masonry, aluminum, etc are also given.

Quality of construction: This is subjective according to the assessor.

1. Older homes – average
2. Simple Ranch – average

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3. Modular/Wausau – less than average
4. More angles – higher quality and windows – better built and more architecturally designed.
5. “Executive Homes” – central vacuum, wired for sound, custom design, highest grade materials, extra heavy frame- these are some criteria considered for “executive homes”
6. Less Impact – cost of Construction
 - a. Cost is more in bigger cities because of the cost of hiring union laborers
 - i. State provides manual with the basic cost
 - ii. Basic cost x grade factor given by assessor
 1. grade factor can range from .55 to 2.55 (average new home @ 1.2/1.35)
7. Depreciation comes into play – assessor determines depreciation
8. Waterfront property frequently considered more desirable and this is reflected in the assessments
9. Different tables are used for agricultural buildings
10. Effective date of assessment is January 1 of each year

Commercial buildings (gas station, grocery store,) are done locally, but manufacturing (industrial) properties are valued by the State.

Placing the value on the property is a “balancing act” by taking into account the market value and also trying to keep the value uniform with other properties of similar nature in the area. While the ‘cost’ approach is used for new construction the “bottom line” is to arrive at Market Value as shown over the years by analysis of actual sales of a property.

OPEN BOOK

After the assessor determines property values, notices are sent to property owners showing these new values. If a taxpayer has questions with the assessment, it is good to arrange to meet with the assessor to examine the individual assessment record and discuss how the assessment was made. All property records are “Open Records”. If unable to meet privately with the assessor, an Open Book session is held to give property owners the opportunity to view other property values in the municipality and compare other values to theirs. An assessor is allowed to make changes that are necessary to perfect the assessment roll at the Open Book session. After this, the property owners can protest their property values by requesting a hearing at the Board of Review.

BOARD OF REVIEW

The Board of Review meets annually at any time during the 30-day period beginning on the 2nd Monday of May. Notices of the meetings must be published at least 15 days before the BOR. At the Board of Review, a taxpayer can appeal the value placed on their property by making an arrangement with the local Board of Review’s clerk to appear. The Board of Review consists of municipal officials or appointed alternates charged with the duty to correct any errors in assessment, whether made inadvertently or otherwise. It is their duty to carefully examine the roll and correct all apparent errors in descriptions or computations, and to add any property to the roll that the assessor may

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have omitted. The Board of Review is the first step in the appeal process. The assessor's value is presumed correct. To have an assessment reduced, the owner must prove that the property is over assessed in comparison with similar property in the municipality. Wis Stats 70.47(7)(ae) requires anyone planning to protest an assessment to provide to the Board, in writing, their estimate of the value of the land and of all improvements that are the subject of the review and to specify the information that the person used to arrive at that estimate. In other words, an objector should have considerable information that is relevant to the market value of their non-agricultural property. This would include a recent arm's-length sale of your property, and recent sales of comparable properties. Other factors to include are size and location of the lot, size and age of the building, original cost, depreciation, and income potential, to name some of the factors.

If, after appearing before the BOR the owner is still not satisfied, appeals can be made to the circuit court or to the Department of Revenue. For information concerning these appeals, consult Sec 70.85 and 70.47 (13) of the State Statutes.

DEPARTMENT OF REVENUE:

After each Board of Review, the Statement of Assessment is sent to the State of Wisconsin. The State of Wisconsin uses sales for the current year when determining the equalized value of the municipality. Equalized value is driven by sales – the State takes the Statement of Assessments, looks at sales in towns, villages, and cities, and adds in new construction. Transfer returns are very helpful in valuing lake frontage & new subdivisions.

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

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

While a total value for each class of property is established, local assessors, not the DOR, determine the values of individual real estate parcels or personal property accounts within the classes. Obviously, to equalize parcel by parcel would be a major

undertaking by DOR and would effectively result in state—rather than local—assessment. The exception to this is the assessment of manufacturing property, where the state acts as the primary assessor.

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

1) Sales analysis: Sales are analyzed through two principal methods: (a) the assessment-to-sales ratio studies and (b) the unit value projections. The sales that form the basis of the analysis represent the calendar sales for the year prior to the January 1 being estimated (the calendar year sales in 2001 were the basis for the analysis for the January 1, 2002 values). The Real Estate Transfer Returns filed with the County Register of deeds are scanned to form the database of all sales in the state. A significant percentage of these conveyances represent non-market sales (family sales, sheriff sales, trust activity or transfers of convenience.)

(a) *Assessment to sales ratio*- studies compare actual selling prices of residential and commercial market sales with the local assessment of the property sold. If the sales evidence represents a reasonable cross section of the type of properties existing in the community as a whole, and if there is a sufficient number of sales, the relationship between the sales and assessment is assumed to reflect the overall accuracy of the total assessed value of that class. This relationship is considered to be its assessment level. The total local assessment of that class is then ratioed to full value, resulting in the

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statistically derived equalized value of that class. Annually these assessment/sales studies amount to the review of approximately 220,000 real estate sales.

All market sales are sorted according to taxation district (town, village or city). Market sales are those sales made between a willing buyer and a willing seller, both of whom are familiar with the property and under no compulsion to act. The market sales within a taxation district are broken down by classification of property as defined by statute. Examples of these classes are residential, commercial, agricultural, etc. A ratio is then established between the local price paid for all property sold and the total assessed value of the property (obtained from the local assessment roll). By applying this ratio to the assessed value of the entire class, a value (referred to as the statistical sales value) of the class is derived. Even though the ratio of individual properties may be above or below the average, an average ratio is used after comparing the sales of the area. (See addendum sheet #1)

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

2) Use Value Analysis: This procedure utilizes two steps to estimate values on a per acre basis for each municipality that contains agricultural land.

Step one: values are estimated from the income that could be generated by the land divided by the capitalization rate.

Step two: values produced by the income approach are adjusted based on land rental information compiled by the UW-Extension agents.

3) Property appraisals: Some sample appraisals are used by DOR as a further test of the quality of sales-based value projections. When there is a lack of sales activity, appraisals are substituted in an analysis similar to the assessment/sales method. A Random sample of properties is chosen to be appraised in detail. Appraised values are compared to the locally assessed values to develop a ratio of assessments to appraised values.

4) Local Reports: Two annual reports are used in setting the current equalized value:

The Assessors Final Report: due by the second Monday in May and

The Clerk's Statement of Assessments: due by the second Monday in June.

Local assessors are required to file an Assessor's Final Report to report all changes in property values due to developments, new construction, revaluations or changes in assessments. These changes would only be known by the local assessor and are an important component of the changes the DOR makes to the equalized value.

After the Board of review has met and finalized the local assessment for a year, the local clerk submits the Clerk's Statement of Assessments to DOR. The report summarizes the final values on the local assessment roll and breaks down the values by each school district and by special districts. The DOR needs this report to calculate the aggregate local level of assessments.

5) Sec 70.57 WI Stats Corrections: A significant effort is expended in reviewing prior year equalized value determinations, primarily because of the timing of the assessors'

final reports. DOR is required by statute to certify the equalized values by August 15 of each year. Every taxing jurisdiction awaits the values because of the impact portions of the value will have on their aids or their levy limits. Even when that is not the case, the political impact of the tax bill and whether the tax rate can be reported as stable rather than increasing is an annual local issue.

Finalizing Equalized Values: Using one or more of the techniques described for the development of value, DOR determines the market value of each class of real estate and personal property in each municipality in the state.

Appealing Municipal or County Equalized Values: On or about August 15th, DOR notifies each municipality and county of its equalized value. The municipality and county may ask for a meeting with the Supervisor of Equalization to review these values. Values can be appealed until October 15th of the year.

Establishing School District Equalized Values: The typical Wisconsin school district is composed of some whole municipalities and some parts of municipalities. Adding the equalized values of the municipalities within the district's borders derives the school district's equalized value. The total school district value is then the basis to apportion a school district's levy to each municipality, based upon each municipality's percentage of the total equalized value in the school district.

Use of Equalized Values

The Wisconsin Statutes contain over one hundred references to equalized values. Listed below is the use that I have been speaking about and has some relevance to this topic.

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Apportionment of certain property tax levies - A single county or school district can contain a dozen or more municipalities (towns, villages, and cities). Property tax levies of such jurisdictions are apportioned to each municipality on the basis of equalized value. For example, if a municipality contains 50 percent of the taxable value within a county its residents should pay 50 percent of the county property taxes levies. The following example shows why state-determined equalized values are an essential element of a fair property tax system. Imagine what would happen, if, in a county, there were only two towns that have identical tax bases, but different levels of assessment. Assume that the county has a total tax levy of \$100,000 and that the fair market value of all property in the county is \$100 million—\$50 million in each town.

	Assessed Value		Equalized Value	
Town A	\$20,000,000	28.6%	\$50,000,000	50.0%
Town B	\$50,000,000	71.4%	\$50,000,000	50.0%
Total for County	\$70,000,000	100.00%	\$100,000.000	100. %

By this chart, Town A has a local assessed value of \$20,000,00--28.6% of the total County assessed value. Town B has a local assessed value of \$50,000,000.00--71.4% of the total assessed value of the County.

Using assessed value would result in a serious equity problem. Using assessed values, Town A would pay 28.6% of \$100,000 = \$28,600 and Town B would pay 71.4% of \$100,000 = \$71,400—

The amounts paid would change dramatically if the levy were apportioned using the equalized values. Using equalized values would apportion one-half of the levy to Town A and one-half to Town B, or \$50,000.00 each.

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If locally assessed values were used to allocate county taxes, assessors would have an incentive to deliberately under-value property in order to decrease the burden on their taxpayers. Thus, in order to allocate both taxes and state aids fairly, equalization is necessary to measure taxable values in all municipalities by the same standard. The State of Wisconsin feels that the dual property tax assessment system offers the advantage of local assessment of individual parcels and state determination of total values at the municipal, county and school district levels to assure that taxes and state aids are apportioned fairly to all of the state's municipalities. Before the establishment of a state equalized program, some local taxation districts engaged in competitive under-valuation because it was apparent that the district with the lowest "level" of assessments received a lower county tax apportionment.

The assessed value is important for maintaining equity among individual taxpayers within the municipality while the equalized value maintains equity between municipalities and counties. In summary, equalized values are not only used to distribute the state levy among the counties, but also the equalized values distribute each county's levy among the municipalities in that county. The assessed values are used to distribute the municipality's tax burden among the individual property owners.

COUNTY CLERK:

The County Clerk provides the tax rate that is apportioned to the local municipalities. This rate is based on the levy that the County sets. The Tax Rate is calculated by dividing the levy dollars by the Equalized value of the County (reduced by TID districts). The DOR provides the county Clerk with the “Equalized value of the County” figure to be used. (See Equalized Value sheet addendum- page 2).

“Apportioning” is the process of dividing the tax levies for each taxing jurisdiction among all of the municipalities, which contain territory in the jurisdiction, based upon the total value of each district.

In 1992 levy limits were imposed. Because of those levy limits; the county tax rate cannot exceed the tax rate of 1992. Based on the equalized value, each municipality and taxing entity calculates its own tax rate each year, as the annual budgets are set. (See equalized value sheet -addendum page #3). The confusion comes into play when mill rates are calculated because the mill rate is calculated using levies divided by assessed values. A tax amount is the product of the assessed value of a property multiplied by the mill rate for the property. (See mill rate input sheet – addendum page #4)

Budgeting process for Green Lake County:

The Green Lake County Finance Committee has the responsibility to present a budget to the County Board. In May or June of each year the Finance Committee issues a directive to Department Heads and Governing Committee relating to the up-coming budget. Department Heads and their Governing Committees then prepare their budget to present to the Finance Committee. The Finance Committee will either accept the proposed budget or send it back with recommendations or a directive.

The Finance Committee then presents the final compiled County Budget to the County Board in November. The County Board can amend or approve the Budget, as they deem appropriate.

COUNTY TREASURER

Using the Mill Rate Input Sheet (addendum page #4) prepared by the local clerks and given to the County Treasurer, certified levy amounts are entered in the county computer system. These levy amounts are divided by the assessed value of the taxing district to produce a product mill rate for that jurisdiction. After all mill rates are calculated and verified both by the computer and manually, the net mill rate is derived by adding all mill rates from the appropriate jurisdictions and subtracting the mill rate of the school levy tax credit. This net mill rate appears on the individual tax bills. (See item “L” on addendum page #5).

SUMMARY

- Assessor Places values on the Property
- Taxpayers can accept the value or appeal it at the Board of Review
- State of Wisconsin Department of Revenue analyzes sales and certifies the total equalized value of the municipality and of school districts and special districts within the municipality as well as the total equalized value of the County
- County Clerk uses these equalized values to apportion the taxes to each of the municipalities in the County (municipalities' share of the total taxes is determined by multiplying total levy by their percentage of the whole)
- District Clerks use equalized values to apportion the taxes to each of the municipalities
- County Treasurers Office calculates taxes using the mill rates (mill rates determined by dividing levy by assessed value)
- Tax bills are prepared and distributed for collection
- Tax bills contain much information regarding assessments, values, districts, increases and description of the property (see addendum page #5)

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