

Ad Hoc Assessment Practices Draft Report

In 2009, the Department of Revenue (DOR) proposed sweeping changes in assessment practices to State Legislatures looking for a sponsor. The proposal, opposed by various groups, did not make it to committee due to lack of a sponsor for the bill. In 2010, the Wisconsin Association of Assessing Officers (WAAO) took a pro-active approach to reviewing assessment practices for areas of improvement. This report suggests changes in the assessment profession from the reviews of workgroups and committees made up of WAAO members and non-members. We took the March 2010 Policy Paper and addressed the issues and changes identified by the DOR.

Policy Paper stated:

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 Property taxpayers will no longer see tax bills that are based on outdated values causing unfair levies between property owners within the same municipality.

Committee responses are:

Currently full value is plus or minus ten percent of the market. Today, law allows up to seven years to bring assessed values within full value once they exceed the ten percent limit. Suggestions to improve this are the shortening of the requirement from once in five years to once in three years and allow only two years to bring properties back to full value. This is an increase of the minimum standard and will require revaluations be done more frequently. By doing revaluations more frequently, the disparity between properties will be diminished. Not only should the level of assessment be a determining factor of compliance, but also include a coefficient of dispersion of fifteen % or less on the predominate class of improved property as a non-compliance indicator. The problem with using a COD as one of the determinations of compliance is some jurisdictions may not have enough sales to develop a COD.

Policy Paper stated:

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.

Committee responses are:

The statement is true in that the suggested process would eliminate the need for the equalization process. What the DOR fails to mention is there will be added costs to the local taxpayer for the additional work required at the local level. The DOR themselves estimated the cost at five dollars a parcel more. When at a town hall meeting, the DOR asked the group if it was worth the cost of five dollars a parcel to have annual valuation of their properties. The resounding answer from the taxpayers was no!

Admittedly, some of the changes the committees recommend will cost more also. The committees agree with the DOR that market value every year will produce higher quality

valuation but how to fund the process is an issue. Some suggestions are 1) increase the real estate transfer fee and require any transfer of real estate to be recorded 2) monies used for the Land Information Program under WI Stats S. 16.967 be used for assessment purposes also 3) remove the assessment costs from all State calculations related to the local levy limits allowing jurisdictions the ability to increase the rate to cover the added expenses 4) research the possibility of Federal funding 5) fee for permit related processes 6) have all taxing entities schools, vocational schools, State, County, and special districts pay for the cost of assessment services.

Policy Paper stated:

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.

Committee responses are:

The Wisconsin Property Assessment Manual (WPAM) has a list of suggested attributes to use when valuing property. The suggested list is not a requirement. There is no minimal standard and no standardized format. By requiring the collection of property attributes, a minimal standard, and a standardized format, all property records would contain the same information statewide. WAAO can work with the DOR to establish the minimal amount of attributes needed for each property record card and when exceptions may occur. The current requirement in WPAM to have records reported electronically by 2013 (WPAM 17-3) to the DOR. Electronic records and standardized fields will improve the sharing of information from jurisdiction to jurisdiction. The committees also strongly urge the DOR to continue in the Provide Assessment Data program and give the results to WAAO for distribution to its members. The committee suggests the DOR does not publish subjective data to the public for viewing. Subjective data such as grade or CDU determination is by the housing stock and local factors and will not be the same from jurisdiction to jurisdiction.

Policy Paper stated:

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.

Committee responses are:

The committee finds that formation of an assessment district should be strictly voluntary. Some municipalities already enjoy advantages of economies of scale. Many smaller municipalities already have one person filling multiple job assignments, or employ a firm that assembles the ingredients of economy of scale. Disrupting this process or replacing it with a state mandated assessment district system would not be a good idea at this time. The formation of assessment districts based on ease of regulation by state agency is not a worthy

goal. Encourage municipalities to research the possibility of consolidating services on a voluntary basis. Voluntary assessment district formation based on market area similarity, common property assessment goals, and generation of cost savings while allowing regulation by state agency should be the criteria for formation of assessment districts.

Policy Paper stated:

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.

Committee responses are:

At the start of this paper is a suggestion to shorten the timeline for revaluations. By shortening the time lines, you will prevent the “lagging” of assessed values behind the market. With the development of the PAD system, assessors in jurisdictions with limited sales will have access to all sales statewide to assist them in valuation of property. A statewide sales database will go a long way in helping the assessment process.

Policy Paper stated:

New assessment districts provide better economic data and local control

Committee responses are:

The paper then went on to explain the structure of assessment districts. The proposal calls for a maximum of 400 districts, DOR approval, forced into a district if not declared, must be 7,000 parcel or more, and boundary suggestions. It then goes on to state it reflects what is currently happening in the assessment field. If it already exists, why does it have to be legislated? Again, voluntary assessment district formation based on market area similarity, common property assessment goals, and generation of cost savings while allowing regulation by state agency should be the criteria for formation of assessment districts.

Policy Paper stated:

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.

Committee responses are:

This section starts by stating property records are not consistent. To remedy this, the DOR is going to require a standardized reporting format. This is resulting in added expense to jurisdictions to develop ways to load the information to the DOR system. The Land Information Program under WI Stats S. 16.967 should fund this to assist jurisdictions in the costs of and/or development of the software needed to meet this requirement. The committee is behind the development of a statewide standard and the sharing of

information, but the requirement of having the information in a XML format, which is a language in itself, is causing costs to comply. The Policy Paper goes on to state this process will enhance DOR efficiency and result in a cost savings. Applying the cost savings at the State level to the implementation of this program at local levels is another way to ease the burden on jurisdictions.

Policy Paper stated:

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.

Committee responses are:

Improved assessment practices will also need to be enforced. Without enforcement, the new requirements will have no affect. The committees suggest Assessor Certification transfer to the Department of Regulation and Licensing (DRL). Assessors are the only group not currently under DRL. DRL has a process in place for the review of licensing and license revocation should that be necessary. This would eliminate the duplication of services between the DOR & DRL. The committees also suggest increasing the minimum requirements for assessor certification. They are as follows:

These recommendations for new assessor certification are to go into effect as of the date of adoption.

Any assessor who is currently certified will remain certified, as long as they meet the requirements for their certification level.

Any individual must satisfy the new certification requirements to obtain recertification. There is no opting out provision, such as retaking the exam. An example is if your current certification is Property Appraiser, and you want to renew that certification, you need to meet all the continuing education requirements and the 30 hours of a fundamental property appraisal course.

An individual must have at least an Assessor I certification in order to sign the assessment roll in municipalities with less than \$50,000,000 in equalized commercial value. Municipalities with \$50,000,000 or more equalized commercial value requires an Assessor II certification. The DOR is to review and update the list of municipality certification requirements annually.

Any course equivalency determination is by the Department of Revenue, after proper submission of successful completion of the coursework. Length of time since taking a course should not matter as long as the candidate can provide proof of successful completion.

First Time Certification Requirements:

Temporary certification is not allowed.

Assessment Technician

- Must have a high school diploma or GED equivalent
- Must pass the Assessment Technician exam given by the Wisconsin Department of Revenue

Property Appraiser

- Must have a high school diploma or GED equivalent
- Must pass the Property Appraiser exam given by the Wisconsin Department of Revenue
- Successful completion of 30 hours of a fundamental course in Real Property Appraisal (example IAAO Course 101*)

Assessor I

- Must have a high school diploma or GED equivalent
- Must pass the Assessor I exam given by the Wisconsin Department of Revenue.
- Successfully completed 30 hours of coursework in commercial income valuation, assessment administration, and other assessment related courses (examples IAAO Courses 101, 102, 300*)
- 4,000 hours of assessment experience at the property appraisal level or higher

Assessor II

- Must have a high school diploma or GED equivalent
Desirable: Bachelor's Degree, Associate Degree in Property Appraisal/Assessment, or Assessment Designations (examples IAAO CAE or AAS Designation)
- Must pass the Assessor II exam given by the Wisconsin Department of Revenue.
- Successfully completed 60 hours of coursework in commercial income valuation, 30 hours of coursework in assessment administration, and 30 hours of coursework in other assessment related courses (examples IAAO Courses 101, 102, 300, 400*)
- 4,000 hours of assessment experience at the property appraisal level or higher

Assessor III

- all requirements of Assessor II certification plus
- Must have Bachelor's Degree
- Must pass the Assessor III exam given by the Wisconsin Department of Revenue.
- Assessor III can sign the assessment roll

***IAAO Course Titles**

Course 101—Fundamentals of Real Property Appraisal Course 102—Income Approach to Valuation Course 112—Income Approach to Valuation II Course 300—Fundamentals of Mass Appraisal Course 400—Assessment Administration

Requirements for Recertification (for each 5-year cycle)

Assessment Technician

- Must attend at least 4 of 5 DOR Annual Updates
- 30 hours total DOR approved Appraisal Continuing Education

Property Appraiser

- Must attend at least 4 of 5 DOR
- 45 hours total DOR approved continuing education. 30 hours appraisal & 15 hours law.

Assessor I

- Must attend at least 4 of 5 DOR Annual Updates
- 60 hours total DOR approved continuing education 30 hours appraisal & 30 hours law/management.

Assessor II

- Must attend at least 4 of 5 DOR Annual Updates
- 60 hours total DOR approved continuing education 30 hours appraisal & 30 hours law/management.

Assessor III

- Must attend at least 4 of 5 DOR Annual Updates
- 60 hours total DOR approved continuing education 30 hours appraisal & 30 hours law/management.

Assessment Districts would have to budget for the continuing education needs of their assessment staff. The recommendations are into two categories. Category One is for first-time certification. Category Two is for those already certified and wish to remain certified. The dates for these recommendations to go into effect are different for Categories One and Two. Currently certified individual are allowed one additional certification cycle for the recertification because there may be some certified assessors that would need the extra time in order to fulfill the class hour requirements.

The DOR will retain determination of qualifying courses and equivalents. The DOR will determine the communities required to have an Assessor II or III to sign the roll. The DOR currently does the course certification and assessor level requirements for communities.

We recommended that all must take the required courses for recertification. This is in response to comments that some current assessors do not stay current with issues and methodologies, yet are good test takers, or take the same test repeatedly. This would raise the professionalism of assessors. There is no time limit for the taking of the required courses. An example is if an individual has taken an IAAO equivalent course in the past and can prove completion/passing of the course, retaking the course would not be required.

We did not include excessive experience requirements because they are problematic. Those that wish to get experience before certification would likely find it very difficult to get experience hours, much like appraiser candidates do now. We want to make certification reasonably attainable, not onerous.

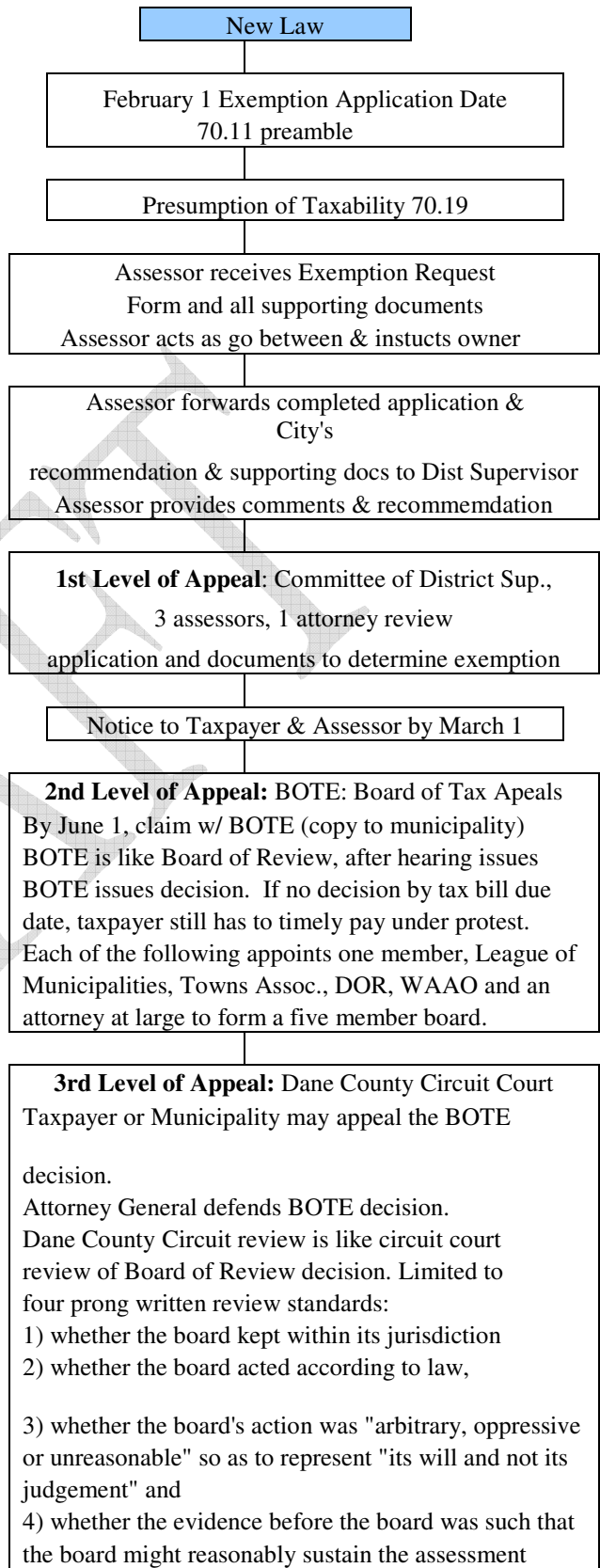
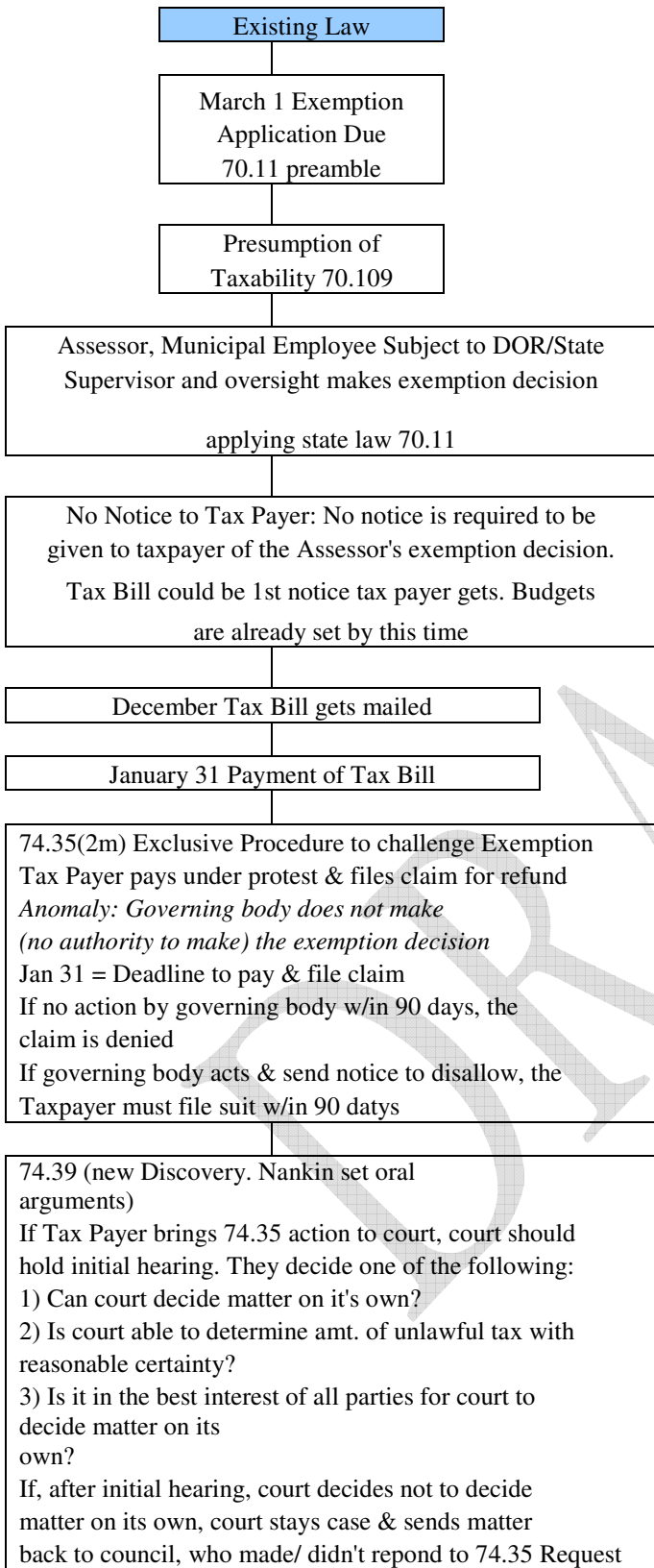
Policy Paper stated:

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.

Committee responses are:

The Wisconsin Association of Assessing Officers (WAAO) understands that modifications to the exemption process to receive better information are necessary to ensure uniform exemption decisions. In fact, we have been actively working with the Department of Revenue (DOR) to increase professionalism and promote credibility in the assessment process including processes related to exemptions over many years. The study of property tax exemptions and proposals to limit exemptions spans 25 years. Probably the most recent and all encompassing studies are from 1995 as part of an Assessment Practices report. That report included four recommendations to enhance and create more uniformity in the exemption process; 1) Standardize the way assessor make decisions on exemption issues, 2) Create a law to provide for an application process, 3) Create a statewide review authority and 4) Eliminate the broad interpretation of exemption issues. At the request of the Secretary of DOR Bugher, a team of WAAO assessors met specifically to outline how to meet those goals. Below is a flow-chart comparing the current law to our proposal. The January 1 assessment date required in Statute 70.01 and 70.10 would remain in effect. Charts showing existing law and proposed law are on the following page. Assessors, property owners, and other interested parties can take objections relating to exemptions to the BOTE. A vote to exempt a property from taxation must be unanimous.



Other areas committees looked at are:

BOR Dates

Look at the possibility of the first hearing of the BOR be within 45 days before or after the second Monday of May.

Viewing and Inspection Cycles:

The committee supports the current suggested cycle of exterior inspections every five years and interior inspections every ten years. This requirement would have to tie into minimum staffing requirements to ensure the completion of the work requirements. Enforcement of the requirements is by law or language changes and the adoption of standardized records and contracts. Currently there is a recommended contract for revaluation. A standardized statewide contract for maintenance work also needs to be developed. A maintenance contract should prevent less than adequate assessment practices in Wisconsin. It is the jurisdictions responsibility to ensure their assessor meets minimal standards. Assessors would have to report to clients, elected officials, clerks, or others and the DOR to prove compliance. If the work is unfunded or not done, the DOR can take authority of the assessment practices to complete the work and bill the jurisdiction.

This committee feels the three main areas of change needed are standardized records and contracts, education, and enforcement. You cannot enforce what you cannot measure. Once the measurement is determined and is collectable statewide, education on measurement used is required. Then enforcement is required to keep all jurisdictions at least at the minimal level of compliance.

This paper intent is to be a summary of the many hours and revisions done by the various workgroups and committees and is not intended to be all-inclusive. Once the WAAO Board of Directors reviews this paper and approves a document for publication, we recommend the posting of the document on the WAAO website. Appropriate standing committee can then produce/create the complete documents for the Board to consider and approve. After Board approval of the standing committee work, we recommend the posting of those also on the WAAO website so all members know the depth of our efforts and how we came to our conclusions.

Respectfully Submitted,
Ad Hoc Assessment Practices

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