

Preliminary Review of LRB-2285/1

The City of Milwaukee's valuation method is built on having accurate and timely data. Property inspections enable us to have data that is accurate as of the assessment date. This data is used each year to calculate accurate assessments and ensure that the tax burden is distributed fairly. The distribution is based on the actual value of the properties. The proposed bill will reduce fairness, shift the tax burden away from those who refuse entry, increases costs for municipalities and reduce the reliability of assessments. It will also significantly change the perception of accuracy and integrity of the work performed Assessor's offices.

In summary:

1. The bill allows a person who has refused a reasonable written request to view the person's property to appear before the board of review to contest the property's assessed value and, ultimately, to file a claim with the taxation district for an excessive assessment.

This will result in additional Board of Review hearings and a lack of uniformity and equity between property owners.

This will also result in less accurate data which will lead to less accurate assessments.

The right to privacy and right to appeal is long standing. That aside, allowing the owner to go to the BOR will result in many unnecessary BOR cases. If the assessor has to guess as to the quality of materials and the amount of finish in a building; and the owner walks into the BOR with photos and information proving the guestimate is wrong, of course there will be an adjustment in the assessed value. How will anyone know if the photos are of the actual property in question?

The BOR would end up doing work the assessor currently does at Open Book. Owners do not need to go to the BOR if the information on their property is incorrect. Currently the owner can visit the assessor with the information during Open Book or, any time of the year, to establish a fair and equitable value.

No one buys a house based upon what they see from the street and no value made from the street should have to be defended at a hearing.

2. The bill also provides that the assessor may not increase the value of a person's property based on the person's refusal to allow entry to the assessor.

This will mean that assessor s will use other – less reliable data, to make assessment changes. No major problem but values are required to be based upon the best information and the best information will only be from actual external views. Assessors will be the only professional that are part of real estate transactions that do not have access to the interior of the property.

3. The bill requires an assessor to provide written notice to each owner of residential property regarding the property owner's right to refuse entry to his or her residence for property tax assessment purposes.

This will result in additional costs for municipalities in order to comply. Additional mailings will be required or additional programming costs will be incurred so programmers can update computer systems so municipalities can comply.

This is potentially overly burdensome for jurisdictions. In many cases it would require at least duplicate notices being sent to each property. Would the assessor be responsible to verify if all owners are listed on the Real Estate Transfer Return? Would we need to track divorces in case one person is no longer an owner? If there is a death and the spouse does not change the records, two letters would be sent needlessly. Some software does not allow for more than three owners to be listed, what do you do then? This would be far too costly for many municipalities. Milwaukee already receives many “return to sender” letters and the cost of processing these would at least double.

4. The bill allows a person who has not complied with a request to provide income information to the assessor, to file a claim for an excessive assessment even though the person is prohibited from appearing before the board of review.

This will result in less accurate assessments for income producing properties. If actual income is unknown the income approach, based on actual data cannot be completed.

This again goes against accuracy, fairness, and equity. There are owners who want us to use actual rent and other owners who want us to use rock bottom rents. The current mass appraisal practice is to use market rents. Using market rents keeps the assessments fair and equitable and values uniform. This is wrong for all of the reasons stated about being able to appeal even though an assessor is not let in. Why would someone be able to file an appeal when they are withholding information? There is no logic to this. If an owner files for excessive assessment and is denied, the next step is court. At that level, the information withheld earlier will be forced to be given to the jurisdiction and will not have confidentiality. This would encourage more unnecessary court cases. The net end result is the income will be given to the assessor. Why encourage court cases when what we have now encourages the owner to give us the information confidentially at Open Book?

Lack of Uniformity and Equity between property owners

How can assessments be equitable if:

- 1) owners can refuse entry then
- 2) the assessor is unable to increase the value and
- 3) then the owner can go to Board of Review and object to the valuation?

How can anyone know the correct value if the current condition is unknown?

Why would anyone who made improvements to their property then let the assessor in? By not letting the assessor in, owners can keep their assessment the same and then they can go to the

Board of Review and object to get the assessment lowered. Since assessors cannot increase an assessment if an owner has refused, assessors will have to base value changes on factors other than interior inspections.

Boards of Review will be asked to determine value when actual condition or quality of construction is unknown. This will result in less uniformity and equity.

Lack of Current Data will lead to less accurate assessments

This bill says that assessments cannot be increased based on the refusal by the property owner. Assessors are required to use the best information available when valuing property, therefore assessment changes will result from:

- 1) building permit information,
- 2) sales listing information or
- 3) average neighborhood changes at the time of a revaluation.

The data used by assessors should accurately describe the property. As required by statute, sales data is the basis for assessment valuation systems. Without accurate sales data, the entire valuation system will be less accurate and property owners will have more reasons to appeal their assessments. It is logical that there will be more Board of Review cases every year.

Building Permits and other less reliable sources will be used for valuation purposes

Permits have always been a part of the discovery process for assessors. Inspections of permitted work provides information about the quality of work, the extent of work being undertaken and the percent of completion. Actual views of the property by a certified assessor provides the opportunity for verification.

Permit information (as listed on permit applications) is not a reliable indicator for value changes. There is no penalty for completing the permit applications accurately. The dollar amounts on the building permits are unreliable for assessment changes because sometimes they include materials and sometimes they don't, many are understated, and many rural communities do not require them except for new residential homes or commercial buildings. Additionally – not everyone takes out the proper permits.

Other secondary sources will provide data that assessors will need to rely on. Data from brokers, multiple listing services, private appraisers and neighbors may be used when setting values since it will be the best information available.

Shift in Property Taxes

This bill will shift the burden to those people who have not made improvements and to the honest property owners, who have made improvements and let the assessor in.

Those who try to game the system will not be paying their proper share of taxes.

By increasing the value by the neighborhood average increase in a revaluation, anyone who has improved their property would be better off taking the average increase than letting the assessor in. Sending a letter with every appointment notifying them that they can refuse entry, that their value cannot increase due to the refusal, and that they can come to Board of Review to object is going to increase the number of refusals for entry and number of cases at Board of Review.

How can that be equitable or fair?

In what way does this improve the work of the assessor or the reliability of the values placed on properties?

Common Sense

Rarely do people purchase real estate properties without viewing the interior of the property. This bill requires the assessor to value properties without knowing very relevant information which affects the value.

This bill will clearly reduce the accuracy of the assessments because assumptions will have to be made by the assessor. These assumptions can be contested by the property owner and the assessor has no way of validating statements made by property owners. This will increase the workload for the assessor and the number of cases heard by the Board of Review. This will also increase costs to the municipalities.

Operational Questions

*What if the owner requests an inspection?

*Do we still have to send out a form to comply?

Most likely yes, staff members will have to be supplied with "Permission Forms" that they will have in the field so the property owner can sign to show they have allowed access. Forms will also need to inform owners of their rights in a form as the proposal states.