

# For the Property Owner Who Wants to Know



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

*The content of this brochure is intended for informational purposes only and is not to be construed as legal advice. Property owners should consult their local assessor and qualified legal counsel before acting on information found in this brochure. IAAO assumes no liability for the accuracy of this information when applied to specific instances.*

Copyright © 2007 International Association of Assessing Officers  
Reproduced with permission

## HOW WAS MY PROPERTY ASSESSED?

The assessor's office first reviews all the property to be assessed in your community and then values it. In reviewing your individual property, the assessor collects data about its characteristics, such as the amount of land you own, the location of your property, the number and size of improvements on your land, the physical characteristics of the improvements including number and type of rooms, the quality of construction of improvements, and so on. This information is used to estimate the market value of your property by comparing the sale prices of similar properties, estimating the cost to construct your property, and/or calculating the potential rental income your property could generate (if any).

Accurate appraisals require constant searching for and accumulation of significant facts to analyze in order to estimate the fair market value of your property.

## WHAT IS MARKET VALUE?

The market value of your property is the price most people would pay for it in its present condition. The assessor does not consider special factors that might increase its value, such as a special attachment to your home. The assessor also does not consider special factors that might decrease the value of your property, such as how much you might sell the home for to your brother.

The assessor must estimate the market value of every property in your taxing jurisdiction, no matter how big or small. Each year (or less frequently depending on your local laws), the assessor reviews your property for changes and then revalues the property depending on current market conditions.

## WHAT IS AN ASSESSMENT?

An assessment is the value of your property used to calculate your property taxes. After estimating the market value of your property, the assessor multiplies the market

value by a factor (how the factors differ depends on local laws). The result is your assessment.

## WHY HAVE A PROPERTY TAX?

The property tax is an important part of any well-balanced revenue system for a community. Property taxes fund such things as schools, fire and police protection, streets, libraries, and other public benefits. The property tax allows these services to be funded in proportion to the amount of money individual properties are worth. The property tax also is a more stable source of money than sales taxes and income taxes because it does not fluctuate when communities have recessions or when individuals' income fluctuates. In general, when your community spends more tax dollars on better schools, parks, streets, and other public benefits and services, your property values rise and you ultimately benefit.

## HOW DOES THE ASSESSOR ESTIMATE MARKET VALUE?

To estimate the market value of any piece of property, the assessor must first know what similar properties are selling for, what it would cost to replace it, how much it takes to operate and keep it in repair, what rent it may earn, and many other financial considerations affecting its value, such as the current rate of interest charged for borrowing money to buy or build properties like yours.

Using these facts, the assessor can then go about finding the property value in three different ways.

### Sales Comparison Approach

The first method the assessor uses compares your property to others that have sold recently. These prices, however, must be analyzed very carefully to obtain the true picture. One property may have sold for more than it was really worth because the buyer was in a hurry and would pay any price. Another property may have sold for less money than it was actually worth because the owner

needed cash right away and the property was sold to the first person who made an offer.

When using the sales comparison approach, the assessor must always consider such overpricing or underpricing and analyze many sales to arrive at a fair valuation for your property. Size, quality, condition, location, and time of sale are also important factors to consider.

#### **Cost Approach**

A second method the assessor uses to value your property is based on how much money it would take, at current material and labor costs, to replace your property with a similar one. If your property is not new, the assessor depreciates the cost of constructing a new building to estimate the value of a building with your building's age.

#### **Income Approach**

The third method the assessor uses involves estimating how much income your property would produce if it were rented as an apartment house, a store, or a factory. The assessor considers operating expenses, typical vacancy, insurance, and maintenance costs to estimate how much net income your property could generate. The assessor compares this net income with how much income most people would expect to earn on other types of investments to estimate the value of your property.

After calculating the values using these three methods, the assessor makes a final judgment on the value of your property. Depending on the type and nature of your property, the assessor using his or her years of experience may rely more heavily on the value estimated by one approach, disregard the value estimated by one approach entirely, or try to combine the values suggested by the three approaches into one value.

#### **WHY DO ASSESSED VALUES AND MARKET VALUES CHANGE FROM YEAR TO YEAR?**

As market values change, in general so do assessed values. Market values change because the property has changed or because market conditions have changed.

For example, if you were to add a garage to your home, the market value and the assessed value may increase. If you add new siding, the market value and the assessed

value of your home also may increase. However, if your property is in poor repair, the market value and assessed value may decrease over time.

In many areas, market conditions have led to increases in market values and assessed values without any changes to the property or surrounding areas. Other areas have experienced declines. In estimating the value of your property, the assessor reflects the conditions that are occurring in the marketplace.

#### **HOW DOES MY ASSESSED VALUE AFFECT MY TAX RATE AND MY TAXES?**

The assessor's office does not determine the total amount of taxes collected in your community, the tax rate, or your taxes. The assessor's primary responsibility is to find the fair market value of your property, so that you pay only your fair share of taxes.

The amount of tax you pay is determined by multiplying your TAX RATE by your property's ASSESSED VALUE. Your tax rate is determined by all your taxing authorities—city or county, school districts, and others. Your taxing authorities determine how much tax is needed to provide all the services you enjoy.

#### **WHAT CAN I DO ABOUT MY ASSESSED VALUE AND MY PROPERTY TAXES?**

If you believe the assessor has overestimated or underestimated the value of your property, you should contact the assessor's office and discuss the matter. Many offices have formal and informal procedures to appeal the assessed value on your property. Staff can answer your questions about how the office estimated the value of your property and explain how to appeal your assessed value. Many assessors encourage property owners to contact the assessor's office, because the assessor's office relies on property owners for information. You can help by providing accurate information.

If you think your taxes are too high, you should make your opinion known to the proper taxing authorities. You can ask the assessor whether special exemptions exist and whether you qualify for them. If exemptions do not exist, you should contact your legislator and your tax authority about whether certain exemptions should be created.

---

**International Association of Assessing Officers • 314 W 10th St • Kansas City, MO 64105-1616**

---

Copyright © 2007 by the International Association of Assessing Officers, all rights reserved. A licensing agreement is available to organizations wishing to use or adapt this publication on a Web site or in a pamphlet. For more information, e-mail [webmaster@iaao.org](mailto:webmaster@iaao.org).

The International Association of Assessing Officers is a nonprofit organization providing information, standards, education, and consulting services to assessors to promote innovation and excellence in property appraisal, property tax policy and administration through professional development, education, research, and technical assistance.



# Understanding Your Assessment

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

*The content of this brochure is intended for informational purposes only and is not to be construed as legal advice. Property owners should consult their local assessor and qualified legal counsel before acting on information found in this brochure. IAAO assumes no liability for the accuracy of this information when applied to specific instances.*

Copyright © 2007 International Association of Assessing Officers  
Reproduced with permission

## ARE YOU CONCERNED ABOUT RISING 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:

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

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:

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

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:

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

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:

**International Association of Assessing Officers**

Attn: Publications & Marketing

314 W 10th St

Kansas City, MO 64105-1616