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.