

Assessment 101

Assessing property is a complicated endeavor. Wis. Stat. § 70.32 and the Wisconsin Property Assessment Manual govern how real-estate is to be valued. Property generally must be assessed at its highest and best use. The best indicator of value is a recent arms-length sale of the subject property. This is called a tier-1 analysis and is the best evidence of value. An arms-length sale is one in which the buyer and seller are equally motivated and neither party is under undue pressure or duress to make the sale. To verify a sale is indeed an arms-length transaction, the assessor looks at the sales of reasonably comparable properties. If those transactions are in line with the price of the subject property, it is a good indicator the sale was an arms-length transaction.

If the subject property has not been sold recently, the assessor will perform a tier-2 analysis, which is the comparable sales approach. This means the assessor tries to find arms-length sales of reasonably comparable properties to put a value on the subject property.

If there are no arms-length sales or reasonably comparable sales, then the assessor values the property according to professionally acceptable appraisal practices, or a tier-3 analysis. This usually entails using the income method or the construction/depreciation method. The income method of assessment looks at the property's ability to generate income based on a lease and discounting it for profit and expenses. The construction assessment method looks at how much it would cost to build an identical building on the land and then depreciate that cost for age and functional obsolescence.

As stated above, assessing property is incredibly complex. Assessors can use all three tiers to try and get an accurate property value. The above is a general summary. For more detailed information, please consult with your local assessor or contact the WTA legal hotline for specific assessment questions.