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### Property Tax Appeal

Back in the late 1980's the perception on the taxpayer's part was that property taxes were escalating at an unacceptable rate which led to the passage of Measure 5 in 1990. Measure 5 limited the tax rate that could be applied to your homes value to calculate taxes. This measure did not address the value portion of the tax formula, (Budget divided by value = tax rate). Your taxes were based on the Market Value of your home. If values continued to rise, then the rate limitation had little affect on taxes levied. And of course in the early 90's the real estate market boomed and many taxpayers felt the passage of Measure 5 was meaningless. Some even blamed Assessors offices for increasing values to offset the rate limitation when all we were doing was following the market as required by law.

In 1996 Bill Sizemore authored Measure 47 which would create two new values, Maximum Assessed Value and Assessed Value. This measure would capture the Market Value assigned to your property on January 1, 1994, knock off 10% and that value would become your new Maximum Assessed Value for January 1, 1997. For the 1997 tax year, the value your taxes would be based on would be the lower of Market Value and Maximum Assessed Value. That would become your Assessed Value. (sorry to add another term to the mix, in 95% of the cases, Maximum Assessed and Assessed are the same value. In fact Assessed Value, Taxable Value, and Measure 50 Value are interchangeable terms, all meaning the value on which your taxes are calculated. For simplicity sake I would just use the terms Market Value and Taxable Value.

The voters passed Measure 47 but it was found to be unworkable and faced court challenges. Mr. Sizemore worked together with the legislature to rewrite the Measure and resubmit it to the voters as Measure 50, which was passed. It basically closed some loopholes with Measure 47 and addressed some issues that need amending.

Measure 50 captured the January 1, 1995 Market Value, knocked off 10% and that became the Taxable Value for January 1, 1997. From that starting point, each year the Taxable Value is increased 3% no matter what the real estate market does. See example:

|               | 1995    | 1996    | 1997                                          | 1998    | 1999    |
|---------------|---------|---------|-----------------------------------------------|---------|---------|
| Market Value  | 100,000 | 110,000 | 120,000                                       | 130,000 | 140,000 |
| Taxable Value | 100,000 | 110,000 | 90,000 +3%= 92,700 +3%=95,480<br>(1995 - 10%) |         |         |

You can see that as market values increase, the spread between Market Value and Taxable Value widens. This is what the voters wanted. The countywide average Taxable Value was approximately 50% of Market Value as of January 1, 2008.

Now that the market is declining, people are expecting taxes to go down. The concept of a declining market was never addressed in Measure 50. In order to get tax relief, your Market Value must be lower than your Taxable Value. See example:

County appraises property at Market Value of \$350,000 with a Taxable Value of \$200,000. You buy property for \$250,000 and appeal your value based on the recent purchase. The Appeals Board lowers the Market Value to the \$250,000 purchase price but the Taxable Value is still \$200,000. Appeals Boards and Tax Courts are limited to Market Value issues and Assessed Values may or may not be affected.

There are exceptions to all of this too numerous and varied to get into right now. Also keep in mind that the target date for valuation is January 1 of each year. By the time the property owner gets their tax statement, the value is already almost a year old. In a declining market, it appears your property is overvalued when it may be accurate as of the previous January. I hope this helps.

*Special Thank You to Rob Thomas, Assessor, Lincoln County Assessors Office*