

REPORT OF THE
TAX ASSESSMENTS SUBCOMMITTEE OF THE
STANDING COMMITTEES ON WAYS AND MEANS

Submitted to the Members of the
Second Session of the Sixty-fourth General Assembly
Meeting in the Year 1972

PROGRESS REPORT
OF THE
TAX ASSESSMENTS SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON WAYS AND MEANS
1971

At its meeting on September 8, the Legislative Council recommended that a subcommittee be established to study the assessment and revaluation of property for tax purposes. The Council adopted a motion directing the subcommittee to submit a report and recommendations with respect to revaluation and assessment procedures not later than January 10, 1972, but that the subcommittee be given until January, 1973 to complete its study of taxation of utility and industrial property. Senator Roger J. Shaff and Representative Elmer H. Den Herder appointed the following persons to the Subcommittee:

Senator Roger J. Shaff
Senator Alden J. Erskine
Senator Ralph W. Potter
Senator Bass Van Gilst
Representative Elmer H. Den Herder
Representative Donald V. Doyle
Representative C. Raymond Fisher
Representative Floyd H. Millen

At its first meeting, the Subcommittee agreed that the study during the 1971 interim should be devoted to present assessment and revaluation procedures, and that the Subcommittee will study the assessment of public utility and industrial property during the 1972 interim.

The Subcommittee held two meetings at which time Department of Revenue personnel and city and county assessors appeared. Persons appearing before the Subcommittee submitted the following recommendations:

1. Require full disclosure of sales prices on land.
2. Require assessors to notify property owners of assessed valuations on April 15 rather than April 30 as the law presently requires and allow the additional 15 days for the local boards of review to hear appeals.
3. Initiate annual assessments.
4. Clarify present appeal procedures in the assessment law.
5. Allow equalization adjustments to be spread on the assessment books the following year.

6. Provide for an appraisal staff in the Department of Revenue to assist local assessors.

7. Require the Department of Revenue to compile and require the use of an assessment manual for all assessors.

The Subcommittee agreed that the Department of Revenue presently needs more sales data to improve the sales ratio studies conducted by the Department. It is noted that the Department presently sends out questionnaires to obtain data on sales of agricultural land, and that the Department plans to use questionnaires to obtain sales data on sales of commercial, industrial, and suburban residential property. Several members of the Subcommittee expressed some concern about requiring full disclosure of sales data, and the Subcommittee agreed that the Department of Revenue should continue the use of questionnaires to obtain the necessary sales data.

The Subcommittee recommends that the local assessors be required to notify property owners of assessed valuations not later than April 15, rather than April 30, as is presently required. Property owners will be required to file appeals between April 16 and May 5. Present law requires that appeals be filed from May 1 to May 20. These changes in the law will allow the local boards of review additional time to consider appeals which have been filed. It is expected that this additional time will require fewer extensions which are granted by the Director of Revenue.

The Subcommittee recommends that annual assessments be initiated. This change should reduce costs of assessments because it is possible that local assessors will have no need to employ professional appraisal and consulting firms in the future. The change to annual assessments should not require additional staff for assessors. The recommendation should also provide a more current assessment on each parcel of property.

The Subcommittee recommends that the appeal procedures be clarified to allow an appeal of assessment adjustments rather than an appeal of only assessment increases.

The Subcommittee recommends that equalization adjustments be made in the year following the issuance of the equalization order by the Director of Revenue. This means that all levies could be set and the taxes levied at the time the law requires the county auditor to do it. Under the present law, the equalization must be placed on the tax rolls for the year in which the equalization is ordered and the appeal of an equalization order delays the levy of taxes and many governmental units are required to borrow money and pay interest on these funds. This practice is very costly to the taxpayer.

The Subcommittee recommends that the Department of Revenue have an appraisal staff to assist local assessors and develop an assessment manual to aid local assessors. The availability of an appraisal staff will allow local assessors to receive assistance in assessing certain types of property which are difficult to assess and the use of one manual by all assessors should also lead to greater uniformity in assessing the value of property.

Presently, when the Department of Revenue begins to equalize tax assessments throughout the state, it allows a tolerance of ten percent on each class of property. The Subcommittee discussed the tolerance and agreed that this practice discriminates against those cities and counties which make a good faith effort to assess all property at 27% of actual or market value. The Subcommittee agreed that the assessed value should be placed at 27% of actual or market value and that when the Department of Revenue equalizes assessments throughout the state, no tolerance should be allowed.