

Property Tax Appeal Committee Meeting,

September 28, 2011

**PRESENTED BY KEITH E. RUSSELL, MAI
MARICOPA COUNTY ASSESSOR**

✘ General Statement

- ✘ The Assessors are asking for the opportunity to have a discussion on property tax.
- ✘ Success should not be measured by how much legislation is passed but by how much conversation occurs and from the conversation how much understanding is achieved.
- ✘ Courts should not be the place policy is set. It should be in the legislature.

✘ General Overview of Property Taxes in Az

- ✘ Property tax valuation around since 586 BC
- ✘ “If any tax could have been eliminated by adverse criticism, the general property tax should have been eliminated a long time ago” Jensen 1931.
- ✘ Property tax frequently described as the worst tax possible but also the most localized. Income and sales are administered (in large part) on a statewide basic. While there is some impact from a statewide level (state equalization and CAP) the vast majority 95%+ for most property owners is on a county, city, or other local government level.

✘ This is a Joke

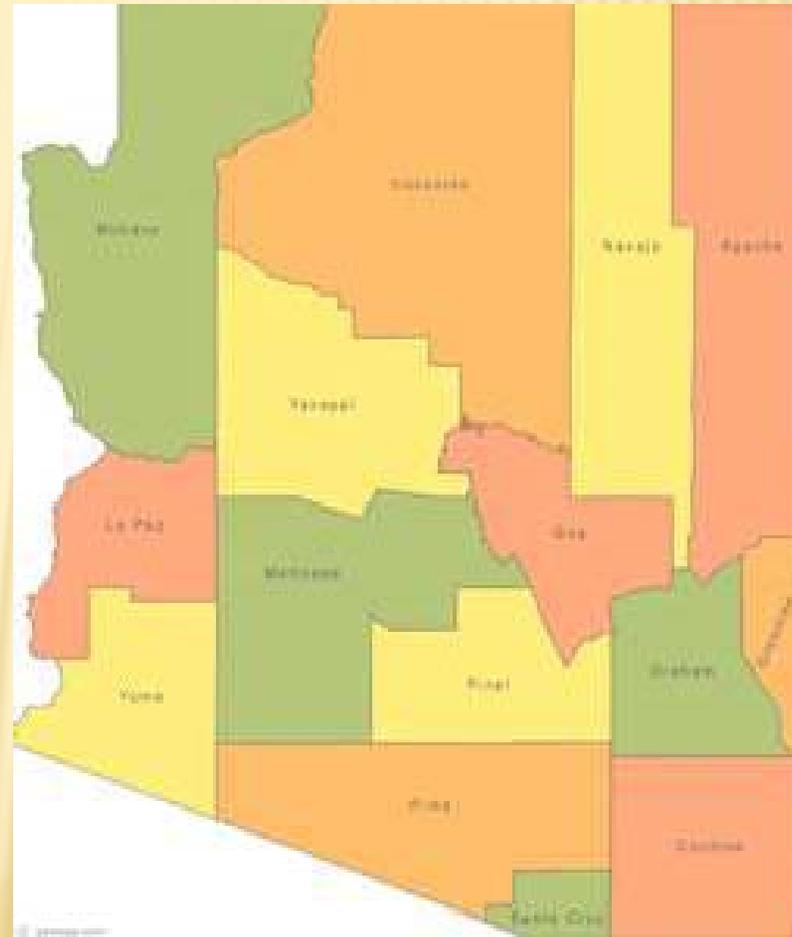


✘ General Overview of Property Taxes in Az

- ✘ Property tax big business – (2010 stats)
- ✘ Total levy Az \$7,042,683,215
- ✘ Total parcels Az 3,200,685
- ✘ Total FCV Az \$672,005,436,964
- ✘ Average tax bill Az \$2,200
- ✘ Biggest tax bill \$14.9 million (Palo Verde)
- ✘ Average tax for every dollar of FCV = \$0.01

✘ General Overview of Property Taxes in Az

- ✘ Greenlee – 7,029
- ✘ Maricopa – 1,546,294
- ✘ Total – 3,200,685



✘ General Overview of Property Taxes in Az

✘ 42-11001. Definitions

6. "Full cash value" for property tax purposes means the value determined as prescribed by statute. If no statutory method is prescribed, **full cash value is synonymous with market value** which means the estimate of value that is derived annually by using standard appraisal methods and techniques.....

✘ General Overview of Property Taxes in Az

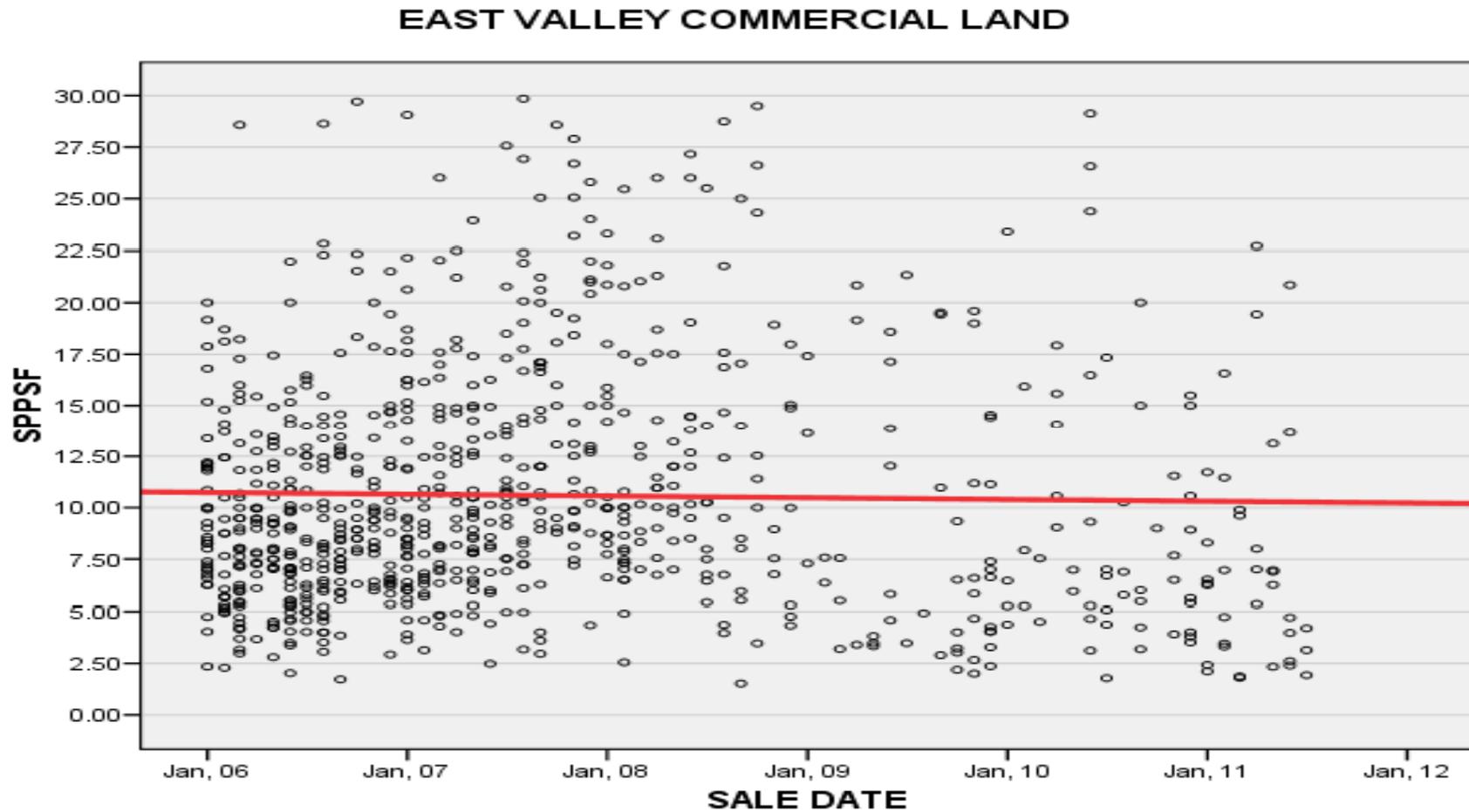
- ✘ Ad Valorem taxing system with modifications.
 - + Value weighted by use
 - + Statutory values
- ✘ Purpose of the Assessed Value is not to determine how much tax will be collected but how to divide among all of the properties in the jurisdiction the pro rata share of each parcel.

✘ General Overview of Property Taxes in Az

- ✘ Single-property appraisal is the valuation of a particular property as of a given date. Mass appraisal is the valuation of many properties, a universe of properties, as of a given date, using standard procedures and statistical testing. Both mass and single property appraisal require market research. The principal differences are in scale and quality control..... valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.

Robert Gloudemans

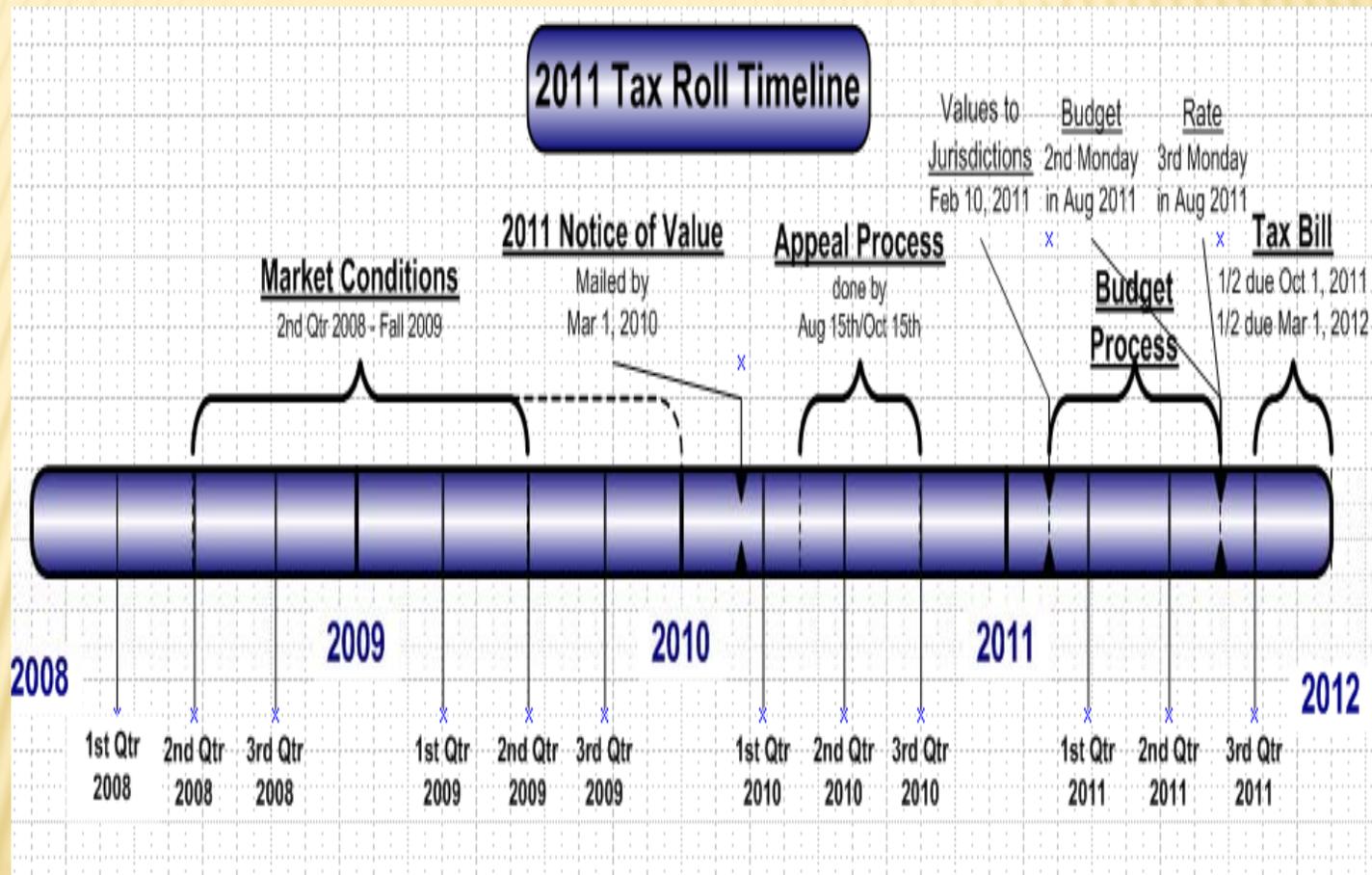
✘ General Overview of Property Taxes in Az



✘ General Overview of Property Taxes in Az

- AZ DOR Sales ratio standards
 - Median ratio target of 81% for commercial
 - Window of 73-89%
 - 82% for everything else (Non-Statutory)
 - Window of 74-90%
 - COD: $\leq 15\%$ Residential
 - COD: $\leq 25\%$ Vacant Land/Commercial
 - REO sales are currently given equal weight

✘ General Overview of Property Taxes in Az



✘ Property Tax Appeal and Review

(Chapter 16 Articles 1-6)

1. Administrative Review by Assessor (Aug 15th)
2. County Board of Equalization (Oct. 15th)
3. State Board of Equalization (Oct. 15th)
4. Appeal to Court (Dec. 15th)
5. Error Correction

Types of Appeals

1. Real and Personal Property
2. Valuation and Classification

✘ Property Tax Appeal and Review

The following examples of where the statutes could be clarified are not intended to infer that there are problems with all or even a large number of appeal filers. They are only provided as examples of areas where additional clarification of the legislative intent would assist the Assessors with managing their responsibilities and improve the quality and consistency of their work.

✘ Property Tax Appeal and Review

42-16051. Petition for assessor review of improper valuation or classification

A. An owner of property which in the owner's opinion has been valued too high or otherwise improperly valued or listed on the roll may file a petition with the assessor on a written form prescribed by the department.

B. The petition shall state the **owner's opinion of the full cash value** of the property and substantial information that justifies that opinion of value for the assessor to consider for purposes of basing a change in classification or correction of the valuation. For purposes of this subsection, the owner provides substantial information to justify the opinion of value by stating the method or methods of valuation on which the opinion is based and:

1. Under the income approach, including the information required in section 42-16052.

2. Under the market approach, including the full cash value of at least one comparable property in the same geographic area or the sale of the subject property.

3. Under the cost approach, including the cost to build or rebuild the property plus the land value.

C. The petition may include more than one parcel of property if they are part of the same economic unit according to department guidelines or if they are owned by the same owner, have the same use, are appealed on the same basis and are located in the same geographic area, as determined pursuant to department guidelines, and are on a form prescribed by the department.

D. The petition shall be filed within sixty days after the date the assessor mailed, delivered by common carrier or transmitted electronically, the notice of valuation under section 42-15101. United States postal service postmark dates are evidence of the date petitions were filed for purposes of this subsection.

✘ Property Tax Appeal and Review

- ✘ 42-16052. Contents of petition based on income approach to value
 - A. A petition that is filed with the assessor, based on the income approach to value, shall include income and expense data relating to the property for the **three most recent consecutive fiscal years** of the petitioner ending on or before September 30 of the previous year. If the income and expense data are not available to the petitioner, the petitioner shall file with the petition such income and expense data as are available. The department, by rule, may establish additional information to be filed if the required income and expense data are not available.
 - B. If a petitioner under this article uses the income approach to determine valuation, **the petitioner, an officer of a corporate petitioner, a general partner or a designated agent shall file a sworn affidavit under penalty of perjury that the information contained in the petition is true and correct to the best of the petitioner's knowledge.**

✘ Property Tax Appeal and Review

42-16053. Rejection of petition for failure to include substantial information; amended petition; appeal

If the county assessor rejects a petition because it fails to include substantial information required by sections 42-16051 and 42-16052, and if the notice of rejection is mailed:

1. On or before June 15, the petitioner may file an amended petition with the assessor within fifteen days after the notice of rejection is mailed.
2. After June 15, the petitioner may appeal within fifteen days to:
 - (a) The county board of equalization as provided by article 3 of this chapter, if a county board is established in the county.
 - (b) The state board of equalization, if a county board is not established in the county.

Agent authorization: missing, bad date, authorizing partly

✘ Property Tax Appeal and Review

42-16251. Definitions

In this article, unless the context otherwise requires:

1. "Board" means the county board of equalization or the state board of equalization, as appropriate.
2. "Court" means either the superior court or tax court.
3. "Error" means any mistake in assessing or collecting property taxes resulting from:
 - (a) An imposition of an incorrect, erroneous or illegal tax rate that resulted in assessing or collecting excessive taxes.
 - (b) An incorrect designation or description of the use or occupancy of property or its classification pursuant to chapter 12, article 1 of this title.
 - (c) Applying the incorrect assessment ratio percentages prescribed by chapter 15, article 1 of this title.
 - (d) Misreporting or failing to report property if a statutory duty exists to report the property.
 - (e) Subject to the requirements of section 42-16255, subsection B, a valuation or legal classification that is based on an error that is exclusively factual in nature or due to a specific legal restriction that affects the subject property and that is objectively verifiable without the exercise of discretion, opinion or judgment and that is demonstrated by clear and convincing evidence, such as:
 - (i) A mistake in the description of the size, use or ownership of land, improvements or personal property.
 - (ii) Clerical or typographical errors in reporting or entering data that was used directly to establish valuation.
 - (iii) A failure to timely capture on the tax roll a change in value or legal classification caused by new construction, the destruction or demolition of improvements, the splitting of one parcel of real property into two or more new parcels or the consolidating of two or more parcels of real property into one new parcel existing on the valuation date.
 - (iv) The existence or nonexistence of the property on the valuation date.
 - (v) Any other objectively verifiable error that does not require the exercise of discretion, opinion or judgment.
4. "Taxpayer" means the owner of real or personal property that is liable for tax.

Timing of correction, classification criteria, personal property application.

✘ This is a Joke



✘ Application In Maricopa County

ASSESSOR

2007 12,557 appeal count
2007 29,368 parcel count

2008 13,252 appeal count
2008 33,397 parcel count

2009 17,213 appeal count
2009 66,710 parcel count

2010 19,804 appeal count
2010 81,394 parcel count

2011 15,675 appeal count
2011 60,854 parcel count

2012 13,988 appeal count (as of 09/02/11)
2012 45,686 parcel count (as of 09/02/11)

SBOE

2007 3,512 appeal count
2007 10,379 parcel count

2008 4,517 appeal count
2008 16,896 parcel count

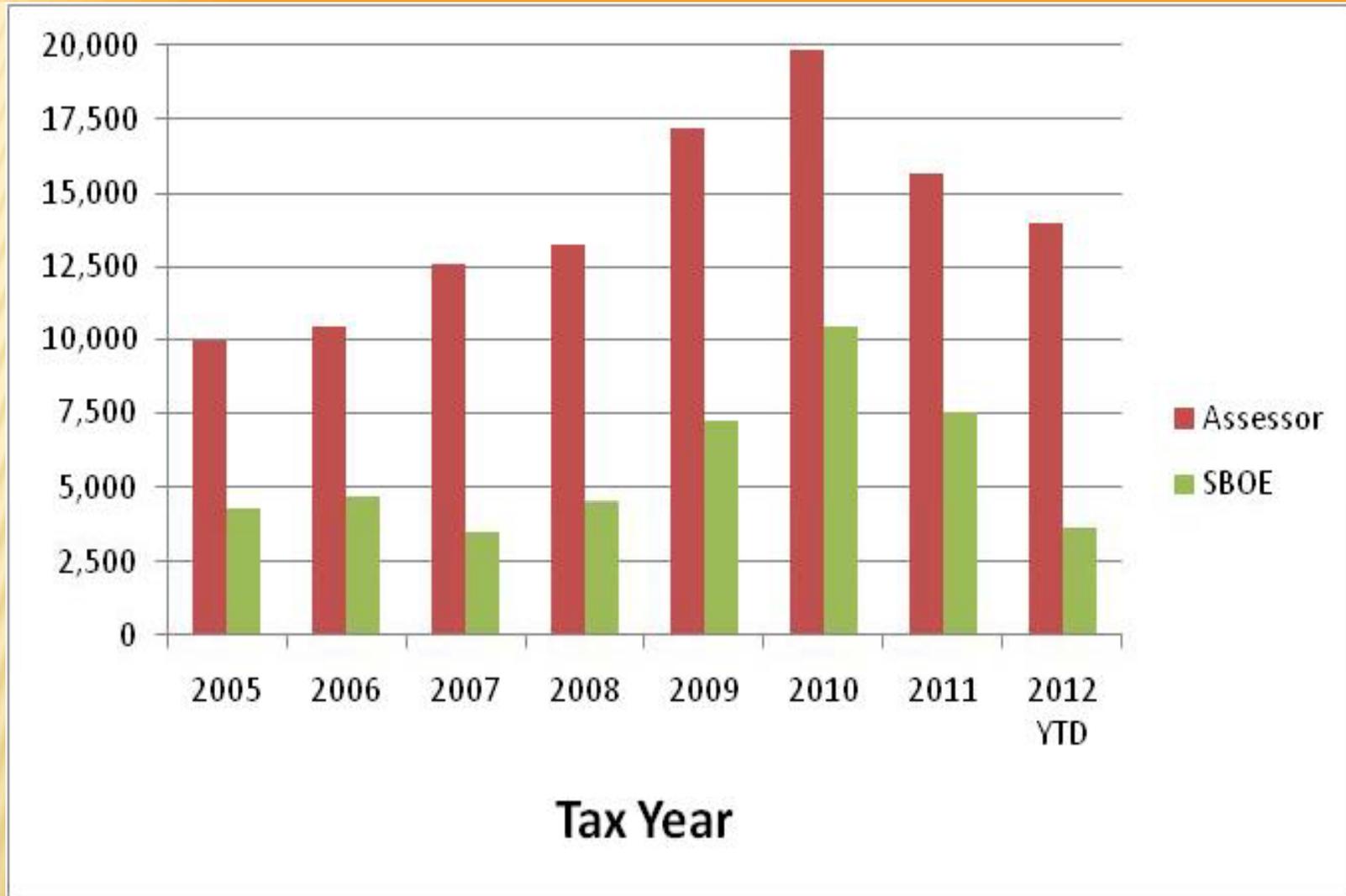
2009 7,274 appeal count
2009 49,249 parcel count

2010 10,483 appeal count
2010 68,263 parcel count

2011 7,516 appeal count
2011 43,658 parcel count

2012 3,667 appeal count
2012 14,538 parcel count

✘ Application In Maricopa County



✘ Application In Maricopa County

Year	Type	Assessor		Type	SBOE	
		Notice Value	Decision		Notice Value	Decision
2009	RD	4,003,975,287	3,864,765,198	RD	1,292,185,290	1,179,735,234
	CM	34,464,490,502	33,801,730,797	CM	21,151,584,033	20,065,766,137
	Othr	15,801,338,837	14,711,767,527	Othr	7,728,620,169	6,956,485,455
	Total	54,269,804,626	52,378,263,522	Total	30,172,389,492	28,201,986,826
2010	RD	3,696,035,805	3,561,725,988	RD	1,583,936,012	1,459,763,283
	CM	45,014,103,811	44,266,168,482	CM	37,766,562,391	35,064,430,050
	Othr	16,005,979,812	14,770,705,810	Othr	12,789,782,567	11,190,729,638
	Total	64,716,119,428	62,598,600,280	Total	52,140,280,970	47,714,922,971
2011	RD	2,253,990,587	2,184,714,316	RD	1,151,017,839	1,070,119,689
	CM	27,736,715,763	27,194,973,084	CM	21,688,926,987	20,319,996,188
	Othr	11,318,394,517	9,794,375,836	Othr	7,893,003,528	6,937,180,393
	Total	41,309,100,867	39,174,063,236	Total	30,732,948,354	28,327,296,270

✘ Application In Maricopa County

RD CATEGORY	COUNT	MINUT ES PER EVENT	TOTAL	MINUT ES	TOTAL IN HRS	HRS AVAILAB LE /YEAR	# APPRAISERS
PROJECTED							
PERMITS - CREATES	10982	17	186694	60	3112	1784	1.74
PERMITS - UPDATES	22296	22	490512	60	8175	1784	4.58
APPEALS	5000	65	325000	60	5417	1784	3.04
APPEAL MTGS	2250	36	81000	60	1350	1784	0.76
SBOE	1250	67	83750	60	1396	1784	0.78
SBOE HEARINGS	1250	68	85000	60	1417	1784	0.79
LITIGATION	700	416	291200	60	4853	1784	2.72
LIT HEARINGS/MTGS	105	0	0	60	0	1784	0
NOTICE OF CLAIMS - workups	900	108	97200	60	1620	1784	0.91
NOTICE OF CLAIM MTGS	900	45	40500	60	675	1784	0.38
NOTICE OF CLAIM SBOE- workups	90	112	10080	60	168	1784	0.09
NOTICE OF CLAIM SBOE- hearings	90	44	3960	60	66	1784	0.04
TOTAL							15.83

PROPERTY TAX APPEAL COMMITTEE

✘ Application In Maricopa County

OFFICE/RETAIL CATEGORY	COUNT	MINUTE S PER EVENT	TOTAL	MINUTE S	TOTAL IN HRS	HRS AVAILAB LE /YEAR	# APPRAISERS
PROJECTED							
PERMITS	5005	56	280280	60	4671	1784	2.62
APPEALS	3600	90	324000	60	5400	1784	3.03
APPEAL MTGS	3450	13	44850	60	748	1784	0.42
SBOE	2500	95	237500	60	3958	1784	2.22
SBOE HEARINGS	2500	42	105000	60	1750	1784	0.98
LITIGATION	300	162	48600	60	810	1784	0.45
LIT HEARINGS/MTGS	0	0	0	60	0	1784	0.00
NOTICE OF CLAIMS - workups	230	151	34730	60	579	1784	0.32
NOTICE OF CLAIM MTGS	230	44	10120	60	169	1784	0.09
NOTICE OF CLAIM SBOE- workups	50	82	4100	60	68	1784	0.04
NOTICE OF CLAIM SBOE- hearings	50	111	5550	60	93	1784	0.05
TOTAL							10.23

✘ Application In Maricopa County

Litigation Statistics As Of Close Of Business September 22, 2011 Calendar Year 2010 – (Jan 1 2010 through Dec 31 2010)

SMALL CLAIMS (ST) TAX CASES:

Total ST Cases Filed Against Maricopa County: 697 (totaling 1,199 parcels)

- Of the 697 cases, 670 cases (1,066 parcels) are closed/concluded.
- Of the 697 cases, 27 cases (133 parcels) remain open (but are pending closure).
- Total Reduction in FCV = \$ 92,015,615

TAX COURT (TX) CASES:

Total TX Cases Filed Against Maricopa County: 1108 (totaling 21,782 parcels)

Of the 1108 cases, 242 cases (6,136 parcels) are closed/concluded.

Of the 1108 cases, 866 cases (15,646 parcels) remain open. (Some are pending closure.)

- Total Reduction FCV 242 Closed cases (6,136 parcels) = \$1,116,281,221

✘ Application In Maricopa County

FY 2010 Nationwide Top Ten Counties Listed By Population

County	Population	FTE	Parcel Count	Personal Property Accts	Avg Parcels/Accts Per FTE	FY 10 Budget	Avg Budgeted Amt Per Total Parcel/Acct
Los Angeles, CA	9,862,049	1489	2,352,255	308,329	1,787	160,162,000	\$60.20
Cook, IL *	5,294,664	386	1,830,000	0	4,741	28,395,495	\$15.52
Harris CAD, TX	3,984,349	630	1,542,000	250,000	2,844	65,000,000	\$36.27
Maricopa, AZ	3,954,598	322	1,542,155	136,813	5,214	22,816,543	\$13.59
Orange, CA	3,010,759	377	897,547	168,208	2,827	33,500,000	\$31.43
San Diego, CA	3,001,072	407	978,011	242,741	2,999	52,195,380	\$42.76
Kings, NY	2,556,598	107 ***	273,329	29,199	2,827	7,891,788 ***	\$26.09
Miami-Dade, FL *	2,398,245	308	892,655	112,917	3,265	30,350,000	\$30.18
Dallas CAD, TX	2,412,827	245	799,214	83,078	3,601	21,800,000	\$24.71
Queens, NY	2,293,007	125 ***	321,294	24,076	2,763	9,207,086 ***	\$26.66
King, WA	1,875,519	224	683,192	33,190	3,198	20,018,180	\$27.94

*Due to difference in fiscal year calendar FY10 budget amounts not available. Budget amount listed is for FY09 which runs 12-01-2008 to 11-31-2009.

**Due to difference in fiscal year calendar FY10 budget amounts not available. Budget amount listed is for FY09 which runs 10-01-2008 to 9-30-2009.

*** These numbers reflect their 2007 budget

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✘ Conclusion

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Courts should not be the place policy is set. It should be in the legislature.

✘ Conclusion

