

Why is Real Property assessed and reassessed?

The Office of the Commissioner of the Revenue is responsible for administering all the county *ad valorem* taxes. An *ad valorem* tax is a tax based on the value of the taxable item. Real Estate is the best example of an ad valorem tax.

Article X, § 4 of the Virginia Constitution sets aside real estate for local taxation only.

Virginia Code §58.1-3201 states: All real estate, except that exempted by law, shall be subject to such annual taxation as may be prescribed by law.

All general reassessments or annual assessments, in those localities which have annual assessments of real estate, shall be made at **100% fair market value**.

Why tax Real Property?

When you call the police or fire department, play in a park, send your children to public school, check out a book at the library, or eat at an inspected restaurant, you are using services paid for by your property taxes. Your taxes also pay for services to help people move from welfare to work, protect children and senior citizens from abuse and neglect, protect our water and air from pollution, repair and build roads, and much more. Property taxes are the largest source of revenue to fund these services that you count on every day. For more information about Shenandoah County's budget and the services funded by your property taxes, visit www.shenandoahcountyva.us.

What Real Property is taxable?

All real property in Shenandoah County is subject to taxation except properties that are specifically exempt under Article X § 6 of the Constitution of Virginia; or property classified or designated as exempt under Section 58.1-3600 of the Code of Virginia; property owned by the county, state or federal governments; and property used for religious, charitable, educational, cultural or recreational uses which are considered non-taxable. Properties may also be subject to exemption by county designation.

When are assessments effective?

Property is assessed as of January 1, each year. The tax rate is set by the Board of Supervisors as part of the budget process during the 1st Quarter of the year. This occurs after the County's budgetary needs are reviewed and after public hearings are conducted. The real property tax is part of a well-balanced revenue system that enables county residents to share in the cost of police and fire protection, public education, parks and recreation, and other services.

Why was an outside firm hired to perform the reassessment?

The general reassessment process is very labor and time intensive. The entire process takes between 18 and 24 months to perform and requires that an assessor physically visit and assess every parcel in the county. To perform this task internally, additional full time staff and resources would be required. Using economies of scale, an outside firm that specializes in such work can perform the reassessment at a greatly reduced cost to the county.

Why must Real Estate be taxed at Fair Market Value?

Article X § 1 of the Constitution of Virginia requires that all property shall be taxed except as provided.

Article X § 2 of the Constitution of Virginia requires that all assessments of real estate and tangible personal property shall be at their fair market value,

Using fair market value as the assessment spreads the total cost of government amongst all taxpayers, based on the market value of the property taxed.

What exactly is "market value"?

The definition of "market value" provided by USPAP:

"The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

† Uniform Standards of Professional Appraisal Practice, 1997 ed (Washington, D.C.: Appraisal Foundation 1997), p155

Why have I received a notice of assessment change?

In accordance with Section 58.1-3330 of the Code of Virginia, you are provided this notice as an official statement of the assessed value of your real property for local tax purposes.

The real estate assessment represents the estimated fair market value of your property. This notice is not a tax bill. The assessed value provides the basis for your real estate taxes that will be due on June 5 and December 5 annually.

Why is my assessment changing?

There are many reasons for a change in property value. The most obvious reason is that real property usually appreciates in value over time and the purpose of a general reassessment is to measure that change and update the fair market value. Value changes can also be created by additions, alterations, or demolitions.

The real estate market is in constant change. In 2008 the Commissioner's real estate staff recorded 2,294 transfers from one owner to another; 1,672 assessments due to new construction and/or additions; and 420 parcel map changes. All of this activity defines the market. Every sale, parcel map change or structural improvement is recorded and used to determine change in the fair market value of the real estate market.

Even though market value changes all the time, the rates used to arrive at assessed value are not changed until the next general reassessment.

It is important to note that the assessor in charge of analyzing data for a general reassessment does not create the value. Citizens establish value by buying and selling real estate in the open market. The assessor's legal responsibility is to determine the fair market value of the property and to ensure uniformity and equity amongst all properties.

Is there a law that prevents assessments from changing more than a certain amount?

The Constitution of Virginia requires real estate assessments to represent fair market value. There is no provision to limit the amount of change from one reassessment cycle to the next reassessment cycle (4 year period).

How can a property be assessed for more than its purchase price?

Real Estate may be assessed for more than the purchase price because the assessment reflects "fair market value". Fair market value is not necessarily the price paid for a piece of real estate, but rather, what it is worth on the real estate market at the date of measurement. Since the market value is determined at a place in time, market value continues to change after a sale takes place. Values also change, and the property value may have gone up since the purchase. This is especially true if a piece of real estate was purchased several years ago, or if a

person happened to get a good buy because of a distress sale condition. Assessed value should represent fair market value at the time of the reassessment, which may or may not be the same as purchase price or a real estate sales price.

How can my land value increase at a faster rate than my house?

As more and more land is developed, the supply of available vacant land decreases, driving the sales prices of land higher. As sales prices of land increase, so does the subsequent value of all land, improved or unimproved.

What is a home site and how is it valued?

A "Home Site" or "House Site" is all or part of a parcel that is best suited for single family residential construction. Applying the concept of "Highest and best use", this part of the land parcel is worth significantly more than the residual acreage.

For example: a three acre parcel can be shown with the 1st acre valued at \$35,000 and the remaining two acres at \$5,000 an acre for a total land value of \$45,000; or a half acre parcel would be valued at \$35,000 for a total land value of \$35,000.

Why does my three acre tract appear to be valued at a higher rate per acre than my neighbor who has fifty acres? *

A straight mathematical calculation would produce the following:

$\$45,000 \div 3 \text{ acres} = \$15,000 \text{ per acre}$ $\$280,000 \div 50 \text{ acres} = \$5,600 \text{ per acre.}$

An actual breakdown of a three acre parcel would show a unit value on the first acre (house site) of \$35,000 and the remaining 2 acres assessed at \$5,000 per acre. A 50 acre parcel would show a unit value on the first acre (house site) of \$35,000 and the remaining 49 acres are assessed at \$5,000 per acre.

1 acre @ \$35,000 = \$35,000	1 acre @ \$35,000 = \$ 35,000
+2 acres @ \$ 5,000 = \$10,000	+49 acres @ \$ 5,000 = \$ 245,000
3 acres \$45,000	50 acres \$ 280,000

This example represents in detail the breakdown of a house site and residual acreage. This also demonstrates why you cannot take the total acreage and divide it by the total land assessment to determine equality.

Equality is sought in the breakdown of the assessment, not in the actual unit value per acre of the overall total.

*Figures used are for demonstration purposes only. Site values and residual acreage values vary depending on specific land qualities.

I live in a manufactured home, what is the “Improvement Value” that I am taxed for?

Manufactured homes are taxed as personal property unless they have been converted over to real estate through a formal application process in the real estate department. Prior to conversion, anyone who owns their own land and places a manufactured home on it will receive a real estate bill for the assessed value of the land and any improvements i.e. porches, decks, paved driveways, fences, etc. The land and improvements are taxed as real estate, and the manufactured home will be billed separately as personal property.

How can you tax an outbuilding that has no electricity and is not livable?

The assessed value is the sum of the value of all the factors on your property. Outbuildings such as sheds, barns, and detached garages add functionality and utility to your property, thereby increasing the market value of your parcel.

My house is under construction and only partially complete. Why are you not waiting until it is complete to assess me?

New construction that is not fit for occupancy is assessed at its value reflecting the percentage of completion (e.g. 50%, 75%, etc.). When the new construction is substantially completed and/or fit for use it is assessed at 100% assessment for the remaining months of the year.

What is the difference between sale price, appraisal, and assessment?

Sale price is the actual price a buyer pays for a particular property.

An **appraisal** is a detailed single property valuation, and may be obtained any time throughout the year. Appraisals can have a variety of purposes, e.g. mortgage loan, sale, home equity loan, and estate valuation. The county does not do individual appraisals of this type.

An **assessment** is a mass appraisal of all property within a locality as of January 1, of the reassessment year for tax purposes. Assessments are based on large numbers of sales that are analyzed to determine values for large groups of similar properties.

What can I do if I need more information, or if I disagree with my assessment?

We encourage you to call our staff appraisers at 540-459-6174 to discuss your assessment questions.

I just had my property appraised. Will that help me in the hearings process?

Any materials that may assist the assessors in gaining an accurate portrait of your property may be used to support your position at the hearings. For an appraisal to accurately reflect market conditions, however, it must have been conducted within 6 months of the reassessment notice.

What are my rights and responsibilities?

If there is a question about the property value after you receive a notice of general reassessment, you may call the telephone number listed on the notice and schedule a time to review the valuation. There are three steps available in the appeals process.

The first step is to appeal to the Assessors. The Assessors are the individuals who originally placed the value on your property. The Assessors are responsible for reviewing assessment questions relating to accuracy, fairness, and equitability. Most issues are resolved at this stage.

If you are unable to resolve your issue with the Assessors, another step is an appeal to the Board of Equalization. Shenandoah County's Board of Equalization (BOE) consists of three (3) members who are appointed by the Circuit Court of Shenandoah County to determine if the assessed value is true to market value and equitable to similar properties.

When filing a formal appeal the burden of proof is on the property owner to show that the assessor has erred by providing evidence that the appraised value does not reflect market value and/or uniformity. Evidence should consist of sales of comparable properties in the area or information on conditions of the property not previously known to the assessor. If the appeal is based on conditions of which the appraiser was not aware, adequate documentation is required to support the claim.

The final level of appeal is to the Circuit Court of Shenandoah County.

The taxpayer can apply directly to the Circuit Court of Shenandoah County without appealing to the Assessor or Board of Equalization.

If I no longer own this property, what should I do with the notice?

§58.1-3330 (c) of the Code of Virginia requires you to forward the notice to the new property owner.

Can I obtain a copy of my real estate assessment card?

Yes, real estate records are public information and can be obtained through the office of the Commissioner of the Revenue.

Is it possible to view my neighbor's assessment?

Yes, real estate books containing information on all taxable property will be available for public use on site at the hearings location and the Commissioner of the Revenue's office

How will this affect my taxes?

General reassessments are not designed to be a county-wide tax increase. This process is intended to align each property's value with its current market value. Thus, the tax burden is more fairly and equally spread among all property owners. The law ensures that a general reassessment can not be blamed for an increase in taxes. Once the general reassessment is complete, it is a requirement in state law that the tax rate be adjusted and equalized to render the reassessment revenue-neutral to 101% of the previous year's tax revenue.

It is the responsibility of the Board of Supervisors to determine the budgetary needs of the county and the tax rate necessary to effectively meet those needs. If deemed necessary, the Board may propose a tax rate that generates more than 101% of the previous year's tax revenue by advertising and conducting a public hearing separate from the annual budget meeting.

If my taxes are paid through my mortgage escrow, do I have to do anything with this new assessment?

Yes. You should notify your mortgage company of your new assessment so they may adjust distributions to your escrow account accordingly. Otherwise, your mortgage company will not be notified of any change in your tax amount until they receive the next tax bill. This could create a shortfall in your escrow account balance, potentially affecting your mortgage payment.

What is the current tax rate?

The 2009 real estate tax rate is \$0.51 per \$100 of assessed value.

How is real estate tax calculated?

The 2009 tax rate is \$0.51 per \$100 of assessed value. To compute the real estate tax on a property assessed at \$150,000, divide the assessed value by 100 and multiply by the tax rate:

$$(\$150,000 \div 100) \times \$0.51 = \$765$$

What other related services are offered by the County?

The County provides tax relief for the elderly and disabled. Property owners who meet the required criteria of age or disability and have a total household income of less than \$25,000, and a net financial worth less than \$65,000 may qualify for a reduction of their real estate taxes.

Property owners who meet the qualifications for land use taxation can benefit from having the assessed value of their qualified acres reduced to the value of their acreage in agricultural production for sale.

For more information, applications, and filing dates, visit the Commissioner of the Revenue's website at <http://www.shenandoahcountyva.us/> or call (540) 459-6174 for Tax Relief for the Elderly information and (540) 459-6179 for Land Use information.

An Application containing this information is available from the Real Estate Assessment Office.