REAL PROPERTY

Frequently Asked Questions

CHELAN COUNTY ASSESSOR

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Q: What laws affect how the Assessor appraises my property?

A: State law requires that County Assessors value all taxable property at 100% of its true and fair market value in terms of money, according to the highest and best use of the property. That means that the Assessor must first know what similar properties are selling for and what it would cost to replace it. There are three basic approaches to the valuation of real property:

1. Market or sales approach: Comparison of a property with the characteristics of similar properties that have recently been sold.
2. Cost approach: Estimate of the replacement cost of a structure, and adjusting that estimated value to account for depreciation and obsolescence.
3. Income approach: For Commercial/industrial property; an analysis of a property's value based on its capacity to generate revenue for the owner.

Q: What is "Fair Market Value"?

A: Fair market value is the amount that a willing and unobligated buyer is willing to pay a willing and unobligated seller. In other words, it is the price most people would pay for your property in its present condition. The Assessor does not create the fair market value nor does one sale within a neighborhood or area create the fair market value. Multiple sales of comparable properties within a neighborhood or area are used to establish the fair market value for that area. By law, our office is required to use sale data from 2015 to set the fair market value for your property's 2016 assessed value which was set on January 1, 2016.

Q: How often is my property revalued?

A: Your property is revalued every year now that our County is conducting annual updates. We physically inspect a quarter of all real property each year and the County has four inspection cycle areas. For properties that are not located within the scheduled inspection area, we statistically review the properties and adjust the assessed value annually, if indicated by changes in the marketplace; or if new construction or a change in boundaries occurs. The properties are statistically updated using adjustments derived from analysis of recent comparable market sales. This sales analysis dictates the statistical adjustments (also referred to a mass appraisal) in different classifications of properties by type and location (or neighborhood).

Q: Why does the County assess property at 100 percent of fair market value?

A: Not only does State law require our office to assess property at 100% of its true and fair market value but it is how the State determines our County's fair share of the State School Tax. The Department of Revenue monitors all of the Counties assessed values each year, conducting a sales ratio study. The ratio is based on our assessed values divided by the sales. The farther away from 100% of fair market value we get, the steeper the equalization on their part. In a nut shell, if our office assesses all taxable property within the County at 75% instead of 100%, the state will equalize the share each taxpayer is responsible for by increasing the rate for state schools. The State's philosophy is that if we are not assessing at 100%, then we, as a County, are not paying our fair share of the State schools tax. Chelan County's property tax ratio in 2015 for 2016 Taxes is 86.7% with a state school levy rate of $2.29 per $1,000 of assessed value. In comparison, Douglas County, to the east of our County, has a property tax ratio of 91.2% and pays a state school levy rate of $2.18 per $1,000 of assessed value. So for a $200,000 home we are paying $22 more per year to the state school tax fund than residents of Douglas County.

Q: The assessed value of my property went down but my taxes went up. Why?

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A: The consolidated levy rate for a tax code area may increase from one year to another. The formula for determining the levy rate for each taxing district that makes up the consolidated levy rate is to divide the amount of the taxing district budget by the assessed value of the district and multiply by 1,000. If the taxing district budgets and voter approved levies increase in a given year but the total assessed value of the taxing district decreases as we have seen recently, this can cause the levy rate to go high enough that even if your value is lower than last year, the higher rate may be enough to cause your taxes to increase. Also, the state levy rate may be higher in a given year if the County has a poor property tax ratio based on the Department of Revenue's Sales Ratio Study.

Q: Are there limits on how much a property's assessed value can change?

A: No. There are no limits on increases or decreases in assessed property values. This value is based on the requirement that assessed values be established at 100% of fair market value on January 1st. While assessed values remain the same until the next year, market values continue to fluctuate throughout the year.

Q: If property values have no limit, what protects property owners from limitless taxes?

A: Your taxes are calculated based on the budgets submitted by jurisdictions (taxing districts) that provide you services. These budgets are prepared independently from property values and are limited to a 1% increase from one year to the next. This limit does not apply to taxes from voter-approved bonds and special levies. Property values determine the share of these budgets that individual property owners will pay. For more information, check out our section on Levies & Taxing Districts.

Q: Why does my value change annually?

A: Your assessed value may change as a result of changing market conditions. Every year we compare sale prices to assessed values. If assessed values are significantly different from sale prices, we will apply a market adjustment factor to that neighborhood of properties in order to bring the assessed value closer to sales prices.

Q: Does the Assessor's Office use real estate sale listing prices for comparable market sales?

A: No. Our office only uses the sale price from closed sales, which are considered "arm's length" according to the Department of Revenue. We strive to get at least 3 sales in a market area before adjusting the value. One sale in a neighborhood does not make a market. We also look very closely at foreclosures, as they are not typically considered "arm's length" sales, but if there are numerous foreclosure sales in one market area then those sales do dictate the market values. We do collect the listing sheets while we are out doing physical inspections because when the property finally sells, we can look back and see the trends. For example, if a property is listed in March at $425,000, but doesn't sell until September for $385,000 - this doesn't necessarily mean it was over-priced. It may have been right on the mark in March, but the market may have been slipping through the summer and the September sale price is reflective of the market at that moment in time.

Q: I couldn't sell my property today for the value you set. What's the deal?

A: All property values in the state are established on the same date each year: January 1st. The values listed on the notices mailed in June 2016 were established as of January 1, 2016. State law requires our office to only use closed "arm's length" sales prior to January 1, 2016 (basically only 2015 sales) to adjust values in 2016, which are for 2017 taxes. So, essentially, your value will always be a year behind the actual market. It is frustrating to both the taxpayers and to our office, as we can see the values dropping in most areas (although some have gone up) but can't act on it until next year because the sales happened after January 1, 2016.

Q: If the house next door sells to an out-of-state buyer for much more than it is worth, will it affect my assessed value?

A: Not necessarily, because a single property sale does not establish the market value of surrounding properties.

Q: Do I have to let the County appraiser come into my house or onto my property?

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A: No, In fact, it is generally not necessary for an appraiser to view the interior of your home. We assess your property based on size (square feet), condition and fixtures. We can generally get this information from inspecting the property on the outside and through our available data. If access to the property is refused, the appraiser must estimate the value of the property using whatever information he or she has available. Typically it is advantageous to the taxpayer to allow us to inspect the exterior of your property.

Q: When will the 2016 sales affect my assessed values and taxes?

A: Sales that occur in 2015 are used to set the January 1, 2016 assessments which are used to calculate taxes due in 2017. State law requires Assessors to assess property according to the property tax calendar. This law applies whether the real estate market is increasing or decreasing. The following calendar of events helps explain this lag:

- New assessment notices are mailed in July 2016 after revaluation and in September 2016 after new construction are inspected, and only if there is a change in value.
- After notices are mailed, property owners have 30 days to appeal their value to the Board of Equalization (BOE). If you did not receive a notice of value, you can still appeal your value to the BOE by July 1st, every year.
- Taxing districts receive their certified assessed values in October 2016 and set their budgets in November or December 2016. They may or may not also ask voters to approve ballot measures in 2016 that will affect taxes due in 2017.
- Levies are calculated in January 2017 using the January 1, 2016 certified assessed values for revaluation and the August 31, 2016 certified values for new construction. Tax statements will be mailed by the Treasurer's Office in February 2017 for taxes due in April and October 2017.

Q: Is there a place where I can look up sales of property similar to mine?

A: Sale information is available on our website at: **www.co.chelan.wa.us/assessor**

There are three ways that you can access the sales information:

1. Click on the **Monthly Sales Reports** link on our home page to be taken to a link to our ftp site that has our monthly sales in an excel spreadsheet format dating from present to June 2012.
2. Click on the **Parcels and Sales Search** link on our home page. After agreeing to the disclaimer click on the "Sales Search" link in the upper right hand corner of the webpage. Enter your sales criteria and click on the "Search" button at the bottom of the page. Select from the result list by clicking on the "View Details" link. To see a map of the property click on the "View Map" link. If you need assistance, give us a call at (509) 667-6365 and we will walk you through it.
3. Click on the **Interactive Map** link on our home page. After agreeing to the disclaimer click on the drop down menu in the "Property Search" box located in the bottom left hand corner (*Hint: Depending on your screen resolution the full box may not appear, you may only see the top part of it. If this is the case, hover over the box with your mouse and hold down the left mouse button to drag the box anywhere on your screen)*. You can either the search by parcel number or owner name. Enter either the last name of the owner or the 12 digit parcel number and click on the "Search" button. Depending on the data entered a parcel or a list of parcels will pop up in the results box. If you have more than one in your list use the scroll bar on the right hand side of the property search window to select the parcel you are interested in. You can either click on the parcel data in the box or click on the "Zoom to" button to zoom to the parcel. To add layers click on the map icon on the bar at the top of the page. For more information on using the online map check out our Online Mapping Help document available on our main webpage or in the top right hand corner of the online map. If you need assistance, give us a call at (509) 667-6365 and we will walk you through it. (*Note: depending on your internet connection it may take some time for the map to pop up on your screen, so please be patient.*)

Q: I have made no improvements to my home, why did my assessed value increase? **RETURN TO MENU**

A: The law requires the Assessor's Office to value property at 100% of the true and fair market value. Assessed values are affected by the local real estate market and the real estate market is directly influenced by supply and demand. This affects the cost of materials, labor, and other incidentals required to build, market, and sell a home.

We are required to conduct an annual statistical update of assessed values based on real estate transactions. Although you may have not made any improvements to your home, your value continues to follow the market activity in your neighborhood.

Q: Why has my property value been raised more than the cost of living?

A: Assessed values are affected by the local real estate market. The real estate market is directly influenced by supply and demand. There is no limit on how much assessed property values can increase or decrease annually. The real estate market is only one component of the cost of living. Supply and demand has a substantial impact on market sales, which are used to determine property values.

Q: There is no home or building on my property, so why am I being assessed for improvements?

A: The property may be enrolled in the Open Space Farm & Ag program. If this is the case, state law requires our office to add the trees and irrigation to the assessment rolls. In the past, these were located under the land.

Q: My house (or new construction project) is not 100% complete. Is it assessable when it is not complete?

A: Yes, the Assessor is required by law to make a physical inspection of the building or buildings within twelve months of the date of issuance of the building permit. The law requires the Assessor to assess all new construction at its true and fair value as of July 31st each year regardless of its percentage of completion. Our office typically conducts all of our physical inspections for new construction in June and July of each year. We will mail out a new Notice of Value reflecting the new construction assessed value around September 1st of every year.

Q: I received a Notice of Value and noticed that there is a value for a building which was destroyed by fire and no longer exists on my property. How do I correct this situation?

A: You can contact our office to review your property details. Washington State law provides for a pro rata reduction in assessment value for properties that are destroyed or reduced in value by a sudden incident or event. Qualifying incidents include fire, landslide, earthquake, natural disaster, etc. A claim for reduction in assessment for qualifying reasons may be made no later than three years from the date of destruction or reduction in value.

Q: Can I get a refund on my paid property taxes if the Assessor's Office discovers an error or issue with my property?

A: It depends on whether the error is a manifest error or appraiser opinion. If our office discovers a manifest error on our assessment rolls and this error effects the assessed value of the property than our office, by law, can refund the current year plus up to 3 previous years. If the issue is due to an appraiser opinion we can only adjust the data for the current tax year and we cannot legally complete a refund.

Commercial Property

Q: What is commercial real property?

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A: For assessment purposes, commercial property has a highest-and-best use other than a house, duplex, or residential condominium. Some examples are:

- Retail, office, light industrial, multi-family housing
- Mobile home park (but not a mobile home)
- Condominium slip, airplane hangar (a boat house is personal property)
- Tax exempt facilities like a school, church, government building

- Water system, cell site, espresso stand site (an espresso stand building is personal property)
- Marina, golf course

Q: Is commercial property assessed differently than residential?

A: There are both similarities and differences. Like residential property, commercial property is assessed each year at fair market value. The three methods used to determine commercial property include:

- Market: Sales comparisons
- Cost: Reproduction or replacement cost new, less accrued depreciation
- Income: Capitalization of market rents

Q: What are the components of the income approach?

A: Potential gross income (PGI): Annual income at market rents and 100% occupancy

Vacancy and collection loss: Percent of PGI lost due to vacancies and bad debt

Effective gross income (EGI): Annual rent actually collected

Operating expenses: Percent of EGI used for administration, repairs, utilities, insurance, and property taxes

Net operating income (NOI): Annual income remaining after operating expenses are paid

Capitalization rate: The ratio of NOI to value or sale price

Q: What does the income approach look like?

A: An example of a value estimate by the income approach:

	Model Coefficient	Model Calculation
Building type	Restaurant	
Comparison unit	Square feet	
Building size	2,500	
Estimated rent per square foot	$10	
Potential gross income	$25,000	
Vacancy and collection loss	5%	-$1,250
Effective gross income		$23,750
Operating expenses	20%	-$4,750
Net operating income		$19,000
Capitalized value	8%	$237,500

Q. What if I don't rent out my building?

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A: We calibrate our models using market rates. In other words, we analyze a sample of rent, vacancy, and expense rates from leased properties and select typical market rates for our models. We use the same model whether you produce rental income or not.

Q: How do you deal with excess land?

A: Excess land doesn't directly contribute to the income stream. So we estimate its value and add it to the income approach.

Q: Do you use the income approach on all commercial buildings?

A: We use the income approach model for most commercial properties in Chelan County. But some properties, like a golf course, don't lend themselves to the income approach because we don't have access to enough market data to calibrate an income approach model. Other times we use the sales comparison approach – on convenience stores with gas for example – if we have sufficient sales of similar properties.

Q: How often do you update your income models?

A: The County is divided into four inspection areas. We inspect one area per year to gather income, expense, and vacancy information, analyze sales to determine the rate of return (capitalization rate) investors are seeking, and recalibrate all of the models in that area.

Manufactured/Mobile Homes

Q: Why isn't my manufactured/mobile home value going down annually? Shouldn't it depreciate like a car?

A: Manufactured and mobile homes are subject to the same market forces as other real estate, whether they are located in a park or on an individually owned site. They depreciate due to age and condition the same as site built homes, but market forces can also cause them to appreciate. The Assessor is required by law to assess all manufactured/mobile homes at 100% of market value annually.

Q: Isn't the NADA or Kelley's Blue Book a better indication of the value of my manufactured/mobile home?

A: The NADA Manufactured Housing Appraisal Guide or Kelley's Blue Book is only used as a guideline to determine the average retail value of a manufactured or mobile home. This book is used primarily by dealers to establish prices before moving and set up costs. In order to establish the local market value for a manufactured home (whether it is in a park or on its own land) a physical inspection must be done.

Q: I just purchased my manufactured home for less than the assessed value. How can my value be more than I paid for it?

A: Market value of your home is not necessarily determined by its purchase price. The sale must meet the definition of fair market value. Distress sales, sales of repossessed homes, estate sales and relative sales are not typically considered as representing fair market value. When a manufactured or mobile home is sold and it has to be removed from a site, the sale price is typically discounted to reflect the cost of moving and resetting the home.

Q: I sold my mobile home two years ago and I am still getting the tax statement. What should I do?

A: Contact our office at (509) 667-6365. You will be asked such questions as, "Who did you sell it to? Did it move? Did you transfer title or complete a seller's report?" Any information you can provide will assist the office in making the appropriate changes to the account and ensuring that the tax statement and all other related information are mailed to the purchaser rather than yourself.

Q: Because I have had my title eliminated on my manufactured/mobile home, my mortgage company told me that I would only receive one tax statement. Why did I receive a separate tax statement for my home?

A: Our office has been working to transfer the title eliminated manufactured and mobile home parcel information and values to the real property record. Until the home is transferred to the real property record, a separate tax statement will be mailed. Your mortgage company should request both tax statements until you receive notice that the records are combined.

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