



DEPARTMENT OF REVENUE

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MEMORANDUM

To: CHAIRMAN CASE
CHAIRMAN HARSHMAN
MEMBERS OF THE JOINT REVENUE COMMITTEE

FROM: BRIAN JUDKINS, ADMINISTRATOR PROPERTY TAX DIVISION

DATE: SEPTEMBER 8, 2022

SUBJECT: CONSIDERATIONS FOR THE POTENTIAL ACQUISITION VALUE STUDY

Thank you for allowing the Property Tax Division to comment on your proposal of an Acquisition Value Study bill. After a quick discussion with Director Henson and some of my staff, we've compiled some initial questions for your consideration. By no means is this a complete list of questions. We also feel that addressing these questions would further clarify the scope of this study. I'm certain that whoever ends up compiling this study will benefit from these clarifications as well. We are available to answer any questions you may have.

General Questions to Consider for the Acquisition Value Study

- Within the draft bill would it be appropriate to say, "*The study shall assume that the change to valuation based on acquisition value shall only apply to residential real property*" rather than "*shall not apply to agricultural land or commercial property*"?
- What type of residential property shall be included for acquisition value?
 - Primary residence
 - Rentals
 - Vacant land
 - Mobile homes that are classified as personal property
 - Outbuildings such as sheds and shops that are typically located on residential property

- Is your intent of acquisition value similar to what California implemented as Proposition 13? Or?
- Do you want to include a yearly inflation factor to the acquisition value similar to California? They add 2% per year to the value.
- The term “Revenue Neutral” is used in the bill draft. This will need to be further explained to understand the intent.
- What type of sales are to be considered? Open Market? The following is a list of what the State Board of Equalization deems to be invalid sales:
 - Sale involves multiple parcels
 - Trades
 - The sale was not exposed to the open market
 - Physical characteristics have changed after the sale
 - Sale between relatives
 - A liquidation sale or forced sale
 - Abnormal financing. For example, Land Contract or Contracts for Deed.
 - Excessive personal property involved in the sale
 - Sale of agriculture property valued on productivity
 - Not an “arms-length” transaction

Questions that pertain to properties that sold:

- During a sale the purchase price does not indicate the separate value of land and structures. If an “acquisition value” was implemented, Article 15 Section 1 of the Wyoming Constitution clearly states that “*All lands and improvements thereon shall be listed for assessment, valued for taxation and assessed separately*”. This will need to be addressed.
- Purchase price will need to be defined in further detail.
- By statute developers may request valuation of their land using “Present Worth”. The methodology is further defined in Rules. Would this methodology still be applicable?
- How will the residential home site and dwellings be valued on an agricultural property?
- How will personal property (property other than land and structures) be addressed that is included in a sale?

- How would assessors handle erroneous reporting of sales prices? Should there be a fine or penalty involved?
- Will there need to be a new form to report sale information to the assessor similar to the Statement of Consideration that is currently implemented and administered by the State Board of Equalization?
- What date is the assessment date? When the property sells or January 1st as it is currently? This will affect escrow and proration of closing costs.
- How will sales be treated that real estate investors are involved with?
- Many sales have abnormal financing including, first time home buyers, land contracts, VA loans, WCDA loans, contracts for deed, etc.

Questions that pertain to properties that have **not** sold:

- How do properties need to be valued that have not sold?
 - Should the property be valued at market?
 - Should the property be valued at replacement cost new less depreciation plus land value? Costs usually increase on a yearly basis.
 - Should the property be valued at replacement cost new plus land value?
 - Valued at a base year such as a historical tax year?
 - How would changes to the property after the base year be treated such as new construction/additions or remodels?
 - What if the property is worth less than the base year value?
 - How would property be valued if the base year involved only a land value that now has improvements made to the property?
 - Value properties using historical sales?
 - How would changes to the property after the historical sale year be treated such as new construction/additions or remodels?
 - What if the property is worth less than the sale year value?
 - How to value property if the sale year involved only a land value that now has improvements made to the property?
 - How far back in time would sales be considered?