

# ACQUISITION VALUE STUDY

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# Acquisition Value Study Criteria



Wyoming House Bill No. HB0100 established **ten requirements** for the study



Incorporated into **three options** for implementing an acquisition value property tax system



Study included discussions with **interested stakeholders**



Study included research of **other states** that have implemented a property tax system based on acquisition value

# Acquisition Value Study: Summary and Conclusion

- California is the only state that has implemented such a property tax system that is still in place
- Implementing a property tax system based on acquisition value in Wyoming is not possible under the state's current legal framework
- Wyoming currently lacks the building blocks to support an acquisition value system

## Acquisition Value Property Tax System

Constitutional  
Amendments

Additional  
Staff

Revised  
Statutes

Revised DOR  
Administrative  
Rules

Proper Sales  
Recording with  
title companies

Computer  
System

Construction  
Permit System

Mandatory  
Sale Price  
Disclosure

# Acquisition Value Study: Survey of Interested Stakeholders

- Wyoming County Assessors Association
- Wyoming County Commissioners Association
- Assessors from the larger counties in Wyoming
- Chief Economist of the Wyoming Economic Analysis Division
- Wyoming Realtors Association
- Wyoming Board of Equalization
- Wyoming Taxpayers Association

## Findings:

- The overall sentiment was apprehensiveness rather than in favor
- Several questions and concerns regarding the structure and implications
- Funding of services was a major concern
- The infrastructure for this type of taxation is not currently in place

## A review of the revenue impacts of changing to acquisition value including how those revenue impacts may vary across the state

- The residential property contribution to the property tax roll varies by county, ranging from **27%** to **80%** of all assessed value
- Given about 75% of the mill levy being fixed, counties would not be able to offset the loss in value from an acquisition value system (with a cap)
- The estimated loss in tax revenue **over 10 years:**
  - **\$5,300** tax revenue loss on a \$300,000 home
  - **\$2,943,635** to **\$587,045,925** loss in each county
  - **\$1,720,333,276** loss across the entire state

## How to implement a property tax system based on acquisition value into the property tax calendar and a determination of what assessment date would apply to the property

- Amend tax calendar and statutes to remove all references to **equalization**
- Change the Wyoming Constitution
- Alter or replace the Computer Assisted Mass Appraisal (CAMA) system
- Pass legislation that requires sales disclosure
- Adopt a transfer tax
- Establish a base year and value cap
- Create rules for addressing new construction and renovations

## What type of residential property would be subject to valuation using acquisition value

### Proposed Definition:

*Property that is legally occupied by its owner and is not used for any commercial or income producing purpose shall be designated as residential property. Can include up to three units or less if one of the units is owner-occupied.*

*Single family, condominiums, cooperatives, or multiple-dwelling structures with 3 or less units could be designated as residential.*

- Additional qualifying factors should be made by legislature

## FACTOR

# 4

**How the inflationary factor would be implemented and applied including recommendations for the inflationary rate and whether there would be any deflation of values in a period when prices are in decline**

- The acquisition value or base year value should be adjusted annually to account for inflation or deflation
- The inflationary rate can be tied to a consumer price index (CPI) as certified by the Wyoming State Board of Equalization and based on economic indicators for Wyoming
- The Chief Economist of the Wyoming Department of Administration and Information, Economic Analysis Division would be the recommended source
- Assessors should be given the authority to make mass updates to reflect declines in value due to market conditions



What types of sales would be considered or excluded in determining acquisition value and how to address erroneous sales or other types of sales or transfers that are excluded from determining acquisition value

- Transfer of the present interest and beneficial use of the property constitutes a sale of the fee simple interest property rights
- Wyoming would need to either become a sales disclosure state or find a way to get better records of transfers to allow assessors to determine the correct acquisition value to be used for the base
- Such documents are commonly referred to as **Real Estate Transfer Affidavits** or **Sales Verification Questionnaires**
- Refer to The California Model

## How to determine the acquisition value of residences located on agricultural property

- Apply the Cost Approach to value the residence portion of an agricultural property
- A cost manual such as Marshall Valuation Service (Core Logic) can help facilitate this type of valuation
- Another option is to establish base rates for improvements utilizing the recent sale data obtained through sales disclosure to establish allocation of residential portion utilizing the Sales Comparison Approach
- The analysis of all the considerations involved in the pricing of an agricultural property are quite numerous and difficult

## How changes to property would be handled, including new construction and renovation

- New improvements or properties with changes (additions, renovation, etc.) to existing improvements would need to be updated and valued
- The removal of improvements may also be considered a change in the property and trigger a reappraisal of the property
- A building permitting is not currently in place in some parts of Wyoming
- The Legislature would need to establish a method for the valuation and updating county records of such properties
- The new improvements, additions or renovations could be valued using the Cost Approach or base rates developed from sale data

## How acquisition value would interact with department of revenue and state board of equalization statistical analysis

- The Board of Equalization will not be able to credibly compare and analyze tax rolls from one jurisdiction to another
- The DOR will have to promulgate new administrative rules
- Acquisition value will also change the tax roll submission/approval process
- The current statistical analysis and certifications by the Assessors for nonresidential properties would be maintained
- A new report of residential property sales and their valuation will have to be created

Whether the implementation of a property tax system based on the acquisition value of property would result in any inequities to taxpayers, including whether taxpayers who purchase their properties more recently than other taxpayers would be required to pay more in property tax to make up lost revenue resulting from an acquisition value system

- Acquisition value property tax systems result in inequities to taxpayers and violate horizontal and vertical equity
- Owners of identical properties will face differing property tax liabilities based on when they acquired their property
- Recent purchasers will pay property tax based on the recent consideration (which could be presumed to be market value) while other homeowners would be tied to the base year plus any inflationary factor applied
- Some taxpayers would be paying less property taxes resulting in less money for services, especially towards education

A review of other states that have implemented property tax systems based on the acquisition value of the property and whether those systems have resulted in inequities among taxpayers depending on the purchase date of their property

- Only California has implemented an acquisition value property tax system that is currently active – referred to as **Proposition 13**
- Proposition 13 is widely recognized as having created huge inequities among taxpayers
- The State of Idaho tried an acquisition value-based system 30+ years ago, then abandoned it due difficulties in implementation and administration
- It reverted to an ad valorem (according to value) based system that it continues to utilize today



**FACTOR**

**10**

# Example – Riverside, California

## Assessed Value Disparity of Properties with Common Characteristics



## OPTION

# 1

# Three Options for Implementing an Acquisition Value Property Tax System in Wyoming

## Option 1 – Base Year of 2019

Adopt an acquisition value with 2019 as the base year recognizing all sales values forward from the values used for tax year 2019 with an annual inflation factor with or without limitations.



OPTION

2

# Three Options for Implementing an Acquisition Value Property Tax System in Wyoming

## Option 2 – Base Year of 2023

Adopt an acquisition value based on the current year (2023) being the base year with all going forward from the date of implementation with an annual inflation factor and possible limitations.

OPTION

3

# Three Options for Implementing an Acquisition Value Property Tax System in Wyoming

## Option 3 – Base Year of 2026

Adopt an acquisition value based on a future year (2026) being the base year with all going forward from the date of implementation with an annual inflation factor and possible limitations.

## OPTION

1


# Three Options for Implementing an Acquisition Value Property Tax System in Wyoming

2

## Applied in All Three Options

3

- Cap on value increase from base year of 2%, not to exceed the Wyoming CPI annual change between current and prior year
- Immediately (in 2023) implement sales disclosure to build foundation of sales data market value benchmarks and accurate future base year values
- Immediately (in 2023) implement requirement of filing permits for new construction, additions and remodels statewide



# Presentation Conclusion

Questions?