

THE BASICS OF PROPERTY ASSESSMENT AND TAX

PREPARED BY THE OFFICE OF THE STATE ASSESSOR

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Alaska Municipal League 2025 Tax Conference
Tuesday, October 21st

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

POINTS OF DISCUSSION

1. Property Assessment
2. Property Tax
3. Exemptions



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PROPERTY ASSESSMENT – AS 29.45.110 FULL AND TRUE VALUE

- a) The assessor shall assess property at its full and true value as of January 1 of the assessment year, except as provided in this section, AS 29.45.060, and 29.45.230. The full and true value is the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels. The assessor shall determine the full and true value as provided in standards adopted by the department under (e) of this section or another set of standards provided by ordinance.



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HOW ARE PROPERTIES APPRAISED?



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MASS VS. FEE APPRAISAL

- Mass appraisal is a broad, systematic valuation of many properties at once, while a fee appraisal is the valuation of an individual property.
- Mass appraisers value large number of properties simultaneously using standardized methods (Statistical Analysis).
- Fee appraisers provide a detailed valuation for a single property.
- Mass and fee appraisers follow the same steps to value property and the same approaches to value cost, income, and sales comparison.
- The difference between a mass and fee appraisers is Purpose, Scope, and Methodology.



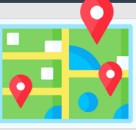






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Step/Task

Description

	1. Define the Problem	Understand the <u>property and property rights to be appraised.</u>
	2. Identify the Scope of Work	Determine what work is necessary to produce fair and equitable valuations.
	3. Preliminary Survey & Planning	Preliminary analysis to determine necessary data and best approach to value.
	4. Data Collection and Analysis	Collect market trends, specific property data, and specific market data, such as construction costs, sales data, and rent data.
	5. Highest and Best Use	Understand the best use of the property conditional on legal constraints and physical and market forces.
	6. Application of the data and the approaches to value	Three approaches to value: <u>Cost, Income, and Sales Approach.</u>
	7. Correlation & reconciliation of values	Reconciliation of the three approaches to value and reporting final opinion of value.



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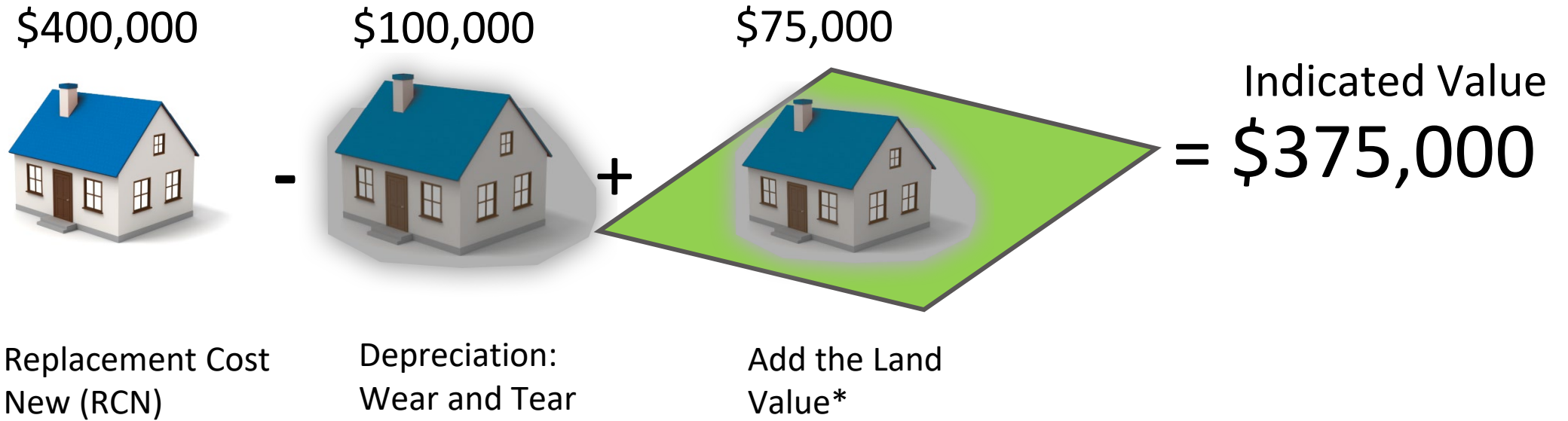
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THE THREE APPROACHES TO VALUE

- **Cost Approach**
 - ✓ Based on the Principle of Substitution
- **Sales Comparison (Market) Approach**
 - ✓ Primarily based on Supply and Demand
- **Income Approach**
 - ✓ Primarily based on investor expectations and principle of anticipation



THE COST APPROACH



***Note:** *The land value is determined outside of the Cost Approach process and is typically derived using the Sales Comparison Approach.*



SALES COMPARISON (MARKET) APPROACH

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices of the comparable properties based on relevant, market-derived elements of comparison.

Source: The Appraisal of Real Estate, 14th edition



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SALES COMPARISON (MARKET) APPROACH

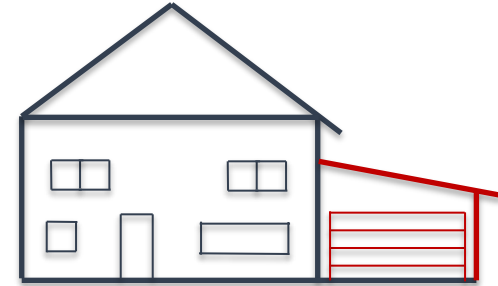
Subject
No Garage



Comparable #1
No Garage



Comparable #2
Garage



Comparable Sale	\$100,000	\$110,000
Adjustment	\$0	-\$10,000
Indicated Value	\$100,000	\$100,000



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INCOME APPROACH

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to the approach.

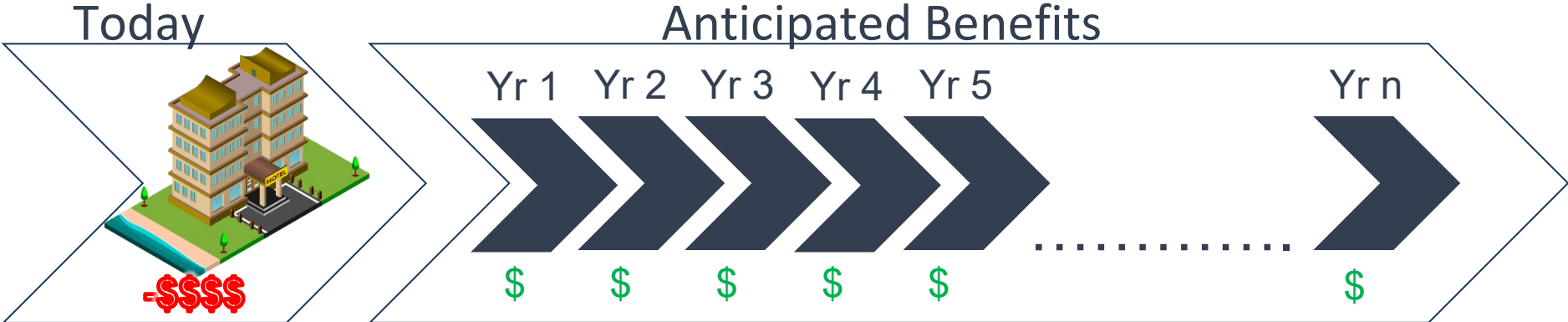
Source: The Appraisal of Real Estate, 14th edition



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INCOME APPROACH



What is the value of the income stream (i.e. anticipated benefits) today?

Net Operating Income



Cap Rate

= Indicated Property Value



PROPERTY ASSESSMENT PROCESS

AS 29.45.160 Assessment Roll

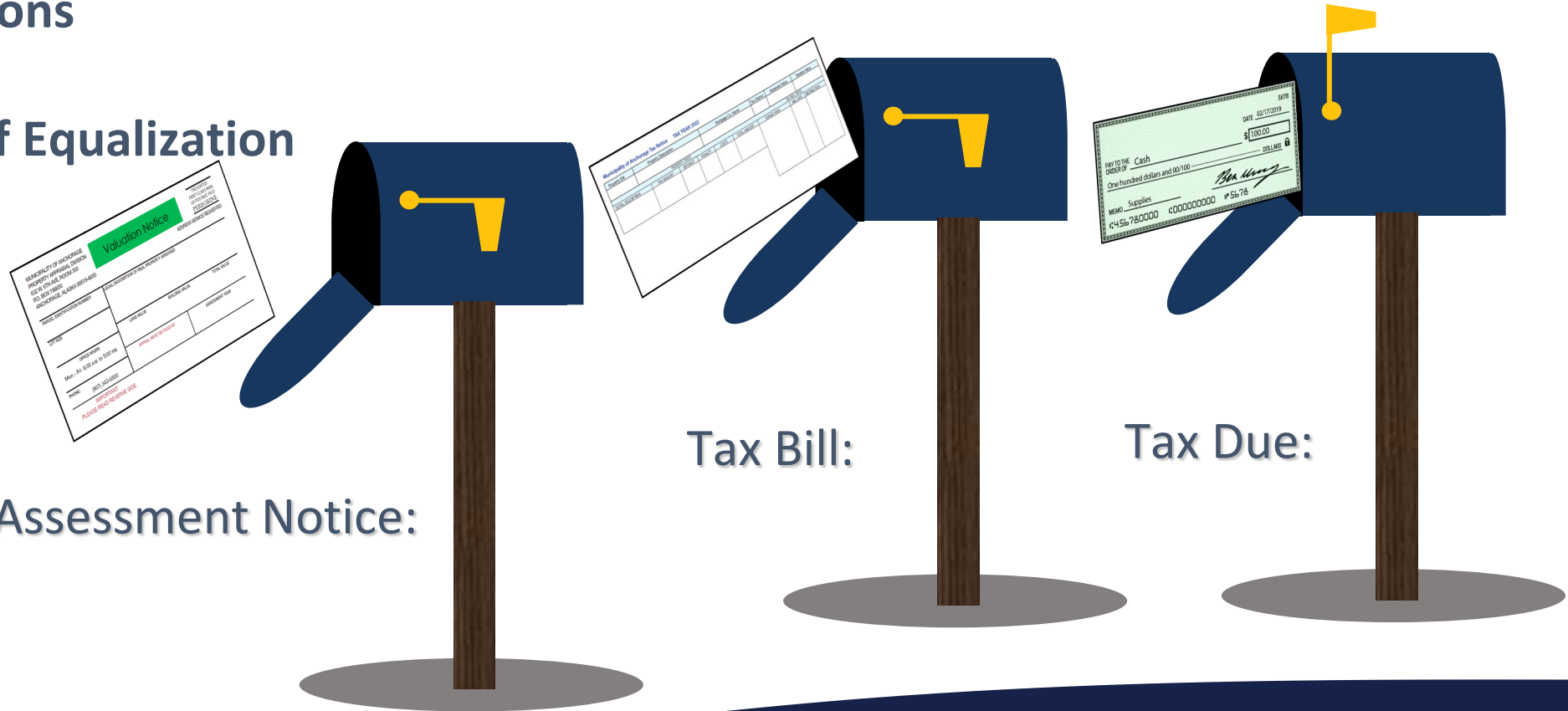
AS 29.45.170 Assessment Notice

AS 29.45.180 Corrections

AS 29.45.190 Appeal

AS 29.45.200 Board of Equalization

AS 29.45.210 Hearing



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PROPERTY ASSESSMENT – AS 29.45.160 ASSESSMENT ROLL

- a) The assessor shall prepare an annual assessment roll. The roll must contain
- 1) a description of all property subject to an ad valorem tax;
 - 2) the assessed value of all property subject to an ad valorem tax;
 - 3) the names and addresses of persons with property subject to an ad valorem tax.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.170 ASSESSMENT NOTICE

- a) The assessor shall give each person named in the assessment roll a notice of assessment showing the assessed value of the person's property that is subject to an ad valorem tax. On each notice is printed a brief summary of the dates when taxes are payable, delinquent, and subject to penalty and interest, and the dates when the board of equalization will sit.
- b) Sufficient assessment notice is given if mailed by first class mail 30 days before the equalization hearings. If the address is not known to the assessor, the notice may be addressed to the person at the post office nearest the property. Notice is effective on the date of mailing.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.180 CORRECTIONS

- a) A person receiving an assessment notice shall advise the assessor of errors or omissions in the assessment of the person's property. If requested by the person, the assessor or a person designated by the assessor shall meet with the person and answer reasonable questions relating to the methods used to assess the person's property. The meeting required under this subsection may be virtual or telephonic. The assessor may correct errors or omissions in the roll before the board of equalization hearing.
- b) If errors found in the preparation of the assessment roll are adjusted, the assessor shall mail a corrected notice allowing 30 days for appeal to the board of equalization.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.190 APPEAL

- a) A person whose name appears on the assessment roll or the agent or assigns of that person may appeal to the board of equalization for relief from an alleged error in valuation not adjusted by the assessor to the taxpayer's satisfaction.
- b) The appellant shall, within 30 days after the date of mailing of notice of assessment, submit to the assessor a written appeal specifying grounds in the form that the board of equalization may require. Otherwise, the right of appeal ceases unless the board of equalization finds that the taxpayer was unable to comply.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.190 APPEAL CONT...

- c) The assessor shall notify an appellant by mail of the time and place of hearing.
- d) The assessor shall prepare for use by the board of equalization a summary of assessment data relating to each assessment that is appealed.
- e) A city in a borough may appeal an assessment to the borough board of equalization in the same manner as a taxpayer. Within five days after receipt of the appeal, the assessor shall notify the person whose property assessment is being appealed by the city.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.200 BOARD OF EQUALIZATION

- a) The governing body shall appoint one or more boards of equalization for the purpose of hearing an appeal from a determination of the assessor. An appointed board shall be composed of not less than three persons, who shall be members of the governing body, municipal residents, or a combination of members of the governing body and residents. The governing body shall by ordinance establish the qualifications for membership. The governing body may ordinance appoint itself to sit as a board of equalization.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.200 BOARD OF EQUALIZATION CONT...

- b) The board of equalization is governed in its proceedings by rules adopted by ordinance that are consistent with general rules of administrative procedure. The board may alter an assessment of a lot only pursuant to an appeal filed as to the particular lot.
- c) Notwithstanding other provisions in this section, a determination of the assessor as to whether property is taxable under law may be appealed directly to the superior court.



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PROPERTY ASSESSMENT PROCESS – AS 29.45.210 HEARING

- a) If an appellant fails to appear, the board of equalization may proceed.
- b) The appellant bears the burden of proof. The only grounds for adjustment of assessment are proof of unequal, excessive, improper, or under valuation based on facts that are stated in a valid written appeal or proven at the appeal hearing. The board of equalization may not raise the assessment in the current year unless requested to do so by the appellant. If the appellant provides a long form fee appraisal to support the appellant's valuation and the board of equalization does not find in favor of the appellant, the board shall make specific findings on the record to support its decision.



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PROPERTY TAX AND MILLAGE RATE

- Property Taxes are based upon a relatively simple equation
 - The information needed to calculate your property tax bill:
 - Appraised Value
 - Assessed Value
 - Millage Rate.

Assessed Value X Millage Rate = Tax Bill



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APPRAISED VALUED

- AS 29.45.010 - Full and True Value as of January 1 of the Assessment Year.
 - Market value of the property
 - The appraised (market) value of your property varies as the market for real estate fluctuates.
 - If market values decrease, appraised values will decrease and if market values increase your appraised value will increase.
 - Ultimately, the appraised value of your property is a function of transactions of real estate in the local market.



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ASSESSED VALUED

- Taxable value of your property
 - The value may differ from the appraised (market) value of a property due to exemptions.
 - For example, the appraised value of a property may be \$200,000, but if the property is 10% exempt, the assessed value would only be \$180,000.
 - Property taxes are calculated on the assessed value, not the appraised value.



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MILLAGE RATE

- Tax rate applied to the assessed value
 - The millage rate or “mill rate” is usually an expression of dollars of tax levied per every \$1,000 of value.
 - Millage rate of 12.5 would mean that for every \$1,000 of assessed value, the taxpayer would pay \$12.50 in tax.
 - A mill rate of 12.5 can also be expressed as 1.25% or 0.0125 in decimal form.



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CALCULATING THE TAX BILL

- What would the tax bill be for a property with an appraised value of \$200,000, with an exemption of 10% and a millage rate of 12.5?



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CALCULATING THE TAX BILL CONT...

THE TAX BILL			
Appraised Value:	=	\$	200,000
Exemption - 10%:	-	\$	20,000
Assessed Value:	=	\$	180,000
Millage Rate:	x	\$	0.0125
Property Taxes Due:	=	\$	2,250



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DETERMINING THE MILLAGE RATE

- The Millage Rate is determined during the budget process of the local taxing authority.
- Each year your community will set a budget that details the expenditures they will make and the sources of revenue that will be collected and used to fund that budget.



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REVENUES BY SOURCES

- Property Tax
- State & Federal
- Sales Tax
- Other Taxes
- Charges For Services
- Other Miscellaneous Fees



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MILLAGE RATE CALCULATION EXAMPLE

- Total Expenditures \$10,000,000
- Revenue Sources
 - Property Tax at 15% or \$1,500,000, commonly referred to as the Property Tax Levy.
- Property Tax Base
 - Sum of all Assessed Values in the jurisdiction.
- Assessed Values are used, not the Appraised Values which can be substantially different.



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MILLAGE RATE CALCULATION EXAMPLE

Let's fill in the blanks in the formula:

Property Tax Levy ÷ Property Tax Base = Millage Rate

\$1,500,000 (Levy) ÷ \$120,000,000 (Base) = 0.0125 (Millage Rate)

- Millage rate of 0.0125; also stated as 1.25% or \$12.50 per \$1,000 of assessed value.



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MILLAGE RATE CALCULATION SCENARIO #1

Scenario #1: Original levy and tax base, no changes from example:

$\$1,500,000$ (Levy) \div $\$120,000,000$ (Base) = 0.0125 (Millage Rate)

➤ **Taxes on a property assessed at $\$200,000$:**

▪ **$\$200,000$ (Assessed Value) \times 0.0125 (Millage Rate) = $\$2,500$**



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MILLAGE RATE CALCULATION SCENARIO #2

Scenario #2: Original levy and tax base increase by 5%:

$\$1,500,000$ (Levy) \div $\$126,000,000$ (Base) = 0.0119 (Millage Rate)

- **Taxes on a property assessed at $\$210,000$ (increase of 5%):**
 - **$\$210,000$ (Assessed Value) \times 0.0119 (Millage Rate) = $\$2,499$**



MILLAGE RATE CALCULATION SCENARIO #3

Scenario #3: Original levy and tax base decrease by 5%:

$\$1,500,000$ (Levy) \div $\$114,000,000$ (Base) = 0.0132 (Millage Rate)

- **Taxes on a property assessed at $\$190,000$ (decrease of 5%):**
 - **$\$190,000$ (Assessed Value) \times 0.0132 (Millage Rate) = $\$2,508$**



MILLAGE RATE CALCULATION SCENARIO #4

Scenario #4: Property tax levy increase by 5%:

$\$1,575,000$ (Levy) \div $\$120,000,000$ (Base) = 0.0131 (Millage Rate)

➤ **Taxes on a property assessed at $\$200,000$:**

- **$\$200,000$ (Assessed Value) \times 0.0131 (Millage Rate) = $\$2,620$**



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MILLAGE RATE CALCULATION SCENARIO #5

Scenario #5: Property tax levy decrease by 5%:

$\$1,425,000$ (Levy) \div $\$120,000,000$ (Base) = 0.0119 (Millage Rate)

➤ **Taxes on a property assessed at $\$200,000$:**

- **$\$200,000$ (Assessed Value) \times 0.0119 (Millage Rate) = $\$2,380$**



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EXEMPTIONS

- How do exemptions work?
- What overall effects do property tax exemptions have on property taxes?
- Let's look at a very simple example that applies to everyday life.



EXEMPTIONS

The restaurant down the street says that for \$500 they will serve all 10 people in the office lunch for \$500.

$$\text{\$500} \div \text{10 people} = \text{\$50.00}$$

But it's the Boss' Birthday! So, we are all going to "chip in" and pay for Boss' lunch.



EXEMPTIONS

We are exempting the Boss from paying!!!

- Original equation was....
 $\$500 \div 10 \text{ people} = \50.00
- But here is the equation now....
 $\$500 \div 9 \text{ people} = \55.56



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EXEMPTIONS

Remember Scenario #1: Original levy and tax base

$\$1,500,000$ (Levy) \div $\$120,000,000$ (Base) = 0.0125 (Millage Rate)

➤ **Taxes on a property assessed at \$200,000:**

▪ **$\$200,000$ (Assessed Value) \times 0.0125 (Millage Rate) = \$2,500**



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EXEMPTIONS

Tax base decreases \$45,000,000 due to a new exemption

$\$1,500,000$ (Levy) \div $\$75,000,000$ (Base) = 0.020 (Millage Rate)

- **The required millage rate has increased dramatically due to the change in the Property Tax Base.**
- **What happened to the actual tax bills?**



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EXEMPTIONS

- Taxes on original property value which assessed at \$200,000

Before Exemption:

$\$200,000$ (Assessed Value) \times 0.0125 (Millage Rate) = $\$2,500$

VS.

After Exemption:

$\$200,000$ (Assessed Value) \times 0.0200 (Millage Rate) = $\$4,000$



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ALASKA TAXABLE PUBLISHED BY THE OFFICE OF THE STATE ASSESSOR



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ALASKA TAXABLE – AGE 65 OR OLDER & DISABLED VETERAN

Municipality	Number of Approved Applicants	Total Assessed Value Exempt	Percent Change from Last Year	Total Tax Amount Exempt	Percent Change From Last Year	Average Value Exempt Per Applicant	Average Tax Exempt Per Applicant
Anchorage	21,522	\$3,222,441,752	3.8%	\$50,912,020	-1.1%	\$149,728	\$2,366
Matanuska-Susitna Borough	10,828	\$1,516,015,001	7.4%	\$19,286,208	10.2%	\$140,009	\$1,781
Kenai Peninsula Borough	7,085	\$1,003,927,200	6.4%	\$9,307,895	4.4%	\$141,698	\$1,314
Fairbanks North Star Borough	7,764	\$1,089,525,651	3.7%	\$17,415,316	4.3%	\$140,330	\$2,243
Juneau	2,648	\$382,841,705	3.5%	\$3,837,545	2.2%	\$144,578	\$1,449
Ketchikan Gateway Borough	1,247	\$173,903,000	2.6%	\$1,706,436	2.5%	\$139,457	\$1,368
Kodiak Island Borough	841	\$115,546,000	6.2%	\$1,721,227	27.0%	\$137,391	\$2,047
Sitka	758	\$105,918,013	4.6%	\$635,508	4.6%	\$139,734	\$838
Petersburg Borough	392	\$55,211,350	3.9%	\$515,243	-3.2%	\$140,845	\$1,314
Wrangell	324	\$42,357,700	2.7%	\$407,435	1.3%	\$130,734	\$1,258
Haines Borough	309	\$45,158,820	11.0%	\$408,250	13.8%	\$146,145	\$1,321
Valdez	259	\$34,931,610	6.1%	\$698,632	6.1%	\$134,871	\$2,697
Cordova	220	\$29,777,128	5.1%	\$295,687	4.1%	\$135,351	\$1,344
North Slope Borough	164	\$21,499,740	3.8%	\$386,780	3.8%	\$131,096	\$2,358
Nome	122	\$17,141,520	1.2%	\$197,127	10.8%	\$140,504	\$1,616
Dillingham	110	\$15,486,500	9.2%	\$201,325	9.2%	\$140,786	\$1,830
Skagway	90	\$14,071,100	4.5%	\$75,097	2.7%	\$156,346	\$834
Craig	74	\$10,070,830	29.2%	\$60,425	34.8%	\$136,092	\$817
Yakutat	55	\$6,198,160	-4.4%	\$49,583	-4.4%	\$112,694	\$902
Nenana	57	\$2,682,080	-8.8%	\$32,188	-8.8%	\$47,054	\$565
Bristol Bay Borough	34	\$4,741,400	0.4%	\$54,052	0.4%	\$139,453	\$1,590
Unalaska	27	\$3,980,300	1.0%	\$41,793	1.0%	\$147,419	\$1,548
Whittier	23	\$1,418,400	40.6%	\$11,348	40.7%	\$61,670	\$493
Pelican	7	\$1,018,600	8.1%	\$7,130	8.1%	\$145,514	\$1,019
Total (24)	54,960	7,915,863,560	4.8%	108,264,250	2.9%	\$144,030	\$1,970



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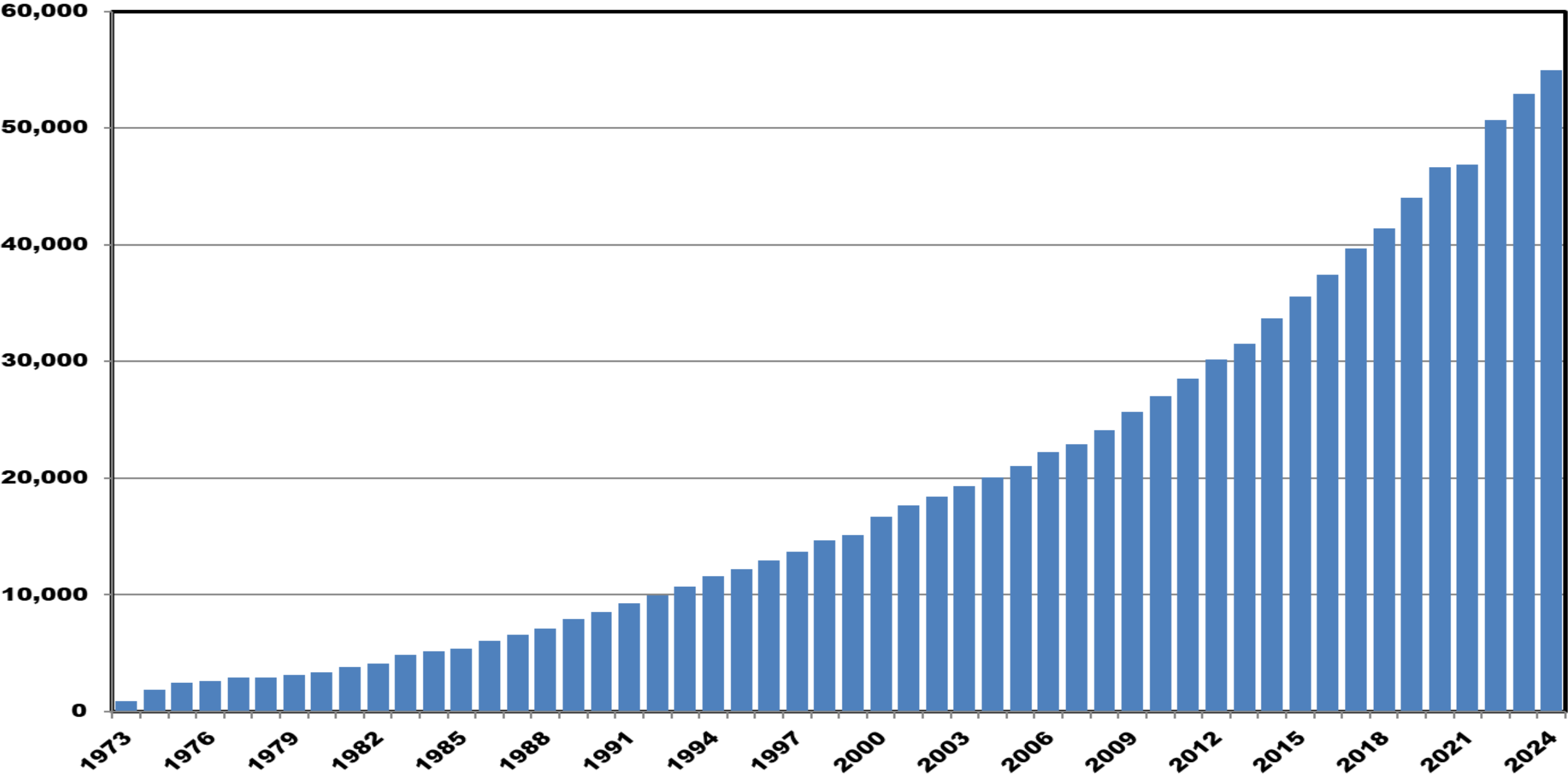
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AGE 65 OR OLDER AND DISABLED VETERAN

- 1972 - Exempted residents 65 years of age or over with a gross annual income of less than \$10,000.
- 1973 - Removed income requirement, making all residents 65 years of age or over eligible for exemption.
- 1976 - Imposed a limit on the amount of assessed value that could be exempted from taxation.
- 1977 - Removed the limit on the assessed value that can be exempted from taxation.
- 1984 - Extended tax exemption to disabled veterans.
- 1985 - Extended tax exemption to widows or widowers, at least 60 years of age, of eligible seniors and disabled veterans.
- 1986 - Changed the exemption from the assessed value of the real property to the first \$150,000 of the assessed value of the real property.

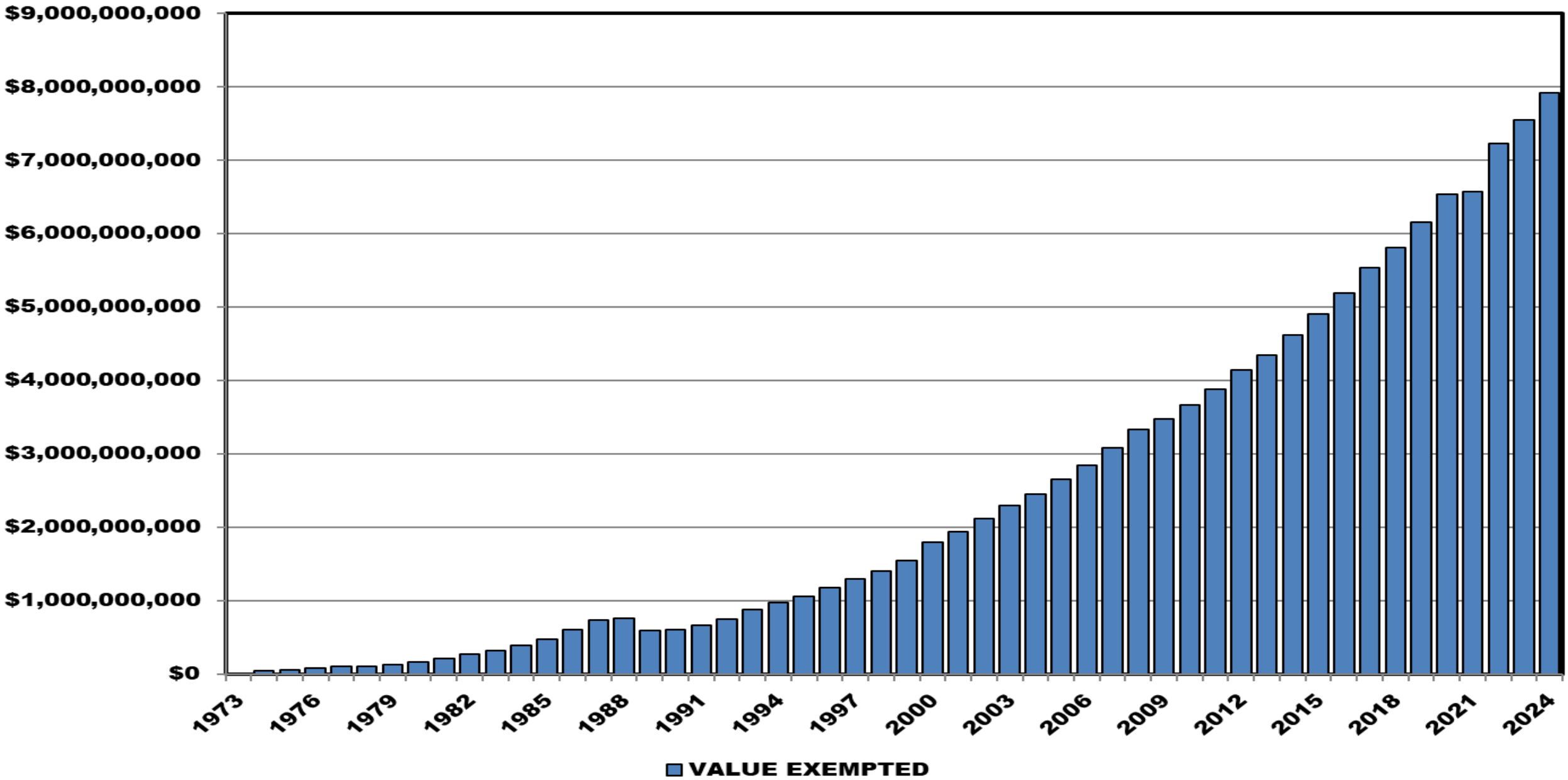


65 YEARS OR OLDER AND DISABLED VETERAN APPLICANT COUNT

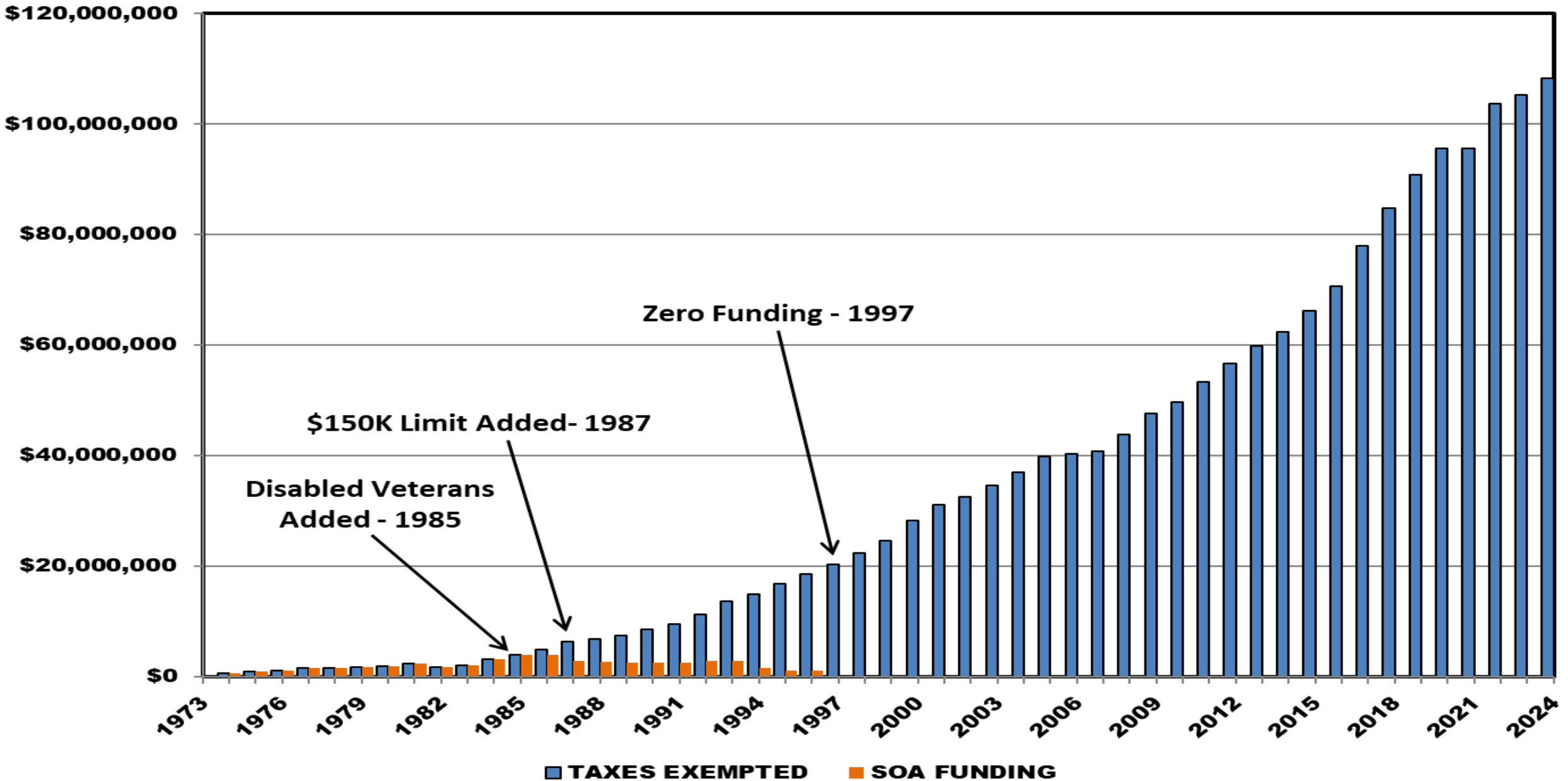


■ APPLICANT COUNT

STATEWIDE 65 YEARS OR OLDER AND DISABLED VETERAN EXEMPTION VALUE



STATEWIDE 65 YEARS OR OLDER AND DISABLED VETERAN TAXES EXEMPTED



CONCLUSION

1. Property Assessment
2. Property Taxation
3. Exemptions



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