

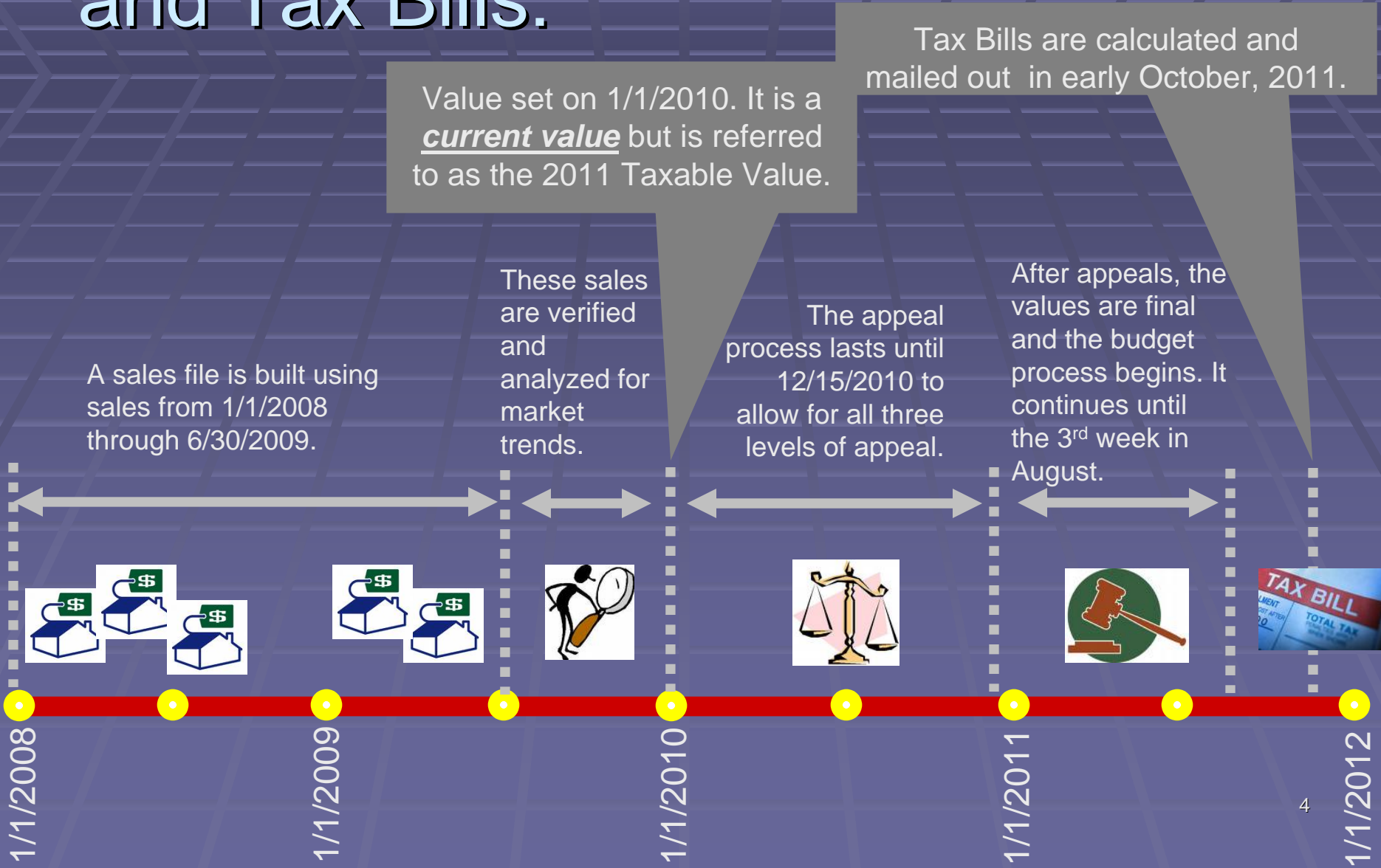
Yavapai County Assessor's Office

Pam Pearsall
County Assessor

Property Values in a Changing Market

- 2011 Value Notices were mailed February 1st 2010.
- It is called the “2011 Value” because it will be used to calculate the 2011 tax bill.
- It is not an estimate of the market in 2011. It is actually the market value as of 1/1/2010 (statutory valuation date).
- Sales for 2011 values were taken from January 2008 through June 2009. So the actual date the value was determined was closer to July 1, 2009.

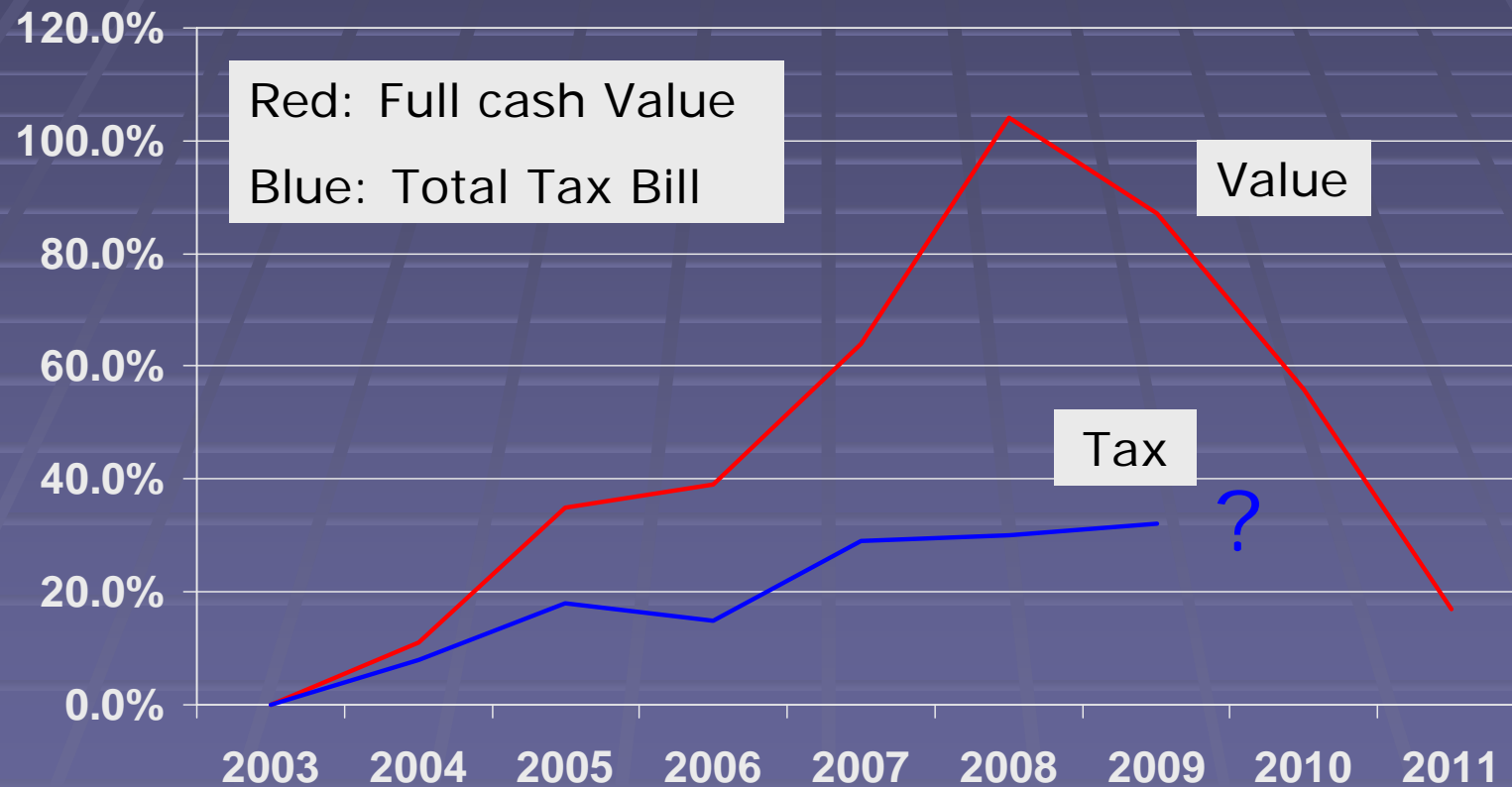
Timeline For Sales, Valuation Date and Tax Bills:



ASSESSOR'S Two Most Commonly Asked Questions:

- How is the decline in the Yavapai housing market going to effect my value?
- How will this effect my tax bill?

Comparison Of The Full Cash Value And Tax Bill For A Typical Property



Tax Rates Have not been set for 2010

The Typical Home In Yavapai County:

- Typical neighborhood sales price was \$200,000.

(The average sale price in the previous year was \$210,000. This represents a 5.0% decrease in this neighborhood)

- Typical home size is 1510 square feet.
- Typical home year built is 1991.

Example Of A Typical Yavapai County Home



- Sold 11-28-05 for \$259,500
- 2009 FCV was \$185,400
- 2010 FCV was \$153,800 (17% decrease)
- 2011 FCV is \$116,500 (24% decrease)

THE VALUATION PROCESS

Valuation Begins With Land

- The land value is determined by buyers and sellers in the market.
- Land value is influenced by factors such as size, location, and amenities.
- The example site is approximately $\frac{1}{4}$ acre.
- The example site was valued at \$31,200 for 2011. (2010 land value was \$40,200 This is a 22% decrease)

Adding In The Improvement Value

- The example home is priced using the Marshall & Swift cost system:

\$140,400

- The cost is then adjusted for location and age:

\$127,300

Adjusting Cost To Market

- ◆ Study of sales of similar properties in the neighborhood indicate an adjustment of -33% to the cost is necessary to bring value into compliance with State Guidelines.
(The adjustment for 2010 was -14%)
- ◆ This is referred to as the Market Adjustment: \$85,300

Full Cash Value

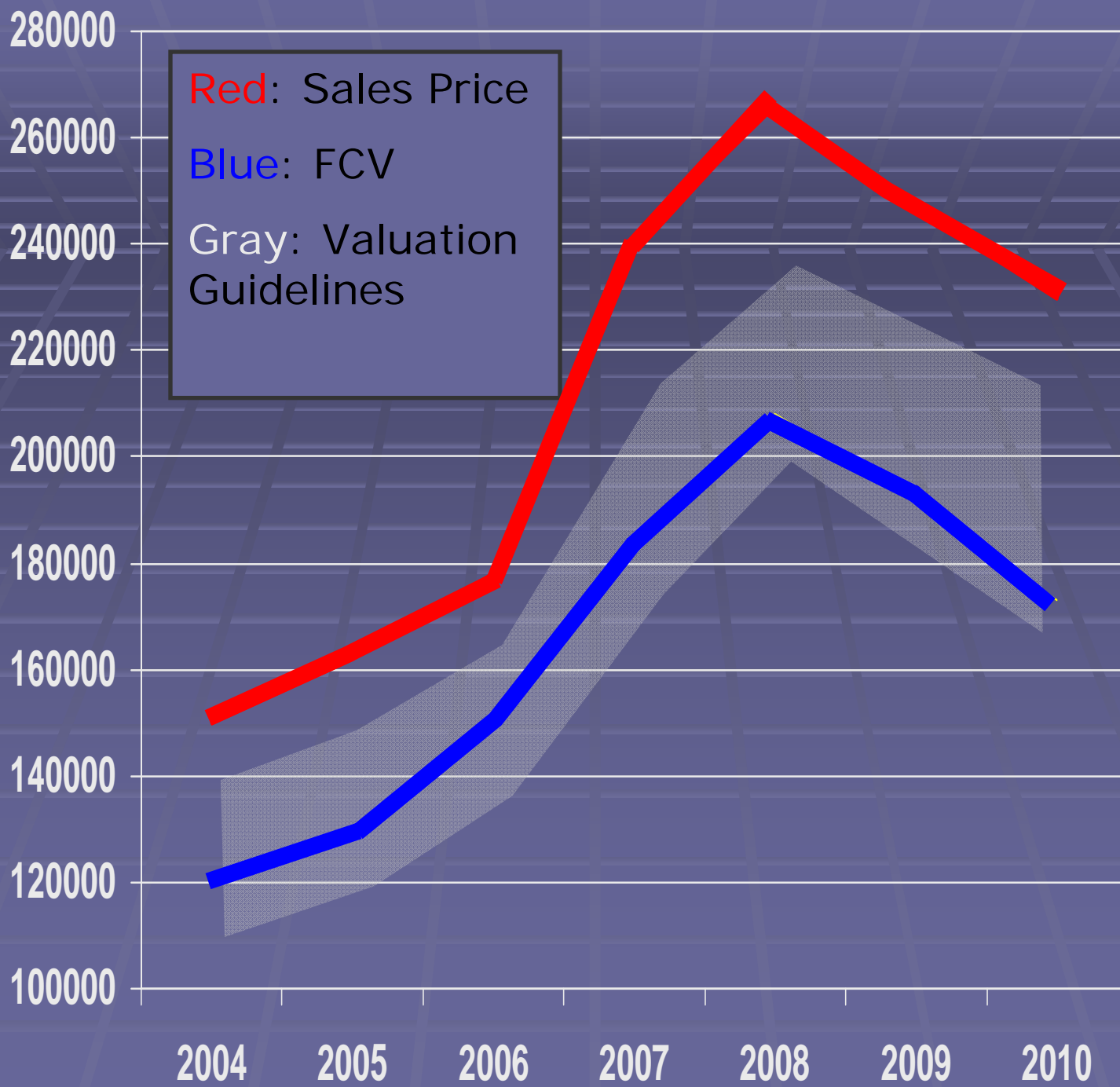
- Improvement value: \$85,300
- Land Value \$31,200
- 2009 Total Full Cash Value: \$116,500

(2009 Full Cash Value was \$153,800)

Percent change: -24%

How is the decline in the Yavapai housing market going to effect my value?

- Statute defines Full Cash Value as synonymous with Market Value and requires the Assessor to value property at market value.
- Department of Revenue requires that the Average Full Cash Value fall between 74% and 90% of Market Value.
- Sales for 2011 values were taken from January 2008 through June 2009.



How is the decline in the Yavapai housing market going to effect my value?

- 2011 Value Notices were mailed in early February, 2010.
- It is called the “2011 Value” because it will be used to calculate the 2011 tax bill.
- It is not an estimate of the market in 2011. It is actually the market value as of 1/1/2010.

How is the decline in Yavapai County's housing market going to effect my property taxes?

Tax History For Example Property

Year	FCV	LPV	Tax Bill	% Change
2001	\$95,600	\$95,600	\$1,023	
2002	\$102,100	\$102,100	\$1,109	8%
2003	\$98,900	\$98,900	\$1,004	-9%
2004	\$109,300	\$108,800	\$1,089	8%
2005	\$133,200	\$119,700	\$1,186	9%
2006	\$137,100	\$131,700	\$1,156	-2%
2007	\$162,300	\$144,800	\$1,297	12%
2008	\$202,100	\$159,300	\$1,305	1%
2009	\$185,400	\$175,200	\$1,314	1%
2010	\$153,800	\$153,800	??	??

Changes between 2008 and 2009 Tax Bills for Example Property:

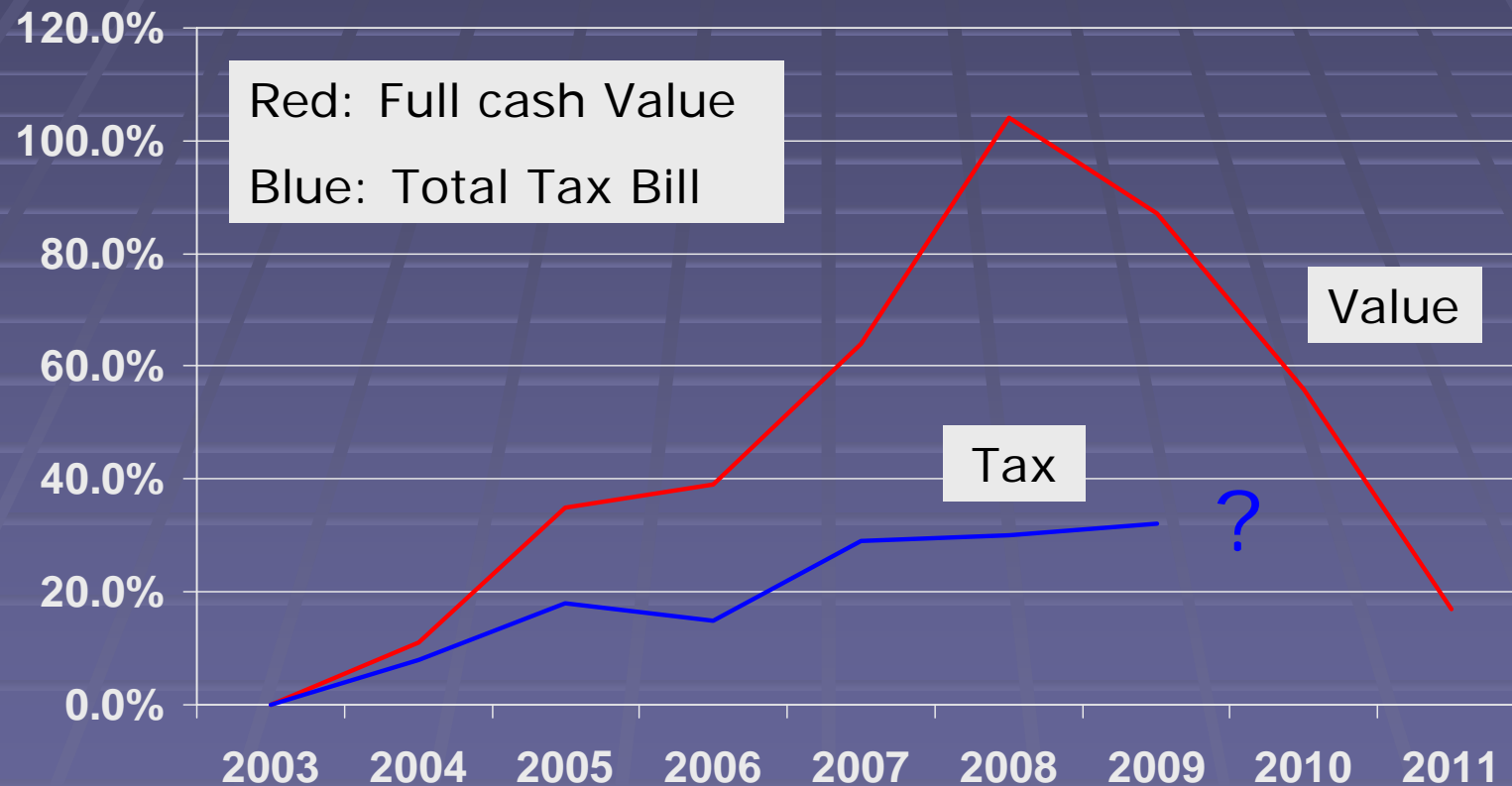
<u>Tax Year</u>	<u>2008</u>	<u>2009</u>	<u>% change</u>
Total taxes	\$1,306	\$1,314	+1%
<u>Jurisdiction</u>			
School District	\$467	\$440	-6%
Fire Dept	\$331	\$303	-8%
College	\$219	\$223	+2%
County	\$218	\$225	+3%
Flood	\$35	\$32	-9%
Library	\$21	\$19	-10%
School Equalization	\$0	\$58	+100%
Fire District	\$15	\$14	-6%
Assistance Fund			

Note: The tax bill is for this property only, and may not reflect the actual changes in your own bill.

Will My Tax Bill Decrease Since My Value Has Decreased?

- There is not a direct relationship between changes in market value and the tax bill.
- Historically, a change in property value (up or down) does not necessarily cause a change in property taxes.

Comparison Of The Full Cash Value And Tax Bill For A Typical Property



Tax Rates Have not been set for 2010

Definitions:

Limited Property Value:

Growth is limited to the greater of (1) 10% more than prior year's limited value or (2) 25% of the difference between the prior year's limited value and the current year's Full Cash Value.

Refer to A. R. S. §42-13301.

Limited Assessed Value:

Limited Property Value multiplied against a statutory rate/assessment ratio equals the Limited Assessed Value.

**Funds the maintenance and operational budgets
of State and Local Governments**

Definitions:

- Full Cash Value –

Full Cash Value is synonymous with market value. Full Cash Value shall be used as the basis for levying secondary property taxes. Refer to A. R. S. §42-11001.

- Assessed Full Cash Value

Full Cash Value multiplied against a statutory rate/assessment ratio equals the Full Cash Assessed Value.

**Funds Voter Approved Services such as
Bonds, Special Districts, etc...**

Definitions cont.

- Assessment Ratio - A percent multiplier applied to the Full Cash Value and the Limited Property Value determines the Assessed Values.

Arizona Classification System Assessment Ratios

Arizona's property tax system classifies property according to its use. Each class of property is assigned an assessment ratio.

(The percentages are determined by the State Legislature).

The most commonly used classifications are:

Class 1:	Commercial (2011)	20%	ratio
Class 2:	Vacant Land	16%	ratio
Class 3:	Residential	10%	ratio
Class 4:	Residential Rental	10%	ratio

(rental does not receive state aide to education tax credit)

SECONDARY TAX CALCULATION

- Levied against the Full Cash Assessed Value.
- Example Property:
Full Cash Value \$185,000 x 0.10 (ratio)=
\$18,500 Assessed Full Cash Value.
- $\$18,500/100 \times \text{*secondary tax rate*} = \text{Tax Amount (secondary only)}$.

**Funds Voter Approved Services
such as Bonds, Special District, etc...**

PRIMARY TAX CALCULATION

- Levied against the Limited Assessed Value.
- Example Property:
Limited Value \$175,000 x 0.10 (ratio) = \$17,500
Limited Assessed Value.
- $\$17,500/100 \times \text{*primary tax rate*} = \text{Tax Amount}$
(primary only).

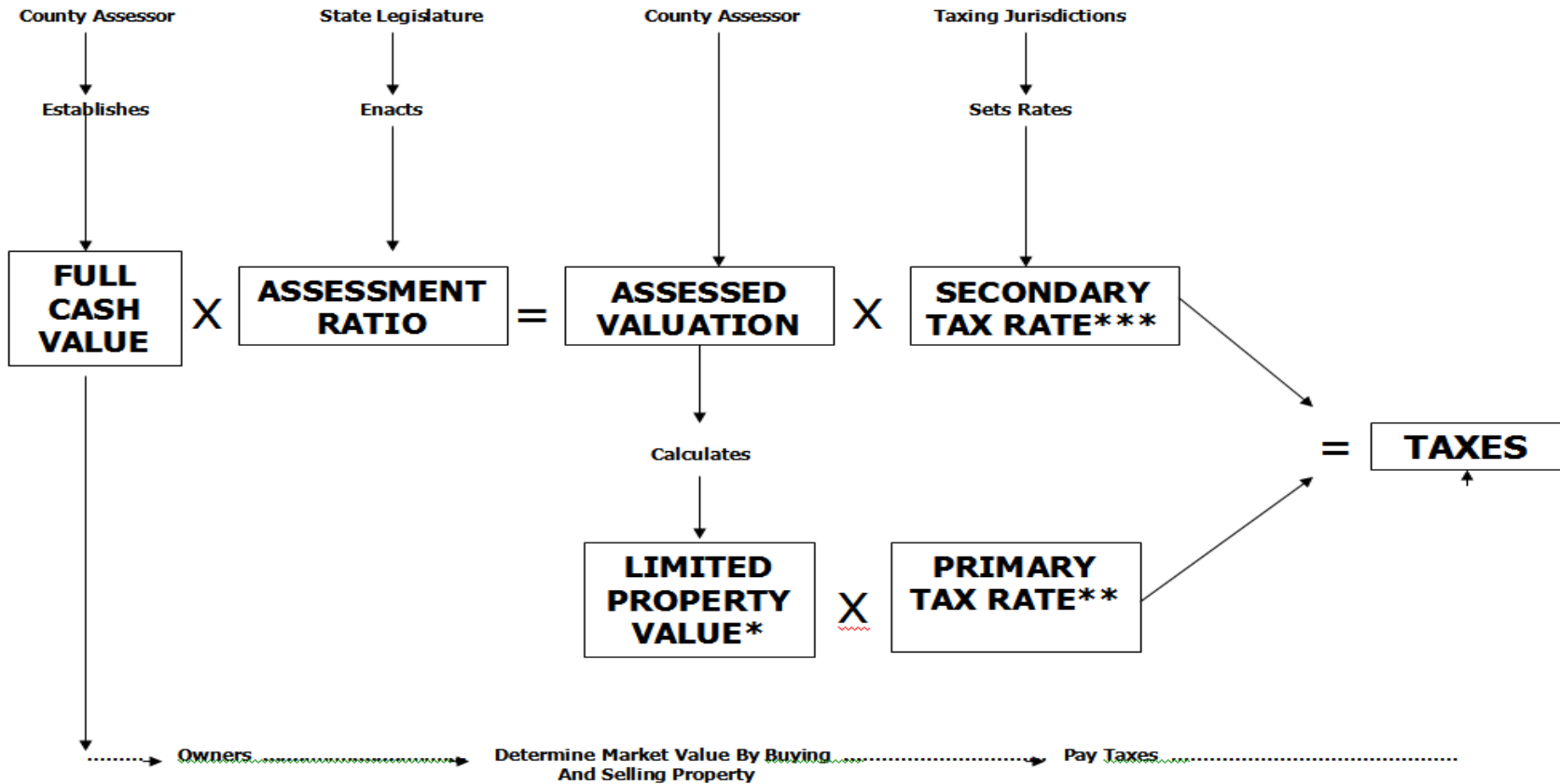
**Funds the maintenance and operational budgets of
State and Local Governments.**

Total Tax Bill for our typical property:

Primary Tax.....	\$930
LESS state aid to education...	-\$176
Secondary Tax.....	<u>\$560</u>
Total Tax.....	\$1,314

Arizona's Property Tax System

An Overview of Arizona's Property Tax System



***Limited Property Value**
Calculated according to statutory Formula and is designed to Reduce the effect of inflation on Property taxes. The LPV cannot Exceed the Full Cash Value.

****Primary Tax Rate**
Covers the basic expenses of government and schools. The greatest portion of your taxes are used here.

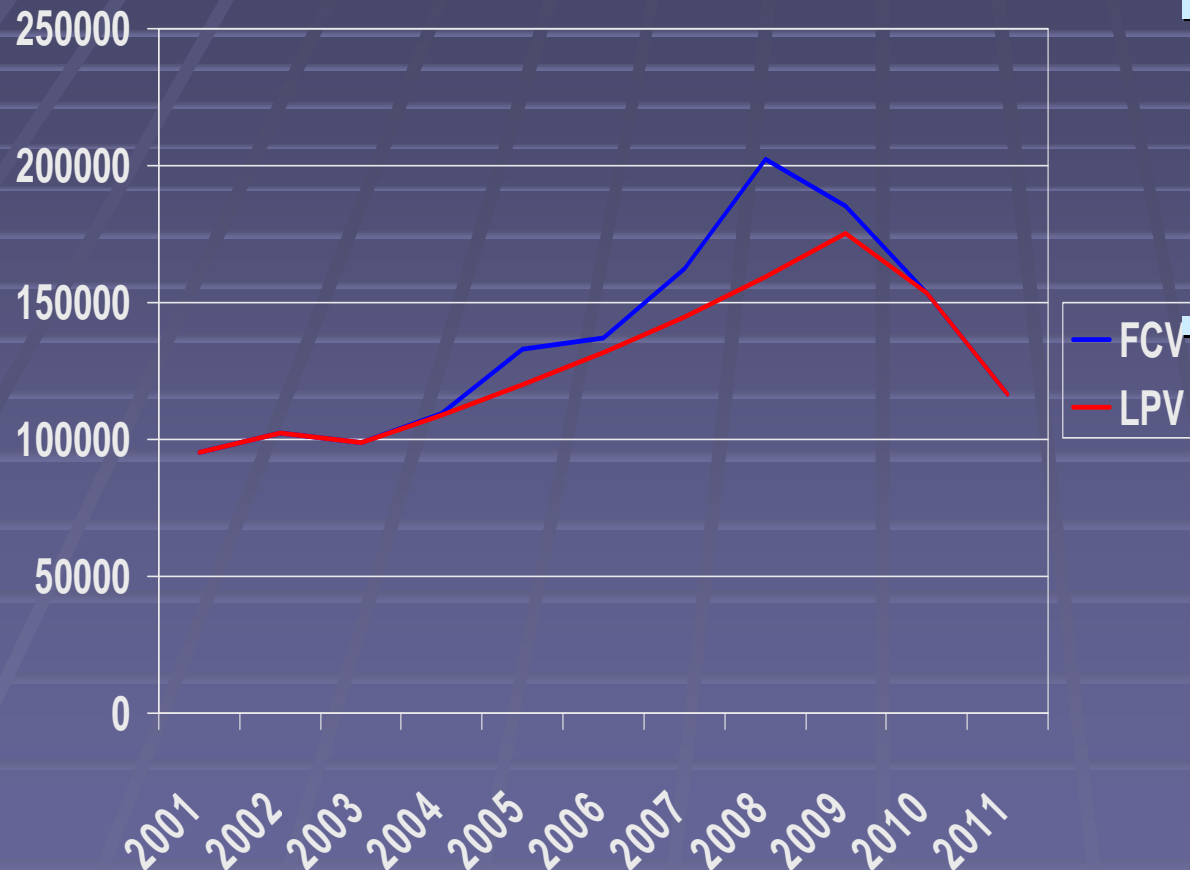
*****Secondary Tax Rate**
Set by bond initiatives, fire and special districts. Usually, taxpayers vote for these overrides and the tax rates are applied to the Full Cash Value to determine the taxes due.

ARIZONA PROPERTY TAX PROTECTIONS

Property Tax Protections Valuation Limitations

- Limited Property Value – Growth is limited to the greater of (1) 10% more than the prior year's limited value or (2) 25% of the difference between the prior year's limited value and the current year's full cash value.

Full Cash Value/Limited Property Value



- The FCV (blue line) shows both the run-up and rapid decline in the actual market.

The red line shows how the LPV rises slowly year to year in an increasing market, but immediately follows the FCV down when values are decreasing.

Property Tax Protections

Valuation Limitations cont.

- Valuation Protection for Seniors
(Senior Freeze)- Homeowners that are 65 years or older and whose income is below a certain level can freeze their full cash value for 3 years.

Must reapply every 3 years

Property Tax Protections Rate Limitations

- Homeowner Rebate (residential) – The state currently pays 39% of each homeowner's primary school taxes, up to \$580 (for 2009).
- 1% Primary Property Tax Limit (residential) – Total primary property taxes for owner-occupied residential property cannot exceed 1% of the limited value of the property.

Property Tax Protections Rate Limitations cont.

- School District Qualifying Tax Rate – Any increase over a “truth in taxation” level requires a truth in taxation hearing and a 2/3 majority vote to pass.
- Primary Property Tax Levy Limits – The amount of total primary property taxes that counties, cities and community college districts can levy is limited to 2% each year, plus new construction.
- Secondary Property Tax Voter Approvals – Secondary taxes that counties, cities, community colleges, school districts and many special districts levy are first subject to voter approval, and limited as such.

Property Tax Protections

Expenditure Limitations

- Expenditure Limits – The ability of counties, cities, community colleges is limited by the 2% levy limit plus new construction
- School district ability to spend tax-generated funds is limited to annual increases in inflation and student population.

Property Tax Protections Proposition 101

November 2006, voters approved proposition 101

This proposition limits the amount of taxes that local government can raise.

Proposition 101 uses the limit from 2005 as the basis for these restrictions.

Increases to the 2005 levy are limited to 2% per year, plus new construction.

Proposition 101

Proposition 101 places very specific restrictions on
the Primary taxes only

It affects the following Yavapai County entities:

Yavapai County Government

Yavapai College

City of Prescott

Town of Clarkdale

Town of Jerome

Proposition 101

- Does not freeze or limit the value of your property.
- Does not freeze or limit increases in your tax bill.

OPTIONS FOR ARIZONA PROPERTY TAX PAYERS

Options For Arizona Property Tax Payers

- Exemptions are available for qualified Widow/Widowers, Disabled Persons, Churches and some Non-Profit Organizations.
- Applications are accepted January 2nd through last day business day in February.

Options for Arizona Property Tax Payers cont.

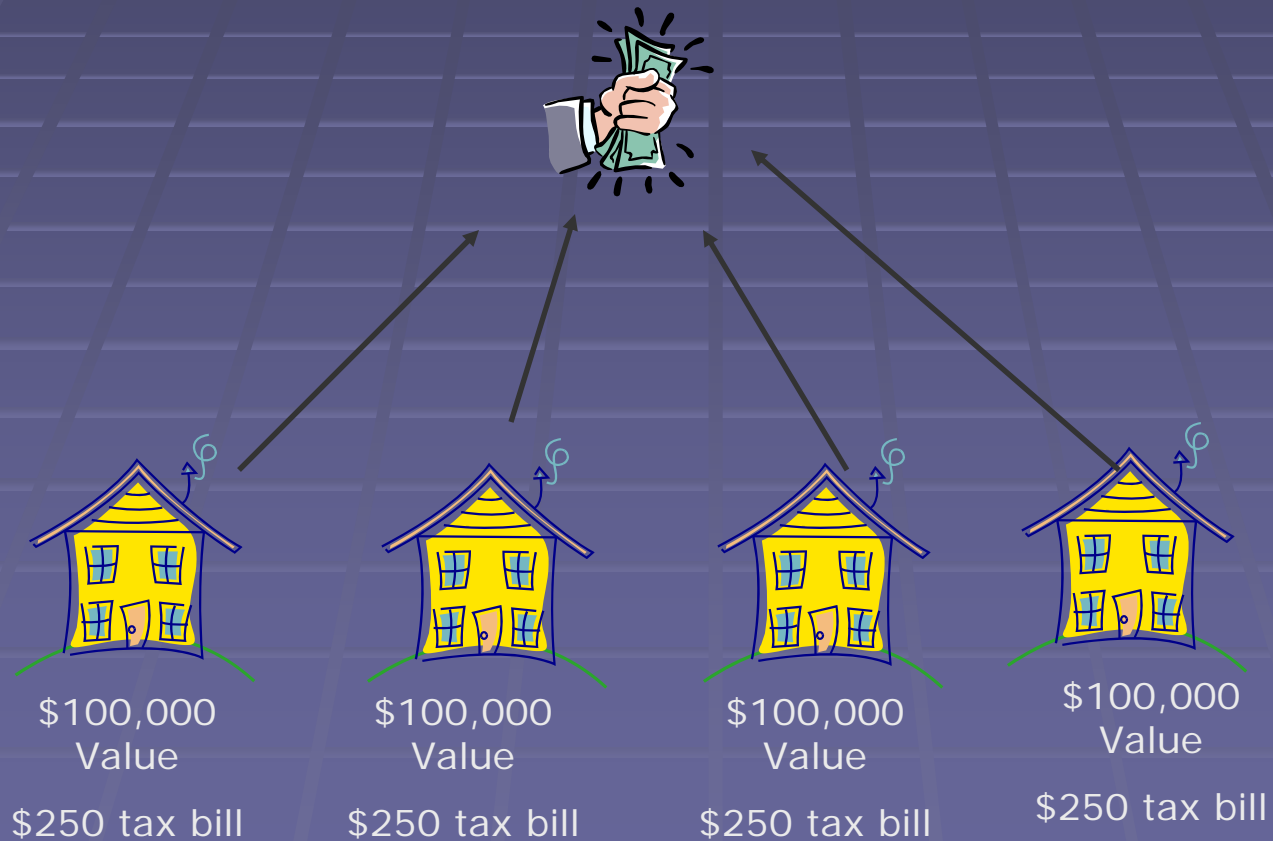
- Persons over the age of 65 may apply for the Senior Valuation Freeze. If they meet the qualifications, their Full Cash Value will be frozen for three years. They must re-apply after three years.
- Applications for the Senior Freeze are accepted from January 2nd through September 1st.

Property Tax Explanation

Property Tax Explanation

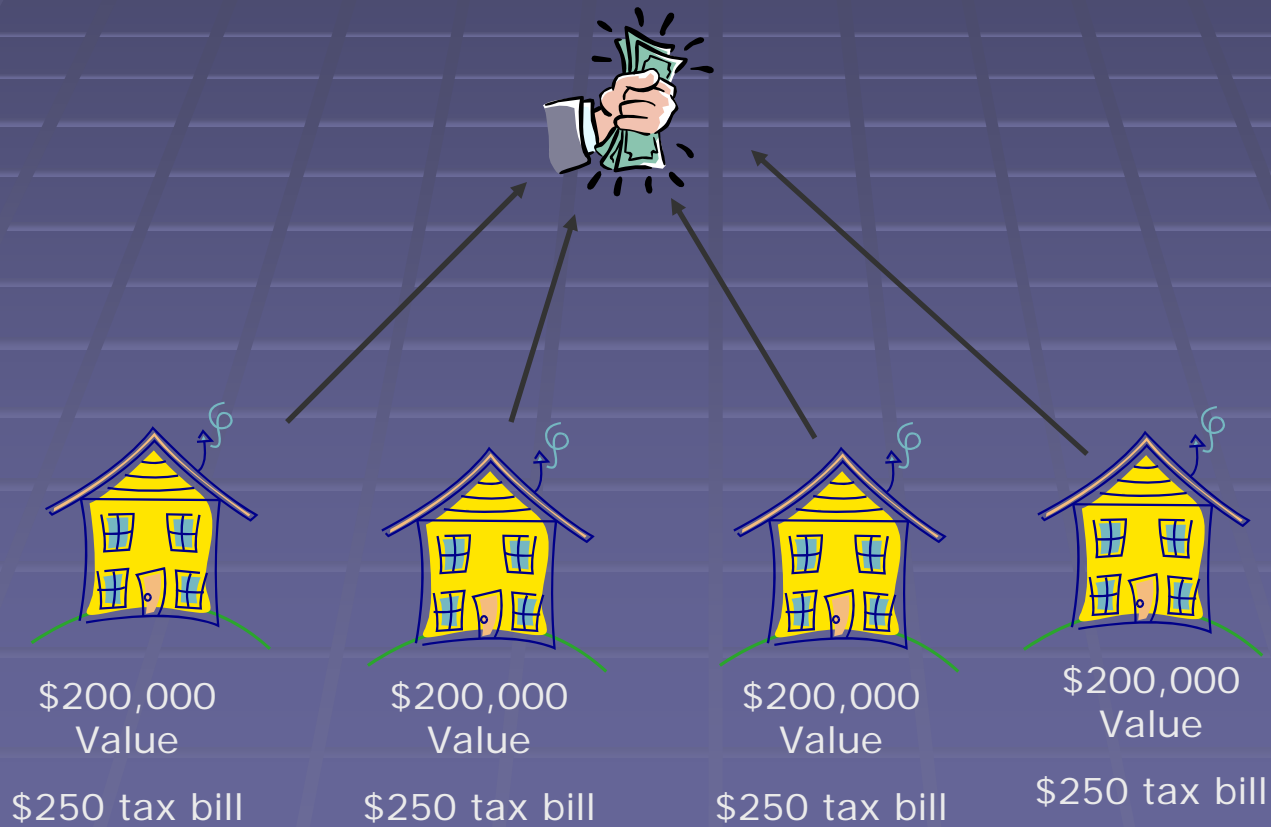
- The best way to explain Yavapai County's property tax system is with some simple illustrations.
- Imagine a little city that consists of four homes, each exactly the same, and each appraised by the Assessor at \$100,000. Let's also say that the annual city budget for our imaginary city is \$1,000. To raise the amount of the budget, each homeowner must pay \$250. Four homes each paying \$250 raises \$1000. Our property tax system is budget based. We tax enough to raise the amount in the budget. No more.
- \$1000 Budget

\$1,000 Budget



Let's say next year's budget remains at \$1000, but the Assessor doubles the full cash assessed value of all the homes to \$200,000 each. Do the taxes on each of the homes change? No. To raise the budgeted amount, each must still pay \$250. In this example, the full cash assessed value of each home doubled, but the tax didn't change.

\$1,000 Budget



Now let's get a bit more realistic and say that the values on the homes change differently.

Suppose one home goes from \$100,000 to \$150,000. Two homes double in value to \$200,000 and the last home jumps up to a whopping \$250,000!

Now what happens to the taxes? Well, the average value of the four homes is still \$200,000. So the taxes on the two homes that go to \$200,000 are unchanged.

They are at the average and they each still pay \$250.

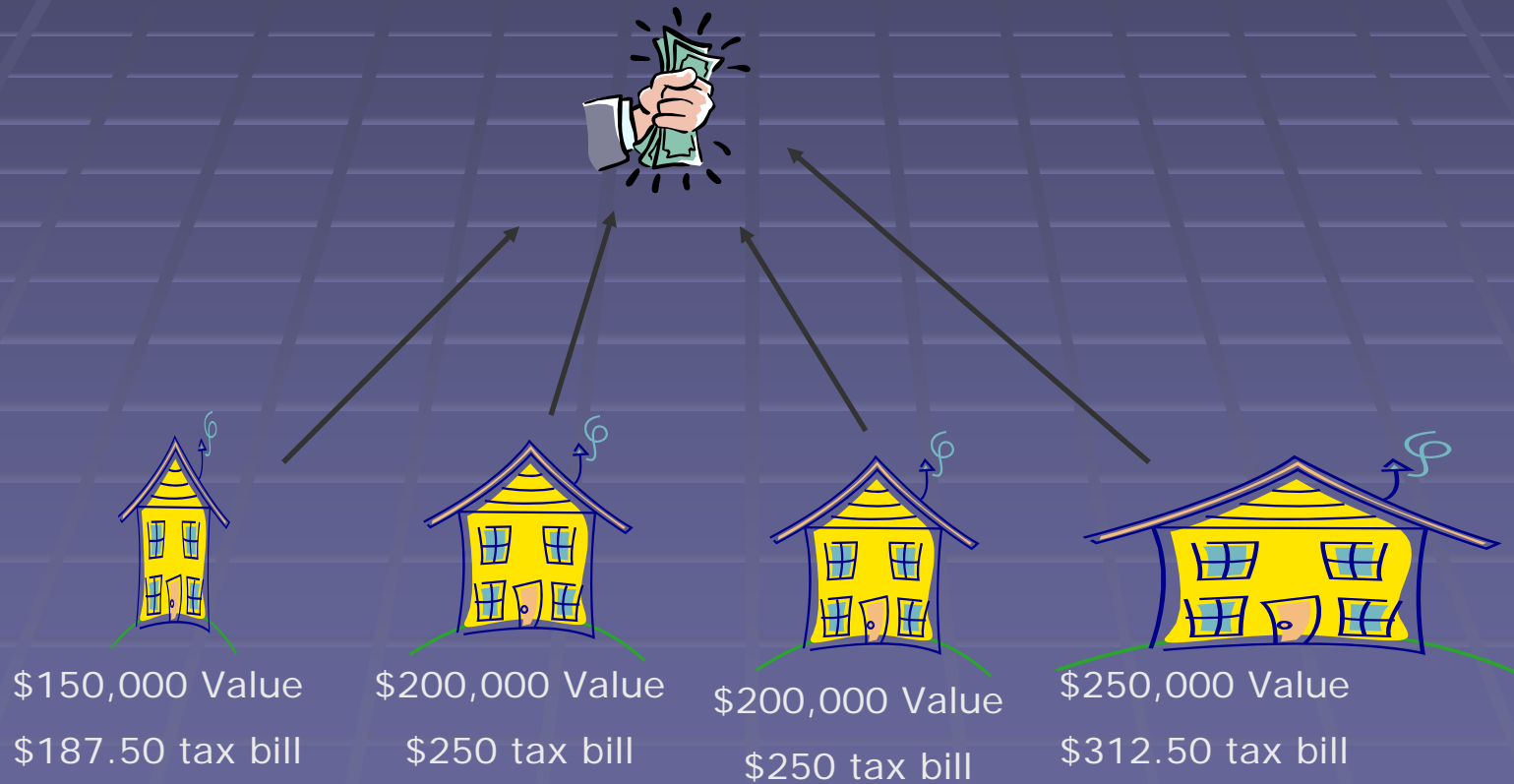
The lowest valued home sees its tax go down to \$187.50, even though the assessed value goes up 50%!

The home that jumped 150% to \$250,000 in value sees its property tax go up to \$312.50, a 25% increase.

In the end, we still only raise \$1000 total to meet the budget.

Interesting right?

\$1,000 Budget



But wait. Normally budgets don't stay the same; they go up, right?

Currently, constitutional restrictions limit Arizona's primary property tax levies to a 2% increase each year plus any revenue from new construction, but do not subject secondary tax districts to these levy limitations.

In our imaginary city, the \$1000 budget can only increase 2% to \$1020 the following year unless the voters who live in the city approve a higher increase (we won't consider secondary taxing districts at this time).

Our imaginary city gives simple illustrations of our property tax system.

In reality, it's not so simple. In Yavapai County, there are about 160,000 properties (all different from each other).

We have 230 taxing authorities. Although each property is in one tax area code, each property has a number of tax authorities because tax authorities overlap.

For instance, your next door neighbor could be in a different fire district or school district, etc. The result is that even though you live right next to each other, you could be in different tax area codes, and have totally different tax rates.

The 230 tax authorities in Yavapai County are comprised of the state, county, cities, schools, colleges, roads, fire districts, emergency service districts, library, sewer and water districts. Each taxing authority has an annual budget.

THANK YOU

For further information,
please call
the Assessor's Office

928-771-3220 (Prescott)

928-639-8121 (Cottonwood)