

May 20, 2009

## Property Valuation Appeals

The number of property valuation appeals has significantly increased during the last few years. In response, we are issuing this *Property Tax Special Notice* to provide general guidance to local boards of equalization (BOE).

### Presumption of Correctness

By law, the assessed value of property is presumed to be correct (see RCW 84.40.0301). Boards of equalization must therefore begin any review of disputed value from this standpoint. Property owners must provide sufficient evidence to overcome this presumption of correctness to receive a reduction in assessed value. If adequate evidence is supplied, the BOE should adjust the value accordingly.

### Standard of Review

In order to overcome the presumption that the assessed value is correct, the property owner must provide "clear, cogent, and convincing" evidence. Washington law requires the BOE to review evidence using this standard. This is a higher standard than a "preponderance" of evidence. It means that the evidence must show that it is highly probable that the assessed value is incorrect. So, property owners must present sufficient relevant evidence that shows it is highly likely the assessed value is incorrect before the BOE can adjust the valuation.

### Evidence That Should Be Considered

Evidence may include market sales of similar properties, cost data, income data, appraisals of the subject property, etc. Mass appraisal reports and data used by the assessor are also valid forms of evidence. Regardless of the form the evidence takes, it must indicate market value as of the assessment date for the property under review. This is particularly important to remember in counties that revalue property on a multi-year cyclical basis. For example: A county revalues property on a four-year cycle. The property in question was last appraised as of January 1, 2007. The owner appeals the value in 2009. The evidence reviewed must indicate the market value of that property as of January 1, 2007 -- not January 1, 2009.

It is also important to remember that the evidence must be relevant to the issue at hand. Although property values have declined in many areas of the state, the BOE must consider the effect of the market on the specific property under appeal. It's important to know the general market conditions, but decisions on appeals must be based on evidence that is specific to the subject property. Decisions should not be based on current market conditions or evidence that is not reflective of conditions present as of January 1<sup>st</sup> (or July 31<sup>st</sup> for new construction) of the appropriate assessment year. Additionally, the BOE should recognize that there are a variety of appraisal methods that are permissible for assessors to use when valuing property. The BOE's role is to determine the market value of the property, and it must base its decision on the evidence provided rather than on opinions about the methodology itself.

### Impact of Decisions

Washington's property tax system is a budget-based system. This means taxing districts determine how much property tax they will collect in accordance with the law, and the tax obligation is distributed among property owners based on the assessed value of the property they own. Therefore, changes in assessed value within a taxing district affect the tax obligation of every other property owner in the same district. Reductions in some property values result in a tax shift, decreasing the tax owed on the property receiving the reduction and increasing the taxes owed by other property owners. This is why it is vital that decisions relative to valuation appeals are based on clear, cogent, and convincing evidence thereby preserving equality among property owners.

### Questions

If you have questions or need additional information, please contact Diann Locke at (360) 570-5885 or [DiannL@dor.wa.gov](mailto:DiannL@dor.wa.gov).