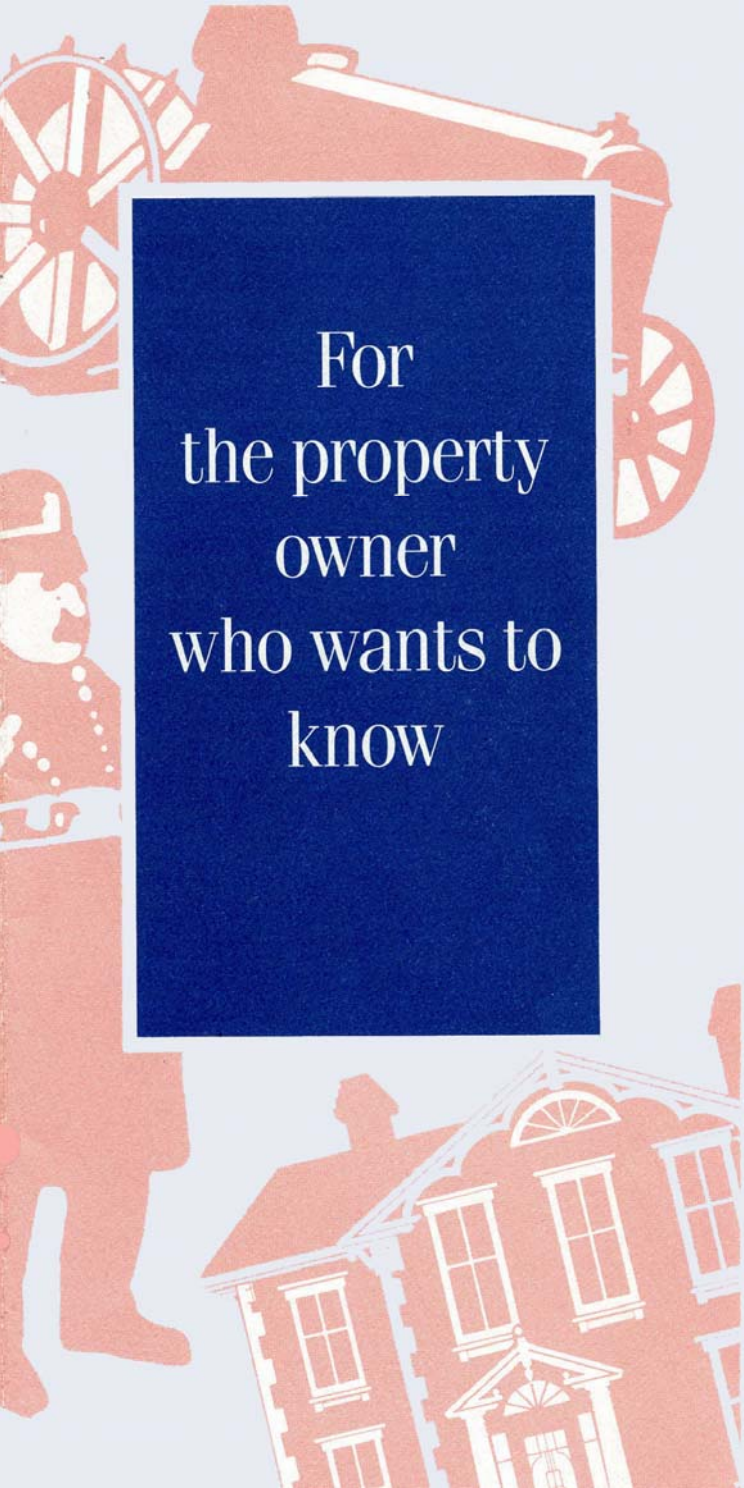
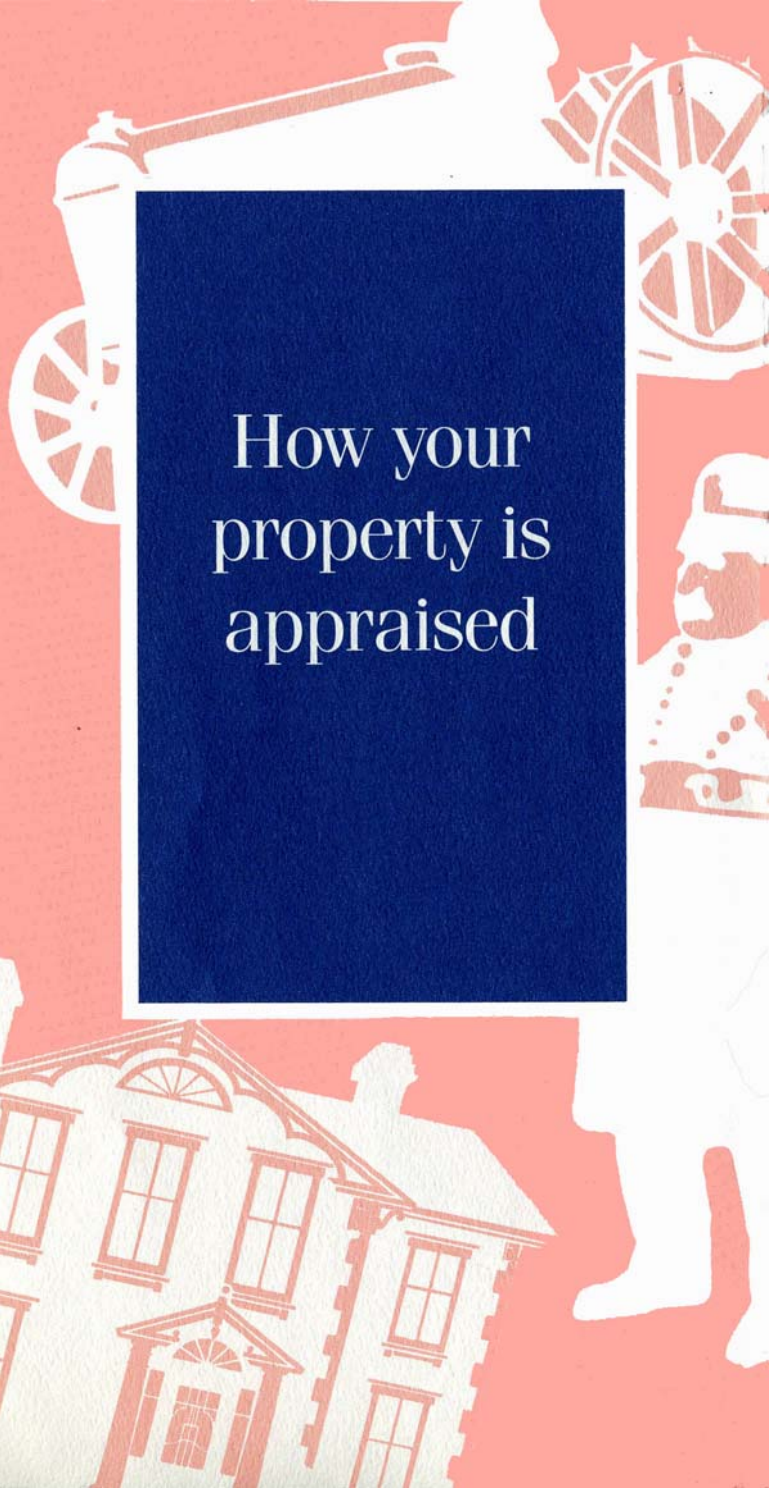


For the property owner who wants to know

How your property is appraised



THE EQUALIZATION OFFICE first reviews all the property to be assessed and then values it.

Accurate appraisals require constant searching…

and digging…

for significant facts to accumulate and analyze in order to estimate

the fair market value of your property.

WHAT IS MARKET VALUE?

Finding the market value of your property involves determining what price most people would pay in it's current condition. It's not quite that simple, however, because the equalization office has to find what this value would be for every property, no matter how big or small. But the director of equalization's job doesn't stop there. Each year it has to be done all over again, because the market value of almost everything changes from one year to the next, as we all know.

WHY HAVE A PROPERTY TAX?

Properties are appraised so that those of us who want the advantages of having schools, fire and police protection, and other public benefits (which means just about all of us), can absorb our fair share of the cost, in proportion to the amount of money our individual properties are worth.

The property tax is part of a well balanced revenue system. It is a more stable source of money than sales and income taxes because it does not fluctuate when communities have recessions. When the community spends your tax dollars on better schools, parks, and so on, your property values rise. Some of the windfall benefits you receive are recaptured by the property tax.

HOW PROPERTY IS APPRAISED

To find the value of any piece of property the assessor must first know what properties similar to it are selling for, what it would cost today to replace it, how much it takes to operate and keep it in repair, what rent it may earn, and many other dollar facts affecting its value, such as the current rate of interest charged for borrowing the money to buy or build properties like yours. Using these facts, the equalization office can then go about finding the property's value in three different ways.

SALES COMPARISON APPROACH

The first method compares your property to others that have sold recently. These prices, however, must be analyzed very carefully to get the true picture. One property may have sold for more than it was really worth because the buyer was in a hurry and would pay any price. Another may have sold for less money than it was actually worth because the owner needed cash right away and the property was sold to the first person who made an offer.

When using the sales comparison approach, the equalization office must always consider such overpricing or underpricing and analyze many sales to arrive at a fair valuation of your property. Size, quality, condition, location, and time of sales are also important factors to consider.

COST APPROACH

A second way to value your property is based on how much money it would take, at current material and labor costs, to replace your property with one similar. If your property is not new, the equalization office must also determine how much it has depreciated. In addition, the equalization office must estimate how much a lot like yours would be worth if vacant.

INCOME APPROACH

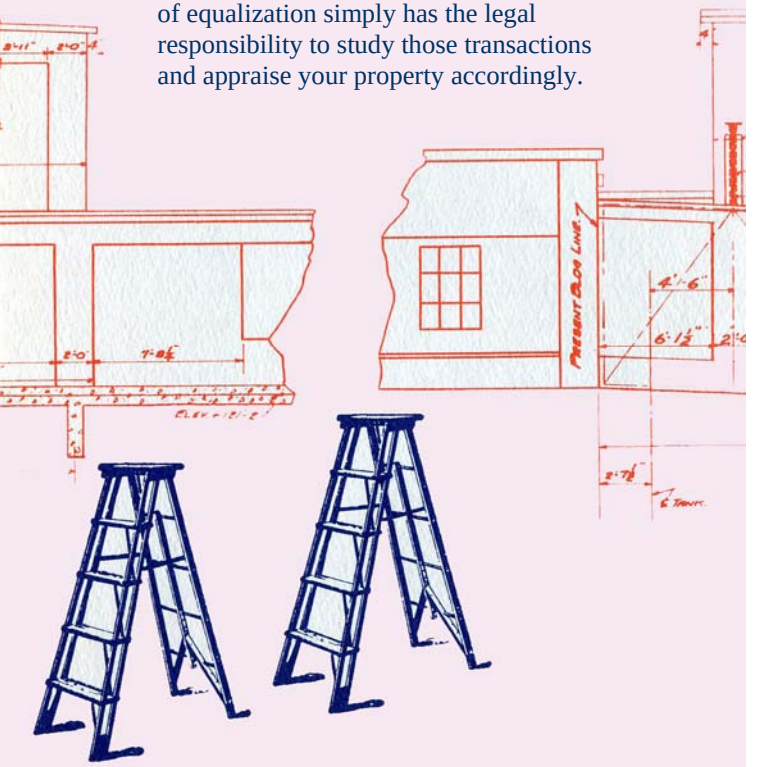
The third way is to evaluate how much income your property would produce if it were rented as an apartment house, a store, or a factory. The equalization office must consider operating expenses, taxes, insurance, maintenance costs, and the return most people would expect on your kind of property.

WHY ASSESSED VALUES MAY CHANGE FROM YEAR TO YEAR

When market value changes, naturally so does assessed value. For instance, if you were to add a garage to your home, the assessed value would increase.

However, if your property is in poor repair, the assessed value would decrease.

The equalization office has not created the value. PEOPLE MAKE VALUE by their transactions in the market place. The director of equalization simply has the legal responsibility to study those transactions and appraise your property accordingly.

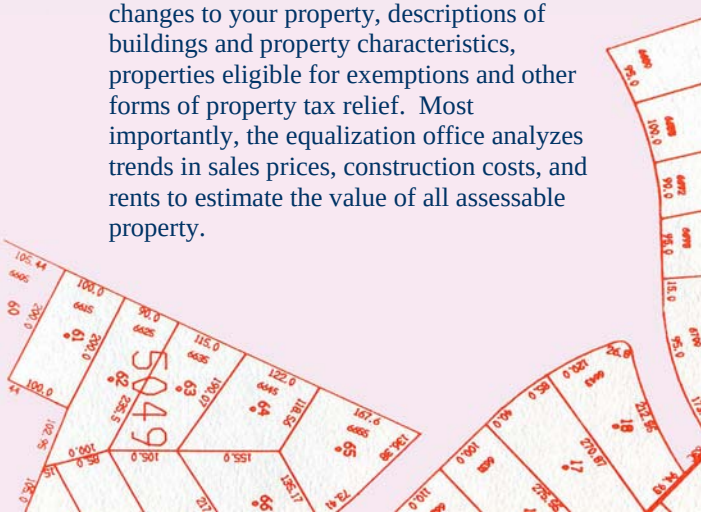


ASSESSED VALUE AND THE TAX RATE

The equalization office has nothing to do with the total amount of taxes collected. The director of equalization's primary responsibility is to find the fair market value of your property, so that you may pay only your fair share of taxes.

The amount of taxes you pay is determined by a TAX RATE applied to your property's EQUALIZED or TAXABLE VALUE. Your TAXABLE VALUE is determined by applying an audit factor to your ASSESSED VALUE. This factor results from an annual audit performed by the Department of Revenue and is a measure of the county level of assessment versus current market. The tax rate is determined by all the taxing agencies-city or county, school districts, and others-and depends on what is needed to provide all the services you enjoy.

The equalization office also keeps track of changes to your property, descriptions of buildings and property characteristics, properties eligible for exemptions and other forms of property tax relief. Most importantly, the equalization office analyzes trends in sales prices, construction costs, and rents to estimate the value of all assessable property.



WHAT ARE YOUR RIGHTS AND RESPONSIBILITIES?

If your opinion of the value of your property differs from the equalization office, by all means go to the office and discuss the matter. Staff will be glad to answer your questions about the appraisal and explain how to appeal if you cannot come to an agreement. The equalization office relies on the property owner for information. You can help by providing accurate information.

In SOUTH DAKOTA, any appraiser that values property for assessment purposes must be certified by the Department of Revenue.

If you feel taxes are too high, you should make your opinion known to the proper taxing authorities. Ask about your eligibility for special exemptions.

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