

Appraisal Reports from the Assessor's Perspective

*Mark D. Armstrong, CIAO-M
President, Illinois Chapter
International Association of Assessing Officers*

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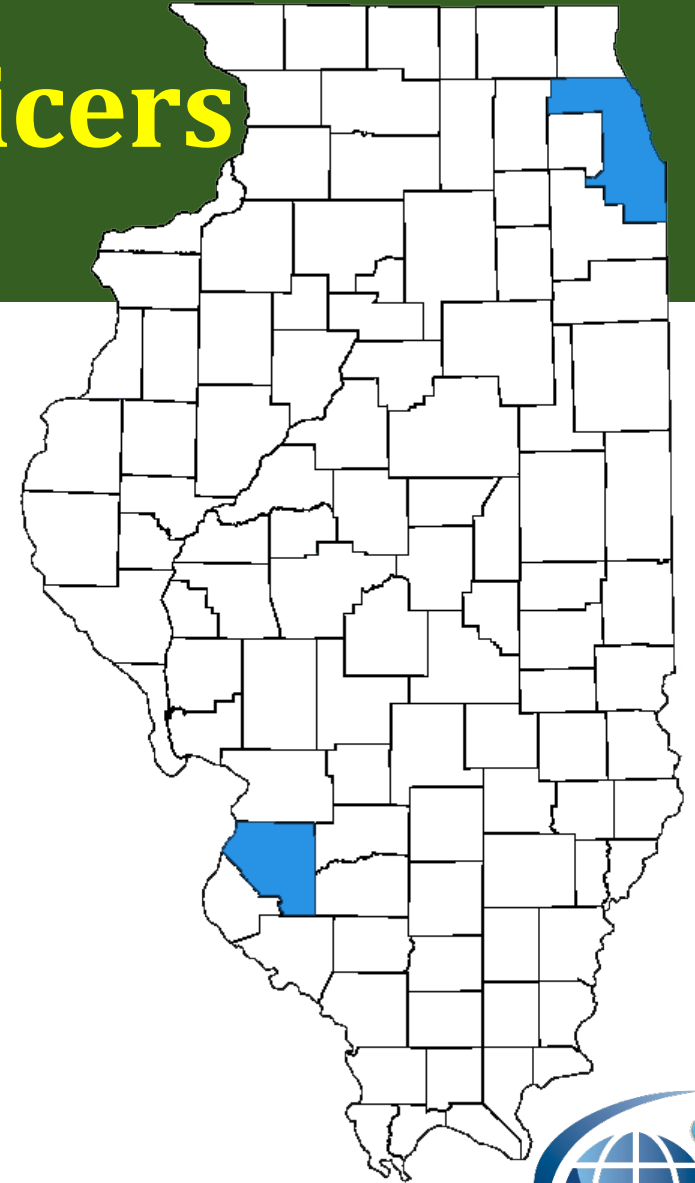
Mark D. Armstrong, CIAO-M

- Real Estate Appraiser since 1985
- Kane County Supervisor of Assessments, 2006-present
- Vice President, County Assessment Officers Association of Illinois
- Legislative Chairman, Illinois Association of County Officials
- Instructor, Illinois Property Assessment Institute



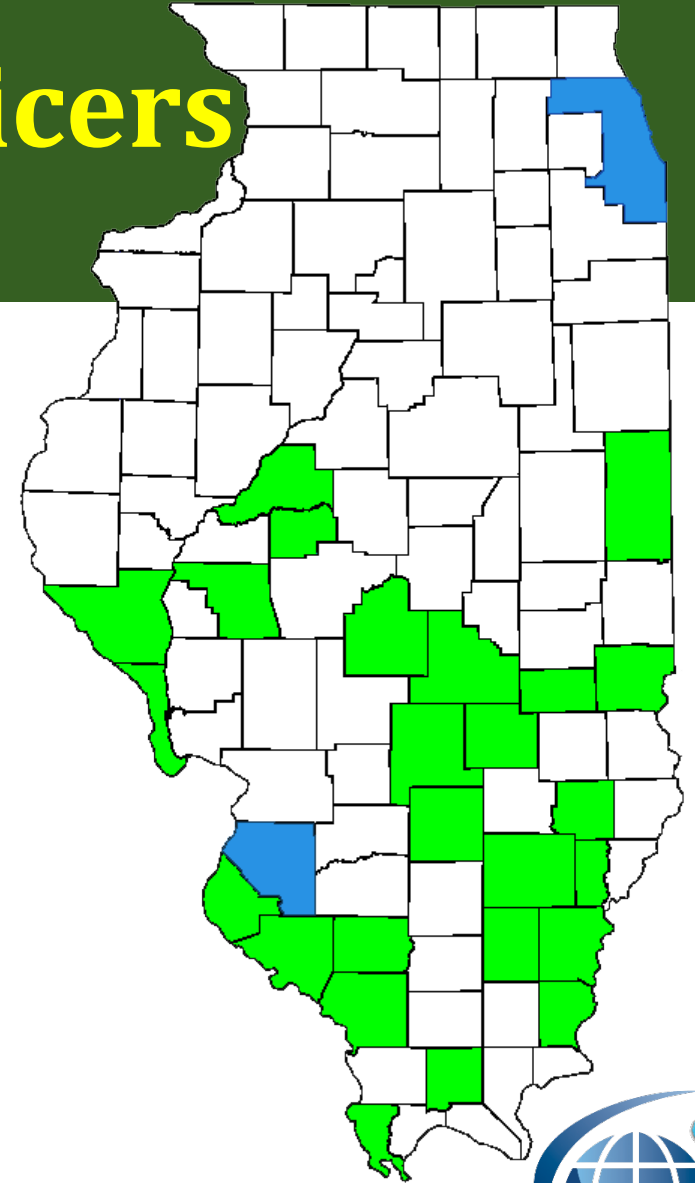
Chief County Assessment Officers

- 26 Elected Chief County Assessment Officers
 - Cook and St. Clair Counties elect a County Assessor



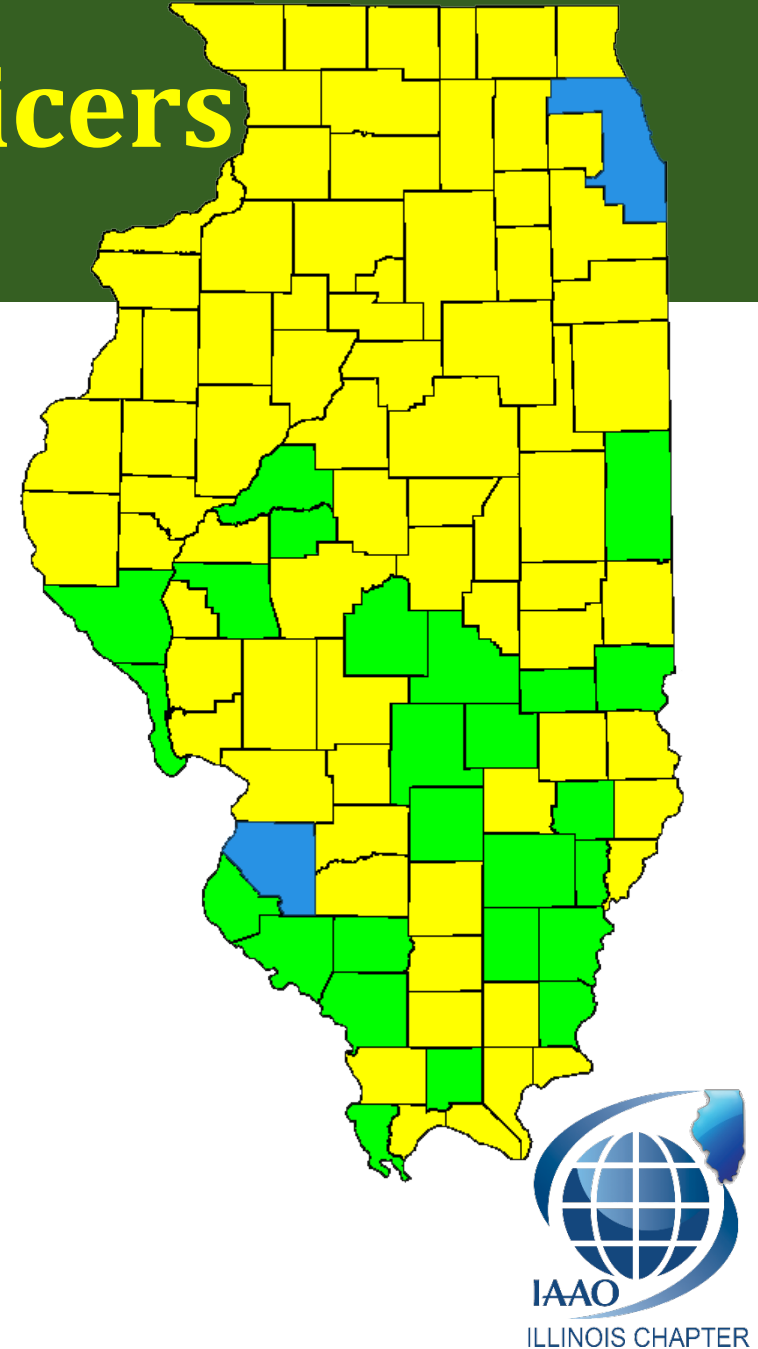
Chief County Assessment Officers

- 26 Elected Chief County Assessment Officers
 - Cook and St. Clair Counties elect a County Assessor
 - 24 other Counties elect a Supervisor of Assessments



Chief County Assessment Officers

- 26 Elected Chief County Assessment Officers
 - Cook and St. Clair Counties elect a County Assessor
 - 24 other Counties elect a Supervisor of Assessments
- 76 Appointed Chief County Assessment Officers
 - All Supervisors of Assessments
- All Supervisors of Assessments also serve as Clerk of the Board of Review



Ch

Written with the energy and honesty that your important industry deserves—without the slant.

Working RE

Winter 2007, Volume 15

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MARK D ARMSTRONG

KANE COUNTY SUPERVISOR OF ASS

GENEVA IL 60134

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Working RE
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San Diego

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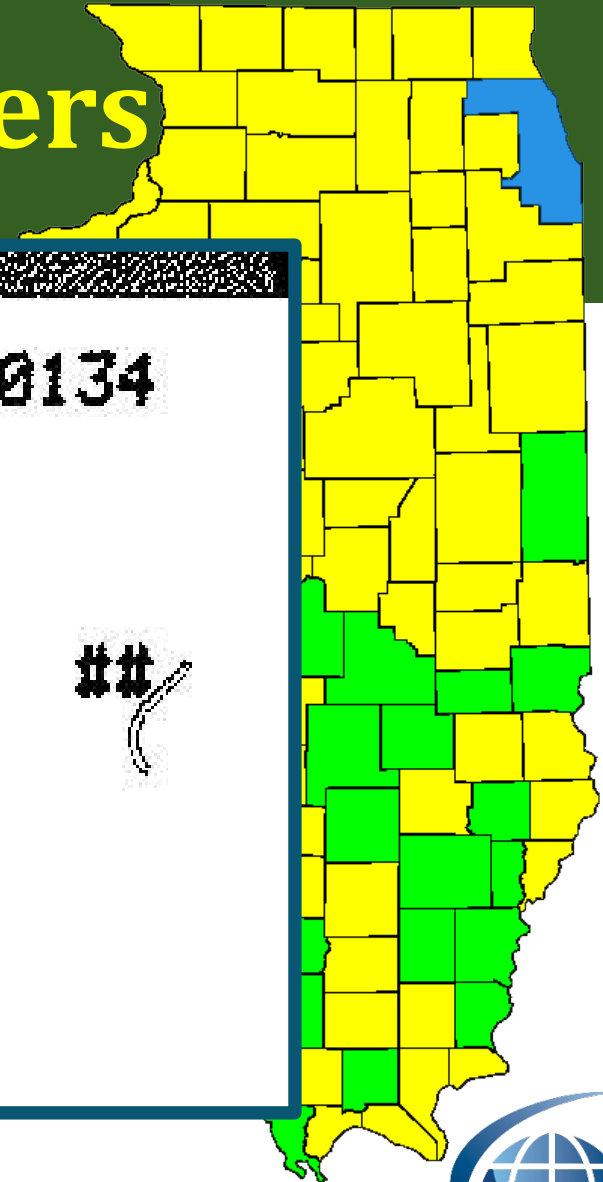


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MARK D ARMSTRONG
KANE COUNTY SUPERVISOR OF ASS
GENEVA IL 60134

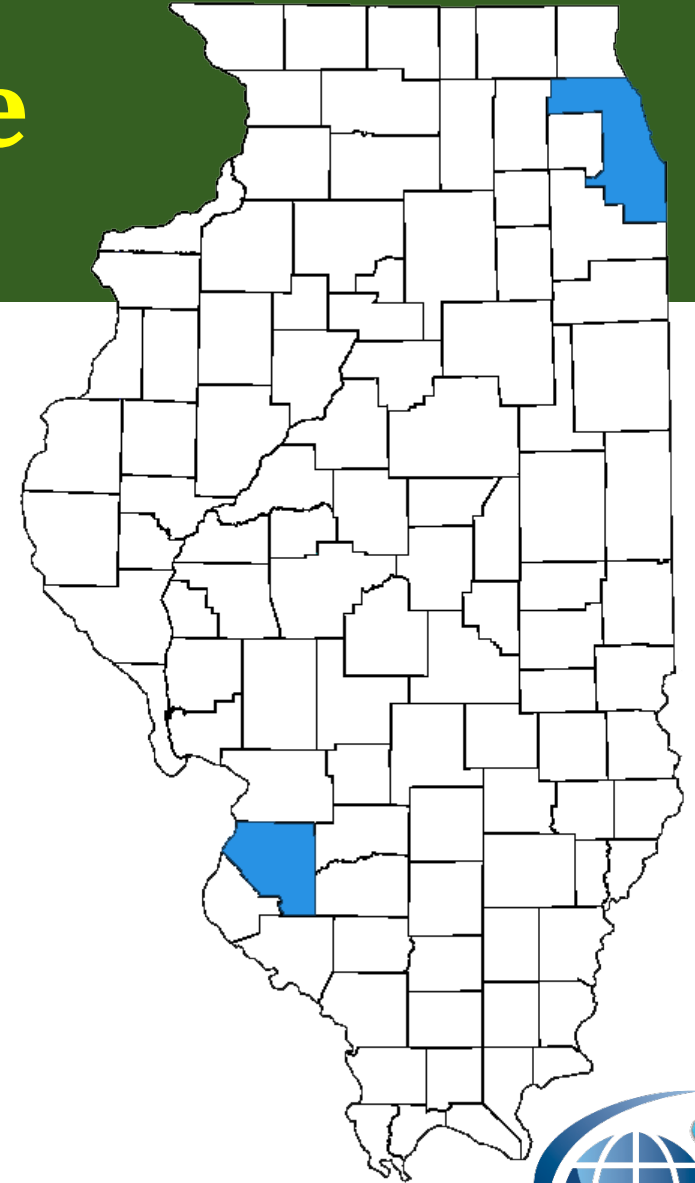
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Presorted Standard
U.S. Postage
PAID
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Spencer, IA 51301



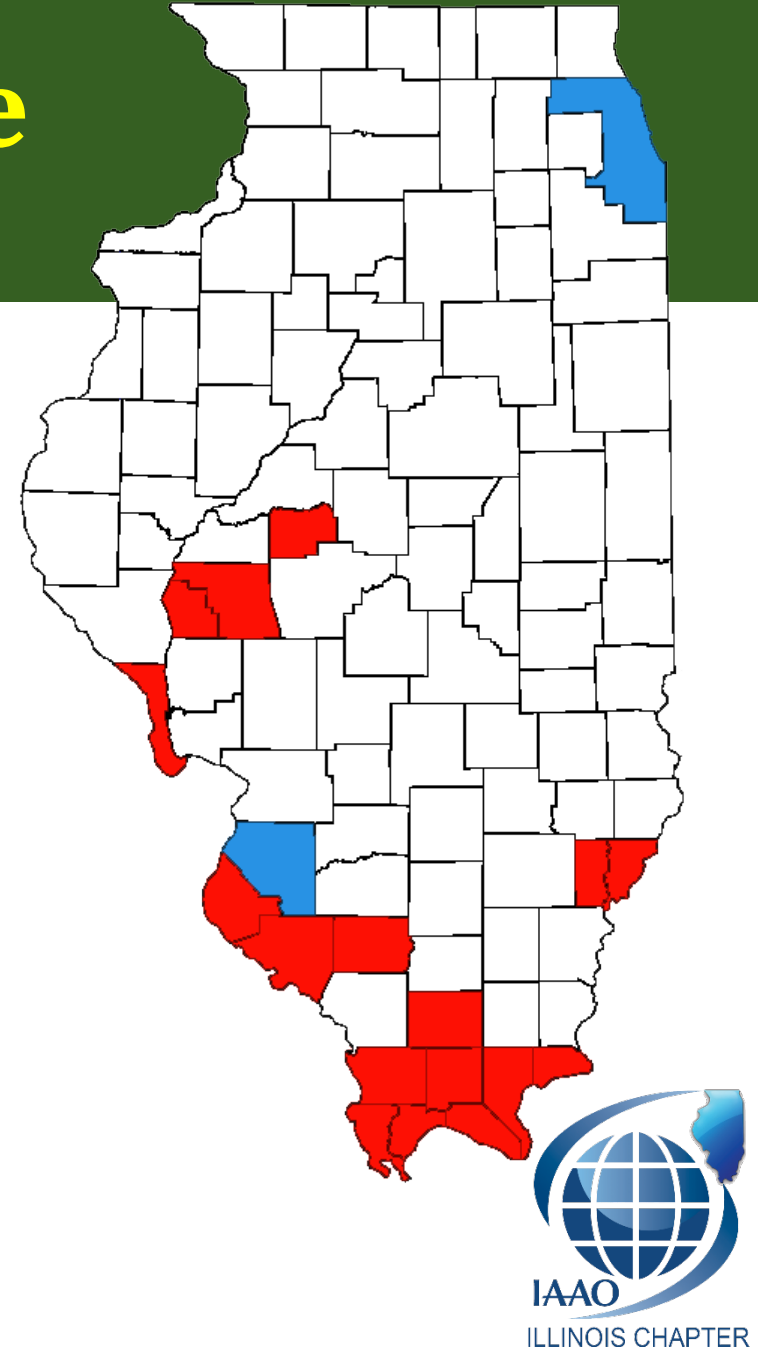
Statutory Valuation Structure

- 19 with valuation at the County level
 - Cook and St. Clair Counties have a County Assessor



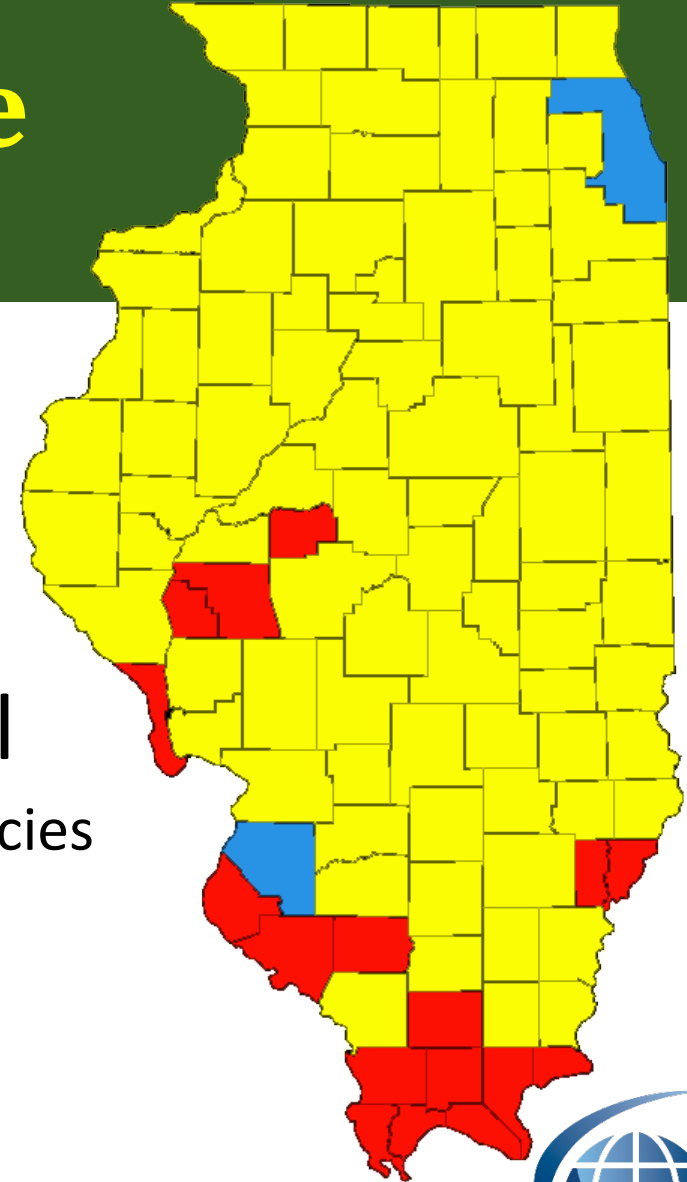
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Statutory Valuation Structure

- 19 with valuation at the County level
 - Cook and St. Clair Counties have a County Assessor
 - 17 other Counties are commission counties with no Townships
- 83 with valuation at the Township level
 - Does not account for “local custom” or assessor vacancies



Appraisals Reports in the Assessment Process

- Provided to the Assessor
- Submitted as evidence
 - County Board of Review Complaints
 - State Property Tax Appeal Board Appeals
 - Circuit Court Tax Objections

Appraisals Reports in the Assessment Process

APPRAISAL

Stanley Gordon, Mattoon, 553000002 - certified general residential appraiser license revoked for developing and preparing a series of tax appeal appraisal reports for properties in Mattoon, IL, which lacked credibility and contained significant errors and omissions. Additionally, between August of 2017 and October of 2019, Respondent developed and communicated eighteen appraisal reports where Respondent used the same photos that purported to be photos of each subject's attic and/or crawl space. Respondent stated on each appraisal report that he physically inspected the interior of the subject property.

Gary Feller, St. Charles – general real estate appraiser license (553-000000) indefinitely suspended and must submit coursework due to the submission of two appraisal reports that lacked credibility and contained significant errors and omissions.

Appraisals Reports in the Assessment Process

Lee Wineschawler, Wheaton - cease and desist the unlicensed practice as a real estate appraiser and assessed a \$10,000 civil penalty for developing and preparing property valuations for tax appeal boards in the State of Illinois despite respondent not having a real estate appraiser license.

Mark Burke, Hawthorn Woods – (unlicensed) ordered to cease and desist unlicensed appraisal practice and assessed a \$30,000 civil penalty.

Robert Hutterick, Jacksonville - certified general real estate appraiser license (553-001200) is revoked for being convicted of First Degree Murder.

Definition of Value

Fair Cash Value, as defined in the Illinois Property Tax Code (35 ILCS 200/1-50) is:

“The amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller.”

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Property Tax Code

(35 ILCS 200/1-50)

Sec. 1-50. Fair cash value. The amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller.

“Fair cash value is synonymous with fair market value and is defined as the price a willing buyer would pay a willing seller for the subject property, there being no collusion and neither party being under any compulsion.” *Ellsworth Grain v. Property Tax Appeal Board*, 172 Ill. App. 3d 552, 557 (Ill. App. Ct. 1988)

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CASE STUDY: *Defining the “Property”*





Step 1: Identify the property and sale information.

- 1 151 Fieldgate St.
Street address of property (or 911 address, if available)
- St. Charles St. Charles
City or village Township
- 2 Write the total number of parcels to be transferred. 4
- 3 Write the parcel identifying numbers and lot sizes or acreage.*
- | Parcel identifying number | Lot size or acreage |
|---------------------------|---------------------|
| a <u>09. 24. 276. 032</u> | <u>25 X 125</u> |
| b <u>09. 24. 276. 034</u> | |
| c <u>09. 24. 276. 033</u> | |
| d <u>09. 24. 276. 015</u> | |
- Write additional parcel identifiers and lot sizes or acreage in Step 3.
- 4 Date of deed/trust document: 1 2 / 2 0 0 5
Month Year
- 5 Type of deed/trust document* (Mark with an "X"): Warranty deed
Quit claim deed Executor deed X Trustee deed
Other (specify):
- 6 Yes X No Will the property be the buyer's principal residence?*
- 7 X Yes No Was the property advertised for sale or sold using a real estate agent?*
- 8 Identify the property's current and intended primary use.
Current Intended (Mark **only one item per column** with an "X.")
- | | | |
|-------------|-----------|--|
| a <u> </u> | <u> </u> | Vacant land/lot |
| b <u> </u> | <u> </u> | Residence (single-family, condominium, townhome, or duplex) |
| c <u> </u> | <u> </u> | Mobile home residence |
| d <u> </u> | <u> </u> | Apartment building (6 units or less) No. of units: <u> </u> |
| e <u> </u> | <u> </u> | Apartment building (over 6 units) No. of units: <u> </u> |
| f <u> </u> | <u> </u> | Office |
| g <u> </u> | <u> </u> | Retail establishment |
| h <u>X</u> | <u>X</u> | Commercial building (specify)*: <u>theater</u> |
| i <u> </u> | <u> </u> | Industrial building |
| j <u> </u> | <u> </u> | Farm |
| k <u> </u> | <u> </u> | Other (specify)*: <u> </u> |

Page:

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REC FEE: 26.00 RHSPS FEE: 10.00
PAGES: 5

- 9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.
(Mark with an "X.")
 Demolition/damage Additions Major remodeling
 New construction Other (specify):
Date of significant change*: / /
Month Year
- 10 Identify only the items that apply to this sale. (Mark with an "X.")
- | | |
|-------------|---|
| a <u> </u> | Fulfillment of installment contract — year contract initiated*: <u> </u> |
| b <u> </u> | Sale between related individuals or corporate affiliates |
| c <u> </u> | Transfer of less than 100 percent interest* |
| d <u> </u> | Court-ordered sale* |
| e <u> </u> | Sale in lieu of foreclosure |
| f <u> </u> | Condemnation |
| g <u> </u> | Auction sale |
| h <u> </u> | Seller/buyer is a relocation company |
| i <u> </u> | Seller/buyer is a financial institution* or government agency |
| j <u> </u> | Buyer is a real estate investment trust |
| k <u> </u> | Buyer is a pension fund |
| l <u> </u> | Buyer is an adjacent property owner |
| m <u> </u> | Buyer is exercising an option to purchase* |
| n <u> </u> | Trade of property (simultaneous)* |
| o <u> </u> | Sale-leaseback |
| p <u> </u> | Other (specify)*: <u> </u> |

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 17 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "e," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A.

- 11 Full actual consideration*
- 12a Amount of personal property included in the purchase*

11 \$ 2,700,000

Private Deed Restriction

Exhibit B

This property is conveyed, in addition to those restrictions appearing on page 1 of this deed, subject to the following condition:

Grantee, grantee's agents, successors, assigns, tenants, lessees or any of them will not, at any time, operate a motion picture theater on or about the property.

Grantee accepts this conveyance subject to the above and foregoing easements, restrictions and conditions and for itself, its agents, successors, assigns, tenants and lessees covenants to and with Grantor, its agents,



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Private Deed Restriction

NOW SHOWING:

NOTHING AT ALL!!!

POLL QUESTION:

How should the Board of Review approach this?

- A. The deed restriction DOES prevent the Board of Review from considering a “Motion Picture Theater” as the Highest and Best Use.
- B. The deed restriction DOES NOT prevent the Board of Review from considering a “Motion Picture Theater” as the Highest and Best Use.
- C. Not sure.

Property Tax Code

(35 ILCS 200/1-130)

Sec. 1-130. Property; real property; real estate; land; tract; lot.

(a) The land itself, with all things contained therein, and also all buildings, structures and improvements, and other permanent fixtures thereon, including all oil, gas, coal, and other minerals in the land and the right to remove oil, gas and other minerals, excluding coal, from the land, and all rights and privileges belonging or pertaining thereto, except where otherwise specified by this Code.

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Four Components of Real Property



1. The land, including its natural environment (*e.g.*, vegetation, timber, and landscaping)

Design Credit:
Illinois Property Assessment Institute

Four Components of Real Property



2. All buildings, structures and improvements, and other permanent fixtures on the land.

Design Credit:
Illinois Property Assessment Institute

Four Components of Real Property



3. All oil, gas, coal, and other minerals in the land, including the right of remove most of these minerals

Four Components of Real Property



4. All rights and privileges associated with owning the land.

Design Credit:
Illinois Property Assessment Institute

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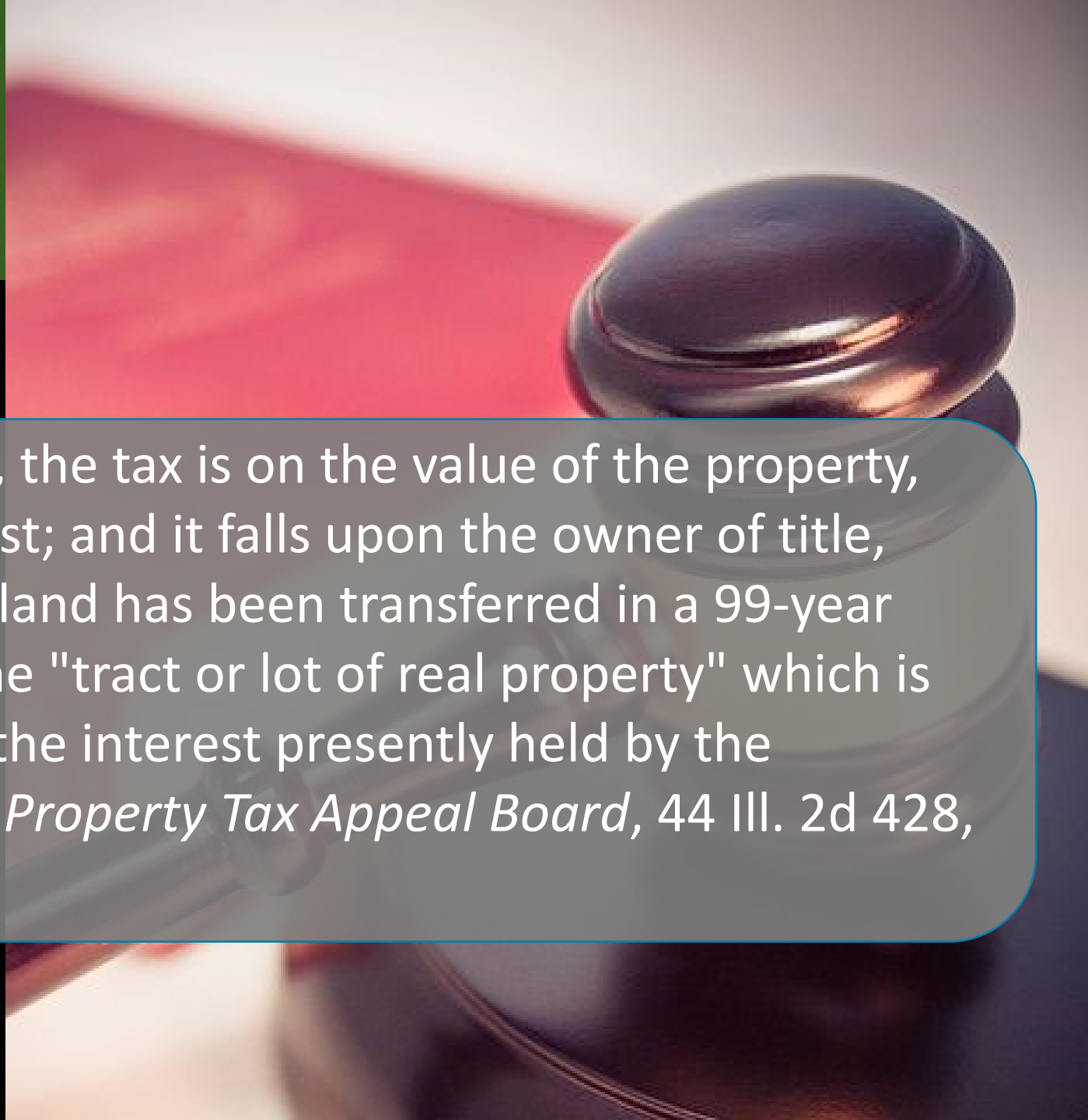
The six
basic rights
of property
ownership

Design Credit:
Illinois Property Assessment Institute



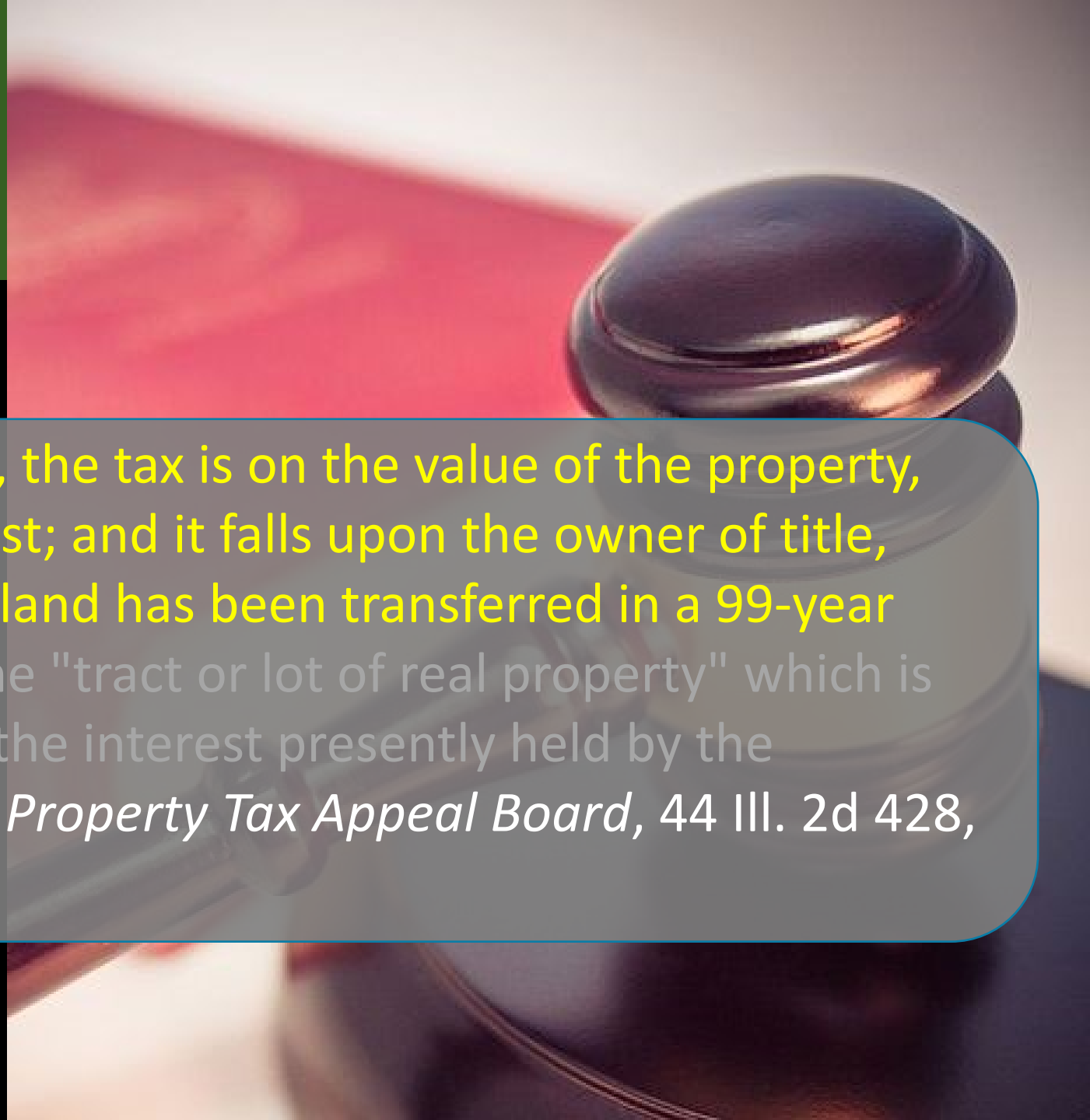
Illinois Supreme Court

“Where the owner is not exempt, the tax is on the value of the property, not the value of the owner's interest; and it falls upon the owner of title, even where the right to use of the land has been transferred in a 99-year lease It is clearly the value of the "tract or lot of real property" which is assessed, rather than the value of the interest presently held by the owner.” *Springfield Marine Bank v. Property Tax Appeal Board*, 44 Ill. 2d 428, 430-31 (Ill. 1970).



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- C. Not sure.

POLL QUESTION:

How should the Board of Review approach this?

- A. The deed restriction DOES prevent the Board of Review from and
- B. As a matter of law, the assessment must include the value of all the rights that have accrued to the property, not just the rights held by the present owner. Review
hest
- C. Therefore, any analysis of highest and best use for this property must not exclude the consideration of a “motion picture theater” use for this property.

Other Examples



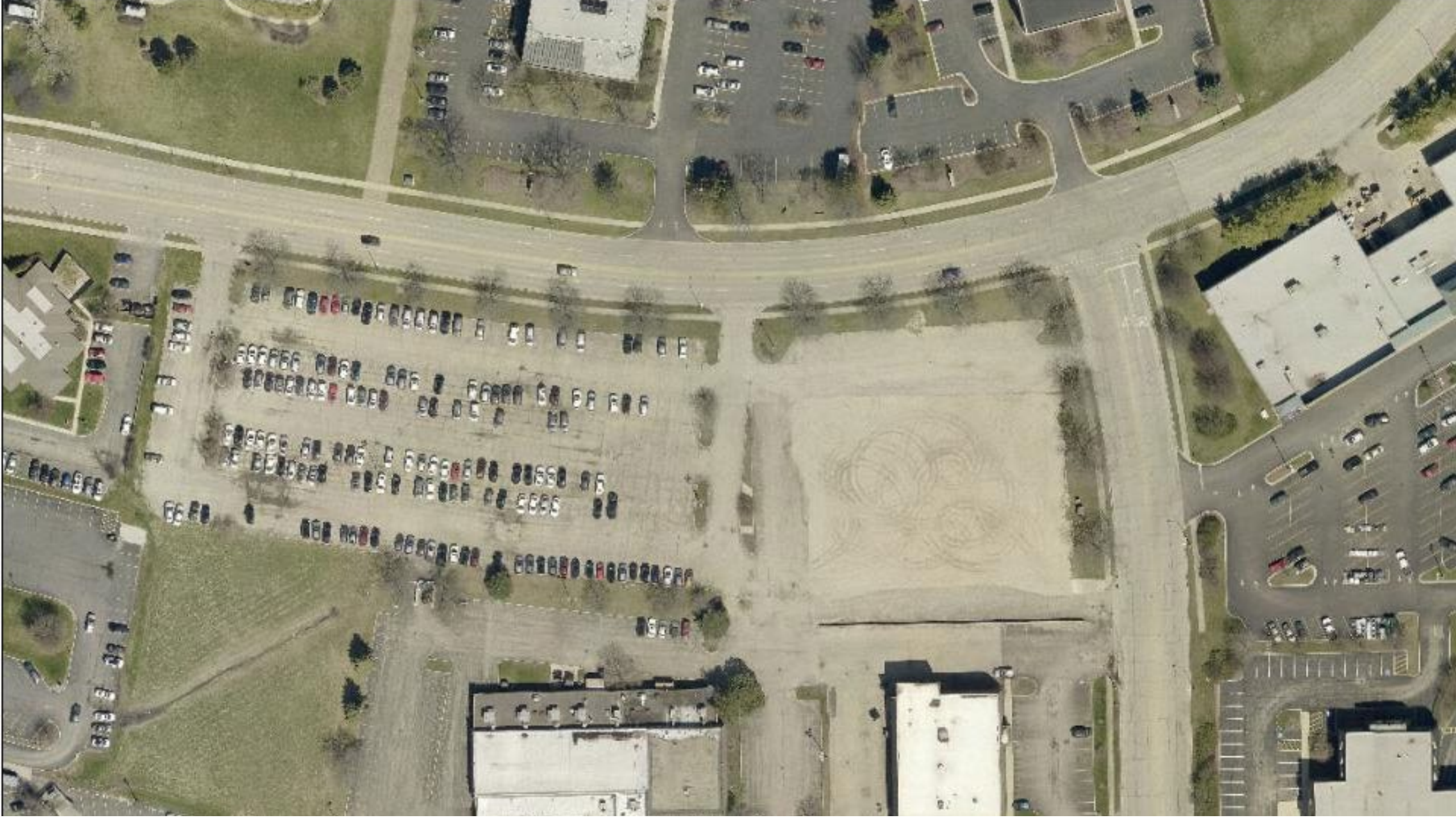
- Dominant estate: 09-35-354-002
- Servient estate: 09-35-354-001
- 1.16 acre-easement to be used by the owners of the dominant estate for pasturing horses.

Other Examples

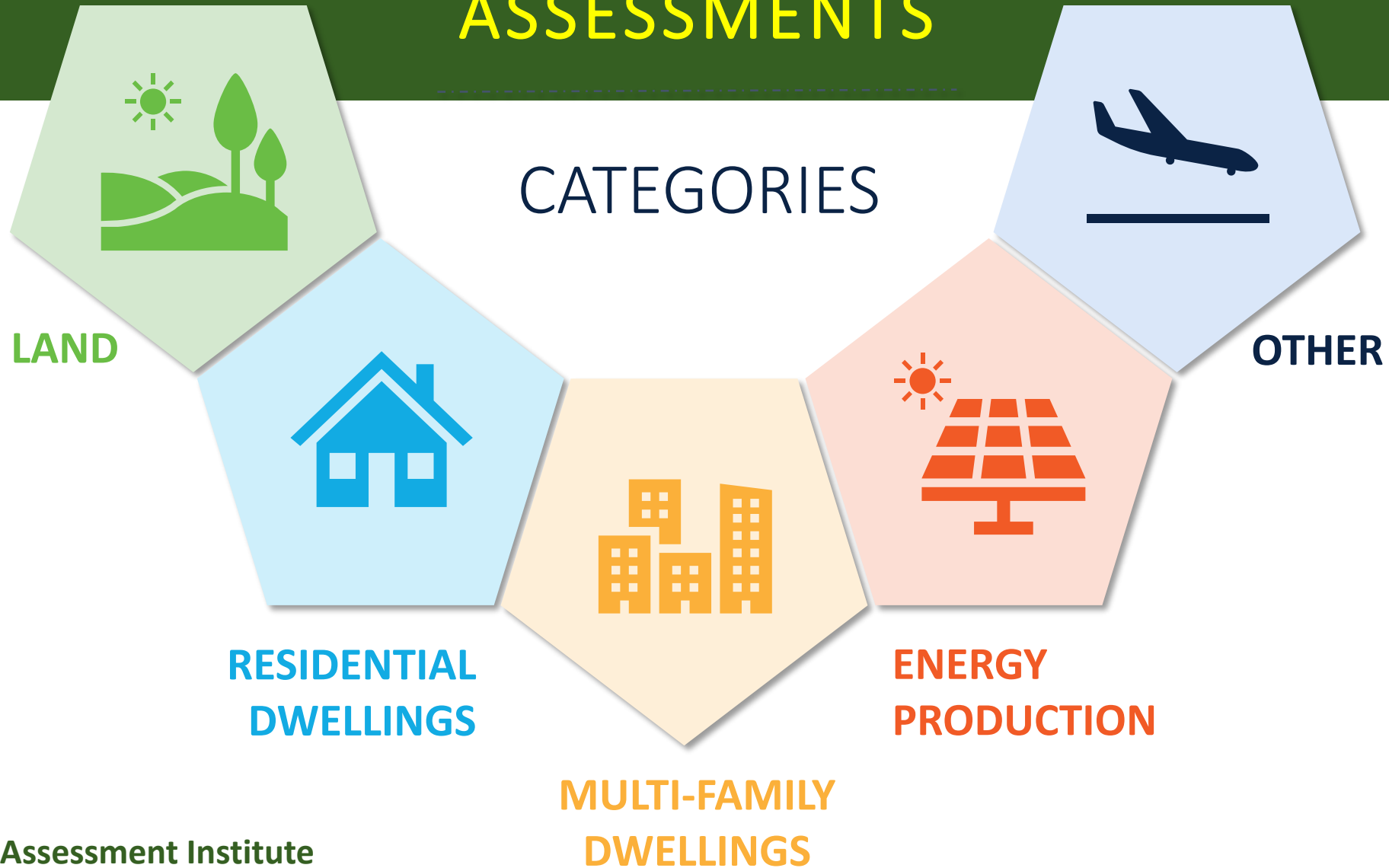








PREFERENTIAL ASSESSMENTS



Design Credit:
Illinois Property Assessment Institute



Land Preferential Assessments

- 1 Subdivisions in Counties of Less Than 3,000,000 Persons
- 2 Subdivision Common Areas
- 3 Farmland
- 4 Open Space
- 5 Land Subject to Conservation Rights
- 6 Wooded Acreage Assessment Transition
- 7 Conservation Stewardship

Design Credit:
Illinois Property Assessment Institute



Residential Dwellings Preferential Assessments

- 1 Repairs and Maintenance of Residential Property
- 2 Accessibility Improvements of Residential Property
- 3 Model Homes, Townhomes, and Condominiums
- 4 Historic Residences

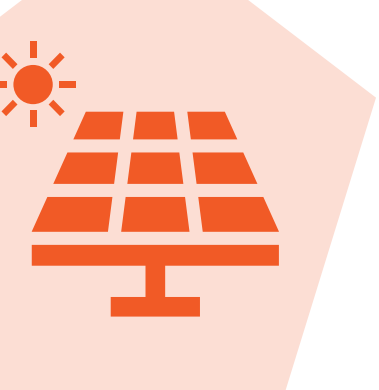
Design Credit:
Illinois Property Assessment Institute



Multi-Family Dwellings Preferential Assessments

- 1 Low Income Housing
- 2 Supportive Living Facilities

Design Credit:
Illinois Property Assessment Institute



Energy Production Preferential Assessments

1 Single-Property Solar Energy Systems

2 Coal

3 Wind Energy Property

4 Commercial Solar Energy Systems

Design Credit:
Illinois Property Assessment Institute



Other Preferential Assessments

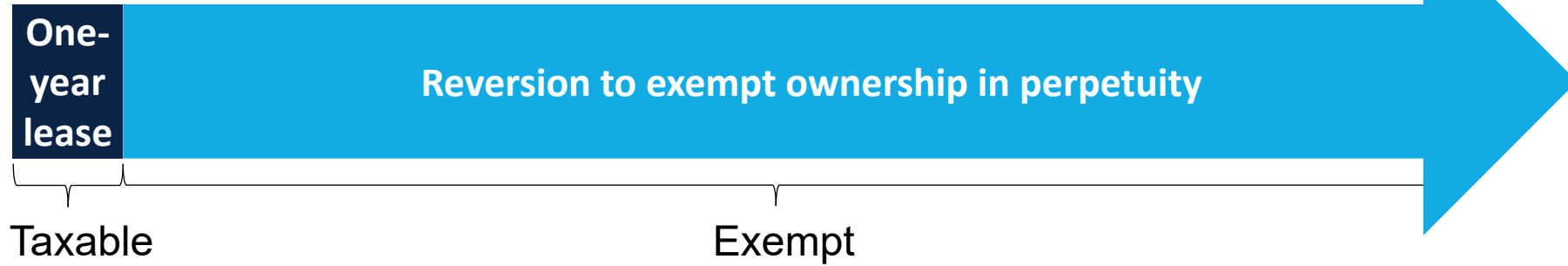
- 1 Airports in Counties of More than 200,000 Persons
- 2 Veterans Organization Property
- 3 Fraternal Organization Property
- 4 Qualified Commercial and Industrial Property

Design Credit:
Illinois Property Assessment Institute

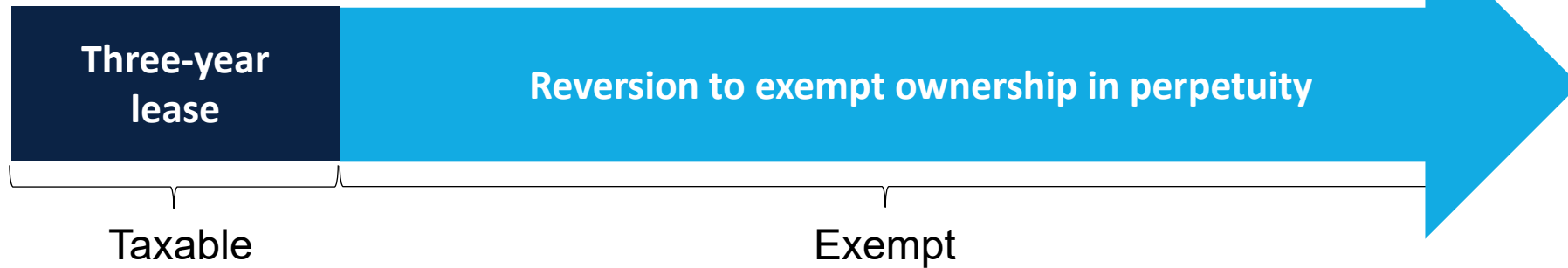
Taxable Leaseholds

- **What is being valued is the right to occupy and use the leased property until the expiration of the lease.**
- For tax purposes, an approved method is to
 - Calculate the market rent for the length of the lease;
 - Calculate present value of each year's rent; the sum of these values is the fair cash value of the leasehold.
- Leaseholds of longer periods will, all other things being equal, have a higher fair cash value than shorter ones.

Example of a One-Year Lease



Example of a Three-Year Lease



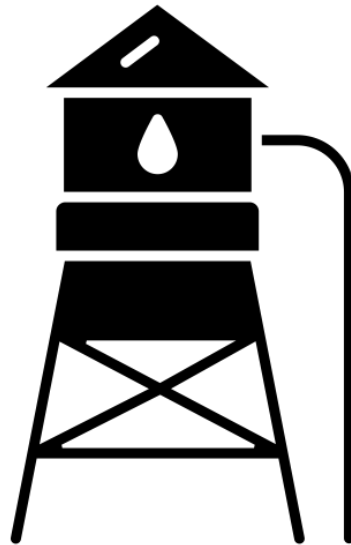
Example of a Ten-Year Lease



Personal Property “Freeze” Act

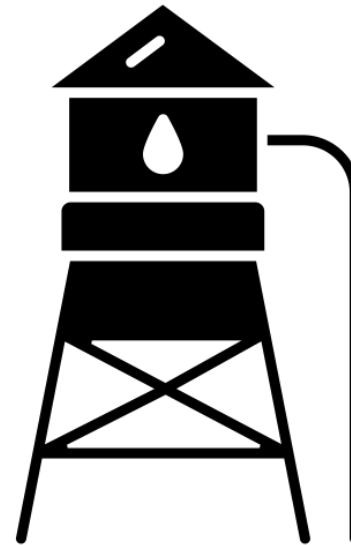
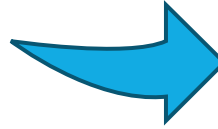
- No property lawfully assessed and taxed as *personal property* under this Act prior to January 1, 1979 shall be classified as *real property* subject to assessment and taxation under this Act after January 1, 1979.
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Freeze Act examples



Created by Graphic Engineer
from Noun Project

**Harrison County
Water Tower
Assessed as Personal
Property prior to 1979**

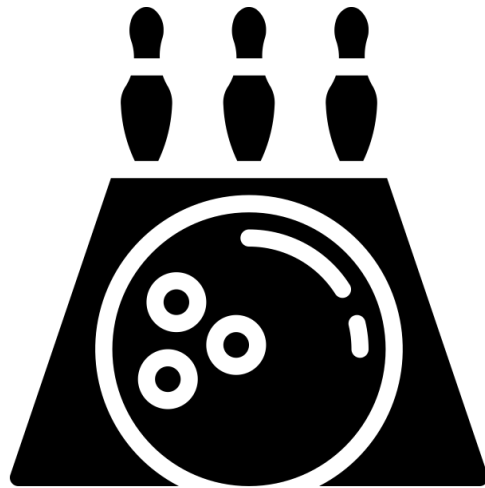


Created by Graphic Engineer
from Noun Project

**Harrison County
New Water Tower in 2006
Still Treated as
Personal Property**

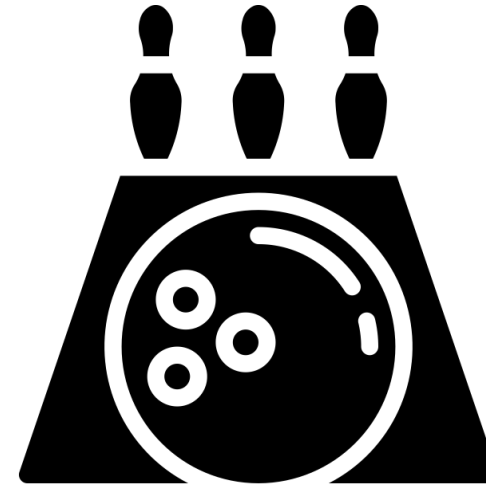
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Illinois Property
Assessment Institute**

Freeze Act examples



Created by Ben Davis
from Noun Project

Van Buren County
Bowling Alley Lanes
Assessed as Real Property
prior to 1979



Created by Ben Davis
from Noun Project

Van Buren County
New Bowling Alley Lanes
Still Assessed as Real
Property

Design Credit:
Illinois Property
Assessment Institute

Useful Resources

- Illinois Department of Revenue:
www2.illinois.gov/rev/localgovernments/property/Pages/default.aspx
- Property Tax Code:
<https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=596&ChapterID=8>
- Property Tax Appeal Board:
www.ptab.illinois.gov
- Illinois Property Assessment Institute:
www.IPAeducation.org

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