

Market Value Definitions

MINNESOTA

Estimated Market Values

The valuation of property starts with local assessors *estimating* the market value, which means the most probable selling price obtained in an arm's length transaction.

Although assessors are guided by considerable standards, the somewhat subjective nature of estimating market value results in a need for a review and equalization process that attempts to minimize inequities and protect the rights of taxpayers. Various features of this process include notification of values, multiple layers of local and state appeals and equalization processes, and sales ratio studies. These important processes do take time and result in a structure where properties are assessed in one year but are taxed and payable in the following year.

Limited Market Values

Minnesota has established a unique feature called Limited Market Value which attempts to protect various types of properties from the tax increases associated with rapidly growing market values. The Taxable Market Value of a property is *limited* to maximum increases. This leaves a portion of the estimated market value that is not taxed. As the increases to estimate market value drop below the limited thresholds, the limited increases will catch up with the full value.

Taxable Market Values

Property taxes, however, are not levied directly on Estimated Market Value. A variety of exemptions, exclusions, special assessment considerations, and value deferrals can affect the share of value that becomes taxable. Moreover, each of these special features is applied in limited ways that relies on some classification of property. Even the establishment of values and their review and equalization relies on differentiating between the uses of property.

After sorting through what properties and what value is subject to taxation, the result is a Taxable Market Value. Taxable Market Value then becomes the basis for determining tax base values—referendum market value, local net tax capacity, and state net tax capacity.

Taxable Market Value refers to the amount of value that is used in calculating net tax capacities and referendum market value. This can differ from Estimated Market Value due to special programs the property may be involved in such as Green Acres, This Old House, Plat Law, and Limited Market Value.

Reference: [Minnesota Department of Revenue Document](#)

Market Value Definitions

WISCONSIN

Total Assessed Value

The Total Assessed Value is a dollar value placed on a parcel of property by the local Assessor for purposes of determining the amount of property taxes due. This amount might be above or below the current market value of the property.

Average Assessment Ratio

Average Assessment Ratio is determined by the Department of Revenue showing the relationship between the assessed value of all taxable property in a municipality and the equalized value of that property. For example, if the assessed value of all of the taxable property in the Town of Badger amounts to \$22,220,000 and equalized value is \$25,000,000, the average assessment ratio would be $(\$22,220,000/\$25,000,000) = 0.8888$. In other words, on average the town assessor is valuing property at an estimated 88.88% of value standard (in this case the value standard is market value for a residential home).

Estimated Fair Market Value

The Estimated Fair Market Value is a property's total assessed value divided by the average assessment ratio. In theory, this should approximate the current market value of the property. In the previous example, the total assessed value of \$197,300 is divided by an average assessment ratio of 0.8888 to arrive at an estimated fair market value of \$222,000 ($\$197,300/0.8888 = \$222,000$). Since agricultural property value is based on use, not market, the estimated fair market value is not calculated for parcels that include the agricultural class.

The fact that both assessed and fair market values are shown on property tax bills underscores the fact that Wisconsin has a dual system of property valuation. Individual parcels of property are valued (assessed) by local assessors (except for manufacturing property, which is assessed by the state) while the estimated value of all taxable property in each municipality (equalized value) is determined by the Department of Revenue. This estimate is called the "equalized" value and is used for many purposes. The local assessor is concerned with equity between property owners in the municipality, while the Department of Revenue is concerned with equity between municipalities and counties.

Reference: [Wisconsin Department of Revenue Document](#)