

MUSCOGEE COUNTY – DESCRIPTION OF METHODOLOGY USED IN SETTING FAIR MARKET VALUE (As adopted for the Board of Tax Assessors Policy Manual on 01/11/2016)

Georgia law requires that all real estate and tangible personal property be assessed annually at its fair market value. The Muscogee County Tax Assessors' Office utilizes a "Computer Assisted Mass Appraisal" (CAMA) system to store data and calculate real estate, marine, aircraft and business personal property values for assessment purposes. The system is capable of processing market, cost and income data and producing appraised values from one or more of the three acceptable approaches to value described below.

Real Property

It all starts with data. Using a CAMA system, we store data about your property, such as:

- Existing use of your property or limits to its use
- Existing covenants, conservation use easements, or any restrictions in your deed dedicating the property to a particular use
- Sales data: deed date, sale price, type of sale, instrument type, etc. We also consider bank sales, other financial institution owned sales, or distressed sales which may have taken place in your area
- Building permit data: date issued, amount, type of work, and the date the certificate of occupancy was issued
- Mapping data, such as dimension changes, new subdivisions, etc.
- Building characteristics: an appraiser visits your property to measure and draw a sketch of your building, determine such features as square footage, fireplaces, heating and air conditioning, number of bedrooms and bathrooms, detached buildings, pools, etc., and to review your land characteristics
- Income & expense information where applicable
- Zoning information
- And any other existing factors pertinent to arriving at your fair market value

Everything in property valuation for ad valorem tax purposes hinges on the date January 1. Whatever the ownership, use, and condition of the property are on January 1 of each year is how it is appraised for that tax year. We are gathering all the above data all year long. Any changes to any of this data which happen during the calendar year will become effective January 1 of the next calendar year.

Example 1: Mary Smith owns a property but sells it to Jane Doe on February 1, 2016. Mary Smith is the owner of record January 1, 2016, but Jane Doe will be the owner of record January 1, 2017.

Example 2: John Smith's house burns to the ground and is demolished on October 2016. Effective January 1, 2017, his property will be appraised as land only. The reverse is also true: if the property was vacant on January 1, 2016, but a house is built later in the year, the property will be assessed for land and building effective January 1, 2017.

The Rules and Regulations of the State of Georgia dictate the use of the Appraisal Procedures Manual (O.C.G.A. 560-11-10) to appraise property by one of the following three approaches to value: Cost, Market (Sales Comparison), and Income. Therefore, the subject parcel's value is always developed using one or more of the following approaches to value:

Cost Approach to Value – In this approach we compile all the data we have collected on your property and using our CAMA system we calculate a replacement cost (new) for each major structure. We subtract any accrued depreciation, we add miscellaneous improvements (pools, detached out buildings, etc.), and we add your land value to arrive at an appraised value. The cost approach is the primary approach used to value real property for ad valorem tax purposes in Georgia. **Strength** - most of the data necessary to generate values can

be obtained. **Weakness** - calculating the level of depreciation is subjective.

Market (Sales Comparison) Approach to Value – This utilizes comparable sales (recent sales of similar properties) by making adjustments to their sale prices for dissimilar characteristics, thus making them and their adjusted sale prices a reasonable indication of value for the subject parcel. **Strength** - concept is easily understood. **Weakness** - there must be sufficient recent sales activity of similar properties; adjustments, when not supported by paired sales or statistical analysis are subjective. Typically, to employ the market approach in mass appraisal requires the use of multiple regression analysis to identify and adjust for value-contributing variables.

Income Approach to Value – This approach utilizes the income stream of an income producing property to develop an opinion of value. Typical income and expense data is analyzed to arrive at gross and net income which are used in various techniques to develop an opinion of value. **Strength** - market data is accessible for many types of income producing properties. Market participants typically place more credence on this approach. **Weakness** - results are questionable if the use does not represent the highest and best use of the property. There must be active markets (rental and sales) for the subject parcel.

Most CAMA systems do not have the sophistication to reconcile a single value from more than one approach. Therefore, the appraiser selects the approach in which the most credence is placed due to the adequacy and appropriateness of the data. After we record all changes to existing data, complete our sales ratio studies, and review all Real Estate Property Tax Returns we receive, the appraisal staff presents the current year proposed fair market values to the Board of Assessors (BOA). Once the BOA approves the values we produce our Annual Assessment Notices and mail them to the property owners. This process usually takes place in May of each year. When you receive your Annual Assessment Notice you will have 45 days from the Date Notice Mailed (on the Notice) to file an appeal.

Personal Property

Georgia statutes and regulations require that all aircraft, boats, and tangible business personal property be reported annually. It is the responsibility of the Personal Property Division to discover, list and value all Personal Property in Muscogee County for property tax purposes. Business Personal Property used or located in Muscogee County should be reported on a “PT50P Business Personal Property Tax Return”, Aircraft utilize a “PT50A form”, Marine Equipment utilize a “PT50M” and Freepoint Exemption utilize a “PT50PF form”. Forms can be found on our website:

<http://www.columbusga.org/TaxAssessors/Forms.htm>.

Even if an owner fails to file a Business Asset Return, by law, the County must value the assets for its tax digest. Failure to file timely (postmarked by the USPS by midnight April 1) may subject the owner to penalties, loss of depreciation and exemptions, where applicable.

Definition and Rules - Business Personal Property consists of items used in the normal course of business that are movable and are not permanently affixed to the real estate. Intangible assets are not taxed. Examples of intangible assets include: licenses, patents, wills and copyrights. Examples of Business Personal Property are:

- Furniture & Fixtures
- Machinery & Equipment
- Computer Equipment
- Inventory

According to Georgia Law, taxes follow the assets. When a business sells, a new owner may become responsible for delinquent taxes from a prior year, if the previous owner(s) is unknown. Thus, a potential buyer should research the history of ownership of the personal property assets, if possible, before finalizing the sale.

Methodology – Georgia law requires that all property be appraised at its fair market value. There are three approaches to value: Cost, Market (Sales Comparison) and Income.

Cost approach to value – This approach uses the year and cost of acquisition of the assets; the current age; the useful life of the asset class; and the appropriate depreciation method to determine the value. The cost approach is most frequently used to value business personal property because accurate data for this approach is most readily available. However, all three approaches will be considered.

Market Approach to value – This method compares the subject assets to the same or similar assets used in businesses that are comparable in purpose, size and location.

Income Approach to value – This method analyses typical income and expense data of an income producing business asset to develop an opinion of value.

Freeport Exemptions for manufactured goods and items destined for shipment to a final destination outside the State of Georgia may be available. This exemption requires an annual timely application to receive full benefits. For applications filed after April 1, partial benefits are available until June 1.

Freeport is separated into three categories:

1. Raw Materials and Goods in Process
2. Finished Goods
3. Out of State Shipment

Please contact the Tax Assessors' Office if you believe the characteristics of your property are incorrect.

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