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## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

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<b>2017 Senate Bill 292</b>	<b>Senate Amendment 2</b>
<i>Memo published: October 13, 2017</i>	<i>Contact: Dan Schmidt, Principal Analyst</i>

### **2017 SENATE BILL 292**

Senate Bill 292 provides that, for the purposes of determining the value of property using generally accepted appraisal methods for property taxes, an assessor must consider all of the following:

- Sales or rentals of properties exhibiting the same or a similar highest and best use with placement in the same real estate market segment.
- Sales or rentals of properties that are similar to the property being assessed with regard to age, condition, use, type of construction, location, design, physical features, and economic characteristics, including similarities in occupancy and the potential to generate rental income.<sup>1</sup>

The bill further clarifies that property is not comparable for the purpose of this provision in any of the following circumstances:

- At or before the time of sale, the seller places any deed restriction on the property that changes the highest and best use of the property so that it no longer qualifies as a comparable property under the provision.
- At or before the time of sale, the seller places a deed restriction on the property that substantially impairs the property's marketability.

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<sup>1</sup> The bill further states that, for purposes of this subdivision, such properties may be found locally, regionally, or nationally.

- The property is dark property and the property being assessed is not dark property. In this subdivision, “dark property” means property that is vacant or unoccupied beyond the normal period for property in the same real estate market segment.<sup>2</sup>

The bill defines the term “highest and best use” to mean a use that is legally permissible, physically possible, and financially feasible and that provides the highest net return. It defines “real estate market segment” as a pool of potential buyers and sellers that typically buy or sell properties similar to the property being assessed, including potential buyers who are investors or owner-occupants.<sup>3</sup>

## **SENATE AMENDMENT 2**

Senate Amendment 2 deletes the bill’s definition of highest and best use and replaces it with a more detailed definition as follows:

“Highest and best use” means the specific use of the property as of the current assessment date or a higher use to which the property can be expected to be put in before the next assessment date, if the use is legally permissible, physically possible, not highly speculative, and financially feasible and provides the highest net return. When the current use of a property is the highest and best use of that property, value in the current use equals full market value.<sup>4</sup>

The amendment also modifies the bill to clarify that a property with a deed restriction that prohibits competition is not comparable with a property that does not have such a restriction.

## **BILL HISTORY**

The Senate Committee on Revenue, Financial Institutions and Rural Issues recommended Senate Amendment 2 to Senate Bill 292 for adoption and recommended passage of Senate Bill 292, as amended, both by votes of Ayes, 5; Noes, 0, on October 11, 2017.

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<sup>2</sup> The bill also states that, for purposes of this provision, what is considered vacant or unoccupied beyond the normal period may vary depending on the property location.

<sup>3</sup> The bill further clarifies that, for the purposes of this definition, and depending on the type of property being assessed, the pool of potential buyers and sellers may be found locally, regionally, nationally, or internationally.

<sup>4</sup> The bill also notes that “legally permissible” does not include a conditional use that has not been granted as of the assessment date under this definition.