



ACT #2024 - 344

1 HB73

2 FYV8C55-3

3 By Representatives Pettus, Crawford, Reynolds, Shaver,
4 Stringer, Moore (P), Shirey, Brown, Fidler, Lipscomb, Givens,
5 Daniels, Simpson, Shedd, Lee, Harrison, Ingram, Lovvorn,
6 Hulsey, Oliver, Rigsby, Ledbetter, Collins

7 RFD: Ways and Means General Fund

8 First Read: 06-Feb-24

9 PFD: 30-Jan-24



HB73 Enrolled



1 Enrolled, An Act,

2
3 Relating to ad valorem taxation; to limit the assessed
4 value of certain real property for ad valorem tax purposes,
5 with exceptions.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. (a) After each county-wide reappraisal, as
8 provided by Article 2, Chapter 7, Title 40, Code of Alabama
9 1975, and the resulting assessed value of property for ad
10 valorem tax purposes, the tax assessor shall annually compare
11 the assessed value of each real property reappraised or
12 reassessed to the prior year's assessed value. If the assessed
13 value of the property increased, then the tax assessor shall
14 adjust the assessed value of the property pursuant to this
15 section.

16 (b) (1) Class III properties, as defined in Section
17 40-8-1, Code of Alabama 1975, shall be limited to not more
18 than a seven percent increase in the assessed value of the
19 property from the previous year's assessed value.

20 (2) Class II properties, as defined in Section 40-8-1,
21 Code of Alabama 1975, shall be limited to not more than a
22 seven percent increase in the assessed value of the property
23 from the previous year's assessed value.

24 (c) The limitations provided for in subsection (b)
25 shall not apply to:

26 (1) Real property that has never been assessed.

27 (2) Additions or improvements to real property,
28 including new construction. This shall not include repairs to

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29 or ordinary maintenance of an existing structure or the
30 grounds of the property.

31 (3) Change to the classification of the property.

32 (4) Change in ownership of the property, except for any
33 of the following:

34 a. Transfers between spouse or family members for no or
35 nominal consideration, including upon death of owner.

36 b. Transfers due to redemption after foreclosure of a
37 mortgage, tax sale, or tax lien.

38 (5) Property located in a tax increment district
39 created pursuant to Chapter 99 of Title 11.

40 (d) The limitations provided for in subsection (b)
41 shall be effective October 1, 2024 and shall continue through
42 the fiscal year beginning October 1, 2027.

43 Section 2. This act shall become effective on October
44 1, 2024.

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Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in and was passed by the House 09-Apr-24, as amended.

John Treadwell
Clerk

Senate

08-May-24

Amended and Passed

House

08-May-24

Concurred in Senate
Amendment

APPROVED

5/15/2024

TIME

11:15am

GOVERNOR

Alabama Secretary Of State

Act Num...: 2024-344
Bill Num...: H-73

Recv'd 05/15/24 01:52pmKCW

ENGROSSED
UNOFFICIAL BILL NO. 13

SPONSOR
Pettus

CO-SPONSORS

Crawford
Reynolds
Shaver
Stringer
Moore (P)
Shirley
Brown
Fidler
Lipscomb
Givens
Daniels
Simpson
Shedd
Lee
Harrison
Ingram
Lowman
Hulsey
Oliver
Rigsby

Ledbetter
Collins

HOUSE ACTION

I HEREBY CERTIFY THAT THE RESOLUTION AS REQUIRED IN SECTION C OF ACT NO. 81-889 WAS ADOPTED AND IS ATTACHED TO THE BILL, H.B. 13
YEAS 98 NAYS 0

JOHN TREADWELL, Clerk

I HEREBY CERTIFY THAT THE NOTICE & PROOF IS ATTACHED TO THE BILL, H.B. _____ AS REQUIRED IN THE GENERAL ACTS OF ALABAMA, 1975 ACT NO. 919.

JOHN TREADWELL, Clerk

CONFERENCE COMMITTEE

House Conferees _____

SENATE ACTION

DATE: 4-11 2021
RD 1 RFD F-16

This Bill was referred to the Standing Committee of the Senate on 4/11/21

and was acted upon by such Committee in session and is by order of the Committee returned therefrom with a favorable report w/amend(s) _____ w/sub _____ by a vote of yeas 11 nays 2 abstain 1

this 11th day of April 2021
[Signature] Chair

DATE: 4-18 2021
RF F-A-V RD 2 CAL

DATE: _____ 20____

RE-REFERRED RE-COMMITTED

Committee _____


I hereby certify that the Resolution as required in Section C of Act No. 81-889 was adopted and is attached to the Bill, HB 13
YEAS 32 NAYS 0

PATRICK HARRIS,
Secretary

FURTHER SENATE ACTION (OVER)

MEMORANDUM

TO: All Tax Assessing and Collecting Officials

FROM: Steve Linton 
Director, Property Tax Division

SUBJECT: Act 2024-344 – Limitation on Real Property Valuation Increases

DATE: May 30, 2024

This memo is being sent to address the questions and concerns many of you and your employees have expressed to our office following the enactment of Act 2024-344. Our office is actively working to determine the appropriate ways to administer these new limitations so that uniform practices and procedures are established. In doing so, we can ensure that Alabama maintains uniformity in assessments throughout all counties.

In the meantime, we want to clarify some items to help alleviate the most common concerns we have received.

- The changes made by this act will not affect the taxes collected beginning October 1, 2024.
- The first year affected will be the October 1, 2024 lien which will be paid beginning October 1, 2025.
- The limitation only impacts Class II real property and Class III real property.
- The limitation would prevent a property's assessed value from increasing more than seven percent (7%) from one year to the next.
- There is a short set of exceptions which would prevent the limitation from being applied to properties.
- CAMA systems will need to be able to store the computed assessed value and tax information for the property before any limitation is applied and after the limitation is applied.

Developing procedures and guidance is a top priority in our office. We are working quickly but carefully to have this information to you as soon as possible, and we thank you for your patience.

If you have any questions or concerns, please contact one of the following people in our office:

Brandon Causey (Brandon.Causey@revenue.alabama.gov)
Lee Ann Rouse (LeeAnn.Rouse@revenue.alabama.gov)
Steve Linton (Steve.Linton@revenue.alabama.gov)

810-4-1-.28

**Uniform Procedures for the Limitation on
Assessed Value Increases for Class II and Class
III Real Property.**

1. PURPOSE

- a. This rule establishes the procedures and guidelines for counties to limit increases in the assessed values of certain Class II and Class III real property, for ad valorem tax purposes, in compliance with Act 2024-344.
- b. The application of this limitation or "cap" is a new step added to the annual property tax administration process. The cap will be considered each year after the work of appraisal has been completed. For this reason,
 1. All property shall continue to be appraised at its fair market value or current use value following the laws, procedures, directives, guidance, and oversight of the Alabama Department of Revenue (ALDOR).
 2. Ratio studies, land studies, index studies, and directives will continue to be used.

2. DEFINITIONS - The following terms shall have the respective meanings set forth below:

- a. CAMA System - The Computer Assisted Mass Appraisal system used by a county.
- b. Cap - A limit on the percentage increase in taxable assessed value of a parcel of Class II or Class III real property from one year to the next, not to exceed seven percent. The cap only applies to increases in assessed values and does not set a limit on decreases in assessed values. The cap does not impact the calculation of state or local fees (fire, timber, garbage, etc.) or other similar assessments that are determined independently of a parcel's assessed value. The cap does not apply to the calculation of the assessed value of business personal property.
- c. Family Member - Includes a child, sibling, parent, grandparent, or grandchild. It also includes stepparents, stepchildren, stepsiblings, and adoptive relationships. This term also includes a spouse unless

the law makes a separate, specific reference to that individual.

- d. Ordinary Maintenance - Routine updates and maintenance to existing structures, including the refurbishment or replacement of components to meet current market expectations. This term would include activities such as painting, changing flooring, repairing roofs, replacing fixtures, etc. This term would exclude significant improvements to an existing structure.
- e. Significant Improvement - An enhancement to a property that exhibits fundamental changes, encompassing multiple alterations that increases its market value and was not included in its appraised value for the preceding tax year. Significant improvements can include, but are not limited to:
 1. *Structural Additions*: Adding new rooms, garages, or other major expansions to an existing improvement in which significant finish or structural modifications have been made that enhance utility and attractiveness, involving complete replacement or expansion.
 2. *Extensive Remodeling or Renovation*: Major updates to existing rooms, such as kitchens or bathrooms, or comprehensive renovations of entire floors or sections of the property. Alterations may include replacing major components, relocating plumbing fixtures and appliances, and making structural alterations (e.g., moving walls or adding square footage). This includes any structures that have undergone a complete gut rehab.
 3. *Installation of New Systems*: Installation of HVAC systems, electrical systems, plumbing systems, or any other major infrastructure.
 4. *Repair of Damaged/Destroyed Improvements*: Making significant structural repairs to an existing improvement which was damaged or destroyed, regardless of whether the damage or destruction was done intentionally or was the result of natural disaster or manmade causes.
 5. *Other Improvements*: Any other enhancements that substantially alter the structure or functionality

of the property, such as constructing outbuildings, pools, or other similar projects.

- f. Tax Increment District - A contiguous geographic area within the boundaries of a public entity defined and created by a resolution of a local government body pursuant to Chapter 99 of Title 11, Code of Ala. 1975.
- g. Taxable Assessed Value - the assessed value of a parcel (before the application of any exemptions) which will be used to compute taxes for a given year. This will either be the property's true assessed value or its assessed value after the application of the cap, whichever is lower. This value would include the application of any errors, supplements, credits, etc.
- h. True Assessed Value - The assessed value of a parcel which is determined by multiplying fair market value (including a value set by a county's Board of Equalization) or current use value by the appropriate assessment rate for the class of property pursuant to §40-8-1, Code of Ala. 1975. This value would include the application of any errors, supplements, credits, etc.

3. PROCEDURE

- a. As required by Article 1, Chapter 7 of Title 40, Code of Ala. 1975, the tax assessing official of each county will appraise the fair and reasonable market value of or grant current use value on all property within the official's county on an annual basis.
- b. During the appraisal and assessment period, each parcel of Class II and Class III real property must be evaluated to determine whether the parcel will be subject to the cap on assessed value, or whether the parcel will be excluded from the cap. When the assessing office discovers information that would exclude a parcel from the cap, this information should be flagged and noted in the county's CAMA system.
- c. Certain events necessitate the removal of the cap, resulting in the parcel being assessed based on its true assessed value. If a parcel of Class II or Class III real property meets at least one of the criteria listed

below, the entire parcel (including all improvements located on the parcel) is excluded from the cap:

1. The property is located in a tax increment district pursuant to Chapter 99 of Title 11, Code of Ala. 1975.
 2. The property's classification pursuant to §40-8-1, Code of Ala. 1975 changed.
 3. The property changed ownership. This condition would not be met if the change in ownership is between spouses or family members for no or nominal consideration or because of the original owner's death. This condition would not be met if the change in ownership is due to redemption after foreclosure of a mortgage, tax sale, or tax lien.
 4. One or more items of Class II or Class III real property on the parcel have never been assessed. This would include escapes and a newly added improvement of any type to the parcel, such as a single-family home, canopy, or swimming pool.
 5. A new improvement has been added to the parcel or a significant improvement has been made to the property. Ordinary maintenance to existing improvements on the parcel or its grounds do not meet this condition.
- d. For all parcels, the assessing office will compute the current year's true assessed value prior to the application of any exemptions by multiplying the property's fair market value or current use value by the appropriate assessment rate pursuant to §40-8-1, Code of Ala. 1975.
- e. If a parcel is excluded from the cap, then the county will use the parcel's current true assessed value as its taxable assessed value for the current tax year (prior to the application of any exemptions).
- f. If the parcel is subject to the cap, the true assessed value of the entire parcel for the current year must be compared to the taxable assessed value of the entire parcel from the previous tax year.

To determine the percentage change from one year to the next, subtract the current year's true assessed value from the previous year's taxable assessed value, then

divide that number by the previous year's taxable assessed value. Multiply by 100 to convert to a percentage.

- g. Depending on the rate of change, the assessing office will determine the appropriate taxable assessed value for the current year:
 - 1. If the true assessed value of a parcel for the current year does not increase by more than seven percent from the prior year's taxable assessed value, the county will use the parcel's current true assessed value as its current taxable assessed value.
 - 2. If the true assessed value of a parcel for the current year increases by more than seven percent from the prior year's taxable assessed value, the CAMA system must retain the true assessed value of the parcel for later reference and analysis, but it will set the parcel's current taxable assessed value to 1.07 times the taxable assessed value from the previous year. The current taxable assessed value should be rounded to the nearest \$20 increment. If rounding in this manner would result in an assessed value that exceeds the seven percent cap, the value should be rounded down to the nearest \$20.
- h. After the cap is applied to the appropriate parcels, the county will proceed with the remainder of the property tax administration process in the same manner and following the same laws, procedures, and guidelines as all other property types.

4. CLARIFICATIONS

- a. The procedure must be completed on an annual basis, and it is not linked to a county's four-year reappraisal cycle.
- b. If a parcel is excluded from the cap in one tax year, it will not automatically be excluded for the next tax year. Each property must be reviewed annually to determine whether it meets one or more of the criteria to exclude it from the cap.
- c. When a new parcel (split) is created from an existing parcel (parent parcel), the split parcel is treated as property which has never been assessed, and it is excluded from the cap until the subsequent tax year.

However, the parent parcel will still be subject to the cap, unless it meets another one of the criteria which would exclude it.

- d. When two or more parcels are combined upon the request of their owner, the combined parcel will remain subject to the cap, unless it meets one of the criteria which would exclude it.
- e. When an error in a past year's assessment is discovered, the appropriate correction must be made. If the correction of an error results in an escape, then the escape and current year's assessment are excluded from the cap. However, if the correction of an error results in a refund, the current year's assessment will remain subject to the cap.
- f. For improvement-only assessments of Class II or Class III real property, continue to consider the assessment on a parcel basis when evaluating the property for any criteria which would exclude it from the cap, or when comparing the current true assessed value to the prior year's taxable assessed value. The current status or changes to the improvements located on a specific parcel would be compared to the improvements that were located on the same parcel for the preceding tax year.
- g. A Class II or Class III manufactured home which is assessed for ad valorem tax (not registered), should be treated like any other real property improvement and will be subject to the cap unless its parcel meets one of the criteria which would exclude the parcel from the cap.
- h. A parcel assessed on its current use basis should be treated like any other parcel of property and will be subject to the cap unless it meets one of the criteria which would exclude it.
- i. Any property valued by the income approach should be appraised as required by the laws, procedures, directives, and guidance of ALDOR; should be treated like any other real property; and will be subject to the

cap unless it meets one of the criteria which would exclude it.

- j. If an improvement was removed or destroyed and not rebuilt, this change to the property is not sufficient, by itself, to exclude the property from the cap.

5. IMPACTS ON RELATED PROCESSES

- a. Board of Equalization hearings, subsequent appeals to circuit court, and other property tax court cases shall continue to function as disputes of a property's fair market value. Therefore, there should be no change in the administration of the board or court proceedings.
- b. The assessed values reported on the county's annual real property abstract should reflect the *taxable assessed value* of properties, not their true assessed value. By using taxable assessed value, the abstract will reflect the actual assessed values which are the basis of the collections which will go through final settlement with the state comptroller.

Author: Brandon Causey, Michelle B. Fuller, and Craig Hall

Statutory Authority: §40-2A-7(a)(5); Chapter 99, Title 11; Article 1 Ch. 7, Title 40; §40-8-1; §40-5-34; 40-7-23; 40-7-32; §40-7-25; Code of Ala. 1975; Act 2024-344

History: New Rule: Published _____; effective _____.

FAQs for Act 2024-344

General Questions

1. Does the cap apply to the land and each improvement on a parcel individually, or does it apply to the whole parcel? For example, if an owner builds a detached garage next to their single-family home, how is the cap applied to the land and the two improvements?

The cap applies to the entire parcel, not individual the items of property. There are specific criteria set by the law that would exclude property from being subject to the cap.

If one or more of the criteria are met, the entire parcel (including all new and existing improvements) is excluded from the cap.

2. How does the cap impact decreases in value from one year to the next?

The cap does not limit the amount a property's assessed value can decrease. It only limits the amount a property's assessed value can increase.

3. Will the appraisal process change?

No. This law only adds a new procedure in determining the assessed value which will be subject to taxes. Appraisal offices will still be responsible for appraising fair market values or determining current use values.

The existing procedures and methods to value property are still in effect. Counties will continue to operate under the same laws, rules, and guidance from ALDOR. Likewise, ratio studies, land studies, index studies, and directives will continue to be used.

All yearly appraisal work should be completed as usual.

4. Will the collection process change?

No. As stated above, the law only adds a new procedure to the assessing process. Tax collections will continue each year as usual.

Questions on the Reasons for Exclusion from the Cap

Exclusion 1: The real property has never been assessed.

1. How should a county treat errors in appraisal information?

Any time an error in appraisal is found, it must be corrected.

If the correction results in an escape, then the cap will not apply to the escape assessment or the current year's assessment.

However, if the correction results in no change, or a refund due to the taxpayer, then the cap will remain in effect for the current tax year, unless the parcel meets the criteria for another exclusion from the cap.

2. What should a county do when it discovers old adjustments that were left on but are no longer applicable?

The adjustments should be removed.

If the change resulted in an escape assessment, the cap would not apply to it or to the current year's assessment. However, if the update results in no change in value, or a refund due to the taxpayer, then the cap would remain in effect for the current tax year (unless the parcel should be excluded based on other criteria).

3. While reviewing a house which has been on the tax roll for ten years, a county discovers it was measured incorrectly. Is the correction made? Is the parcel still subject to the cap or is it excluded?

Yes. The correction must be made, and the type of correction that is made will determine whether the parcel will be subject to the cap or excluded. This is explained in the examples below:

Example: The square footage of a house was listed as 1,600 square feet, but the actual square footage is 2,000 square feet. In this case, the square footage should be corrected, and the property will be excluded from the cap because the additional 400 square feet is considered property that has never been assessed.

Example: The square footage of a building was listed as 1,800 square feet, but the actual square footage is 1,000 square feet. In this case, the square footage should be corrected, and the parcel will stay subject to the cap, because all the property had been previously assessed (none escaped taxation). However, the property may still meet other criteria that would exclude it from taxation.

4. If an addition is made to an existing improvement or a new improvement is added without an ownership change, does the land stay subject to the cap while the improvement is excluded from the cap?

In this scenario, the entire parcel would be excluded from the cap. The cap impacts the entire parcel not individual items of property. If any one of the criteria specified by law is met (in this case the addition of a new structure), then the entire parcel and all improvements are excluded.

Example: An owner builds a detached garage. The garage will be added to the tax assessment as a new improvement that has never been taxed, and by meeting the criteria for that exclusion alone, the entire parcel will be excluded from cap for that tax year.

5. If an improvement is destroyed by a natural disaster/fire/etc. (by no fault of the owner) and the owner builds a structure in its place, is the property still subject to the cap for the current assessment?

In this scenario, if an existing improvement is destroyed (for any reason) and the owner builds a structure (of any type) in its place, the parcel will be excluded from the cap because the newly-built structure would be considered a new improvement that has never been taxed.

However, if an existing improvement is destroyed (for any reason) but the owner does not build any new improvements on the property, the parcel will remain subject to the cap (unless it should be excluded based on other criteria).

Example: If a house is destroyed in a tornado and rebuilt, the parcel will be excluded from the cap.

Example: If there are two houses on a parcel and one burns, the parcel will continue to be subject to the cap, unless a new improvement is built on the property, or the property meets another one of the criteria that would exclude it from the cap.

Exclusion 2: Additions or improvements to real property, including new construction, have been made. (This does not include repairs to or ordinary maintenance of an existing structure or the grounds of the property.)

1. If a boat house is added to a parcel, will the parcel be excluded from the cap?

Because the boat house will be considered a new improvement, the entire parcel will be excluded from the cap for that tax year.

2. Does an addition, such as a pool or garage, exclude the property from the cap?

Yes. Any new improvement (regardless of size or scope) built on a parcel will exclude the entire parcel from the cap.

3. If an owner adds a bedroom and bathroom to an existing house, would the property be subject to the cap?

Because the addition of a bedroom and bathroom to the existing home is considered new construction and would meet the definition of a "significant improvement," the property would be excluded from the cap for the current tax year.

4. If a basement was previously listed as unfinished "B 0.3" and is now determined to be finished living area "B 0.7", would the cap still apply?

In this scenario, the appraisal would be corrected to reflect the change, and the parcel would not be subject to the cap for the current tax year.

Although the change from a B 0.3 to a B 0.7 would adjust the square footage of the improvement's total adjusted area, this could not be considered property that has never been assessed. However, the scope of the work required to convert an unfinished basement to finished living area would fall under the definition of a "significant improvement" to the property. This significant improvement is what would exclude the property from the cap for the current tax year.

Generally, a change in "adjusted square footage" when one or more existing appendages are improved is not considered the addition of new space or missed area which has never been assessed. However if the scope of work involved in updating the appendages meets the definition of a "significant improvement", the parcel would meet the criteria to be excluded from the cap.

5. How should a county address partially complete improvements from one year to the next? For example, a house is picked up at 50 percent complete in Tax Year 2024. Then in Tax Year 2025, the house is fully complete and is listed at 99 percent complete. Does the cap still apply to the parcel?

In this scenario, the construction work required to complete the house would meet the definition of a "significant improvement," and for that reason, the parcel would be excluded from the cap for the 2025 tax year.

2. Would a property owned by an LLC be excluded from the cap if the LLC's ownership changed but the property remains assessed in the name of the LLC?

Since LLC's are considered legally separate entities from their owners, the parcel would remain subject to the cap. In this case ownership of the property never changes because it stays in the same legal entity's name.

But just like all other parcels, the property could still be excluded from the cap if it meets one or more of the other criteria set in the law.

3. If a husband and wife jointly own property, then the husband dies and the title transfers to only the wife's name, is the parcel excluded from the cap?

In this scenario, the property would remain subject to the cap. The husband's ownership in the property was transferred to his spouse upon his death. The law states that this type of change in ownership would not cause the property to be excluded from the cap.

4. A 20-acre parcel is split, and both the parent parcel and new parcel are sold to separate parties who are not related. How would the cap be applied to the two properties in this situation?

The split parcel would be considered new property that has never been assessed which excludes it from the cap. Additionally, since the parcel's ownership changed between unrelated parties, it meets the criteria for a different exclusion from the cap.

As stated before, a parent parcel is considered property that has previously been assessed, so it would typically remain subject to the cap. However in this case, the parent parcel would be excluded from the cap because its ownership changed between unrelated parties.

Exclusion 5: The real property is located in a tax increment district created pursuant to Chapter 99 of Title 11.

1. If a new Tax Increment Financing (TIF) District is created, are all the parcels in the newly created TIF District excluded from the cap?

Once the new district is created, all of the parcels in it will then meet the criteria to be excluded from the cap.

2. What happens if parcels are removed from the TIF District, or the whole district is dissolved or discontinued?

In this case, then the parcels would no longer meet the criteria for this exclusion. The property would be subject to the cap unless the parcel meets one or more of the other criteria which would exclude it.

Exclusion 3: The real property's assessment classification changed.

1. How is the cap affected if a residential property is converted to a commercial property?

In this scenario, the parcel would be changing from Class III to Class II. Because the assessment class changed, the entire parcel would be excluded from the cap for the current tax year.

2. If a property was previously assessed as a rental house but is now owner occupied, will the parcel be excluded from the cap?

In this scenario, the rental house's Class II assessment would change to a Class III assessment when the property became owner occupied. Because the assessment class changed, the entire parcel would be excluded from the cap for the current tax year.

3. If a property previously received current use valuation but the use of the property changed for the current year, would the property be excluded from the cap?

If the change in use also resulted in a change in the parcel's assessment class, then the parcel would be excluded from the cap for the current tax year.

If the change in use did not change the parcel's assessment class, then it would remain subject to the cap, regardless of whether the owner requested to be valued at market value or whether the property no longer qualified for current use valuation. However, if the parcel meets one of the other criteria, such as a change in ownership between unrelated parties, it would then be excluded from the cap.

Exclusion 4: The real property changed in ownership except for 1) transfers between spouses or family members for no consideration, nominal consideration, or as a result of the original owner's death or 2) due to redemption after foreclosure of a mortgage, tax sale, or tax lien.

1. If a person holds who holds ownership of a parcel through life estate dies, and their child or someone else assumes title without executing a new deed, would the property be excluded from the cap?

This would depend on the relationship of the person who assumes title to the original holder of the life estate. If ownership is assumed by a family member, the parcel would remain subject to the cap for the tax year. However, if ownership is assumed by a non-family member, then the parcel would be excluded from the cap for the tax year.

Regardless of the change in ownership, the parcel could still meet one or more of the other criteria which would exclude it from the cap, such as a change in its assessment class.

AATA Cap Bill Rule Meeting Act 2024-0344
Ross Bridge July 24, 2024

Questions:

1. If we discover areas of the house that are now heated and cooled but we missed it does this remove it from cap?

Whenever errors in a parcel's appraisal information are discovered, a correction must be made. The type of correction will determine whether the parcel will be subject to the cap or excluded. This is demonstrated in the examples below:

Example 1: The area of an improvement listed as heated and cooled was mis-keyed in the CAMA System; however, there was no change to the actual square footage of the improvement. In this situation, the area listed as heated and cooled would be corrected and the cap would remain in effect for the tax year. The property is not excluded from the cap because there has been no significant change to the structure, and the adjustment is not considered a new addition.

Example 2: The heated and cooled area of an improvement is adjusted to reflect square footage that had previously not been heated and cooled (converting a basement or over-garage-area to living space). In this situation, the parcel would be excluded from the cap for the tax year, as this would be considered a significant improvement to the structure.

2. Boat house constructed on a common lot, but value of interest in lot is included in their mortgage and/or Tax appraisal?

Changes to a parcel owned by an HOA will have no effect on separate, individual parcels within the neighborhood/condominium.

3. An owner has 200 acres & creates a subdivision without a name change or a class change?

Once a subdivision is mapped in the county's system and new parcels are created, these are considered new property which has never been assessed. This meets the criteria for all the parcels to be excluded from the cap for the tax year.

4. Temporary adjustment due to economic factors should not be subject to cap?

The process and procedures to determine fair market value and current use value remain unchanged. This means that any necessary steps, including temporary

adjustments due to economic factors, will still be made as appropriate to determine fair market value. However, the cap is a comparison of assessed value. The current year's calculated assessed value will be compared to the actual assessed value from the previous year that was used to compute taxes.

5. A person deeds a partial interest in property to an unrelated party would cap remove?

When property changes ownership between unrelated parties, the parcel is no longer subject to the cap for the tax year. This would extend to joint-ownership situations as well. If one proportional owner sells their interest to an unrelated party while the other proportional owners maintain their interests, the property would still be excluded from the cap for the tax year.

6. If classification of a single-family residence or commercial building changes from a C to B would cap remain?

As stated before, whenever an error in a parcel's appraisal information is discovered, a correction must be made. In this situation, the change in classification would be corrected and the cap would remain in effect for the tax year. The property is not excluded from the cap because there has been no significant change to the structure of the property.

7. Additional square footage discovered, as a mistake by appraiser, cap remove?

If additional square footage is discovered, the CAMA system would be updated. The property would not be subject to the cap for the tax year because the new square footage would be considered property that has never been assessed.

Example: The square footage of a house was listed as 1,600 square feet, but the actual square footage is 2,000 square feet. In this case, the square footage should be corrected, and the property will be excluded from the cap because the additional 400 square feet is considered property that has never been assessed.

8. One sells their percentage of ownership (i.e. ¼ interest) to unrelated party does cap remove?

See answer to #5.

9. How will examiners test and/or review for compliance?

ALDOR cannot speak to the methods that Examiners of Public Accounts will test and/or review compliance with this legislation. However, ALDOR is developing a

division directive to accompany the administrative rule which will also be provided to the Examiners. This way, their office will be aware of the processes and procedures prescribed for counties to follow.

10. If an error in cap remaining results in uncollected taxes, how does that affect tax collectors' liability?

The changes made by this legislation do not increase or decrease the amount of liability that a collecting official would face in the event property escaped taxation or had an error in the assessment or calculation of taxes.

11. Can a taxpayer request to opt out of the cap to reflect a higher tax value?

No. The law does not allow a taxpayer to refuse the application of the cap.

12. What is appeal process for misapplication of cap or removal of cap?

The law does not establish a process to appeal the application or removal of the cap. Thus, a taxpayer may appeal a determination as to the application or removal of the cap to the Circuit Court where the property is located. §40-7-45, Ala. Code 1975.

13. Board of Equalization lowers value. Value should be for one year and not the new value for the cap. Is this going to cause legal issues

The legislation made no changes to the processes and procedures counties use to appraise fair market value or assess current use value. Likewise, the protest process to the Board of Equalization and subsequent appeals to Circuit Court did not change. These reviews and appeals continue to function as disputes of a property's fair market value not its assessed value.

The law requires the assessing official conduct an annual comparison of a parcel's current assessed value to its prior year's assessed value. This is understood to mean the actual assessed value which was used to calculate taxes in the prior year. As a result, if the Board of Equalization changes a value, the new value will be considered the "previous year's taxable assessed value" when comparing values for the cap.

14. Officials express concern over losing whole cap due to added Improvement and why not the added improvement could be picked up at full value while the cap remains on the existing improvements.

In accordance with the Act, a significant improvement excludes the parcel from the cap for that year. Significant improvements are defined in the cap rule.

Cap Bill Rule Guidelines - Appraisers

Was this initiated by a change request in our system?

Was this a life estate deed change? Cap will **NOT** be removed

Was this a name change? Cap will be removed

Please conduct a field check and look for any new improvements not already listed, confirm sf / condition / finishes of existing improvements. We will need to generate a sales letter that list existing recorded improvements / sf / condition / finishes and instructs buyer of available exemptions and deadlines to file for available exemptions

Was there a split from a parent parcel? Cap would be removed

Was this part of you scheduled 25% maintenance?

Was there a major improvement added to the parcel? ie: pool / pool house / detached garage / chicken house; if yes, remove cap and add the improvement

Was there a small improvement added to the parcel? ie: pole barn / storage shed / deck / or a minimal value improvement; the cap would **NOT** be removed

Was there a mismeasurement or additional information that resulted in additional sf that had not previously been taxed? The cap would **NOT** be removed, we would wait and make the changes the next time there would be a name change

Was there a change of existing finishes? Cap would **NOT** be removed

Was there damaged done to the parcel from a storm / fire / etc.? The cap would **NOT** be removed, provided that the structures were replaced to their previous conditions, if the structure is replaced differently, the cap would be removed

Did the assessment class change? The cap would be removed if the assessment class changes