

Please read through this list of questions and responses below to help you assist taxpayers who need help understanding and filling out the income and expense forms. If you or a taxpayer have a question that is not addressed, please do not hesitate to contact Drew Manlove (302) 252-5622 or John Valente (413) 387-3428.

- **WHY IS THIS INFO BEING COLLECTED?**

Income and expense data will be used to assist appraisers in the development of economic income valuation models for your property and properties similar to yours. Information will be gathered from these forms to help decide what rental rates, expense rates and vacancy rates will be used in your area.

- **WHY DON'T YOU JUST GET REGIONAL INCOME DATA FROM WEB BASED DATA SOURCES SUCH AS COSTAR, PRICE WATERHOUSE OR NAR?**

Local, site-specific data provides the most accurate, valid and reliable information for each property and comparable properties. Web based data services provide useful but somewhat generic data that does not always provide the necessary detail to properly appraise each unique property.

- **WILL YOU TELL MY NEIGHBOR OR ANYONE ELSE WHAT MY INCOME AND EXPENSES ARE?**

Submitted information will be held in the strictest of confidence and at no time will it be available to any other party or subject to the freedom of information act, per Delaware FOIA sec. 10002 (o)(2).

- **WHY USE AN INCOME APPROACH? ISN'T APPRAISED VALUE BASED ON WHAT PROPERTIES SELL FOR?**

Sale prices do help appraisers estimate market values. Commercial properties are, however, typically bought and sold based on how much income is generated by a property. Knowledge of income and expense data will help appraisers estimate values on properties that have not sold.

- **WHAT IS AN INCOME APPROACH AND HOW DOES IT WORK?**

An income approach is an appraisal methodology that all appraisers consider to estimate the value of commercial property. The approach takes the income of the real estate and calculates a value using a rate of return known as a capitalization rate.

- **MY BUSINESS AND REAL ESTATE WERE REALLY IMPACTED BY COVID. ARE YOU GOING TO REFLECT THAT IMPACT IN MY NEW ASSESSMENT?**

If your real estate rents and expenses were impacted by COVID and continue to be impacted by COVID then the data on the form will reflect that and will, therefore, be considered in your new assessment. If you wish you can write on the form how COVID has impacted you real estate income and expenses and/or value.

- **WHEN DO I HAVE TURN THIS IN? CAN I HAVE AN EXTENSION?**

Forms are due by October 30, 2022. If you miss that deadline the data may be omitted from the analysis for your property. As a result, the county strongly encourages you to file on time.

- **WHAT HAPPENS IF I DO NOT FILL THIS OUT?**

While there is no penalty for failure to provide this information at this time, it is in your best interest to fill out the form. Without this income and expense data appraisers will be forced to use data from other properties that may not reflect the uniqueness and true market conditions of your property.

- **I OWN RESIDENTIAL APARTMENTS WHY DID I GET THIS FORM?**

Residential apartments with (5) five units and above are considered commercial investment property. If you have received this form and there is a house on this property you can return this form and indicate this is not a commercial property. If you have a residential apartment with less than (5) units you can still fill out the form and the submitted data will be considered by the appraisers in estimating the value of your property. However, please indicate on the form that this is not considered a commercial property.

- **WHAT IS AN OWNER-OCCUPIED PROPERTY?**

An owner-occupied property is any commercial property that is occupied in part or in entirety by the owner. The property is also considered owner-occupied if you rent the property to yourself, family member or to a related entity/corporation. You should still fill out the form if it is partially owner-occupied and indicate the other tenant income and expense details. Be sure to check the box at the top of the form indicating it is owner-occupied. In addition, fill out the square footage occupied by owner.

- **WHY DO YOU ASK IF I BOUGHT THE PROPERTY IN THE PAST (5) YEARS?**

Asking you about a recent purchase helps us validate the sale for two purposes:

1. To determine its potential use as a comparable sale in the appraisal of other similar properties.
2. To determine if the recent sale of your property could be used to assist in the valuation of the property.

- **WHY DO I HAVE TO SIGN THE FORM?**

Signing the form validates the accuracy and reliability of the data you submitted. Without your signature the data submitted would not be considered as valid.

- **CAN I JUST SUBMIT TAX RETURNS OR SPREADSHEETS FROM MY ACCOUNTING PROGRAMS?**

Its best to fill out the form so its consistent with all the other submissions. However, if your tax returns or spreadsheets provide the same information you can certainly submit that data instead. If you have any reservations about what to do you can fill out the form and submit your tax returns and/or spreadsheets. If you do submit tax returns or other spreadsheets you must still sign the attestation to guarantee the accuracy and reliability of the data.

- **IF MY TENANT PAYS THE EXPENSES, SHOULD I STILL WRITE DOWN THE EXPENSES?**

If your tenant pays the expenses, you should note that on the form. If the tenant reimburses you for the expenses, you should write down the expenses **and include** the reimbursement as income on line #17 "Other Misc Income"

- **WHY CAN'T I WRITE DOWN MY REAL ESTATE TAXES, DEPRECIATION OR MORTGAGE PAYMENTS ON THE FORM?**

Depreciation and mortgage payments vary per owner and by property acquisition date. As a result, this information provides no assistance in estimating the value of the property. Unlike traditional appraisals done for bank financing, appraisals conducted during a reappraisal exclude real estate taxes as an expense. The reasoning behind this exclusion is that taxes typically change after a reappraisal. In some cases, taxes go up, in some cases they go down. Since the taxes are not known the appraiser estimates the impact of taxes by adjusting the capitalization rate with an effective tax rate.

- **WON'T MY TAXES GO UP IF I FILL OUT THIS FORM?**

Tax changes after a reappraisal are caused by the change of the tax rate. The tax rate changes as the result of the change in the total of the assessment roll after the reappraisal. Filling out the form will assist in the fair and equitable appraisal of your property and similar properties.

- **WHY DO I HAVE TO FILL OUT A FORM FOR 2021 AND THE FIRST (6) SIX MONTHS OF 2022?**

Tracking income and expenses over time give a greater perspective on market trends. Looking at multiple time periods will enable appraisers to analyze changes in income levels, vacancy and expense ratios.

- **WHAT SHOULD I DO IF MY INCOME AND EXPENSES CHANGE FOR 2022 AND 2023?**

You can always submit additional supplemental income and expense statements after this original submission. In the fall of 2023, you will receive a new appraised value for your property. If you believe the new appraised values does not accurately reflect the current market value of your property you can meet with Tyler Technologies to discuss your concerns. At that time, you can submit more current income and expense data.

- **ARE THERE DIRECTIONS FOR FILLING OUT THIS FORMS?**

There are detailed directions to assist in completing this form on the county website.

<https://empower.tylertech.com/Sussex-County-Delaware.html>

- **I JUST HAD AN APPRISAL CONDUCTED ON MY PROPERTY SHOULD I SUBMIT THAT AS WELL?**

Submitting a recent appraisal would be extremely helpful to the process of estimating a value for your property. If you submit it, please submit the entire report not just the summary pages.