



WISCONSIN LEGISLATIVE COUNCIL STUDY COMMITTEE MEMORANDUM

TO: MEMBERS OF THE STUDY COMMITTEE ON PROPERTY TAX ASSESSMENT PRACTICES

FROM: Scott Grosz, Principal Attorney, and Anna Henning, Senior Staff Attorney

RE: Glossary of Selected Terms

DATE: August 30, 2018

At committee members' request, we have compiled a glossary of selected terms that were mentioned during the committee's August 7, 2018 meeting. In compiling the definitions below, we relied in part on definitions provided in Chapter 13 of the Wisconsin Property Assessment Manual (WPAM). For a fuller discussion of concepts relating to commercial real estate assessment, that chapter is a good resource. In addition, the glossary section at the end of the WPAM provides definitions of more general tax assessment terms.¹

Following are definitions of selected terms:

- **1031 exchange:** Sale of one real estate property and purchase of another real estate property for which capital gains tax may be deferred under Section 1031 of the Internal Revenue Code.
- **Arm's-length transaction:** Generally, a transaction in which both buyer and seller are independent, equal parties, such that the transaction can be used as an indication of market value.
- **Capitalization rate ("cap rate"):** A measure of the ratio of net operating income over sale price, used to estimate present value based on net income.
- **Build-to-suit:** An approach to commercial development in which a developer builds a property to a tenant's specifications.

¹ The current version of the WPAM is available at:
<https://www.revenue.wi.gov/Documents/wpam18.pdf>.

- **Sale-leaseback transaction:** A transaction in which a property owner sells property and then leases the property from the purchaser as a tenant.
- **Triple-net lease:** A lease in which the lessee pays operating expenses (for example, utilities, property taxes, insurance, and maintenance expenses) in addition to traditional rent.
- **Unpublished opinion:** A Wisconsin Court of Appeals decision that is binding only as to the particular case it addresses, and which may be cited in a future case only if it has been signed and was issued after July 1, 2009. [s. 809.23 (3) (b), Stats.]

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