

## FREQUENTLY ASKED QUESTIONS:

### *Who is required to complete an Income and Expense (I & E) Report?*

All owners of commercial property. These are classified as properties with retail, office or industrial uses, or residential uses of 5 or more units.

### *My property is completely owner-occupied, I own the real estate and the business, do I have to complete the Income and Expense Report?*

Yes. You must still complete the I & E. If your property is 100% "Owner Occupied" you may simply write, "Owner Occupied does not produce rental income" and complete the expense portion of the form, sign and send report back to the Assessor's office. If your property is partially owner occupied and partially occupied by rental tenants, you must complete the I & E.

### *I told you my property was owner occupied last year, do I have to do this every year?*

Yes. From year to year the Town of Windham, does not know which properties revert from being owner occupied to being tenant occupied, so each year, all commercial properties receive an I & E report.

### *Does the Town have the flexibility in the 10% penalty?*

No. Under a legislative change in 2009, a municipality may only waive the penalty if it had adopted an ordinance allowing it to do so.

### *Can I get an extension on filing my I & E?*

Yes. The Town of Windham is willing to grant an extension of up to 30 days, but you must submit a written request to the Assessor's Office before May 1st.

### *I have not yet completed my Federal Tax Return for last year, can I complete the I & E without my tax returns?*

The data contained on the I & E is related to, but different than a Federal Tax Return, you still have to file your I & E on time, regardless of the filing status of your Federal Tax Return.

### *None of the rental data regarding my property has changed since last year, do I still have to file the I & E?*

Yes. You must file an I & E every year, regardless of whether or not the rental or expense data for your property has changed.

### *What happens if I do not complete the I & E each year?*

Although the Town of Windham has no desire to penalize anyone, CGS requires that we impose a penalty equal to 10% of the assessed value for the coming year, for each property for which we do not receive a completed I & E.

## FREQUENTLY ASKED QUESTIONS REGARDING ANNUAL INCOME AND EXPENSE (I & E) REPORT



## TOWN OF WINDHAM

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Updated 2/11/2016

## ANNUAL INCOME & EXPENSE REPORTS

Connecticut General Statutes (CGS) Sec. 12-62 requires that each municipality in the State revalue all real estate every five years.

In every revaluation, each Connecticut municipality must accurately value all real estate within the municipality. This requires the municipality to appraise all real estate within the municipality every five years, then apply the State-mandated 70% assessment ratio to each appraised value.

There are three approaches to value that may be used by appraisers: 1) the Cost Approach, 2) the Sales Comparison Approach, and 3) the Income Approach.

The Cost Approach provides an opinion of value by estimating the value contributions of the property's land, then adding to that the depreciated value of buildings and improvements.

The Sales Comparison Approach provides an opinion of value by comparing individual properties to similar properties that recently sold, and using the sales data to provide an opinion of a property's value.

The Income Approach provides an opinion of value by analyzing a property as an investment. This approach values a property by converting its anticipated benefits (cash flows and revision) into an opinion of value.

All three approaches to value are based on the principle of substitution, which states that when choosing among alternative properties to rent or buy, a prospective tenant or purchaser will only pay a price that is commensurate with obtaining a reasonable substitute. In other words, people will generally choose the most cost-effective property available to them.

The Annual Income and Expense Report you are being asked to complete is used in assisting the Town of Windham in developing the Income Approach.

The Annual Income and Expense Reports provide valuable data that is collected, tabulated and used to determine market rental rates, market vacancy rates and typical stabilized operation expenses.

After the general market parameters are established, each property is then compared to the market to determine that property's performance relative to the market, and the Income Approach is developed.

In order to help each municipality collect necessary rental data, the State of Connecticut adopted CGS Sec. 12.63c which states: *"In determining the present true and actual value in any town of real property used primarily for the purposes of producing rental income, the assessor...shall have the power to require...that the owner of such property annually submit or make available to the assessor not later than the first day of June...the best available information disclosing the actual rental and rental-related income and operation expenses applicable to such property..."*

*Any owner of such real property required to submit or make available information to the assessor in accordance with subsection (a) of this section for any assessment year, who fails to submit such information or fails to submit such information as required under said subsection (a) or who submits information or makes it available in incomplete or false form with intent to defraud, shall be subject to a penalty assessment equal to ten per cent increase in the assessed value of such property for such assessment year."*

Because the information contained on the Annual Income and Expense Report is both vital and required by statute, the Town of Windham asks that you complete the document each year.

If you have any questions regarding your Income & Expense Report, please call the Town of Windham, Assessor's Office at (860)465-3026.

If you believe you received an Income & Expense Report or notice in error, please contact the Assessor's Office at 860-465-3026 as soon as possible.

In order to make filing your Annual Income and Expense Report easier each year, and in order to protect yourself in the event that your Annual Income and Expense Report does not reach us, we strongly recommend that you make a copy of your Annual Income and Expense Report for your files.

You may obtain a copy of the Annual Income and Expense Report you filed last year by providing a written request to the Assessor's Office.