

October 15, 2012

## LEVEL OF VALUE AND QUALITY OF ASSESSMENT MEASUREMENT

### Purpose

To inform county assessors of the methods the Nebraska Department of Revenue, Property Assessment Division (Department) will use to measure each county's level of assessed value relative to the market value and the quality of the processes used by the county assessor to develop uniform and proportionate assessments each assessment year in preparation for the statewide equalization proceedings. This Directive does not provide advice on how county assessors should value property.

### Development of the Sales File

The Property Tax Administrator (PTA) maintains a database that contains sales used to measure the level of value and the quality of assessment for each county pursuant to [Neb. Rev. Stat. § 77-1327](#). The sales file database is developed using the following criteria:

1. All [Real Estate Transfer Statements, Forms 521](#), with a documentary stamp tax greater than \$2.25, or consideration greater than \$100, are considered sales;
2. Sales are deemed to be arm's-length transactions unless sufficient information proves otherwise. The county assessor will indicate his or her opinion regarding the inclusion or exclusion of the sale as an arm's-length transaction. If the county assessor indicates no opinion about the inclusion or exclusion of a sale, the sale will be included in the sales file, unless further review by the Department or the county assessor indicates the sale is not an arm's-length transaction; and
3. Sales within the study period contain current assessment information provided by county assessors. Once the county assessor has established the assessed values for the assessment year, the values must be updated for each sale in the state sales file on or before March 19. Beginning in 2014, for counties with at least 150,000 inhabitants, the assessed values for the assessment year must be updated for each sale in the state sales file on or before March 25 each year.

### **Statistical Studies**

The PTA annually develops statistical studies of residential, commercial, and agricultural real property. These studies are based on the sales file developed by the Department, and include the following:

1. Residential - Includes qualified improved sales of residential and recreational real property for a 2-year period between October 1 and September 30. This 2-year period ends the year prior to the assessment year for which values are established;
2. Commercial - Includes qualified improved sales of commercial, industrial, and multi-family real property for a 3-year period between October 1 and September 30. This 3-year period ends the year prior to the assessment year for which values are established;
3. Agricultural and Horticultural Land - Includes qualified unimproved and minimally improved sales of agricultural and horticultural land for a 3-year period between October 1 and September 30. This 3-year period ends the year prior to the assessment year for which values are established. Minimally-improved sales are defined as sales in which the assessed value of the non-agricultural component (improvements and directly-associated land) is less than 5% of the sale price; and
4. Special Valuation of Agricultural and Horticultural Land in Fully-Influenced Counties - Includes qualified unimproved and minimally-improved sales of agricultural and horticultural land for a 3-year period between October 1 and September 30. This 3-year period ends the year prior to the assessment year for which values are established.

### **Sales Analysis**

Using the qualified sales identified above, the Department will determine if the sales collectively represent the class or subclass of real property being measured. This analysis ensures the margin of error is minimal when determining the level of value. Groups of residential or commercial sales identified as non-representative (for example, small numbers of sales, statistical variability caused by outlier ratios, influx of unique sales, etc.) will be analyzed to determine if the sample can be made representative by excluding over-represented areas, or outlier sales.

For agricultural land, the Department will remedy non-representative samples by including comparable sales from common market areas existing outside of the county boundary, if possible. Analysis will include the review of the sales by study year and majority land use. The number of sales in each of the three study period years will be analyzed to ensure the levels of value are equalized between counties. Additionally, the assessed values between bordering counties that share similar markets will be analyzed.

Non-representative samples in any property class incapable of being made representative through professionally-accepted means will not be used as an indicator of a level of value. In these occurrences, there may be no determination of a level of value for that class of property. However, the quality of assessment may be determined based on a working knowledge of the county assessor's efforts to review and inspect properties, and implement processes that aid in achieving market value.

When determining a county-wide level of value by property type, the Department will ensure equalization exists by measuring subclasses of property. Valuation groupings are the primary subclasses measured for the residential and commercial property classes. These are groups of economically-similar areas (typically grouped neighborhoods or small villages) defined on the basis that the properties within its boundaries contain one or more economic forces that largely influence the market value. Market areas are the primary subclasses used for the measurement of agricultural land. The Department will work with county assessors to ensure the valuation groupings and market areas used for measurement purposes are appropriately defined as economically-similar areas.

### **Timeline**

Preliminary statistical reports represent the sales ratios calculated using the prior year assessed values. The following required deadlines give the Department adequate time to prepare the preliminary measurements:

***On or before December 1 each year*** - County assessors must ensure the sales data contained in the state sales file is accurate and all sales received by the county are transferred into the state sales file;

***On or before January 15 each year*** - The Department will provide county assessors with a preliminary indication of the level of value by property class and the sales information used to make those determinations; and

***On or before March 19 or 25 each year*** - County assessors must electronically file the Real Property Abstract of Assessment, including Form 45 and the Assessed Value Update, with the Department on or before March 19. Beginning in 2014, for counties with at least 150,000 inhabitants, the Real Property Abstract of Assessment, including Form 45 and the Assessed Value Update, must be electronically filed on or before March 25.

### **Deviation from Directive**

A county assessor may request a deviation from specific requirements of this directive. The request must be in writing to the PTA, state the reasons for the deviation, and be filed at least 30 days prior to the date from which the county assessor is requesting deviation. The PTA will grant or deny the request for deviation in writing within 15 days of receipt of the request stating the reasons for his or her action.

**Enforcement of the Directive**

The Department may take corrective action if any county assessor violates any directive of the Department pursuant to [Neb. Rev. Stat. § 77-1330](#).

APPROVED:

/s

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October 15, 2012

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/s

Douglas A. Ewald  
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October 15, 2012