# STATE OF INDIANA

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## MEMORANDUM

To: Assessing Officials

From: Barry Wood BW
Assessment Division Director

Date: April 2008

Subject: Assessed Value Changes

Summary:

Questions have been posed recently regarding the right of taxpayers to successfully appeal assessments when the assessment is within 10% of the appraised market value or selling price of the property or other evidence of value.

In summary, the 2002 Real Property Manual states the median level of assessments refers to the overall assessment ratio in the jurisdiction, and this range is not applicable to individual assessments under appeal. Also, in the 1999 International Association of Assessing Officers (IAAO) "Standard on Ratio Studies," it is stated: "The objective of the ratio study is to determine appraisal performance for the population of properties."[1] The concept that individual assessments should be within 10% of the median assessment is not applicable in setting the value of property on appeal.

Discussion:

With regard to the precision of assessments, the 2002 Real Property Manual states:

> "each taxpayer does not have the right to 'absolute and precise exactitude as to the uniformity and equality of each individual assessment…nor does it [the Property Taxation Clause of the Constitution of Indiana] mandate the consideration of independent property wealth evidence in individual assessments or tax appeals." [2]

The 2002 Real Property Manual states the median level (10%) of assessments is for the *overall assessments in the jurisdiction*, and **not individual assessments:**

[1] 1999 IAAO Standard on Ratio Studies, page 30
[2] 2002 Real Property Assessment Manual, page 5

> "Standards for evaluating the accuracy and uniformity of mass appraisal methods have been developed by the assessing community. These standards state the overall level of assessment, as determined by the median assessment ratio, should be within ten percent (10%) of the legal level. In Indiana, this means the median assessment ratio within a jurisdiction should fall between 0.90 (90%) and 1.10 (110%) in order to be considered accurate. This standard of ten percent (10%) on either side of the value provides a reasonable and constructive range for **measuring mass appraisal methods**."[3]

Some officials have interpreted the above definition to mean that all assessments within 10% of the appraised or sale value are accurate and cannot be changed. This is incorrect. Each assessment should closely approximate the market value-in-use for a property and taxpayers are permitted to produce evidence showing a value within a tighter range than 90 to 110%. The 90 to 110% measurement is an overall indication of accuracy of the entire jurisdiction, not an individual assessment.

For example, the sale price of a home is $100,000, and the assessed value is $110,000. This is between 90 and 110% of the assessment. The taxpayer has filed an appeal seeking to change the assessment to $100,000. The 2002 Real Property Manual states the median level (10%) of assessments is for the *overall assessments in the jurisdiction*, and **not individual assessments**. Further, should the assessor reduce the value of the subject property to $100,000 the ratio of 90 to 110% for the jurisdiction is unaffected by this change.

The proper role of the assessor considering an appeal is to carefully consider the evidence and determine if it meets the criteria for the rest of the manual:

> "Appeal of assessments must operate within the rules and utilize data in the same manner as provided in this manual. In general, this requires that challenges to assessments be proven with aggregate data, rather than individual evidence of property wealth. Since assessments are calculated using aggregate data, it is not permissible to use individual data without first establishing its comparability or lack thereof to the aggregate data."[3]

Many types of analysis are permissible to substantiate and appeal. An appraisal is **not required** in the appeal process, but may be sufficient. Additional types of evidence include a sale of the subject property adjusted to the valuation date; sales of comparable properties that the taxpayer can demonstrate the similarity between the appealed property and the comparable properties; or income and expense information if the property is an investment. If an appraisal is submitted, the assessing official has the right and obligation to review and question any of the information provided including the comparable properties. Comparing the information in an appraisal to the "aggregate data" used to arrive at all assessments is the goal. For example, a taxpayer's residential property was assessed at $218,000 and he

[3] 2002 Real Property Assessment Manual, page 21, emphasis added
[3] 2002 Real Property Assessment Manual, page 5

contends his assessment is incorrect based upon the appraisal he submits showing the market value to be $198,000. The appraisal was based upon three comparable properties that sold in the neighborhood. The assessing official contends that even though an appraisal was submitted, the assessed valuation of $218,000 is correct as it is within 10% of the appraised market value of the property as established by the appraisal. Should the assessment be corrected?

*Conclusion:* The assessing official firsts needs to analyze the appraisal and determine if good comparables were used. Also, the assessing official might want to develop his/her own comparables that sold. After review of the "aggregate" data it was determined by the assessing official that the appraisal was valid. In this situation the assessment should be corrected to reflect the appraisal unless the assessor is able to determine from other evidence a value different from the appraisal.

Changes in assessed value through the appeal process may have an impact on more than the individual appeal. In some situations, the change(s) may necessitate re-stratification of neighborhoods in order to meet the various statistical measures for ratio studies. In other cases, the change(s) may be minimal and/or have no impact on the annual adjustment process. Therefore, all information arising from the appeal process is valuable and merits consideration in the annual adjustment process.

If you have any questions about this memorandum, please contact your Assessment Division Field Representative. Personnel assignments may be found at:

http://www.in.gov/dlgf/contact/.