



## **DLGF Oversight of Land Valuation**

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# Course Topics

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- DLGF's Role in Land Valuation
- Real Property Manual – Chapter 2
- Cyclical Reassessment Plans
- Ratio Studies



# DLGF's Role in Land Valuation



# Question

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- *What role does the DLGF have in the assessment process?*
- The Department plays several roles related to property valuation and assessment. The primary role of the Department is an oversight role. After the assessor has placed values on all properties in a county, the assessor submits to the Department an assessment to sales "ratio study" for review and approval.



# DLGF's Role in Land Valuation

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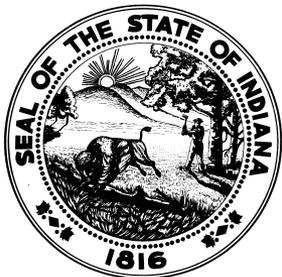
- The Department is charged with enforcing laws passed and codified by the Indiana General Assembly.
  - Indiana Code (IC)
- The Department also has administrative rules, in the promulgation of its duties, that have the force and effect of law.
  - Indiana Administrative Code (IAC)



# DLGF's Role in Land Valuation

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- IC 6-1.1-35-1 (DLGF Duties)
  - (1) interpreting the property tax laws of this state; (2) instructing property tax officials about their taxation and assessment duties; (3) seeing that all property assessments are made in the manner provided by law; (4) conducting operational audits of the offices of assessing officials to determine if statutory and regulatory assignments are being completed in an effective, efficient, and productive manner;



# DLGF's Role in Land Valuation

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- IC 6-1.1-35-1 cont.
  - and (5) developing and maintaining a manual for all assessing officials and county assessors concerning: (A) assessment duties and responsibilities of the various state and local officials; (B) assessment procedures and time limits for the completion of assessment duties; (C) changes in state assessment laws; and (D) other matters relevant to the assessment duties of assessing officials, county assessors, and other county officials.



# DLGF's Role in Land Valuation

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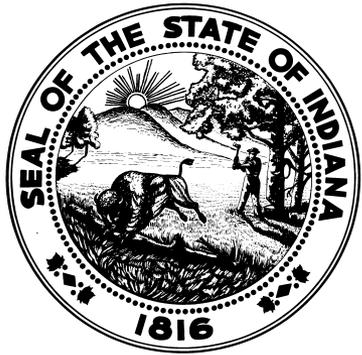
- The Department used to have an administrative rule regarding land valuation (50 IAC 13) however this was repealed in 2006.



# DLGF's Role in Land Valuation

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- The three primary responsibilities of the Department in regards to land valuation:
  - Real Property Manual.
  - Cyclical Reassessment Plans.
  - Ratio Studies.



# Real Property Manual – Chapter 2



# Real Property Manual – Chapter 2

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- Role of the Assessing Official
  - Shall determine the value all applicable land (residential, commercial, industrial, or agricultural homesite) and determine neighborhood delineations.



# Real Property Manual – Chapter 2

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- Develop Neighborhoods according to:
  - 1) common development characteristics;
  - 2) the average age of the majority of improvements;
  - 3) the size of lots or tracts;
  - 4) subdivision plats and zoning maps
  - 5) school and other taxing district boundaries;



## Real Property Manual – Chapter 2

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- 6) distinctive geographic boundaries;
- 7) any manmade improvements that significantly disrupt the cohesion of the adjacent properties;
- 8) sales statistics;
- 9) other characteristics deemed appropriate to assure equitable determinations.



# Real Property Manual – Chapter 2

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- Representative Parcels
- The assessing official must select a representative number of sales disclosure statements filed under IC 6-1.1-5.5 or written estimations of a property value provided by a licensed real estate professional that are based on relevant sales data to justify the land value determination for each neighborhood. All sales disclosure statements must be verified by: (1) a visual inspection of the subject property; and (2) a reasonable attempt to determine that the transaction was negotiated as an arm's-length transaction.



# Real Property Manual – Chapter 2

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- For purposes of this section, a “representative number” shall mean a number that is no less than 3% of the total number of parcels within the neighborhood...(1) a lesser percentage is truly representative of values in the neighborhood; or (2) disclosure statements from a substantially similar neighborhood are truly representative of values in the neighborhood.
- Assessing officials should select disclosure statements or estimations of value that, based on all relevant facts and evaluation of the neighborhood as a whole, fairly represent the value of property in the neighborhood.



## Real Property Manual – Chapter 2

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Also, if the representative sample of sales is less than 3% of the total amount of parcels in the neighborhood, the assessing official must contact a local licensed real estate professional about providing a letter of opinion on the value of various parcels located throughout the neighborhood...



# Real Property Manual – Chapter 2

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## Base Rates and Base Lots

- The assessing official shall establish a base rate for pricing each neighborhood. Base rates should include a specifically stated value for water supply, sewage disposal, and all other on-site development costs. Neighborhoods shall be classified according to majority use as residential, agricultural homesite, commercial, or industrial. The assessing official shall also establish a base lot to represent the typical and average characteristics of lots in the neighborhood for the purpose of making pricing adjustments.

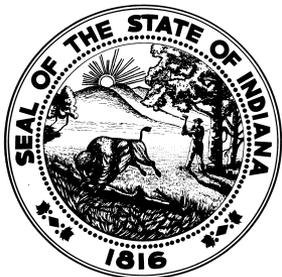


# Real Property Manual – Chapter 2

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## Influence Factors

- The assessing official shall establish detailed criteria relating to influence factors that may be applied to individual parcels. The criteria relating to influence factors shall include:
  - (1) criteria for identifying and determining the existence of unique features that are inconsistent with the norm for the neighborhood;
  - (2) specific conditions that will be considered as evidence that a parcel deserves an influence factor;
  - (3) a method for evaluating whether a particular condition actually influences the value of the parcel; and
  - (4) any factors, criteria, or conditions relating to influence factors that are promulgated in a rule by the Department.



# Real Property Manual – Chapter 2

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## Land Value Ratio

- The assessing official must determine an appropriate land value ratio to be applied to sales disclosure statements or estimations of value of improved properties. This ratio must take into account factors that are critical to determination of the value of the land. The ratio and factors must be included as part of the land value determination.



# Real Property Manual – Chapter 2

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## Land Value Ratio cont.

- The factors should include, but not be limited to, such factors as: (1) unimproved lot sale prices designated by property developers; (2) the desirability due to physical features, such as waterfront property or wooded lots; (3) the desirability of the location due to external features, such as school district or proximity to commercial developments; and (4) consideration of the replacement cost of the improvement.



# Real Property Manual – Chapter 2

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- Evaluating Sales Information
  - Three primary methods of valuation:
    - Sales Comparison Method.
    - Abstraction Method.
    - Allocation of percentage of sale method.



# Real Property Manual – Chapter 2

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- Sales Comparison Method
  - Most reliable of methods.
  - Best when numerous sales are available.
  - Make adjustments to find true value of land.
  - Can be whole amounts or percentage based.



# Real Property Manual – Chapter 2

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- Abstraction Method
  - Subtract out improvements' value from sale price.
  - Useful when sales are limited.
  - Most reliable when new construction has occurred or limited depreciation of an improvement.



# Real Property Manual – Chapter 2

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- Allocation or Percentage of Sale
  - Land Value Ratio.
  - Must be homogenous.
  - Compare with other neighborhoods where the value of land is known.
  - Expressed as a percentage.



# Real Property Manual – Chapter 2

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- Selecting Unit Values for Land Valuation
  - Five unit values primarily used for land valuation:
    - Front Foot Value.
    - Square Foot Value.
    - Acreage Value.
    - Site Value.
    - Unit Density.



# Real Property Manual – Chapter 2

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- **Table 2-5. Neighborhood Options**

Step 4 In the “Neighborhood” section, place a check in the check box for the option that best describes the life cycle stage most characteristic of the neighborhood where the parcel is located. Table 2-5 describes the neighborhood options.

**Table 2-5. Neighborhood Options**

<b>This option</b>	<b>Indicates</b>
Improving	A stage of development evidenced by increasing desirability
Static	A condition of equilibrium evidenced by little change
Declining	A stage of disintegration evidenced by decreasing desirability
Blighted	A marked decline characterized by structural deterioration and environmental deficiencies



# Real Property Manual – Chapter 2

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- Commercial and Industrial Land
- Sales are less plentiful.
- Neighborhoods are more general.
  - Based on zoning, major roads, natural geographic features, and availability of transportation.



# Real Property Manual – Chapter 2

- Table 2-14 Categories of Commercial and Industrial Land

**Table 2-14. Categories of Commercial and Industrial Land**

<b>This category</b>	<b>Indicates</b>
Primary	<p>The primary building or plant site. The following are examples of primary land:</p> <ul style="list-style-type: none"> <li>■ land located under buildings</li> <li>■ regularly used parking areas</li> <li>■ roadways</li> <li>■ regularly used yard storage</li> <li>■ necessary support land</li> </ul>
Secondary	<p>Land used for purposes that are secondary to the primary use of the land. The following are examples of secondary land:</p> <ul style="list-style-type: none"> <li>▪ parking areas that are not used regularly</li> <li>▪ yard storage that is not used regularly</li> </ul>
Usable Undeveloped	The amount of acreage that is vacant and held for future development
Unusable Undeveloped	The amount of vacant acreage that is unusable for commercial or industrial purposes, and not used for agricultural purposes



# Real Property Manual – Chapter 2

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- Primary land may include the following development costs:
  - Sanitary sewers.
  - Storm sewers.
  - Potable water lines.
  - Fire prevention lines.
  - Gas lines.
  - Septic systems.
  - Water wells.
  - Grading and landscaping.



## Real Property Manual – Chapter 2

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- Secondary land does not normally include water and sewage, however storm sewers and grading are typically included in this classification.
- Useable undeveloped land is vacant or raw land that could be developed but none has occurred so far. Please note that this classification does not include agricultural land (IC 6-1.1-4-13).



## Real Property Manual – Chapter 2

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- Unusable undeveloped land has no development whatsoever and faces challenges to development such as: federal restrictions, environmental issues, or other obstacles. Please note that this classification does not include agricultural land (IC 6-1.1-4-13).



# Real Property Manual – Chapter 2

- Table 2-15 Recommended Unit Values for Selected Use Classes

**Table 2-15. Recommended Unit Values for Selected Use Classes**

<b>For this use class</b>	<b>Use this unit value</b>
Central business district	Front foot or square foot
Urban fringe businesses	Front foot or square foot
Retail or service strip centers	Front foot or square foot
Shopping centers	Square foot or acreage
Interchange areas	Square foot or acreage
Town centers	Front foot or square foot
Suburban office parks	Square foot or acreage
Urban renewal projects	Front foot, square foot, or acreage
Industrial corridors	Front foot or acreage
Industrial parks	Acreage
Rural industrials	Acreage
Apartment complexes	Square foot, acreage, or unit density
Parking accommodations	Front foot, square foot, unit density, or acreage



# Real Property Manual – Chapter 2

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- Establishing Base Rates for Small Commercial/Industrial Plots
  - To calculate the indicated base rate of small tracts located among platted lots, the jurisdiction assessor must determine the value of the comparable adjoining lots and work backwards. This requires the use of the Lot Depth tables (Tables 2-6 to 2-8) and Acreage Size Adjustment Table (Table 2-11).



## Real Property Manual – Chapter 2

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- For larger acreage tracts, two methods can be used:
- Land Development Method – Adds latest development costs to the purchase price of vacant land.
- Comparison Method – In conjunction with the location of the parcel, this method compares similar uses, zoning categories, and other broad categories to determine the value.



# Real Property Manual – Chapter 2

- Table 2-17 Influence Factor Codes for Commercial and Industrial Property

<b>This code</b>	<b>Indicates</b>
1 Topography	A decrease based on adverse topographical features.
2 Under Improved	A decrease based on the under improvement of landscaping, driveways and private walkways, and utility hookups.
3 Excess Frontage	A decrease based on the lower utility value of frontage that is significantly in excess of the base lot frontage.
4 Shape or Size	<p>A decrease based on an irregularity in shape that limits the use of the parcel <b>or</b> a decrease for an oversized lot whose variations are not accounted for elsewhere.</p> <p>An increase based on an irregularity in shape that enhances the use of the parcel <b>or</b> an increase for an undersized lot whose variations are not accounted for elsewhere.</p>
5 Misimprovement	A decrease indicating a lot that has been valued higher than its current use. The value must be lowered to the level of comparable properties in the subject neighborhood.



# Real Property Manual – Chapter 2

- Table 2-17 Influence Factor Codes for Commercial and Industrial Property

6 Restrictions	A decrease based on encumbrances, restrictive covenants, or obstructions that limit the use of the land.
7 Traffic Flow	A decrease to account for the nuisance of significantly heavier traffic flow that affects the base lot and is not considered in the base lot value.
8 View	<p>A decrease to account for variations in view from the subject lot and not from the base lot that detracts from the subject lot.</p> <p>An increase to account for variations in view from the subject lot and not from the base lot that enhances the subject lot.</p>
9 Corner Influence	<p>A decrease to account for building restrictions, such as double set backs and increased traffic flow, that detract from the subject lot and are not considered in the base lot value.</p> <p>An increase to account for building restrictions, such as double set backs and increased traffic flow, that offer commercial benefits and are not considered in the base lot value.</p>



# Real Property Manual – Chapter 2

- Table 2-17 Influence Factor Codes for Commercial and Industrial Property

<p>O Other</p>	<p>An influence, not described above, such as the following. Describe the factor in the memorandum section.</p> <ul style="list-style-type: none"> <li>■ <b>Golf course</b>—An increase to account for a particular location enhancement, not characteristic of the base lot.</li> <li>■ <b>Water frontage</b>—An increase to account for proximity to a water front, not characteristic of the base lot.</li> <li>■ <b>Cul-de-sac</b>—An increase to account for shape or size enhancements due to a cul-de-sac location, not characteristic of the base lot.</li> <li>■ <b>Location</b>—An increase or decrease to account for the influence of a particular location and not considered in the base lot.</li> <li>■ <b>Soil conditions</b>—A decrease to account for adverse soil conditions that prohibit the subject lot being used the same as the base lot.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Drainage</b>—A decrease to account for drainage limitations, indicated by standing water, not characteristic of the base lot.</li> <li>■ <b>Flooding susceptibility</b>—A decrease to account for a lot or a portion of a lot being in a flood plain, not characteristic of the base lot.</li> <li>■ <b>Noise nuisance</b>—A decrease to account for extraneous noise or other such nuisances not characteristic of the base lot.</li> <li>■ <b>Excess depth</b>—A decrease to account for a disproportionate frontage depth not accounted for in the size adjustment factor.</li> <li>■ <b>Limited access</b>—A decrease to account for ingress or egress limitations not characteristic of the base lot.</li> </ul>
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# Cyclical Reassessment Plans and Execution



# Cyclical Reassessment Plans and Execution

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- County Reassessment Plan
- IC 6-1.1-4-4.2
- County reassessment plan; approval by department of local government finance
- Sec. 4.2. (a) The county assessor of each county shall, before July 1, 2013, and before May 1 of every fourth year thereafter, prepare and submit to the department of local government finance a reassessment plan for the county. The following apply to a reassessment plan prepared and submitted under this section:
  - 1) The reassessment plan is subject to approval by the department of local government finance. The department of local government finance shall complete its review and approval of the reassessment plan before:



# Cyclical Reassessment Plans and Execution

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- (A) March 1, 2015; and
  - (B) January 1 of each subsequent year that follows a year in which the reassessment plan is submitted by the county.
- 2) The department of local government finance shall determine the classes of real property to be used for purposes of this section.
  - 3) Except as provided in subsection (b), the reassessment plan must divide all parcels of real property in the county into four (4) different groups of parcels. Each group of parcels must contain approximately twenty-five percent (25%) of the parcels within each class of real property in the county.
  - 4) Except as provided in subsection (b), all real property in each group of parcels shall be reassessed under the county's reassessment plan once during each four (4) year cycle.



# Cyclical Reassessment Plans and Execution

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- 5) The reassessment of a group of parcels in a particular class of real property shall begin on May 1 of a year.
- 6) The reassessment of parcels:
  - (A) must include a physical inspection of each parcel of real property in the group of parcels that is being reassessed;**  
and
  - (B) shall be completed on or before January 1 of the year after the year in which the reassessment of the group of parcels begins.
- 7) For real property included in a group of parcels that is reassessed, the reassessment is the basis for taxes payable in the year following the year in which the reassessment is to be completed.



# Cyclical Reassessment Plans and Execution

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- 8) The reassessment plan must specify the dates by which the assessor must submit land values under section 13.6 of this chapter to the county property tax assessment board of appeals.
- 9) Subject to review and approval by the department of local government finance, the county assessor may modify the reassessment plan.

(b) A county may submit a reassessment plan that provides for reassessing more than twenty-five percent (25%) of all parcels of real property in the county in a particular year. A plan may provide that all parcels are to be reassessed in one (1) year. However, a plan must cover a four (4) year period. All real property in each group of parcels shall be reassessed under the county's reassessment plan once during each reassessment cycle.



# Cyclical Reassessment Plans and Execution

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(c) The reassessment of the first group of parcels under a county's reassessment plan shall begin on July 1, 2014, and shall be completed on or before January 1, 2015.

(d) The department of local government finance may adopt rules to govern the reassessment of property under county reassessment plans.

- As added by P.L.112-2012, SEC.2. Amended by P.L.111-2014, SEC.8.
- Also, the Department (under IC 6-1.1-4-31[a][1]) shall periodically check the conduct under this section.



# Cyclical Reassessment Plans and Execution

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- Land Order
- IC 6-1.1-4-13.6
- Determination and review of land values
- Sec. 13.6. (a) The county assessor shall determine the values of all classes of commercial, industrial, and residential land (including farm homesites) in the county using guidelines determined by the department of local government finance. The assessor determining the values of land shall submit the values to the county property tax assessment board of appeals by the dates specified in the county's reassessment plan under section 4.2 of this chapter.



# Cyclical Reassessment Plans and Execution

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(b) If the county assessor fails to determine land values under subsection (a) before the deadlines in the county's reassessment plan under section 4.2 of this chapter, the county property tax assessment board of appeals shall determine the values. If the county property tax assessment board of appeals fails to determine the values before the land values become effective, the department of local government finance shall determine the values.

(c) The county assessor shall notify all township assessors in the county (if any) of the values. Assessing officials shall use the values determined under this section.



# Cyclical Reassessment Plans and Execution

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(d) A petition for the review of the land values determined by a county assessor under this section may be filed with the department of local government finance not later than forty-five (45) days after the county assessor makes the determination of the land values. The petition must be signed by at least the lesser of:

- (1) one hundred (100) property owners in the county;
- or
- (2) five percent (5%) of the property owners in the county.



# Cyclical Reassessment Plans and Execution

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(e) Upon receipt of a petition for review under subsection (d), the department of local government finance:

- (1) shall review the land values determined by the county assessor; and
- (2) after a public hearing, shall:
  - (A) approve;
  - (B) modify; or
  - (C) disapprove;

the land values.

- As added by P.L.24-1986, SEC.9. Amended by P.L.74-1987, SEC.2; P.L.41-1993, SEC.5; P.L.6-1997, SEC.15; P.L.90-2002, SEC.37; P.L.146-2008, SEC.68; P.L.136-2009, SEC.3; P.L.113-2010, SEC.16; P.L.112-2012, SEC.10.



# Cyclical Reassessment Plans and Execution

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## DLGF Review of Cyclical Reassessment Plan

- Ensure law is being followed (25% per year, 25% per class each year) unless otherwise stated.
- Pertaining to land, ensuring that the land order is completed within the four (4) year timeframe.
- Personal Recommendation: schedule land order for completion between year two (2) and year (3), if delays occur then revise and resubmit the cyclical plan to the Department.



# Cyclical Reassessment Plans and Execution

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- IC 6-1.1-4-4.4
- Documentation of change in assessment method; burden of proof of validity of change
- Sec. 4.4. (a) This section applies to an assessment under section 4.2 or 4.5 of this chapter or another law.  
(b) If the assessor changes the underlying parcel characteristics, including age, grade, or condition, of a property, from the previous year's assessment date, the assessor shall document:
  - (1) each change; and
  - (2) the reason that each change was made.
- In any appeal of the assessment, the assessor has the burden of proving that each change was valid.
- As added by P.L.113-2010, SEC.13. Amended by P.L.245-2015, SEC.4.



# Cyclical Reassessment Plans and Execution

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## In the Field

- Physical inspection needs to be completed.
- Any new influences need to be recorded.
- Note why change is made.



# Ratio Studies



# Ratio Studies

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## **50 IAC 27 – Annual and Equalization Standards**

### **50 IAC 27-1-1 Purpose**

- Authority: IC 6-1.1-31-1; IC 6-1.1-31-12
- Affected: IC 6-1.1-4-4.5; IC 6-1.1-13
- Sec. 1. The purpose of this article is to establish procedures and standards to govern local assessing officials and the department in the annual adjustment of assessed valuations of real property under IC 6-1.1-4-4.5 and IC 6-1.1-13. The procedures, procedural requirements, and standards established by this article:



# Ratio Studies

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- (1) shall be followed to attain a just, equal, and uniform basis and level of assessment among taxpayers in a county and from county to county; and
  - (2) will ensure that the annual assessed valuations are reflective of current market value-in-use conditions.
- (Department of Local Government Finance; 50 IAC 27-1-1; filed Apr 8, 2010, 1:45 p.m.: 20100505-IR-050090502FRA)



# Ratio Studies

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- **50 IAC 27-1-4 Method**
- **Authority: IC 6-1.1-31-1; IC 6-1.1-31-12**
- **Affected: IC 6-1.1-13; IC 6-1.1-14**
  
- Sec. 4. County assessors and the department may use any method or combination of methods acceptable under the International Association of Assessing Officials (IAAO) Standards to perform the tasks mandated by this article. "IAAO standards" refers collectively to the:
  - (1) IAAO Standard on Ratio Studies (July 2007);
  - (2) IAAO Standard on Tax Policy (August 2004); and
  - (3) IAAO Standard on Mass Appraisal of Real Property (rev. January 2008);



# Ratio Studies

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- **50 IAC 27-2-11 "Sales chasing" defined**
- **Authority: IC 6-1.1-31-1; IC 6-1.1-31-12**
- **Affected: IC 6-1.1-4-4.5**
  
- Sec. 11. "Sales chasing" has the meaning set forth in the IAAO Standard on Ratio Studies (July 2007), which is the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. If sales with such appraisal adjustments are used in a ratio study, the practice causes invalid uniformity results and causes invalid appraisal level results, unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties.



# Ratio Studies

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- By extension, any practice that causes the analyzed sample to misrepresent the assessment performance for the entire population as a result of acts by the assessor's office. (Department of Local Government Finance; 50 IAC 27-2-11; filed Apr. 8, 2010, 1:45 p.m.: 20100505-IR-050090502FRA)



# Ratio Studies

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- **50 IAC 27-3-2 (b) and (c)**

(b) If insufficient sales data satisfying the IAAO Standard for Ratio Studies are available for the county as a whole, county assessors may use data from earlier time periods, time adjusting the data as described in the applicable IAAO standards incorporated by reference in 50 IAC 27-1-4.

(c) If data other than described in subsection (a) or (b) are intended for use, the county assessor shall first explain in writing to the director of the division of data analysis of the department the reasons for using other data and obtain approval for in writing prior to its use.



# Ratio Studies

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- **50 IAC 27-4-5 Ratio Study statistics and standards**
- Median must be between .90 and 1.10 for any class of property.
- COD must be .20 or less for commercial/industrial
- PRD must be between .98 and 1.03\*.
- \*If the township or class of property has less than 20 sales, the Spearman Rank test shall be used to test this metric.
- The overall assessment level should be equal to 100% of market value in use.



# Ratio Studies

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- **50 IAC 27-4-6 Classification of property for ratio studies**
- Four classes of commercial/industrial: commercial improved, commercial unimproved, industrial improved, and industrial unimproved.
- If there are any classes that have less than 25 parcels, no assessment ratio is needed.



# Ratio Studies

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- **50 IAC 27-5-4 Sample size**
- **Authority: IC 6-1.1-31-1; IC 6-1.1-31-12**
- **Affected: IC 6-1.1-4-4.5**
  
- Sec. 4. (a) Neighborhoods must have five (5) or more sales if the sales comparison approach is used to value improvements or land, unless the assessing official is able to justify the use of fewer sales in the neighborhood within the ratio study narrative. For greater assessment precision, a larger sample size is needed. Therefore, in accordance with IAAO standards incorporated by reference in 50 IAC 27-1-4, the department will require that adequate sample sizes be used.



# Ratio Studies

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(b) If commercial and industrial improved properties have a limited number of sales, for example, fewer than five (5) sales in the strata, the county must use the other approaches to value as outlined in section 8 of this rule, that is, cost tables, income data, MLS data, etc. (Department of Local Government Finance; 50 IAC 27-5-4; filed Apr 8, 2010, 1:45 p.m.: 20100505-IR ANNUAL ADJUSTMENTS AND EQUALIZATION STANDARDS Indiana Administrative Code Page 9 050090502FRA)

- Counties may also combine commercial and industrial sales into one group if substantial evidence exists that the two classes are similar throughout the county.



# Ratio Studies

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- **50 IAC 27-5-7 Review of land values**
- **Authority: IC 6-1.1-31-1; IC 6-1.1-31-12**
- **Affected: IC 6-1.1-4-4.5**
  
- Sec. 7. (a) The county assessor shall review land values as part of the annual adjustment process.  
(b) If the county assessor determines through review, ratio studies, or appeals from previous assessment years that the land base rate units need to be modified, the county assessor shall proceed to set new land base rates.



# Ratio Studies

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- The sales comparison approach is the primary approach to land valuation and is always preferred when sufficient sales are available. If there are fewer than five (5) sales in a strata, there are several methods of determining land values in the absence of adequate sales in a neighborhood, including, but not limited to, the following:
  - (1) Use land values from a similar neighborhood that has vacant land sales to support the land base rate.
  - (2) Extract the land value from valid sales of improved properties.
  - (3) Expand the period from which sales are drawn and adjust for time as necessary.

(Department of Local Government Finance; 50 IAC 27-5-7; filed Apr 8, 2010, 1:45 p.m.: 20100505-IR-050090502FRA)



# Ratio Studies

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- **50 IAC 27-5-9(b) Mandatory application of factors**

(b) If assessing officials determine that there are fewer than five (5) sales of commercial or industrial improved property in the strata to determine annual adjustment factors, the county shall use one (1) or more of the following to derive annual adjustment factors or modify the values of commercial and industrial property:

(1) Nationally published cost data from a credible source, such as Craftsman, Marshall and Swift, or R.S. Means and locally developed depreciation tables from the last calendar year preceding the assessment date.



# Ratio Studies

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- 2) Income data, rental data, market value-in-use appraisals, and other relevant evidence derived from appeals of the 2002 reassessment and adjusted, as applicable, to the January 1 of the year preceding the assessment date.
- 3) Commercial real estate reports.
- 4) Governmental studies.
- 5) Census data.
- 6) Multiple listing service (MLS) data.



# Ratio Studies

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What the Department is looking for in commercial/industrial ratio study:

- All statistical measures are met.
- Groupings are sensible.
- Sales are completely validated.
- Increases/Decreases are explained.



# Contact Information

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