NEBRASKA ADMINISTRATIVE CODE

Title 350 - Nebraska Department of Revenue, Property Assessment Division ~~and Taxation~~

Chapter 17 – Reports and Opinion Regulations

Effective Date ~~1/3/07~~

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Title 350-Nebraska Department of Revenue, Property Assessment Division ~~and Taxation~~
Chapter 17-Reports and Opinion Regulations

REG-17-001 PURPOSE

001.01 The purpose of this regulation is to define terms, responsibilities of parties, implementation, and presentation of the Property Tax Administrator's Report and Opinion of assessment practices required by Neb. Rev. Stat. Sections 77-1327 and 77-5027. Each annual report and opinion shall be based on all information available to the Property Tax Administrator as provided by the statistical studies, assessor survey information, and progress reports and any other report or information available to the Department of Revenue, Property Assessment Division ~~Department of Property Assessment and Taxation~~.

The most current description of the techniques to be used in the development and use of a ratio study is contained in the ~~1999~~ 2007 Standard on Ratio Studies, issued by the International Association of Assessing Officers (IAAO). Additionally, two other references, Mass Appraisal of Real Property and Property Assessment Valuation, also issued by IAAO contain some discussion of the development and use of ratio studies. Further, the ~~Department~~ Property Assessment Division sets forth its procedures for the development of the ratio study, see Sales File Regulations, Chapter 12. The 1999 Standard provides recommendations of the design, preparation, interpretation, and use of ratio studies for a number of purposes. It also rests on the assumption that the ratio studies will contain a statistically adequate sample of sales to represent the level of value for a particular jurisdiction being measured.

However, the Standard, like other mass appraisal reference works, also provides that where state law is at odds with mass appraisal practice, state law prevails, in what is known as a "jurisdictional exception". With respect to the Property Assessment Division's analysis of the statistical materials generated by the sales file ratio study, the Property Assessment Division through this regulation, creates a jurisdictional exception. Specifically, in mass appraisal, ratio study data may be adjusted for time, especially when there is a lag between the close of the study period and the assessment date for which the study is being used to develop information regarding the level of value and quality of assessment as of the assessment date. The Property Assessment Division specifically determines that it will not perform time adjustments in analyzing sales file study data for the purposes of the Report and Opinion. There are several reasons for a jurisdictional exception for time adjustments. First, in many counties, even with a study period of two years for residential property and three years for commercial and agricultural property, many counties in Nebraska lack an adequate sample for analysis. Attempting to apply a time adjustment to already sparse data would be speculative at best. Second, although there are counties and classes or subclasses of property for which time adjustments could be more readily performed, the performance of time adjustments for some counties or classes of property and the lack of the performance of time adjustments for others raises the issue of whether two different standards are being used to measure the level and quality of assessment in the state. Therefore, the

Property Assessment Division believes that the better practice is to not perform time adjustments as part of the development of the Report and Opinion.

(~~Neb. Rev. Stat. Section 77-702, R.R.S. 2003 and~~ Neb. Rev. Stat. Section~~s 77-1327 and~~ 77-5027, R.S. Supp., 2006 and Neb. Rev. Stat. Sections 77-702 and 77-1327.)

REG-17-002 DEFINITIONS

002.01 Data set shall mean the sales data, pertaining to a class or subclass of real property during a study period.

002.02 Preliminary Statistical Report shall mean a report displaying the statistical information calculated for the qualified sales for each class of real property that occurred during a study period based on comparing selling price with assessed value in place in the year prior to the current assessment year. All statistical reports shall utilize the sales file developed pursuant to Sales File Regulations, Chapter 12.

002.03 Reports and Opinions Statistical Report shall mean an annual report displaying the statistical information calculated for qualified sales for each class of real property that occurred during the study period based on comparing selling price with the assessed values for the current assessment year. All statistical reports shall utilize the sales file developed pursuant to Sales File Regulations, Chapter 12.

002.04 Study period shall mean the time frame established by the Property Tax Administrator in which all sales utilized in developing an assessment to sales ratio study must have occurred. The study periods used by the ~~Department~~ Property Assessment Division for each major class of property are set forth in REG-12-003.07A(1) through REG-12-003.07A(3).

002.05 Direct equalization shall mean the process of converting the level of value for a class or subclass of real property into an adjustment factor and changing the assessed values of real property in the class or subclass to more nearly reflect the required statutory level of assessment.

002.06 Median ratio shall mean the middle ratio of the sorted or arrayed assessment/sales ratios . If there are an even number of ratios, the median shall be the average of the two middle ratios.

002.07 Mean ratio shall mean the arithmetic mean ratio or the total of all assessment/sales ratios divided by the number of ratios.

002.08 Weighted mean ratio, is a ratio determined by adding the assessed value of each parcel in a ratio study and dividing that number by the sum of the total selling prices of all the parcels in the study. The weighted mean gives weight to each dollar value for the parcels included in the ratio study.

002.09 Measures of central tendency shall mean descriptive measures that indicate the center of a set of values, for example, mean and median.

002.10 Coefficient of dispersion shall mean the extent to which a set of ratios is clustered either tightly or loosely around the median, arithmetic mean or weighted mean ratio and expressed as a percentage of that measure.

002.11 Standard deviation shall mean a measure of data variance calculated from a set of numbers by subtracting each value from the mean and squaring each of the remainders, adding together all the squares, dividing the sum by the number that is one less than the number of values being analyzed, and taking the square root of the result.

002.12 Coefficient of variation shall mean the standard deviation expressed as a percentage of the mean.

002.13 Price related differential is found by dividing the mean ratio by the weighted mean ratio and then multiply by 100 to obtain the percentage relationship. A percentage more than 100 indicates that higher priced properties are assessed at lower ratios than lower priced properties. A percentage of less than 100 indicates that lower priced properties are assessed at lower ratios than higher priced properties.

002.14 Confidence interval shall mean a calculated range of values in which the measure of central tendency is expected to fall.

002.15 Confidence level shall mean the required degree of confidence in a confidence interval commonly stated on a percentage basis.

002.16 Special valuation shall mean the actual value of the land if the land were available only for agricultural or horticultural purposes or uses without regard to any other purpose or use to which the land may be used.

002.17 Special valuation assessment shall mean seventy-five (75) percent of the special valuation.

002.18 Recapture value shall mean the actual value of the land.

002.19 Clerical error shall mean the transposition of numbers, mathematical error, computer malfunction causing programming and printing errors, data entry error, items of real property other than land identified on the wrong parcel, incorrect ownership, or certification of an incorrect valuation to political subdivisions.

002.20 Class or subclass of real property shall mean a collection of properties that share one or more common characteristics that are not found in other properties outside the class or subclass.

002.20A For agricultural or horticultural land, class or subclass shall include, but not be limited to irrigated cropland, dry cropland, grassland, wasteland, nurseries, feedlots, orchards, location, geographic characteristics and market characteristics that are appropriate for the valuation of a class or subclass of agricultural or horticultural land at seventy-five (75) percent of its market value. In the case of agricultural or horticultural land subject to special valuation, seventy-five (75) percent of its special value as if the land were available only for agricultural or horticultural purposes or uses without regard to any other purpose or use that could be applied to the land.

002.20B For all other real property, class or subclass shall include, but not be limited to status, parcel type, zoning, location, city size, parcel size, geographic characteristics or market characteristics that are appropriate for the valuation of a class or subclass of real property at one hundred percent (100%) of its market value. For the purposes of this regulation market characteristics shall mean the social and economic factors in the market that affect the value of real property. Geographic characteristics shall mean the physical characteristics of the earth, land, region, or site that may have an effect on value.

(~~Neb. Rev. Stat. Section 77-702, R.R.S. 2003 and~~ Neb. Rev. Stat. Sections 77-702 and 77-1327, R.S. Supp., 2007~~2006~~.)

REG-17-003 PROCEDURES

003.01 Every year, the Property Tax Administrator shall issue a directive for the following assessment year that establishes the following:

003.01A Assessment Standards.

003.01A(1) Definition of terms.

003.01A(2) Statistical Reports to be created.

003.01A(3) Statistical Studies to be performed.

003.01A(4) Data Sets to be used.

003.01A(5) Assessment Practice Reports to be performed.

003.02 The Property Tax Administrator shall provide to each assessor and the Tax Equalization and Review Commission a special valuation study for those counties using the special valuation assessment as prepared by the ~~Department of Property Assessment and Taxation~~ Department of Revenue, Property Assessment Division. Such study shall be prepared in compliance with professionally accepted mass appraisal techniques in determining the level of assessment for agricultural and horticultural land receiving the special valuation assessment.

003.03 On or before March 1 each year the assessor shall certify to the Property Tax Administrator whether the market for agricultural and horticultural land in their county has influences outside the typical agricultural and horticultural land market. In any county that has applied the special valuation assessment, the assessor shall file with the Property Tax Administrator the information requested in REG 11-005.04.

003.03A The methodology for determining the special valuation assessment of agricultural and horticultural land (uninfluenced value).

003.03B The methodology for determining the recapture valuation of agricultural and horticultural land (100% of market value).

003.04 On or before March 25 each year, an assessor may provide written comments to the Property Tax Administrator that will become part of the Reports and Opinion.

003.05 On or before nineteen (19) days following the final filing due date for the abstract of assessment for real property, the Property Tax Administrator shall certify the Reports and Opinion for real property in each county, to the Tax Equalization and Review Commission and to each assessor, a copy of the Reports and Opinions for that county.

(Neb. Rev. Stat. Section~~s 77-702 and~~ 77-1377, R.R.S. 2003, ~~and~~ Neb. Rev. Stat. Sections ~~77-1327,~~ 77-1343, ~~77-1344,~~ 77-1360.01, 77-1381.01, ~~77-1514~~ and 77-5027, R.S. Supp., 2006 and Neb Rev. Stat. Sections 77-702, 77-1327, 77-1344 and 77-1514.)

REG 17-004 REPORTS

004.01 The Reports and Opinion issued by the Property Tax Administrator shall consist of a narrative and statistical reports and other reports as determined by the Property Tax Administrator.

004.01A The narrative portion of the Reports and Opinion shall be designed to ascertain, on an ongoing basis, whether the assessment practices in each county, comply with Nebraska law, achieve actual value and act uniformly and proportionately on real property in the county. The information contained in the narrative shall be developed by the ~~Department of Property Assessment and Taxation~~ Department of Revenue, Property Assessment Division through efforts to observe, confer with and provide assistance to assessors. The information gathered shall include but not be limited to:

004.01A(1) Information regarding the efforts and procedures used by assessors to accomplish their assessment responsibilities;

004.01A(2) Sales review procedures used in each county to determine whether, for valuation purposes, sold and unsold properties are treated in the same manner;

004.01A(3) Market data for each county relating to the behavior of buyers and sellers of real property;

004.01A(4) Any other information relevant to the assessment and equalization of real property in the county;

004.01A5 In analyzing the statistical studies for each county, the median ratio, as defined in Sales File Regulations, Chapter 12, shall be the preferred measure of central tendency in determining the level of value, for the purposes of direct equalization.

004.01B The statistical portion of the Reports and Opinion shall be designed to assist the ~~Department~~ Property Assessment Division, on an ongoing basis, in determining whether each county has achieved the required level and quality of assessment for each class of property for that county. The information contained in the statistics shall be developed by the ~~Department of Property Assessment and Taxation~~ Department of Revenue, Property Assessment Division pursuant to the Sales File Regulations, Chapter 12, and shall include but not be limited to:

004.01B(1) Qualified sales as determined in REG 12-002.11

004.01 B(2) The ~~Department~~ Property Assessment Division shall provide the following statistical information for qualified sales:

004.01B(2)(a) Number of sales in sample;

004.01B(2)(b) Total assessed value of the sales;

004.01B(2)(c) Total market value represented by the total of the selling prices of the sales;

004.01B(2)(d) Minimum and maximum assessment sales ratios by class or subclass;

004.01B(2)(e) Average sales price by class or subclass;

004.01B(2)(f) Mean ratio, median ratio and weighted mean ratio;

004.01B(2)(g) Price related differential;

004.01B(2)(h) Coefficient of dispersion;

004.01B(2)(i) Standard deviation;

004.01B(2)(j) Coefficient of variation;

004.01B(2)(k) Ninety-five percent confidence interval for each of the measures of central tendency;

004.01B(2)(l) Property type; and,

004.01B(2)(m) Date of analysis.

004.01C The Property Tax Administrator may determine that additional information is relevant when determining the level of value and the assessment practices within a county. The Reports and Opinion may contain a focus report on topics as determined by the Property Tax Administrator.

004.01D The county report section is a report about each county during the preceding year. The information gathered for this report shall include but not be limited to the following:

004.01D(1) County Abstract of Assessment for Real Property, Form 45.

004.01D(2) Assessor's Annual Plan of Assessment as submitted to the ~~department~~ Department of Revenue, Property Assessment Division by the assessor pursuant to Neb. Rev. Stat. Section 77-1311.02.

004.01E The Property Tax Administrator shall provide a correlation section of all information considered relevant for the determination of the level of value by the Property Tax Administrator. As part of the correlation section, the Property Assessment Division shall analyze both the statistical and assessment practices information available to it for each school district located in whole or in part within the county. The purpose of this analysis is to determine whether the data available to the Property Assessment Division regarding the level and quality of assessment serves as an adequate representation of the level and quality of assessment within each school district in the county. The Property Assessment Division, when performing this analysis shall review the following:

(NEED INPUT FROM MEASUREMENT)

In the event that the Property Assessment Division determines that the data regarding level and quality of assessment for the county does not adequately represent a particular school district within the county, it shall provide that information as part of the correlation section and explain what factors led it to that conclusion.

(Neb. Rev. Stat. Section~~s 77-702, and~~ 77-1377, R.R.S. 2003, ~~and~~ Neb. Rev. Stat. Sections ~~77-1327,~~ 77-1343, ~~77-1344,~~ 77-1360.01, 77-1381.01~~, 77-1514~~ and 77-5027, R.S. Supp., 2006 and Neb Rev. Stat. Sections 77-702, 77-1327, 77-1344 and 77-1514, R. S. Supp., 2007.)

REG 17-005 OPINION

005.01 After an examination of any information relevant to the level of value, including but not limited to, the narrative and statistical studies, the Property Tax Administrator shall certify an opinion as to the level of value and quality of assessment for the various classes or subclasses of real property.

005.01A In analyzing the statistical studies for each county, the median ratio shall be the preferred measure of central tendency in determining the level of value, for an opinion concerning direct equalization.

005.01A(1) The preferred use of the median ratio in analyzing statistical studies for each county shall not prevent the Property Tax Administrator from analyzing and taking into account

other professionally accepted measures of central tendency such as the weighted mean, mean or geometric mean as well as statistical measures such as the coefficient of dispersion, price-related differential, coefficient of variation, or confidence intervals.

005.01B The Property Tax Administrator's Opinion will state whether the county's level of value and quality of assessment are acceptable or not acceptable based on a consideration of all of the information available. The Property Tax Administrator shall take into consideration in the formulation of his or her opinion the information regarding the assessment practices in the county in addition to the results indicated from the statistical reports calculated from the sales file and the quantity, quality and reliability of the statistical analysis of the county's data set including the dispersion and representativeness of sales in the database.

005.01C In situations in which the information developed for the county relating to the level and quality of assessment does not adequately represent the level and quality of assessment for a particular school district located in whole or in part within the county, as described by Reg. 004.01E, the Property Tax Administrator shall, in addition to providing an opinion regarding the level of value for classes of property on a countywide basis of the level of value and quality of assessment, shall provide an opinion regarding the level of value of assessment for that school district.

(Neb. Rev. Stat. Section~~s 77-702~~ ~~and~~ 77-1377, R.R.S. 2003, ~~and~~ Neb. Rev. Stat. Sections ~~77-1327,~~ 77-1343, ~~77-1344,~~ 77-1360.01, 77-1381.01, ~~77-1514~~ and 77-5027, R.S. Supp., 2006 and 77-702, 77-1327, 77-1344 and 77-1514, R.S. Supp., 2007.)

REG 17-006 CORRECTIONS & AMENDMENTS

006.01 The Property Tax Administrator may amend or supplement the Reports and Opinion as provided in this regulation. The Property Tax Administrator shall not modify the Reports and Opinion, except by amendment or supplementation, after submission to the Tax Equalization and Review Commission.

006.01A It shall be the assessor's responsibility to explain to the Tax Equalization and Review Commission any errors and omissions in their information as originally submitted to the Property Tax Administrator.

006.02 The Property Tax Administrator may amend a Report and Opinion that was certified to the Tax Equalization and Review Commission due to any clerical errors made by the ~~Department of Property Assessment and Taxation~~ Department of Revenue, Property Assessment Division.

006.04 The Property Tax Administrator shall supplement the Reports and Opinion as requested by the Tax Equalization and Review Commission.

(Neb. Rev. Stat. Section 77-702, R.S. Supp., 2007.) ~~R.R.S. 2003.~~