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Reappraisal Committee

- History
 - 2011-2012
 - Senate leadership
 - House leadership
 - Question as to why there were no standards or guidelines.



Reappraisal Issues

1. The reappraisal cycle: legislators feel 8 years is too long and want to change it.
2. Notices should be uniform throughout the state and approved by DOR (they are aware that DOR already has this authority under current law).
3. Standards for reappraisals are needed and legislators want some in place that all counties must follow.



Reappraisal Issues

4. The appeal process is broke and needs to be fixed. Should be the same in every county. Informal appeal process was discussed.
5. General Assembly wants more consistency between counties, “what a taxpayer sees in one county they should see in the next one.”
6. Very concerned that counties go a long time without visiting properties. They want to make sure this does not happen.



History

- Reappraisal Committee formed
 - First meeting was held on January 11, 2013.



Task at Hand

- Come back with recommendations to improve our system and address the concerns that have come to light with reappraisals and appeals.



Reappraisal Committee

- Purpose: To have an open and honest discussion about reappraisals and appeals in NC.
- Challenge: To look at the issues globally (statewide) and not from within a bubble (each county view).
- Goal: Come up with a list of items that we can work on with GA to improve our tax system



Reappraisal Committee

Harry Smith – Onslow County

Ben Chavis, Guilford County

Stan Duncan, Henderson County

Marcus Kinrade, Wake County

Phillip Barrier, Avery County

Carl Tilghman, Carteret County

Hosea, Wilson, Dare County

Kevin Ford, Private Vendor

Kim Simpson, Durham County

Eric Anderson, Mecklenburg County

Pete Rhodda, Forsyth County

Kirk Boone, SOG

Eddie Mitchum, Cabarrus County

John Burgiss, Forsyth County

David Ward, Wayne County

Pat Goddard, Johnston County

John Petoskey, Union County

David Reid, Transylvania County

Brent Weisner, Cabarrus County

Ken Joyner, Mecklenburg

Chris McLaughlin, SOG

DOR Staff

Robin Merry, Union County

Kim Horton, Durham County

Alan Lumpkin, Wayne County

Jimmy Tanner, Gaston County



Sub-Committees

- Standards
- Notice and Letters
- BOER
- Education



Reappraisal Standards

- Michael Brown-Chair
- Tony Simpson
- Doug Huffman
- Kirk Boone
- Harry Smith
- Ben Chavis
- Stan Duncan
- Brent Weisner
- John Burgiss
- Kevin Ford
- Cecil Jackson
- Pete Rodda
- Jimmy Tanner



Recommendations

- DOR will publish a set of standards.
- County input into those standards is vital.
- Standards have to be based on the law and the best business practices.
- Standards have to be set at the highest level in order for real improvement to be made.



Reappraisal Standards

- **Adopt IAAO Standard on Mass Appraisal of Real Property**
- Adopt the IAAO Standard in full
- Possibly have NCGS amended to state that DOR “has recommendations on Standards”
- DOR develop manual outlining the recommendations on Standards to the counties



NCDOR and IAAO Standards on Mass Appraisal

- The purpose of the IAAO and DOR Standards is to provide a systematic means by which assessing officers in North Carolina can improve and standardize the operations of mass appraising property in the tax office.
- The standards are advisory in nature and the use of, or compliance with is voluntary. If any portions of these standards is found to be in conflict with USPAP or the Machinery Act, USPAP and state laws will govern.



NCDOR Reappraisal Standards

1. Frequency of countywide reappraisals
2. Type of reappraisal to conduct
3. Reappraisal plan
4. Data collection
5. Valuation
6. Uniform Schedule of Values, Standards, and Rules
7. Conducting the reappraisal
8. Notices and appeals



1. Frequency of countywide reappraisals

- NCDOR recommends that all counties do a reappraisal of all real property at least every four years. This is supported by Section 4.2.2 “The Principle of Annual Assessment” of the IAAO Standard on Property Tax Policy and section 4.8 of the Mass Appraisal Standard.
- If this is not immediately possible, counties should progress towards a four year cycle by shortening their current cycle by two years until they are in compliance.



IAAO Standard on Property Tax Policy

- ***4.2.2 The Principle of Annual Assessment***

Current market value implies annual assessment of all property. This does not necessarily mean that every property must be reappraised each year. In annual assessment, the assessing officer should consciously reevaluate the factors that affect value, express the interactions of those factors mathematically, and use mass appraisal techniques to estimate property values. Thus, it is necessary to observe and evaluate, but not always to change, the assessment of each property each year in order to achieve current market value. It is recommended that assessing officers consider establishing regular reappraisal cycles or at least appraisal level and uniformity (vertical and horizontal equity) thresholds that trigger reappraisal.



IAAO Mass Appraisal Standard

4.8 Frequency of Reappraisals

- Section 4.2.2 of the *Standard on Property Tax Policy* (IAAO 2010) states that current market value implies annual assessment of all property
- However, only physical reviews can correct data errors and, as stated in Sections 3.3.4 and 3.3.5, property characteristics data should be reviewed and updated at least every 4 to 6 years.



Frequency of countywide reappraisals

- On April 30th, annually, the NCDOR will notify any county that a new reappraisal should be conducted if the county fails to meet any of the following two measures.
 1. Median Sales Ratio
 2. COD



Frequency of countywide reappraisals

- Median Sales Ratio- The median sales ratio determined by NCDOR should be above 90 percent and below 110 percent. Once the median sales ratio falls outside of this range the county should immediately begin a new reappraisal.



IAAO Mass Appraisal Standard

- **5.2.1 Assessment Level**

Assessment level relates to the overall or general level of assessment of a jurisdiction and various property classes, strata, and groups within the jurisdiction. Each group must be assessed at market value as required by professional standards and applicable statutes, rules, and related requirements. The three common measures of central tendency in ratio studies are the median, mean, and weighted mean. **The *Standard on Ratio Studies (2013a)* stipulates that the median ratio should be between 0.90 and 1.10** and provides criteria for determining whether it can be concluded that the standard has not been achieved for a property group. Current, up-to-date valuation models, schedules, and tables help ensure that assessment levels meet required standards and values can be statistically adjusted between full reappraisals or model recalibrations to ensure compliance.



Standard vs Statute 105-286(a)(2)

- **Mandatory Advancement** – A county whose population is 75,000 or greater must conduct a reappraisal of real property when the county's sales assessment ratio is less than .85 or greater than 1.15. Must be effective no later than January 1 of the earlier of the following years:
 - The third year following the year that the county received the notice.
 - The eighth year following the year of the county's last reappraisal.



Frequency of countywide reappraisals

- Overall coefficient of dispersion (COD) for the county should be in the range of 5-25. If the COD determined from the sales ratio study and trimmed using IAAO Sales Ratio Standard 5.2 is above 25, the county should immediately begin a new reappraisal.



IAAO Standard on Ratio Studies

- Single-family homes and condominiums: CODs of 5 to 10 for newer or fairly similar residences and 5 to 15 for older or more heterogeneous areas.
- Income-producing properties: CODs of 5 to 15 in larger, urban areas and 5 to 20 in other areas.
- Vacant land: CODs of 5 to 20 in urban areas and 5 to 25 in rural or seasonal recreation areas.



Trimming of the COD

- IAAO standards explains how to trim the COD to remove the outliers. Through a statistical analysis of a sales ratio study, it can be determined an upper and lower boundary. Any ratio outside these boundaries are considered outliers and may be trimmed.
- There are two factors that may be used (1.5 or 3.0) in trimming. The factor 3.0 only identifies extreme outliers, whereas the factor 1.5 identifies more.
- DOR will be using the factor of 1.5



Trim Example

In this Example our COD is 32.271

Using a 1.5 factor our lower boundary is 0.238 and upper boundary is 1.818

By using the Outlier Trimming Guidelines detailed in the IAAO Standard on Sales Ratio Studies, we learn that ratio 13 & 14 are outliers and may be removed from the study.

This example comes from the IAAO Standard on Sales Ratio Studies – 2013 Edition.

Rank	Ratio (A/S)
1	0.611
2	0.756
3	0.762
4	0.853
5	0.867
6	0.909
7	0.925
8	0.944
9	1.014
10	1.052
11	1.178
12	1.367
13	1.850
14	2.500



Trim Example – Cont.

Rank	Ratio (A/S)
1	0.611
2	0.756
3	0.762
4	0.853
5	0.867
6	0.909
7	0.925
8	0.944
9	1.014
10	1.052
11	1.178
12	1.367

By trimming ratios 13 & 14 our COD is now 15.649

This example comes from the IAAO Standard on Sales Ratio Studies – 2013 Edition.



Trim Example

Sales Ratio COD	Trimmed COD
44.56	37.71
40.68	33.70
37.86	29.95
68.02	29.87
43.16	29.59
44.93	27.01
34.86	26.92
41.58	26.70



Frequency of countywide reappraisals

- If a county fails to meet any one of the two measures, a new reappraisal should be become effective no later than January 1, of the earliest of the following years:
 1. The third year following the year the county receives the notice.
 2. The eighth year following the year of the county's last reappraisal.



2. Type of reappraisal to conduct

- Before a county decides which type of reappraisal to conduct, a data review should be performed. A random sample of all improved properties should be reviewed for data accuracy, and Section 3.3.2.4 and Section 4.8 of the Mass Appraisal Standard should be used to measure the accuracy of the county data.
- Counties are required to conduct the data review under the following schedule:
 - Counties on a 4 year cycle or shorter are required to conduct a data review three years prior to their next scheduled countywide reappraisal.
 - Counties on a reappraisal cycle longer than 4 years are required to conduct a data review four years prior to their next scheduled countywide reappraisal.



- NCDOR will develop a method to determine the sample size for each county and publish the requirements by January 1st of each year.
- On or by January 15 of a year that a random sample is required, the county shall submit to NCDOR a list of improved properties to be used for the random sample. NCDOR will provide a template for the reporting of the data.



- After the property list has been submitted to NCDOR the county should begin an on-site review of the submitted random sample.
- The study should be completed and reported to NCDOR by September 1, of the required year and the random sample study will be used to determine what type of reappraisal should be conducted by the county.
- NCDOR will publish guidelines as to how this review should be conducted and reported.



3.3.2.4 Data Accuracy Standards

- Continuous or Area Measurement Data, such as living area and wall height should be accurate within 1 foot. (Rounded to nearest foot) of the true dimensions or within 5 percent of the area.
- For objective, categorical, or binary data field collected 95 percent of the coded entries should be accurate. Examples of this type data are exterior wall materials, number of baths and waterfront view.
- For subjective categorical data verified, data should be coded correctly 90 percent of the time. Subjective categorical data include data items such as quality grade, physical condition, and architectural style. (Should be judged primarily by conformity with examples in the data collection manual and schedule of values.)



Type of reappraisal to conduct

- A full measure and list
- A walk around
- A street review
- A desk top reappraisal
- A combination of the above



Type of reappraisal to conduct

- Section 3.3.4 of the IAAO Standard and the NCDOR recommends counties physically review all property characteristics on site every four to six years.
- If the county completes initial field inspections timely, and employs an effective system with building permits, or other methods to routinely identify physical changes to properties, counties may employ digital imaging tools to supplement field re-inspections with a computer assisted office review.



3. Reappraisal Plan

- Once the county has determined the frequency of the reappraisal cycle and the type of reappraisal, the county should develop a reappraisal plan far enough in advance of the reappraisal for the assessor to determine the following.
 - Budget
 - Staffing levels
 - Outsourcing needs
 - Hardware and software



Reappraisal Plan

- County presents the reappraisal plan to the NCDOR for approval 24 months before the effective date of the reappraisal.
- NCDOR will develop a standard reporting document to be used by all counties filing the plan.
- NCDOR will review the data used by the county to determine the frequency of the reappraisal, the type of reappraisal, budget, staffing level, and outsourcing needs in approving the county's reappraisal plan.



4. Data Collection

- Counties should contact taxpayers annually during the listing period, either by a listing form or some other type of correspondence. This helps to ensure new construction and changes to existing properties are correctly listed, appraised and assessed as well as help correct any errors not previously discovered.



Data Collection – Property Characteristics

1. Property data for both improved and vacant properties should be collected and maintained to meet the standards of Section 3.3 of the Mass Appraisal Standard.
2. Data collection should meet the quality control standards found in Section 3.3 of the Mass Appraisal Standard.
3. Counties should have a procedure in place to maintain property data in accordance with 3.3.4 of the Mass Appraisal Standard.
4. Counties should have a data collection manual and schedule of values that ensures consistent and correct data is collected.



Data Collection – Sales Data

1. Counties should maintain an ongoing sales file made up of qualified sales from the county. Sales should be in a database maintained between reappraisals which allows statistical studies and measures to be determined.
2. Counties should use NCGS 105-303(a)(1) & (2) to collect sales info on parcels transferred in the county.
3. Counties should collect info from the seller and buyer on the sales of properties including what property transferred, sales price, financing, relationship between buyer and seller, any other factors that may have influenced the sales price.



Data Collection – Income & Expense Data

- Counties should collect and maintain income and expense data for appraising income producing properties.



Data Collection – Cost & Depreciation Data

- Counties should collect and maintain cost and depreciation data on all property types in the county.



5. Valuation

- The county assessor is responsible for appraising all real property at its fair market value as defined by NCGS 105-283 using the schedule of values as required by NCGS 105-317.
- The CAMA system used by the county should allow the assessor to appraise real property using all three approaches to value to determine the final market value required by NCGS 105-283.
 1. Sales Approach
 2. Income Approach
 3. Cost Approach



Mass Appraisal of Real Property Standard

4.1 Valuation Models

Mass appraisal models attempt to represent the market for a specific type of property in a specific area and apply to all three approaches to value: the cost approach, the sales comparison approach, and the income approach.



Valuation

- The county assessor is required to follow the schedule of values adopted under NCGS 105-317 in appraising all real property in the county.
- Present-Use Value. The county assessor is required under 105-277.3 to appraise all qualifying agricultural, horticultural, and forestland tracts at its present use value.



6. Uniform Schedule of Values

- NCGS 105-317 requires the county to adopt a schedule of values to be used in appraising all real property in the county.
- The county is to follow the adoption and advertisement requirements of NCGS 105-317. A sample adoption and advertisement schedule is included in the standards.



Uniform Schedule of Values

- The schedule should contain all elements necessary and info necessary for the assessor to appraise all real property in the county.
- The county is to adopt a present use value schedule to appraise qualifying present use value properties. This schedule should be adopted from the UVAB manual developed by the use value advisory board.
- Appraisal manuals should be developed from the schedule of values for each county appraiser to use in appraising property during the reappraisal and in between reappraisals. These manuals should be developed in a manner that ensures fair and equitable appraisals throughout the county.



8. Notices and Appeals

- All counties are required to use the NCDOR forms and notices or they are required to have their forms and notices approved by NCDOR. The NCDOR recommended forms and letters are located at: <http://www.dornc.com/localgovt/index.html>.
- All counties should follow the NCDOR Appeal Manual in conducting informal appeal hearings and BOER hearings. The NCDOR Appeals Manual is located at: <http://www.dornc.com/publications/property.html>.



7. Conducting the Reappraisal-Resources

Education Courses

- IAAO 300 Mass Appraisal
- USPAP
- NCDOR Tax Admin.
- IAAO 400 Assmt. Admin.
- NCDOR Reappraisal Workshop

IAAO Textbooks

- Assessment Administration
- Fundamentals of Industrial Valuation
- Fundamentals of Mass Appraisal
- Fundamentals of Tax Policy
- GIS Guidelines for Assessors
- Property Appraisal and Assessment Administration



Effective Date of Reappraisal Standards

January 1, 2018

- Counties conducting a reappraisal effective January 1, 2020 are required to submit their reappraisal plan by January 1st 2018.
- Counties conducting a reappraisal effective January 1, 2021 and January 1, 2022 are required to submit a random sample on January 15th 2018 and submit the completed data review by September 1, 2018.



Effective Date of Reappraisal Standards

January 1, 2018

- In April of 2019 NCDOR will send letters to counties whose sales ratio and/or COD do not meet the standards as required.



Spreadsheet

Enter the Reappraisal Year	2022			
Enter the # of Years in Reappraisal Cycle	8			
Reappraisal Plan Due Date	January 1st of 2020			
DOR Sends Random Sample #	January 1st of 2018			
County Submits Random Sample for Approval	January 15th of 2018			
County Submits Final Random Sample	September 1st of 2018			
DOR 's Findings of Random Sample	November 1st of 2018			
Sales Ratio/COD Findings	April 30th of Each Year			



Discussions –Ideas for change to the General Statutes:

- Statewide appeal deadline.
- Special Board of Equalization and Review for all 100 counties.
- Codify by statute the informal appeals process- two part appeal process. The first appeal being to the assessor's office. Allowing the assessor the ability to settle appeals without taking to the board of equalization after the board is in session.
- Untimely or late appeal process after the appeal deadline.



Other Issues

- Real vs. Personal Property
- Leasehold Improvements
- Notices and Forms
- Annual Reappraisal Meetings
- Reappraisal Workshop



Questions?



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Thank you!