



# Tax Administration

## in North Carolina Course



North Carolina Department of Revenue



# Reappraisal

Property Tax Section  
Local Government Division

# Reappraisal

- An Appraisal is an opinion of value for a particular property at a given time
- A Reappraisal is an appraisal, or opinion of value, of all parcels in the County, as of January 1 of the year of the general reappraisal.
- As such a reappraisal is not just an increase based on a sales vs. assessment study, but it is a process of appraising all parcels from “scratch” at market value without regards to a prior determination of value.

# Reappraisal

- A Reappraisal should be a stand alone appraisal independent of any prior values assessed by the County.
- Do not try to “reinvent the wheel,” just try to capture the market.
- Why are reappraisals important?
  - Equalize values among property classes.
  - Required.

# Public Relations

- Reappraisals are rarely popular with taxpayers. “Sticker shock” often makes folks angry and fearful about their expected tax bills.
- Even though there are a lot of other things going on, it’s important to get as much information as you can out to the community from the beginning of the process.
- Get with your Commissioners, County Manager, and Finance Officer, so that everyone is on the same page.

# Public Relations (cont'd)

- Be prepared to answer taxpayer questions about expected county budget requirements and the revenue-neutral tax rate
- Get the word out to civic groups, homeowner associations, real estate professionals, and other interested community organizations.
- In addition to public speaking, consider brochures, web sites, videos, press releases, cable access channels, etc.

# Reappraisal Required

## ■ Personal Property

- Personal property is to be appraised annually as provided in 105-285(b).
- Real Property is to be appraised in accordance with 105-286.
  - At least every 8 years.
  - Required advancement if ratio drops below or rises above certain ratio percentages.
  - May be advanced by the County.

# Reappraisal Required (cont'd)

- **§ 105-286. Time for general reappraisal of real property.**
- (a) Octennial Cycle. – Each county must reappraise all real property in accordance with the provisions of G.S. 105-283 and G.S. 105-317 as of January 1 of the year set out in the following schedule and every eighth year thereafter, unless the county is **required** to advance the date under subdivision (2) of this section or **chooses** to advance the date under subdivision (3) of this section.

# Reappraisal Required (cont'd)

- ... (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, as indicated on the notice the county receives [from NCDOR]. A reappraisal required under this subdivision must become effective no later than January 1 of the earlier of the following years:
  - a.    The third year following the year the county received the notice.
  - b.    The eighth year following the year of the county's last reappraisal.



# Reappraisal Required (cont'd)

- If a mandatory advancement is required, the NC Department of Revenue's Local Government Division will notify the County in April following the year in which the sales ratio was conducted for the County.
  - The County will have approximately 30 months from the date the notice is given.
    - (If notice is given in April of 2014 the County's next reappraisal date must be effective no later than January 1, 2017, but cannot be delayed longer than the 8 year mandatory cycle required.)

# Reappraisal Required (cont'd)

- ... (3) **Optional Advancement.** – Cycle can be more frequent than the mandatory 8 years required for real property...if the board of county commissioners adopts a resolution providing for advancement of the reappraisal:
  - Resolution must designate the effective date
  - Board must promptly forward a copy to NCDOR
  - The adopted reappraisal cycle continues in effect until the board adopts another resolution that designates a different cycle
  - It is recommended that the resolution state the cycle of future reappraisals

# 1. Preplanning

- What are the basic requirements of the statutes?
  - Develop a Schedule of Values (G.S. 105-317)
  - Appraise all real property at true value (G.S. 105-283)
  - Appraise all real property uniformly (G.S. 105-284)
  
- What else is there to do?
  - ✓ Building a timeline
  - ✓ Qualify & analyze sales
  - ✓ Stratify sales data by neighborhood
  - ✓ Obtain income & cost data
  - ✓ Develop a pricing model
  - ✓ Measure & List (verify data or at least ride-by verification)
  - ✓ Data Entry
  - ✓ Field review and Final review
  - ✓ Mail assessment notices
  - ✓ Handle informal appeals
  - ✓ Get all this and more done in a timely, efficient manner, which satisfies everyone

# Preplanning Questions

- What went wrong (or right) the last time?
- What have other counties done recently?
- Are there systems in place to help ensure that your data is good?
  - Building permits (including municipal)
  - Property Record Card data accurate and up to date

# Preplanning Questions (cont'd)

- Do you have the budget, staff, knowledge, and experience to conduct all or part of the reappraisal in-house?
- Do you have the Budget available to contract out the reappraisal?
  - Remember: The Assessor is legally responsible for all values, regardless of who conducts the reappraisal.

# Budget

- **153A-150. Reserve for reappraisal,**
  - Requires counties to appropriate money annually in budgeting for the next county-wide reappraisal.
  - This appropriation is separate from the annual budget set for the tax office as a whole or from the appraisal department budget.
  - May be deposited or invested.
  - It should be based on the County's current reappraisal cycle.
  - Form AV-8 required to be submitted to the Department of revenue.

# § 153A-150. Reserve for Reappraisal

- Refer to Form AV-8 for discussion of the information to be submitted.

# Preplanning Questions

- What can the County Afford?
  - **Data**-How good is your data/when was it last reviewed?
  - Full measure and list.
  - Additional Staff.
  - In-house or Appraisal Firm.
  - Etc...



# Getting Help

- **Starting time: 18-24 months in advance of the effective reappraisal date (!)**
- NCDOR, the ptax listserv, and the other 99 counties are all valuable resources. There's no need to reinvent the wheel, if someone has found (or seen) a good way to get something done.
- NCDOR also maintains a registry of appraisal firms which contract with counties to perform all or part of reappraisals. The list is available at any time, and is uploaded to our website annually.

# Reappraisal Firms

- G.S. 105-299 gives the county the authority to hire experts to assist the assessor. **Remember that the values are ultimately the assessor's responsibility.**
- Appraisal firms can provide a variety of services:
  - complete, turn-key reappraisals
  - appraisals for specific market segments (e.g., commercial / industrial)
  - general consulting services
  - Building a schedule of values
- No RFP is required—just select a firm. If requested, NCDOR can assist with contract review
- Other counties can provide valuable feedback on their experience working with specific contractors

# In-House Reappraisal

- If the County has the Staff, knowledge, and experience, it may choose to conduct the reappraisal in-house rather than contracting it out to an outside reappraisal firm.
- If so it is important to break down the reappraisal process and prepare a timeline for the process in order to stay on track and complete the reappraisal in a timely manner.

# Timelines

- Measure and List (Field Review)
- Analyzing Sales, Cost, and Income
- Building a Schedule of Values
- Land Pricing
- Data Entry
- Testing
- Adoption of Schedule of Values
- Notices
- Appeals
- All this plus the County's regular duties
  - Splits and Straight Transfers
  - New Construction
  - Etc...

# TIMELINE EXAMPLES

# Measure and List

- After the preplanning stage it is time to start the actual process of reappraising all the parcels in the County.
- The County must first determine the accuracy of it's data.
  - It is not very beneficial to apply a schedule or pricing model to inaccurate data, nor is it beneficial to develop one based on such.
  - Random Sampling is a good method to determine accuracy of data.

# Measure and List (cont'd)

- Once the County has checked it's data, what is the conclusion?
  - Is the data accurate?
    - If so the County may wish to proceed on without a full measure and list; however, it is highly recommended that the County, at minimum, do a drive-by review or verification.
    - If not, the County should, if at all possible, conduct a full measure and list of all property in the County.
    - The County may determine that some data classes are accurate while others are not (i.e. Commercial/Industrial vs. Residential), and may choose a full measure and list on these classes and a ride-by on the ones that are accurate.

# Analyzing Sales

- Analyzing sales and determining their merit is something the County's probably do and should do constantly.
  - Sales Ratio Studies for DOR (Public Utilities).
  - Sales Ratio Studies for the County's own uses and for use in the next reappraisal.
  - **Note:** Verification of sales should be determined separately for the Reappraisal and the Sales Ratio Study. Example: The County may be able to get an idea of Price/Acre for land based on a two-parcel sale; however, the sales ratio study conducted by DOR would not recognize this as a good sale.



# Analyzing Sales (cont'd)

- Sales may be verified and/or gathered in various ways.
  - Deeds
  - Confidential sales sheets attached to Deeds at recordation.
  - Confidential questionnaires or surveys mailed out to the buyer, seller, or both.
  - Local Appraisers/Realtors
  - MLS
  - Phone conversations.

# Sales Data

- Collect information on all sales in the county
- Review the sales data to qualify the sales
  - Any personal property included?
  - Sale to related party?
  - Use Sales Ratio Study Deed Edit Sheet for other examples
- \*\*\*Steps 1 and 2 above can be part of your regular land records maintenance process\*\*\*
  - Outside data (MLS, fee appraisers, brokers, bankers) can provide more information about the market—list vs. sale prices, additional sale details, trends, financing issues, etc.

# Sales Data (cont'd)

- Build a sales file—could be a notebook, spreadsheet, part of the CAMA or GIS systems, etc.
- Classify sales by type: residential, commercial, industrial, improved, vacant
- Determine where appraisal “neighborhoods,” or sub-markets, in your county exist
- Taxpayers will expect to see comps during the appeal process
- Having pictures of Improvements will be beneficial during the appeals process

# Sales Data (cont'd)

- Pricing vacant land can get somewhat complicated, unless there are a lot of sales of varying types of unimproved property.
- You can back into land values by subtracting the value of the improvements, but the improvement values have to be accurate to make this work.
- Be aware of possible differences in values for wooded vs. cleared land, etc.

# Analyzing Cost

- Analyzing Cost is important in helping to build a schedule of values and possibly to help support the opinion of market value; however, it should probably not be used alone to value property.
  - The Cost approach may not be reflective of market value, especially in times of a down economy.
  - The Cost approach does not typically fit the definition of Market Value as defined in 105-283. Extreme caution is recommended in using this approach when adequate sales are available.

# Cost Data

## 1. Many sources of building cost data:

- Marshall & Swift
- Builders / contractors / tradespeople
- Insurance professionals
- Lowe's / Home Depot / other building supply businesses
- Manufactured home dealers
- Nearby / similar counties

## 2. The cost approach is the basis for most CAMA software

# Income Data

- Request income data from owners of this type of property—for example, apartment buildings, hotels, mobile home parks, office buildings, etc.
- Information on income, expenses, and vacancies are all useful in determining typical NOI for different property types
- Sales of this type of property, coupled with income information, also helps develop capitalization rates

# Analyzing Income

- The Courts have determined that income producing properties should be valued using the income approach.
- Income can be obtained in much the same way as the cost and sales.
  - Confidential questionnaires or surveys mailed out to the purchaser.
  - Local Appraisers/Realtors
  - MLS
  - Phone conversations.



# Analyzing Income (cont'd)

- The Income Approach to Value is a separate course, but it is important to know that it is based on using a Cap Rate to capitalize annual income of a property and derive value.
- Value may also be determined using a Gross Rent Multiplier (GRM).
- It is also important to remember that Income is **Confidential Information**, and should be protected as such.

# Income/GRM/Capitalization

- **Cap Rate** =  $(\text{Annual Income} - \text{Allowable Expenses}) / \text{Sales Price}$
- **GRM** =  $\text{Sales Price} / \text{Annual or Monthly Income}$
- **Value** =  $\text{Income} / \text{Cap Rate}$
- **Value** =  $\text{Income} \times \text{GRM}$
- It should be based on Market Income/Rents not necessarily an Income stream of one particular property

# The Schedule of Values

- G.S. 105-317 requires that:
  - “Uniform schedules of values, standards, and rules to be used in appraising real property at its true value and at its present-use value are prepared and are sufficiently detailed to enable those making appraisals to adhere to them in appraising real property.”
  - Usually abbreviated to “Schedule of Values,” this document is the manual, adopted by the county, which describes how real property is to be appraised.

# The Schedule of Values (cont'd)

- The Schedule of Values is an Important process and the one the entire reappraisal and concurrent appraisals of new improvements will be based on. (Until the next County-wide Reappraisal).
- It will consist of an array of values and information to help those appraising property in the county do so in a consistent and concise manner and in accordance with the most recent County-wide reappraisal.

# Information in the Schedule

- The information that is to be in the schedule is much too lengthy to provide an entire list.
- Information in one County's Schedule may vary from another County's Schedule due to various factors such as demographics.
- For Example: a smaller county may not have the need for information pertaining to a 45 story high-rise office building, but a larger County may have the need for this information plus many of the same calls or classes used by the smaller county's as well.

# Information in the Schedule (cont'd)

- It is important to know the various classes of properties within your county.
- Some of the possible contents that will probably be seen in all SOVs are on the next slide.

# Possible SOV Contents

- USPAP mass appraisal guidelines (Standard 6)
- Reappraisal statutes
- Approaches to value
- Differences in grades (photos & text)
- Cost schedules
- Depreciation tables
- Land price tables
- Adjustment tables (acreage, depth, etc.)
- Real vs. Personal checklist

# Side Note: PUV

- The reappraisal process requires the county not only to develop market values, but also present-use values.
- G.S. 105-277.7 establishes the Use-Value Advisory Board, which is charged with developing a manual of recommended PUV valuations.
- The manual considers various soil types and market areas, so that it can be applied by any county.
- Counties are not required to adopt the UVAB recommendations, but why not?
  - The PUV Schedule of Values may be adopted at the same meeting, but it is highly recommended that the PUV Schedules be adopted separately.



# Pulling It All Together

- Before the County fully adopts the Schedule of values it should test the preliminary schedule thoroughly and apply it to existing properties to determine if the Schedule conforms to the current market conditions.
- The range of land prices within the preliminary schedule may be applied to the property record cards first.
  - This is assuming you have adequate sales and is much easier in developing neighborhoods where there are lots being sold. If this is not the case you may have to go outside the neighborhood to comparable neighborhoods for lot values or use the extraction method.

# Testing

- Once the land values have been applied to the property cards, the improvements from the preliminary reappraisal schedule may be applied.
  - This portion of the preliminary schedule will contain such information as:
    - Single-family Residential Home
    - Decks/porches
    - Other features
    - Office building, Churches, Retail, etc.
    - Industrial, Heavy manufacturing, Light manufacturing, etc.

# Testing (cont'd)

- Once the preliminary schedule has been applied to the property cards for the individual classes, reports such as a sales to assessment ratio reports should be run to determine the accuracy of the schedule.
- Since different areas of the County may yield higher values, the County may need to run these reports for individual sections or neighborhoods in the County in order to address this issue and to get a more accurate depiction of the results.

# Testing (cont'd)

- If the results of the reports are not favorable, then the County may need to consider:
  - Revising the Schedule
    - Tweaking the schedule itself to better address the current market conditions.
  - Addressing different classes of properties or sections of the County where results are less favorable.
    - Addressing certain classes, neighborhoods, or sections of the County that for whatever reason just don't fit the current market conditions.

# Testing (cont'd)

- If it is necessary to revise the schedule, revise certain property classes, or address issues in certain sections or neighborhoods within the county, retest the schedule, the portion that needed addressing, or the various neighborhoods addressed until the results are favorable.
- **Do Not Chase Sales.**

# Adoption of the Schedule

- Once the County feels confident that the Schedule of Values produces accurate, confident, and equitable results among all property classes, it is time to adopt the Schedule for January 1 of the coming year.

# Adopting the SOV

- The SOV must be adopted before January 1 of the reappraisal year, but Aug/Sept is a good target date
- 30-day window for SOV appeals opens when notice is first published that the SOV has been adopted
- Assessment notices should probably not go out until 3-5 days after the close of the appeal period
- When the appeal period is closed and any appeals are concluded, we consider the SOV to be “fully adopted.”

# SOV Adoption Calendar

1. Submit to board of county commissioners at least 21 days before the meeting at which the SOV is to be adopted
2. Advertise the public hearing, and that the SOV is available for public inspection
3. Public hearing at least 7 days before the meeting at which the SOV is to be adopted
4. Adopt the SOV
5. Advertise, for four weeks, that the SOV is subject to challenge/appeal (to the PTC)



# Schedule of Values Adoption Calendar

## August 2012

NCGS 105-317

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7	8	9	10	11
	Schedules Submitted to County Commissioners	Advertise Date of Public Hearing, Schedules Are Available for Public Inspection				
12	13	14	15	16	17	18
19	20	21	22	23	24	25
	Public Hearing Scheduled					
26	27	28	29	30	31	
	Schedules Adopted by County Commissioners	Publication of First Notice				

# Schedule of Values Adoption Calendar

## September 2012

NCGS 105-317

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
		Publication of Second Notice				
9	10	11	12	13	14	15
		Publication of Third Notice				
16	17	18	19	20	21	22
		Publication of Fourth Notice				
23	24	25	26	27	28	29
				Last Day Schedules Can Be Appealed		
30						

# Pulling It All Together

- Once the SOV is fully adopted, the county is required to follow its provisions in order to maintain equity.
- The SOV must also be followed at all appeal levels.
- It's important to ensure that the CAMA software prices real property in a way that is consistent with the SOV (including any changes made to the SOV during the appeal process).

# Testing of Final Data

- Once the schedule has been adopted it is now time to enter all data into the system or convert the data over if using a separate reappraisal file.
- Prior to notices going out the data should be tested one last time to ensure that the data is as accurate as possible (not perfect).
- This should be done in a similar manner as previously described.

# Final Review

- When the SOV has been fully adopted, but before reassessment notices go out, the values should be reviewed. For example:
  - Spot-check a generous sample of PRCs
  - Run reports, looking for large value changes
  - Look for value outliers
  - Look for problem valuation areas
  - Look at the statistics—mean, median, COD, PRD—  
how close did your values come to market sales?

# Notices

- Once the SOV has been adopted, and you're satisfied with the quality of your values, it's time to notify property owners of their new assessed values. December is a good target.
- The notice should list the new value, along with the method of appeal and the right of the owner to have an on-site visitation.
- The form may contain space for information the owner wants considered for appeal.
- Refer to Examples.

# NOTICES EXAMPLES

# GIS

- GIS is a valuable tool which can be used throughout all processes in the Tax Office. For the Reappraisals/Appraisals, GIS can be used by the tax office to determine:
  - Neighborhood boundaries
  - Zoning
    - commercial/industrial, mixed use, residential, and other uses or restrictions
  - Sales/pricing of land and improvements
  - Inconsistencies in land/improvement values
  - Inconsistencies in land/improvement grades
  - Appeal hot spots



# GIS (Cont'd)

- Pictures of Improvements may also be linked to GIS. (See Example)
  - Assist the assessor/appraiser in determining comparable properties.
    - Classification
    - Quality
    - Topography
  - Assist in explaining assessed values, and how they were derived, to concerned property owners who may or may not appeal.
  - May also assist in verifying some data that is unclear to the assessor/appraiser.

# Informal Appeals

- While not required by statute, an efficient informal appeals process can resolve a large percentage of appeals prior to the first meeting of the Board of E&R.
- As a rough guide, we have historically seen about 10% of values appealed informally.
- It's important to make sure that the informal process is wrapped up in time to allow the taxpayer time to appeal to the Board of E&R.

# Informal Appeals (cont'd)

- The appraiser, if he/she has not already done so, should review the property and consider any and all documents and/or information provided by the tax payer, even those documents that may not appear relevant.
- If at all possible, meet one on one with the tax payer to review his information and to check the property for accuracy and consistency. This is also good public relations.

# Informal Appeals (cont'd)

- The Informal appeals process may also serve a purpose detecting areas in the County where problems exist and corrections need to be made.
- Areas where appeals are of greater proportion (Appeal Hot Spots) may need to be looked at closer.
- It may also be that while reviewing one parcel the assessor determines that an area or neighborhood has been over or under assessed and there is a need to adjust an area rather than just one particular property.

# Board of Equalization and Review (Cont'd)

- The Board of Equalization and Review consists of the Board of County Commissioners unless they have appointed a “Special Board” to serve in their stead.
- The Board of Equalization and Review’s power and duties is given under 105-322(g)(1) and (g)(2).
- The Board is given the power to correct any errors in listing or assessing while in session under 105-322(g)(1).

# Board of Equalization and Review (Cont'd)

- Therefore under 105-322(g)(1) the Board of Equalization and review has the authority to correct areas that have been over or under assessed, on their own motion, whether it has been brought to the attention of the assessor or not.
- If using this authority the Board must mail written notice to all taxpayers affected.
- The taxpayers would have the latter of 15 days after the notice of change was mailed by the Board or until the Board adjourns to appeal the decision to the Board.

# Board of Equalization and Review

- If the taxpayer is not satisfied with the results of the informal review or if the taxpayer has been affected by a change in value made under 105-322(g)(1), he/she may appeal this decision to the Board of Equalization and Review.
- The taxpayer is not required to request an informal review in order to appeal to the Board of Equalization and Review.

# Board of Equalization and Review (Cont'd)

- Any person who owns or controls property in the county may appeal to the Board of Equalization and Review in that County, either in person or in writing, prior to the adjournment of the Board.
- The Board must also allow a taxpayer to appeal 15 days after a decision of the Board of Equalization and Review under 105-322(g)(1).
- There are other circumstances in which a property owner may appeal after adjournment. These will be discussed in the appeals power point.



# Board of Equalization and Review (Cont'd)

- The Board must mail notice to the taxpayer of its decision.
- The Decision should contain:
  - Date the Decision was mailed
  - Parcel Identification
  - The Board's Decision
    - Value change or no change
    - Exemption allowed or denied
    - Hearing denied based on timeliness
    - Etc..
  - Information and instructions for appealing the Board of Equalization and Review's decision to the NC Property Tax Commission

# Property Tax Commission

- If the taxpayer is not satisfied with the decision of the Board of Equalization and Review, it may appeal that decision to the NC Property Tax Commission within 30 days of the date in which the Board's notice of decision was mailed to the taxpayer.
- The NC Property is a formal Board sitting as the NC State Board of Equalization and Review.

# Appeals from the Property Tax Commission

- A taxpayer may appeal a decision rendered by the NC Property Tax Commission to the NC Court of appeals.
- A decision rendered by the NC Court of Appeals may be appealed to the NC Supreme Court.

# Additional Requirements

- A County-wide Reappraisal is a tough task to take on.
- While this is an overview of a how one may conduct a reappraisal, it does not touch on the day to day duties which do not go away just because the County is conducting a reappraisal of Real Property.
- When planning for the reappraisal, it is imperative that the assessor not forget that this is in addition to the tax office's regular duties and may require additional resources.