

**REPORT TO
UTAH STATE LEGISLATURE**

Report No. 97-02

**A Performance Audit
of
Residential Tax Assessment Practices**

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Digest of a Performance Audit of Residential Tax Assessment Practices

This report discusses how homes are assessed for property tax purposes and the processes established to insure that the tax burden is equitably distributed. In general, county assessors and the Tax Commission have made significant improvements in recent years that make home values more accurate and property taxes more equitable. While both county assessors and the Tax Commission are commended for the progress they have made, this report focuses on policy issues that remain and possible additional improvements. The Tax Commission's Property Tax Division (PTD) has already made some of the changes recommended in the report.

The counties and the state share the responsibility for assessing homes according to fair market value. County assessors use relevant property characteristics and sales data to value homes. To insure that the assessment of properties is just and equal, the Tax Commission's Property Tax Division (PTD) helps county assessors and monitors their performance. If a county's assessment practices or results are inadequate, the Tax Commission is required to issue orders designed to correct the problem.

Our audit objective was to evaluate local property tax valuation practices to determine if they are fair and consistent with statutory provisions. Fairness in property taxes is an important but difficult concept to evaluate. Property tax may be the state's most controversial and least popular tax. Some taxpayers view it as an unfair tax that should be eliminated, a concept that was studied during the 1996 legislative interim by a Tax Elimination Blue Ribbon Committee. Our audit scope did not include a review of the general concept of property taxes, and we did not evaluate the fairness of property tax laws. Instead, we reviewed the fairness of the process used to set property values and the fairness of results achieved as measured by the PTD's annual assessment-sales ratio study. We reviewed how county assessors value residential properties and how homeowners may challenge values they feel are too high. In addition, we reviewed how the Tax Commission assists assessors, monitors assessor performance, and assures that property owners throughout the state pay their fair share, but no more, of property taxes. We also investigated a specific allegation of favoritism and targeting in Salt Lake County assessments. Our audit work included visits to 10 counties plus telephone interviews and a written survey sent to all assessor offices.

The following summaries describe the major findings and conclusions of the report:

Further Improvement in Assessment Practices may Require Additional Resources. In recent years the Legislature has clarified assessor responsibilities to periodically review property characteristics and annually update values based on current market data. In response, county assessors have significantly improved their practices to more accurately

value property. Despite recent improvements, not all county assessors' valuation practices meet statutory requirements. At least 11 counties delay the annual value update until the following year because they rely on the PTD's assessment-sales ratio study information to determine appropriate adjustment factors and that information is not available in time to develop factors for the current tax year. In terms of the collection and maintenance of property data, we found that counties vary in the degree to which they have completed the mandatory cyclical review of property characteristics. We also found that the 5-year plans required by the **Utah Code** do not play a meaningful role in assessment practices, and that some counties do not adequately inform property owners of upcoming property characteristic reviews. With regard to computer-assisted appraisal systems used to determine values, many counties have found their systems are too outdated to meet current needs and are upgrading their systems. Davis, Weber, and Utah Counties will have a difficult transition from their present cost-based systems to planned sales-comparison systems and will need to obtain the necessary data and technical expertise to be successful. For smaller counties that continue to rely on outdated computer systems, the PTD should continue to provide assistance as it has in the past. In addition, even though the PTD does not assist with funding, we feel it should advise counties planning the purchase of new systems in order to help counties use their resources wisely and promote consistency in statewide valuation practices.

If the Legislature wants better assessor performance, it may need to insure that assessor offices receive more of the state assessing and collecting (A&C) levy established to fund property assessments. Some assessors report that a lack of qualified staff and other resources resulting from inadequate funding makes it difficult or impossible for them to fulfill their legislatively mandated responsibilities. For example, 22 assessors report they have fewer appraisers than needed according to a national standard. Our analysis shows wide variances among counties in the staffing and funding resources available to value locally assessed property. The disparity in resources is a concern because it may affect the uniformity of property valuations and thus the fairness of taxes among and within counties. Although the Legislature has established a mechanism to fund property valuation, in some counties relatively little of the A&C funding goes toward property valuation. Some counties use A&C funds on questionable programs such as building inspection and planning commissions. Because these programs would continue to be needed even if property taxes were eliminated, they may not meet the intent of the A&C levy. If the Legislature wants to improve valuation practices it should take steps to insure that assessors receive more of the taxes levied to fund accurate property valuation.

Role of Tax Commission Needs Clarification. Some aspects of the Tax Commission's role in equalizing property assessments need clarification. According to the **Utah Code**, the Tax Commission is responsible to insure that "*assessments of property are just and equal, according to fair market value, and that the tax burden is distributed without favor or discrimination.*" Equalizing values enhances the fairness of property taxes both among and within counties. There are three principal ways that the Tax Commission and the PTD insures assessed values are equitable.

First, the PTD provides training, assistance, and general supervision to county assessors and their staff. While generally effective, some improvements are possible in the assistance the PTD provides to county assessors. We recommend the division promptly share sales data and preliminary assessment-sales ratio analysis with assessors and that county representatives apportion their time among counties more appropriately.

Second, the PTD evaluates the counties' assessment performance and valuation practices. The division has made significant improvements in the assessment-sales ratio study that evaluates assessment performance. The report identifies additional items the PTD should consider, such as testing the representativeness of samples and making greater use of realty data, as it continues to refine its study. We also discuss the need for a more comprehensive review of assessor practices, and the important role they play to insure assessed values are equitable and approximate fair market value.

Third, when necessary the Tax Commission orders counties to adjust values or complete specific assessment activities. It is this third and most challenging responsibility of ordering counties to take actions that we feel may need additional clarification. Our review of the equalization process raised several difficult policy questions. First, should factoring orders equalize values for the current tax year? Currently, orders are issued too late to be applied in the year for which a problem is measured so taxes are based on unequalized values. Possible changes to achieve current year equalization could have far reaching effects and would need thorough study. Second, how broadly should existing laws and rules directing the issuance and enforcement of orders be interpreted? Currently, the Tax Commission takes a more pragmatic approach than seems to be required by the **Utah Code** and **Administrative Rules**. For example, more limited orders may be issued because an assessor may not have the resources to complete all needed activities and the PTD may focus on resource needs rather than assessment activities. We agree that the commission should consider the practical effect of its orders, however, when practical considerations override strict compliance with laws or rules the reasons should be documented. Third, how should compliance with orders be tested? Currently, the PTD does not verify compliance with its reappraisal rule, but relies on an indirect statistical verification.

Assessment and Appeal Practices in Salt Lake County are Fair. We found no merit to allegations of unfair and improper practices in how homes are assessed and how appeals are processed in Salt Lake County. First, it was alleged that during the 1991-1994 period the Salt Lake County Assessor's Office engaged in favoritism by reducing assessments of prominent homeowners and in targeting by increasing the assessments of other homeowners. We found that the Assessor's Office calculates property values according to an objective methodology and is committed to the concept of uniformly assessing each property on the basis of fair market value. Additionally, our review of Avenues area properties whose values changed during the 1991-1994 period showed the changes were due to ongoing programs applicable to all taxpayers and were not the result of special treatment. While we do not believe the assessor's staff has favored or targeted selected individuals, we feel new procedures for

making changes to property records and reviewing appeals are needed.

Second, it was alleged that the appeals process was unfair because hearing officers were unqualified. The Salt Lake County appeals process is fair because it meets minimum standards established by Utah law and national professional organizations. Although most Salt Lake County hearing officers are not professional appraisers, they are competent individuals who receive training in appraisal techniques. While the county's appeal system is fair, we feel the Assessor's Office could improve its service to taxpayers by establishing practices that help homeowners better understand how their home values are determined. Better public information also might reduce the number of formal appeals the county receives.

Chapter I

Introduction

This report discusses how homes are assessed for property tax purposes and the processes established to insure that the tax burden is equitably distributed. While property tax laws themselves are sometimes controversial, we did not question the fairness of those laws. Our work addressed the application of existing laws with respect to home valuations in order to evaluate whether home assessment practices are fair and consistent with statutory requirements.

The state constitution and statutes provide the legal framework for property assessments. The constitution requires that property be taxed in proportion to its value. The **Utah Code** requires that all residential property be assessed at its fair market value, but exempts 45 percent of a primary residence's value from taxation. Additionally, state law prescribes minimum practices that assessors must follow. Taken together, Utah constitutional and statutory provisions require that property be assessed at a uniform and equal rate, according to fair market value, that the tax burden is equitably distributed, and that property valuation is understandable. These governing principles are reflected in the property tax policy guidelines adopted by a joint resolution of the Legislature in 1990, which, in part, provide that:

1. Taxable property should be uniformly appraised at its fair market value.
2. The property tax appraisal system should be professionally administered and adequately funded.
3. Property tax administration should be simple and understandable.
4. The property tax system should provide the public adequate information on and full access to valuation, tax changes, and the appeals process.

To this end, the Legislature created a system whereby the counties and the state share the responsibility of insuring that properties are properly assessed and established a levy to fund property assessment activities.

Home Valuation is a Shared Responsibility

The counties and the state share the responsibility for assessing homes according to fair market value, which is the amount for which the home could sell on the open market. County assessors use relevant property characteristics and sales data to value homes. To insure that the assessment of properties is just and equal, the Tax Commission's Property Tax Division helps county assessors and monitors their performance. If a county's assessment practices or results are inadequate, the Tax Commission is required to issue orders designed to correct the problem.

County assessors are responsible for annually assessing homes at their fair market value. By law, assessors must conduct a detailed review of each property's characteristics at least every five

years and must annually update values based on market conditions. These statutory requirements impose a positive duty on assessors to regularly update the information they use to establish and maintain values. Updated information is critical to keeping values current because it is through this process that assessors are able to account for changing property and market conditions. County assessors are also responsible for assessing farmland, commercial and personal property.

Assessors are also required to employ methods that are consistent with professional appraisal standards. While all assessors are obligated to employ professionally accepted methods, in reality both the practices used and the sophistication of assessment systems vary widely because county needs are so different. In some cases, the practices used in a small county cannot be compared with those needed in a large county. Figure I indicates the relative size of the home valuation task facing each county assessor. The four largest counties contain about 72 percent of the state's residential parcels. The next 10 largest counties account for about 20 percent of the total. The remaining 15 counties account for less than 7 percent of the state's residential parcels.

The Property Tax Division (PTD) assists and monitors county assessors. Division staff assist county assessors by providing classroom training, field assistance through the county representative program and by sharing sales information. The division monitors county assessment performance by conducting an annual assessment-sales ratio study that provides a statistical evaluation of assessment results and by evaluating the assessment practices of individual counties.

The evaluation of county assessment results and practices may lead to corrective action orders by the state Tax Commission. For example, the commission could order a county to apply a factor to proportionately increase or decrease home assessments. In other cases the Tax Commission may order the reappraisal of properties. In some situations, the Tax Commission may adjust a county's tax rate to preserve tax equity among counties. In all cases, the orders are designed to insure that assessments are just and equal, and that the tax burden is equitably distributed.

Another important element of the valuation system is the appeals process. If homeowners feel the assessor has overvalued their property they may appeal for a reduction to the local board of equalization (BOE), which is the county commission. In an appeal the burden of proof is on the homeowner to show the assessor's valuation is at least five percent too high; the **Utah Code** allows a county to reject an appeal if the disputed amount is less than five percent. The homeowner or the assessor may appeal a local BOE decision to the state BOE, which is the Tax Commission. Tax Commission decisions may be appealed to the courts.

Figure I
1995 Residential Parcels and Taxable Value by County*

County	Number of Parcels	Percent of Parcels Statewide	Taxable Value	Percent of Value Statewide
Salt Lake	210,414	39.96%	\$15,807,519,435	47.31%
Utah	71,957	13.67	4,654,170,239	13.93
Weber	52,042	9.88	2,349,213,160	7.03
Davis	<u>49,631</u>	<u>9.43</u>	<u>3,277,463,126</u>	<u>9.81</u>
Subtotal	384,044	72.94%	\$26,088,365,960	78.08%
Washington	22,409	4.26	1,275,568,247	3.82
Cache	18,515	3.52	1,038,478,275	3.11
Summit	13,836	2.63	1,803,403,202	5.40
Box Elder	10,479	1.99	455,174,331	1.36
Iron	8,400	1.60	389,572,292	1.17
Tooele	7,381	1.40	295,732,350	.89
Carbon	6,995	1.33	185,121,749	.55
Uintah	6,761	1.28	192,294,032	.58
Sanpete	6,735	1.28	184,854,100	.55
Sevier	<u>5,494</u>	<u>1.04</u>	<u>160,829,790</u>	<u>.48</u>
Subtotal	107,005	20.32%	\$ 5,981,028,368	17.90%
Duchesne	4,924	.94	98,724,400	.30
Wasatch	4,555	.87	359,353,850	1.08
Millard	3,677	.70	89,373,645	.27
Kane	3,356	.64	124,352,503	.37
Emery	3,222	.61	65,497,630	.20
Grand	2,127	.40	101,357,376	.30
Garfield	2,117	.40	84,190,065	.25
Juab	2,027	.38	70,842,907	.21
Beaver	1,975	.38	69,950,390	.21
Morgan	1,800	.34	109,676,736	.33
San Juan	1,788	.34	46,113,308	.14
Rich	1,618	.31	63,550,695	.19
Wayne	920	.17	29,505,463	.09
Daggett	756	.14	20,319,711	.06
Piute	<u>610</u>	<u>.12</u>	<u>11,696,465</u>	<u>.04</u>
Subtotal	35,472	6.74%	\$ 1,344,505,144	4.02%
TOTAL	526,521	100.00%	\$33,413,899,472	100.00%

Property Tax Fairness has Many Meanings

Fairness in property taxes is an important but difficult concept to evaluate. Property tax may be the state's most controversial and least popular tax. Some taxpayers view it as an unfair tax that should be eliminated. In fact, during the 1996 legislative interim, a Tax Elimination Blue Ribbon Committee evaluated ways to reduce or eliminate government reliance on property taxes. Our audit scope did not include a review of the general concept of property taxes, and we did not evaluate the fairness of property tax laws. Instead, we reviewed the fairness of the process used to set property values and the fairness of results achieved as measured by the PTD's annual assessment-sales ratio study.

Despite their long history, property tax laws remain controversial. Some opponents of property taxes feel they infringe on the basic right of people to own property. However, property taxes remain an important source of revenues, particularly for public schools and local governments, although government reliance on property tax has declined. Beyond that, many difficult issues related to the fairness of property tax law were beyond our scope. For example, important policy issues that we did not evaluate include:

1. Should secondary residential and other property owners have to pay tax on full market value while primary residential properties receive a 45 percent exemption?
2. Should homeowners who improve their properties have to pay tax on the increased value?
3. Should fixed income and elderly homeowners have to pay tax on the appreciated value of their home?
4. Should homeowners have the burden of proof on appeals?

While evaluating the legitimacy of tax laws was beyond our scope, we did review the process used to set assessed values. Some important elements we considered included whether the process is competent, open and impartial. At a minimum, county assessors' practices should comply with statutory requirements and professional standards. In addition, homeowners should have access to information about the valuation process, including their appeal rights. It is also important that each homeowner receive similar treatment regardless of their position in the community.

Besides reviewing assessment practices, we also considered the fairness of assessment results. The PTD's annual assessment-sales ratio study provides statistical measures of assessment results to evaluate fairness both among and within counties. First, we may judge intercounty equity by comparing average assessment levels among counties. If one county's average assessment level is higher than another's, then its taxpayers are paying more than their share of intercounty levies, such as the basic school fund. Second, we may judge intracounty equity by comparing the uniformity of assessments within a county. No matter what the average assessment level, if a county has inconsistent assessment levels among individual properties, then some taxpayers in that county are paying more than their share of county levies. Figures A1 and A2 in Appendix A show

two assessment result measures for each county for the past four years. The figures show improvement, although escalating values have made assessors' jobs especially challenging the past few years.

Audit Scope and Objectives

Our audit objective was to evaluate local property tax valuation practices to determine if they are fair and consistent with statutory provisions. We reviewed how county assessors value residential properties and how homeowners may challenge values they feel are too high. In addition, we reviewed how the Tax Commission assists assessors, monitors assessor performance, and assures that property owners throughout the state pay their fair share, but no more, of property taxes. Our audit work included visits to 10 counties plus telephone interviews and a written survey sent to all assessor offices.

Specifically, our audit objectives were:

1. Evaluate the adequacy of county assessment practices, including whether they comply with statutory requirements and professional standards;
2. Evaluate the role of the Tax Commission in assisting county assessors, monitoring county assessment performance, and equalizing assessments among and within counties; and,
3. Investigate an allegation that assessment and appeal practices in Salt Lake County are biased and unfair.

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Chapter II

Further Improvement in Assessment Practices may Require Additional Resources

Despite recent improvements in assessment practices, county assessors may need additional resources to fully comply with their legislatively mandated responsibilities. Following a 1993 public outcry over large valuation increases that were due in part to poor assessment techniques, the Legislature clarified assessor responsibilities leading to significantly improved practices. Nevertheless, some county assessors have delayed updating property values while others have not collected and maintained accurate property data as required by statute. Failure to perform these legislatively defined responsibilities is detrimental to equalization. Inaccurate property data and values that are not updated on the basis of current market data lead to inaccurate assessments that, in turn, lead to an inequitable distribution of Utah's tax burden. If the Legislature wants better assessor performance, it may need to insure that assessor offices receive more of the state assessing and collecting levy established to fund property assessments.

Assessors' offices are funded largely through assessing and collecting (A&C) levies, established "*...to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, ...*" [Utah Code 59-2-906.1 (1) (b) and (4) (a)]. While county assessors play a key role in achieving the purposes of the A&C levy, some assessors receive relatively little A&C revenues. Some counties fund activities and offices, like the surveyor or building inspector, that have little or no relation to the accurate and uniform assessment of property. While shifting A&C funds could affect other county operations, the purpose for which these levies were established may be better realized if assessors received a specified portion of these funds.

We visited 10 counties to examine assessors' valuation practices and review historical values for selected property records. We also surveyed assessors from all 29 counties to gather opinions concerning resources, compliance with statutory requirements, as well as the assistance and performance evaluation provided by the Tax Commission.

This chapter includes three major sections. First, we discuss some of the improvements made by county assessors in recent years. Second, we discuss some improvements still needed for assessors to fully comply with legislative requirements and professional standards. Third, we discuss the funding received by assessor offices from assessing and collecting levies.

Assessment Practices have Improved

Prompted by statutory changes, rapid growth, and escalating home values, county assessors are improving assessment practices in an effort to value all real property on the basis of fair market value. Assessors are responding to legislative mandates to keep property values current by annually updating values based on an analysis of market conditions, reviewing property characteristic data periodically, and purchasing modernized appraisal systems.

Legislature Clarified Assessors' Responsibilities

Recent amendments to the **Property Tax Act** [Utah Code 59-2-101 *et. seq.*] provided the basis for many of the improvements in county assessment practices. The amendments incorporated into law procedures recognized by the International Association of Assessing Officers (IAAO) as essential to uniform and accurate assessment valuation:

Beginning January 1, 1994, each county assessor shall annually update property values of property as provided in Section 59-2-301 based on a systematic review of current market data. In addition, the county assessor shall complete a detailed review of property characteristics for each property at least once every five years. [Utah Code 59-2-303.1(1)]

Assessors are also required to prepare a plan and inform the public regarding compliance with these mandates.

According to the IAAO, assessors' estimates of value require the "*identification of what is being appraised...identification of the market in which value is determined...and the ability to represent the market in a model.*" **Utah Code 59-2-303.1** requires the implementation of these practices. First, the requirement that property values be updated annually on the basis of an analysis of recent market data allows for the evaluation of the local market and the development of required localized and current adjustments. Consequently, annual adjustments allow jurisdictions to avoid sudden, large increases in values in periods of escalating home values. Second, the requirement that assessors periodically complete a detailed review of property characteristics insures that the relevant property characteristics of each property are collected and maintained. Accurate property data are the foundation of any mass appraisal system. No matter what valuation model is used, the accurate and uniform valuation of properties is possible only if the physical description of land and improvements is current. Both of these requirements are critical to the equitable distribution of the tax burden. If all property is assessed at fair market value, no shifting of the property tax burden occurs and each county (or individual) pays only their fair share of property taxes. However, if adjustments or characteristics are not kept current, counties (or individuals) with properties assessed below market are able to shift some of the property tax burden to counties (or individuals) with properties that are assessed at fair market value.

In the past, values remained the same year after year until assessors periodically revalued the property, and the revaluation did not necessarily include a review and update of property characteristics. For example, values for a sample of properties in Davis County were unchanged from 1988 until 1995. Values increased in 1995 in response to adjustments ordered by the Tax Commission. We also found that changes in value generally occurred only when owners renovated their property and filed a building permit, or when the owner appealed.

As explained above, **Utah Code 59-2-303.1** should improve the fairness of the property tax system within and among counties. In fact, some assessors have responded to its mandates and have applied adjustments to groups of property based on a review of the market. Individual property values are more consistent with those of their neighbors because assessors are periodically reviewing characteristics and then revaluing on the basis of up-to-date information. While assessors in some counties have successfully applied these new requirements, others report that they have had difficulties implementing them because of a lack of resources.

County Assessors Have Improved Their Practices

As previously stated, county assessors have recently made significant improvements in their assessment practices. This section describes several examples of improved assessment practices we identified while visiting assessors in the course of our audit.

- The Salt Lake County Assessor solved the problem of sudden, large increases in assessed values by replacing its 5-year cyclical reappraisal program with an annual revaluation program. Under the new program, a new valuation model is developed every year by analyzing recent sales data. Therefore, each individual property is revalued by applying a newly formulated valuation model to its established property characteristics. The change eliminates the period when assessed values remain dormant and do not reflect changes in market conditions.
- The Weber County Assessor divided the county into regions, districts and neighborhoods to improve analysis of market conditions. Since location plays a major role in home values, the analysis of sales information from homogeneous neighborhoods allows the assessor to calculate more accurate values.
- The Cache County Assessor developed a more efficient method to reappraise properties by scheduling reviews based on age rather than location because appraisers can more efficiently reappraise homes of a similar age since they share similar characteristics.
- The Davis County Assessor has recently completed a new land guideline for the entire county that improved assessment performance measures.
- Nine of the 10 counties we visited have established agreements with their local Board of

Realtors to obtain local sales information. The sales information is analyzed to calibrate the appraisal systems that are used to translate characteristics into accurate estimates of value, and to develop annual factoring adjustments to keep values updated in the period between detailed reviews. Their market analyses result in more accurate and up-to-date assessments.

Assessors in all 10 of the counties we visited have initiated improvements similar to the examples identified above. These improved assessment practices have contributed to more accurate appraisals with current market values. Accurate property characteristics data and land guidelines are critical to accurate valuation of improved parcels because they affect both building value and land value. The analysis of current market data insulates homeowners from large changes in value by allowing assessors to incorporate changes in the market into their appraisals. In the end, these practices contribute to the effort to insure that homeowners pay only their fair share of the tax burden.

Some Assessors Still do not Fully Comply With Assessment Responsibilities

Despite recent improvements, not all county assessors' valuation practices meet statutory requirements. The 10 counties we visited have annually adjusted property values as required by law to keep values current with the market. Nevertheless, when we surveyed all 29 assessors, we found at least 11 counties delay the annual update until the following year because they rely on the Property Tax Division's (PTD) assessment-sales ratio study information to determine appropriate adjustment factors and that information is not available in time to develop factors for the current tax year. In terms of the collection and maintenance of property data, we found that counties vary in the degree to which they have completed the mandatory cyclical review of property characteristics. We also found that the 5-year plans required by **Utah Code 59-2-303.2 (a)** do not play a meaningful role in assessment practices, and that some counties do not adequately inform property owners of upcoming property characteristic reviews. With regard to computer-assisted appraisal systems used to determine values, many counties have found their systems are too outdated to meet current needs. Some counties have recently purchased new appraisal systems, but they face a challenging transition period to successfully implement the new systems. For the smaller counties that continue to use old appraisal systems, we recommend that the PTD work with each county to make sure existing or planned systems meet minimum needs and help promote uniform assessments across the state.

Some Assessors Have not Updated Values Annually

Since the annual update was mandated in 1994, assessors in counties we visited have generally adjusted property values each year when their market analysis indicated values should change. However, assessors in some counties have delayed their updates because they lack current sales information for a reliable analysis of the market or because they lack funds to replace an inadequate computer system. Periodically adjusting values has proven especially important in periods of escalating values to avoid sudden, large jumps in values and to insure taxes are based on values set closer to the current market.

The amended **Utah Code** is consistent with the IAAO recommendation that properties be revalued annually by applying trending factors to groups of properties with adjustments (factors) *“derived from assessment-ratio studies or other market analyses.”* An assessor’s ability to develop and apply annual trending factors based on market analyses is critical to fulfilling mandated responsibilities. We reviewed selected property records in counties we visited and discussed value changes that occurred from 1992 through 1996. We were impressed by the effect of the Legislature’s action. Values remained constant year after year until 1994 when the requirement became effective. Starting that year, assessors changed values by applying trending factors to keep values current with the market. Many of the factors were ordered by the Tax Commission, although subsequent adjustments were generally based on the assessor’s own market analysis. Property values are set much closer to the market in these counties, and hence the tax burden is more equitably distributed.

Annual Value Updates are Delayed in Some Counties. While assessors we visited have applied adjustments to values prior to closing the tax rolls, assessors in 11 of the 29 counties we surveyed delayed their update until the following year. These 11 counties are generally small and the assessors do not have access to sufficient market information. Consequently, they rely on the PTD staff to provide sales data in order to develop factor adjustments, or simply wait for the Tax Commission to order corrective action to adjust values. Additionally, assessors sometimes delay updates because of inadequate computer systems.

Assessors develop trending factors for their annual adjustments to value after analyzing sales information. However, Utah does not have laws that require owners to disclose sales information. To obtain the information necessary to conduct independent market analyses, all but one of the 10 counties we visited have established agreements for access to sales information with local realtors. Assessors in small counties often do not have agreements with realtors and instead rely on the PTD for needed sales information or for its assessment-sales ratio study to develop annual adjustments. Eleven of the 13 assessors who do not conduct their own assessment-sales ratio analysis (Figure II) reported they do not update values for the current tax year. Updates are delayed until the PTD study is complete, or sometimes until the Tax Commission orders them to adjust their values.

The 11 assessors who delay their annual update until the following year reported they do not have sufficient sales information or manpower to independently complete a reliable market analysis. An assessor we visited had completed the market analysis but did not update values this past year “*due to time constraints and data processing problems.*” The assessor decided to forgo adjusting values because an employee with vital knowledge concerning the application of adjustments on their computer system resigned. Subsequently, the Tax Commission ordered the county to adjust values during the following tax year.

Property values in counties where the annual adjustment is delayed are not as close to fair market value as values in counties where assessors conduct their own market analysis and apply updates before the tax rolls are closed. In this instance, counties with properties whose assessed values are below market, because of the delay in applying adjustments, are able to shift some of the property tax burden to counties that made adjustments in the current year and hence have values at fair market.

Detailed Property Characteristics Review is Inconsistent

Accurate, up-to-date property data are critical to accurately calculating the value of individual properties. According to the IAAO, “*property data constitute the foundation of a mass appraisal system, for current data are essential to the uniform valuation of property.*” The Legislature recognized the important role that accurate, up-to-date property characteristics play in assessment valuation when it enacted legislation requiring assessors “*to complete a detailed review of property characteristics for each property at least once every five years.*” [Utah Code 59-2-303.1 (1)]. Assessors are also required to prepare, and make available to the public, plans outlining compliance with these mandates. We found that the extent to which assessors have completed their property characteristics review varies among counties. Additionally, the 5-year plans that assessors have completed are generally outdated and do not appear to play a meaningful role, in part, because assessors believe the need to comply with corrective action orders sometimes prevents them from adhering to their plans.

Assessors agree that property characteristics must be periodically reviewed and updated if values for individual properties are to be calculated accurately. While assessors can apply trending factors to keep values current, the exclusive use of trending factors, over time, distorts values. Distortions caused by the extensive use of factors are corrected when a new value, based on updated characteristics, is calculated using appraisal programs that adjust values for differences in location and the current market conditions.

Generally, assessors are making a good faith effort to comply with the mandate requiring a detailed review of property characteristics at least once every five years. Indeed, some assessors reported they have already completed a review of all residential property in their county and have begun a new cycle of detailed reviews. In contrast, we examined property records indicating that the property had not been visited since the characteristics were originally established as long ago as the 1970s, when the Tax Commission reviewed and reappraised the entire state. One assessor

reported they are finding a large number of add-ons and errors in the old property characteristics, while another assessor noted that the second time through is easier.

Assessors Vary in the Degree of Completion of the Property Characteristic Review. As shown in Figure II, when we surveyed assessors in December 1996, they estimated various degrees of completion of the mandatory cyclical review of property characteristics. Even though the mandate did not take effect until January 1, 1994, some assessors were regularly reviewing existing property characteristic data before that time. Thus, while our survey was taken about 60 percent through the first 5-year cycle, five assessors reported they have completed a characteristics review of all required property in their county and have begun a new cycle of detailed reviews. Another six counties have reviewed at least 80 percent of the properties in the county and appear on track to complete a review of all properties by the time the first 5-year cycle ends in 1998. Assuming that assessors can review, on average, one-fifth of the county each year, the 12 counties that have physically reviewed less than 60 percent of properties may have difficulty completing their county-wide review of property characteristics by the end of 1998.

Figure II
Percent Completion of Characteristics Review
and Whether Market Study is Conducted*

County	% Parcels Reviewed	Conducts Own Market Study	County	% Parcels Reviewed	Conducts Own Market Study
Beaver	50%	No	Piute	80%	No
Box Elder	90	Yes	Rich	67	No
Cache	80	Yes	Salt Lake	100	Yes
Carbon	50	No	San Juan	60	No
Daggett	80	Yes	Sanpete	60	No
Davis	33	Yes	Sevier	100	Yes
Duchesne	50	No	Summit	80	Yes
Emery	100	Yes	Tooele	94	Yes
Garfield	40	No	Uintah	100	Yes
Grand	60	Yes	Utah	0	Yes
Iron	100	Yes	Wasatch	50	Yes
Juab	50	No	Washington	50	Yes
Kane	30	No	Wayne	80	No
Millard	75	No	Weber	50	Yes
Morgan	42	No			

** As reported by counties*

Utah County occupies the extreme position of not having reviewed physical characteristics and subsequently reappraising any existing properties as mandated. According to the assessor, budget constraints, coupled with directions from the county commission to focus on new growth, have prevented them from beginning their review of residential property characteristics. In fact, the assessor has not yet established a property characteristic record for one-third of the newly constructed property in the county. These newly constructed properties are placed on “standby” status, meaning that they are not physically inspected by the assessor’s office to initially determine the relevant property characteristics. Instead, building permit values are used for their assessed values. We were told that standby values are often low, and at the end of the 1996 tax year,

approximately 4,500 properties (6 percent of residential properties) remained on standby status.

The percent completion data shown in Figure II are somewhat inconsistent because assessors interpret the property review requirement differently. For example, the Morgan County Assessor understands that only residential property needs to be reviewed and so has based her estimated completion percentage just on that class of property. In contrast, the Wasatch County Assessor based his estimate on all parcels. He thinks even vacant parcels should be periodically visited because there may be an improvement that the assessor does not know about. While some assessors may have based their estimated completion percentages on their total parcel count, we believe most limited their estimates either to residential parcels or to improved parcels (including commercial). In addition, assessor estimates may or may not indicate actual on-site inspection of properties. On-site visits seem to be required by the PTD Standards of Practice and most assessors agree site visits are important to discern the condition and quality of a structure. However, because of inadequate staffing, the Weber County Assessor has relied primarily on information in questionnaires from owners to update property characteristics. The assessor has since decided the questionnaires alone are insufficient for a detailed characteristics review and plans to rely more on visits.

We recommend the Tax Commission address the confusion about the cyclical property characteristic review requirement with additional guidance in rule or policy. Routine property characteristics updates are needed so that assessments are based on accurate data. Without an effective, periodic review of physical characteristics, changes to property will not be captured and will not be incorporated into calculations of fair market value, thus under or over assessing the property. The 1993 legislation requiring periodic reviews has already led to improvements in the updating of property data. Still, additional procedural clarification from the Tax Commission would help insure the requirement is effectively completed.

Assessors' 5-year Plan has not Played a Meaningful Role in Assessment Practices. The same legislation that required assessors to annually update values and complete a detailed review of property characteristics every five years also required that:

- (a) *By July 1, 1993, each county assessor shall prepare a five-year plan to comply with the requirements...*
- (b) *The plan shall be available in the county assessor's office for review by the public upon request.*
- (c) *The plan shall be annually reviewed and revised as necessary. [Utah Code 59-2-303.1(2)]*

All but one of the county assessors we surveyed reported they have completed a 5-year plan in compliance with the statutory requirement. However, we found that the plans are often outdated and generally do not play a meaningful role in helping assessors complete their work, providing public information or communicating with the Tax Commission.

Assessors told us the 5-year plans are not useful because they have more pressing concerns. Several assessors said they only loosely follow the plan while one assessor said they ignore the plan altogether. An assessor explained that they cannot follow their plan because the need to comply with factoring or reappraisal orders from the Tax Commission disrupts their planned work. Additionally, with so much new construction, assessors have had to spend a disproportionate amount of their time visiting and determining the property characteristics for new property. One assessor estimates that initially determining property characteristics requires at least two, if not three, times the amount of time to complete as a review of established characteristics. Another assessor admitted to ignoring the plan altogether because of instructions from the county commission to focus on new construction because the county generates more revenue through new construction than through reappraisal of existing property. The assessor, who never prepared a written plan, told us he did not have the time or manpower to do so.

The Legislature has clearly indicated the importance of informing property owners about assessor plans. First, the 5-year plan indirectly provides the public with information regarding the assessor's strategy for discharging mandated responsibilities. Second, a year after the 5-year plan requirement was enacted, the Legislature amended **Utah Code 59-2-1317** so property owners' tax notices inform them "*if the property is subject to a detailed review in the next year.*" This statutory change indicates the Legislature intends property owners be directly informed about assessors' plans to inspect their property. Under the 5-year cycle for completing a detailed review, presumably one-fifth of a county's property owners would be scheduled for a review each year and they would receive that information on their prior year's tax notice. However, all counties do not sufficiently inform the owners of the assessors' review. Salt Lake County includes only a general notice each year to all homeowners that their property is subject to reappraisal the next year. Also, Morgan County informs homeowners on the tax notice after their properties have already been visited. This practice occurs because the review occurs in the summer and tax notices are not sent until November. The assessor was unclear if the intent is to inform owners they will visit the property or if the intent is to inform owners their values may increase as a result of the review. We believe this direct notification of property owners can more effectively inform the public than the availability of a plan, but only if assessors are advised of the intent of the mandate.

The 5-year plan may also serve as a tool to communicate county needs and programs to the Tax Commission. As discussed, some assessors point to demands placed on them by the Tax Commission as preventing completion of their plans and express concerns its orders may prevent more urgent work from being completed. The next chapter addresses these concerns by recommending the Tax Commission review assessor plans and activities as part of its performance monitoring responsibility. Using the plans to advise the Tax Commission about county priorities and equipment or staffing needs could provide an objective basis for the commission to evaluate possible corrective action orders and stipulations. However, plans must be kept up-to-date to be useful to the Tax Commission.

Some Counties Need Better Appraisal Systems

Stricter assessment requirements enacted by the Legislature and Utah's fast-growing real estate market have exposed the weaknesses of existing appraisal systems, leading assessors to seek better systems. As discussed, statutory amendments now require assessors to annually update property values based on an analysis of the market and to complete a detailed review of property characteristics every five years. Additionally, rapid growth has increased the volume of properties to be discovered, inspected and appraised. Taken together, statutory changes and rapid growth require assessor's offices, on a yearly basis, to collect property data and value new growth, update the property characteristics and values of a portion of the existing properties, conduct market studies, and perform corrective actions as ordered by the Tax Commission. To meet these demands, three large counties have recently purchased a new and complex appraisal system. While a few smaller counties also have replaced outdated appraisal systems by purchasing new systems, the remaining small counties continue to rely on old systems.

Appraisal systems use one of three basic approaches to translate property characteristics to an estimate of value: 1) the cost approach, 2) the sales comparison approach, and 3) the income approach. Most Utah assessors use appraisal systems that apply the cost approach to estimate the value of residential property. The cost approach provides an estimate of value by calculating current replacement costs of a structure, subtracting depreciation to account for the age and usefulness of the property, and adjusting for local market conditions. Only Salt Lake County has successfully used an appraisal system that applies the sales comparison approach. The sales comparison approach estimates value by analyzing the prices and characteristics of recently sold properties in order to estimate the value of all properties based on their characteristics. Assessors use the income approach to value commercial property based on its projected income.

Large Counties' Transition to a New Valuation Approach may be Difficult. Davis, Utah and Weber Counties have entered into contracts to purchase SIGMA, an appraisal system that uses the sales comparison approach to valuation. Assessors in these counties were dissatisfied with limitations in their present appraisal systems and were influenced to purchase SIGMA based on the success that Salt Lake County has experienced with the system. According to the IAAO, the sales comparison approach is considered the most reliable valuation approach for single-family residential property, provided adequate sales data exist. Since Davis, Utah, and Weber Counties each has adequate sales data, we feel their decision to adopt a sales comparison approach is appropriate. However, we believe that the transition from these counties present cost-based approach to the SIGMA system may be difficult. While SIGMA can be an exceptional tool for improving appraisal performance, the purchase is not a cure-all. Davis, Utah and Weber Counties must commit to obtaining accurate property data and to adequately staffing their assessor's offices if their systems are to reach levels of appraisal performance similar to those achieved by Salt Lake County.

Rapid growth and statutory changes exposed the weaknesses in the appraisal systems of Davis, Utah, and Weber Counties. The Weber County Assessor's Office was dissatisfied with its PMSI (Progressive Management Systems Inc.) appraisal system because the system was not designed to efficiently apply annual trending factors. Furthermore, the PMSI company has not

provided construction cost updates and appraisers continually needed to calculate adjustments to calibrate the system. The Davis County Assessor's Office was dissatisfied with its cost appraisal system because appraisers needed to manually research comparable sales and adjust values for every appraisal. Additionally, property characteristics are maintained on each appraiser's personal computer and are not accessible by others. The Utah County Assessor's Office was dissatisfied with its system because it had to rely on a separate computer department to write a program to apply factors. In contrast, Salt Lake County's SIGMA system is considered superior to the systems of the other three counties. Based on the Tax Commission's ratio study performance measures, Salt Lake County has successfully used SIGMA to improve its assessment level and reduce its assessment uniformity. According to the 1996 assessment-sales ratio study, Salt Lake County had a Dollar Weighted Mean (DWM) of 98.0 and a Coefficient of Dispersion (COD) of 5.4, both of which were well within standard for residential properties.

Davis, Utah and Weber Counties need to update their property characteristic data since SIGMA is dependent on accurate property data. As previously shown in Figure II, assessors in all three of these counties reported they have updated little, if any, of the property data for existing properties (33%, 0%, 50% respectively), while Salt Lake County has reviewed all its properties. The Davis County Assessor's staff reported they have only reviewed properties belonging to a specific age segment in a limited area of the county. The Utah County Assessor reported they have not reviewed existing property since 1989 when the assessor's reappraisal section was disbanded. At present, they inspect and collect property data for new growth only and much of these data are still incomplete. Weber County faces a similar quandary. The Weber County Assessor estimates they have reviewed from 40 to 50 percent of the existing property in the county and often these reviews did not include physical inspections of the property. Many of the properties in all three counties are valued on the basis of property data established when the Tax Commission reappraised the state in the 1970s.

In addition to good market and property characteristic data, the SIGMA system requires an adequate number of qualified staff to properly use the system. Salt Lake County staff report that when they converted to the SIGMA system both the technical expertise and number of staff in the assessor's office increased. This experience should act as a red flag for Davis, Utah and Weber Counties as they convert to SIGMA because these counties also may have to increase their staffing levels. First, the assessor's offices in these counties, like Salt Lake, may have to recruit and develop a statistical staff with expertise in multiple regression analysis, the form of sales comparison analysis used by SIGMA. The statistical sales staff play a critical role in identifying the magnitude that particular property characteristics play in sale price and hence, the role they play in the estimated fair market value of properties. Additionally, the analysis performed by the statistical sales staff leads to refining characteristic definitions including neighborhoods as well as developing guidelines designed to insure that the data being collected are uniform and accurate. Second, these counties may require additional staff to collect the more extensive property data necessary for SIGMA and at the same time maintain present levels of appraisal performance. This is a concern since these counties already have lagged behind in completing their detailed characteristics review. Salt Lake County's experience with SIGMA suggests that other counties

purchasing SIGMA must make a commitment to provide their assessor's offices with adequate funds for staff and training to reach similar assessment performance levels.

Small Counties may Need Better Appraisal Systems. The impact of growth and stricter assessment requirements has prompted the need for new computer systems in counties of every size. While a few of the smaller counties have responded to recent growth and stricter assessment responsibilities by purchasing better appraisal systems, other counties have not been able to do so. The PTD should advise counties when outdated appraisal systems need replacement for assessors to adequately meet their responsibilities. If better appraisal systems are needed, the PTD should help assessors evaluate which systems best meet their needs and encourage counties to purchase compatible systems.

Several counties have recently been able to purchase better appraisals systems. For example, Duchesne, Emery, Tooele and Uintah Counties have replaced their appraisal systems with PAMS (Property Assessment Management System), a more automated system that enables assessors to:

- appraise property more accurately using all three valuation approaches;
- analyze market information more efficiently;
- apply annual value updates directly to property records;
- provide more complete information to property owners.

Assessors in these four counties feel the PAMS system has significantly improved their ability to accurately value properties.

While some assessors have purchased new appraisal systems, other assessors continue to use outdated systems. An inadequate computer system may involve a county's entire tax system along with its appraisal system. Beaver, Daggett, Garfield, Grand, Piute and Wayne Counties use the PTM (Property Tax Management) computer system to manage their tax rolls. These counties rely on the PTD staff to help maintain their outdated systems since the company dissolved. Grand County recently purchased a new tax system but decided against converting to the PAMS appraisal system because the cost tables have to be updated manually. It is something of a concern that Grand County decided the same system adopted by four other counties was inadequate for its needs.

Wayne County regularly contracts with MCAT to value properties because their appraisal system is inadequate. Currently, the county is shopping for an affordable tax system but has rejected the tax system several other counties have purchased because the maintenance costs are not affordable. Instead, Wayne County has considered purchasing a custom-designed tax system from the company that designed its road department's GIS (Geographic Information System).

To help counties use their resources wisely and promote consistency in statewide valuation practices, we believe the PTD should help small counties evaluate their appraisal system capabilities and needs. Tax Commission rule R884-24P-17 (shown in Appendix D) provides that

counties obtain approval from the PTD for their computer-assisted appraisal systems. However, even though they help small counties maintain their computerized tax systems, the PTD staff are reluctant to become involved in county appraisal system choices since the division does not assist with funding. Although counties have different needs, encouraging the use of similar systems in each county may help promote equal treatment of taxpayers and help the PTD more effectively provide technical assistance. Counties that use similar systems may also help each other through user groups. In our opinion, the PTD should continue to assist counties with their existing computer systems and more actively advise counties planning the purchase of new systems. The division also may be able to help negotiate favorable purchase terms such as the three large counties did when they purchased SIGMA.

Additional Funding may be Needed to Improve Assessment Practices

Assessors may need additional funding to complete their assessment responsibilities. Some assessors report that a lack of qualified staff and other resources because of inadequate funding makes it difficult or impossible for them to fulfill their legislatively mandated responsibilities. Our analysis shows wide variances among counties in the staffing and funding resources available to value locally assessed property. The disparity in resources is a concern because it may affect the uniformity of property valuations and thus the fairness of taxes among and within counties. Although the Legislature has established a mechanism to fund property valuation, in some counties relatively little of that funding goes toward property valuation. If the Legislature wants to improve valuation practices it should take steps to insure that assessors receive more of the taxes levied to fund accurate property valuation.

Although assessment practices have improved, the earlier part of this chapter discussed some ways that county assessors still do not fully comply with legislatively mandated responsibilities. Assessors cannot be expected to complete their assessment duties if they are not provided the resources necessary to do so. Therefore, in this section, we review the resources each county assessor devotes to property valuation. Then, because the resources vary so much among county assessors, we discuss the purpose and use of the assessing and collecting (A&C) funding mechanism intended to promote statewide uniform property valuation. Finally, if the Legislature wants to make sure assessors have the resources needed to comply with mandated responsibilities, we discuss possible actions the Legislature may take to insure that more of the A&C funds go towards locally assessed property valuation.

Assessment Resources Vary Among Counties

County assessors claimed that inadequate resources, specifically, the lack of staff and funding, prevented them from completing their legislatively required assessment responsibilities. For example, one assessor prepared a plan describing activities needed to comply with assessment responsibilities. However, in a letter to the Tax Commission he reported, “*there does not appear*

to be any funding available to accomplish any part of this plan.” In the prior section, we also described how some other assessors cannot effectively review property characteristics or analyze market trends because they do not have the staff to collect and evaluate the data. In addition, some assessors have not had adequate appraisal systems to translate data into values. To address concerns about resources, we reviewed and analyzed the staffing and funding levels of each county’s assessor’s office, and found significant variances in both staffing and funding levels among counties.

Staffing Levels Vary by County. We analyzed the staffing levels of the assessor’s offices in each county and found significant variances in staffing levels per parcel. Additionally, given IAAO staffing standards, it appears that 22 assessor’s offices may be understaffed. We collected information from each county assessor regarding the number of appraisers and other staff effort dedicated to real property appraisal. Assessor staff, especially in smaller offices, often split their time among real property, personal property, and motor vehicle responsibilities. We asked county officials to provide their best estimate of assessor staff effort devoted just to real property tasks during 1996 so that the staffing estimates are on a full-time equivalent (FTE) basis. Some assessors reported all or a portion of their time is spent on administrative tasks while other assessors reported no administrative time. Even though assessors are appraisers, we did not include time spent on administration towards the FTE appraiser count. We used the reported data to compare staffing levels in each county by calculating the ratio of parcels to appraisers as well as the ratio of parcels to total real property staff (including appraisers). The information is summarized in Figure III below.

Figure III
1996 Real Property Staffing Levels as Reported by County Assessors

County	Total Parcels	Appraiser FTEs	Total Staff FTEs	Parcels per FTE Appraiser	Parcels per FTE Staff
Grand	4,800	1.75	2.00	2,743	2,400
Emery	7,946	2.50	2.50	3,178	3,178
Washington	45,292	13.00	18.50	3,484	2,448
Beaver	6,586	1.75	1.75	3,763	3,763
Piute	2,326	.55	.55	4,229	4,229
Summit	29,460	6.75	10.25	4,364	2,874
Cache	36,550	7.75	8.95	4,716	4,084
Wasatch	12,512	2.40	2.40	5,213	5,213
Davis	66,481	12.50	15.75	5,318	4,221
Morgan	5,124	.90	1.52	5,693	3,371
Salt Lake	266,032	45.00	72.00	5,912	3,695
Iron	33,881	5.50	6.70	6,160	5,057
Carbon	12,550	2.00	2.00	6,275	6,275
Sevier	15,353	2.25	2.75	6,824	5,583
Weber	73,101	10.50	15.50	6,962	4,716
Uintah	17,735	2.50	2.50	7,094	7,094
Tooele	16,347	2.25	4.00	7,265	4,087
Utah	104,076	13.58	18.80	7,664	5,536
Juab	8,434	1.10	1.30	7,667	6,488
Daggett	2,768	.36	.36	7,689	7,689
Duchesne	26,563	3.30	3.30	8,049	8,049
San Juan	8,205	1.00	2.00	8,205	4,103
Box Elder	27,366	3.25	5.50	8,420	4,976
Wayne	2,832	.33	.33	8,582	8,582
Kane	14,646	1.50	2.70	9,764	5,424
Rich	8,073	.60	.93	13,455	8,681
Garfield	8,029	.50	1.13	16,058	7,105
Millard	14,201	.80	1.50	17,751	9,467
Sanpete	24,858	.95	2.675	26,166	9,293

FTE = Full-time Equivalent

Figure III shows that statewide, the ratio of parcels per appraiser varies considerably. For

example, for 1996 Grand County reported 1.75 FTE appraisers for 4,800 parcels, a ratio of 2,743 parcels per appraiser while Sanpete County reported .95 FTE appraisers for 24,858 parcels, a ratio of 26,166 parcels per appraiser. According to this comparison, Grand has over nine times more manpower than Sanpete for appraisal work. Some of this disparity may be due to differences in how the assessors estimated staff effort. However, we believe some assessors have significantly fewer appraisal staff than others to complete their assessment responsibilities. In addition to the Sanpete County Assessor, lack of staffing was mentioned by several other assessors as one of the problems with completing their workload.

While adequate staff is essential for an assessor to accurately value property and complete statutory responsibilities, many factors affect how many appraisers are needed. According to the PTD Standards of Practice:

The number of full-time appraisers needed for a program varies by county, depending on the number, types, and accessibility of parcels. The IAAO, the Tax Commission, and the Multi-County Appraisal Trust recommend that more than 5,000 parcels per appraiser be viewed as excessive.

Figure III shows that 22 Utah counties do not meet this staffing standard. However, the PTD is studying the present applicability of this particular standard in Utah. The ratio of parcels per appraiser is important, but other things such as geographic dispersion or concentration of parcels, the homogeneity of parcels, and the level of automation in a county should also be considered.

When appraisal staff is defined to include not just appraisers but also others who assist them, there is still wide variance in staffing among counties. We discovered that many counties, especially small counties that have only one certified appraiser, rely on non-appraiser staff to complete some real property appraisal work. Consequently, we extended our analysis to include all employees involved with real property appraisal. As shown in Figure III, county parcels per FTE ratios still vary considerably with ratios ranging from 2,400 parcels per FTE in Grand County to 9,467 parcels per FTE in Millard County. The assessor in one small county commented that “*they don’t have enough manpower to do anything right.*”

Level of Assessor Funding Varies by County. Because of the role funding plays in acquiring staff, we also analyzed the funding available to each county assessor to value property. In addition, we felt a second way to compare resources among counties was needed because some assessors had difficulty estimating staffing FTE. Just as with the staffing comparison, we found large disparities in dollars spent per parcel among counties. Assessors must have adequate funding to obtain the staff and other resources needed to accurately value property and complete their statutory responsibilities. We reviewed assessor budgets on file with the State Auditor’s Office and discussed the adequacy of funding with assessors. Based on our review and discussions, we adjusted the budget information to make it comparable.

Because this report deals with the ability of assessors to accurately value property, we

adjusted budget information to isolate the funds available for valuation responsibilities. Unlike the staffing comparison discussed above, our budget comparison includes personal property expenditures as well as those for real property since some assessors could not do a more detailed breakdown. As shown in Appendix B, the main adjustment we made was to deduct estimated motor vehicle costs for those offices that complete motor vehicle work. Although some assessors have no motor vehicle responsibilities, other assessors report that motor vehicle work consumes a large portion of their resources, significantly reducing their ability to accurately value property. Motor vehicle work includes both state titling and registration work as well as the collection of county in-lieu fees. Although the state pays counties for the state work, assessors report the reimbursement received is less than actual costs. In addition, collecting the county in-lieu fee utilizes assessor resources in those offices that have motor vehicle responsibilities. We relied on assessor estimates of how much of their budget was devoted to motor vehicle responsibilities. Further, it is important to note that our adjusted assessor budgets do not include data processing costs. Almost every county has a separate data processing department budget that includes expenditures on behalf of the assessor property valuation function. Because reliable estimates of data processing costs for valuation responsibilities were not generally available, we excluded those costs to help make the information comparable.

Based on the adjusted budgets, we calculated the ratio of budget dollars per parcel for each county. Figure IV shows the inequality in funding levels, measured on the basis of dollars per parcel, that exists among counties in Utah. The differences in county funding levels are such that one county can spend five times more per parcel than another county. For example, Emery County spends almost \$25 per parcel while Rich County spends less than \$5 per parcel on property valuation responsibilities.

Figure IV
1996 Assessor Net Budget per Parcel

County	Assessor Net Budget*	Total Parcels	Net Budget Per Parcel
Emery	\$ 195,655	7,946	\$24.62
Tooele	337,165	16,347	20.63
Salt Lake	5,249,134	266,032	19.73
Washington	883,200	45,292	19.50
Carbon	238,573	12,550	19.01
Grand	91,242	4,800	19.01
Summit	497,800	29,460	16.90
Cache	562,029	36,550	15.38
Sevier	217,482	15,353	14.17
Morgan	69,717	5,124	13.61
Uintah	240,800	17,735	13.58
Weber	985,352	73,101	13.48
Millard	174,909	14,201	12.32
Utah	1,219,059	104,076	11.71
Wasatch	144,586	12,512	11.56
Beaver	74,826	6,586	11.36
San Juan	92,791	8,205	11.31
Wayne	31,521	2,832	11.13
Piute	25,056	2,326	10.77
Davis	697,044	66,481	10.48
Box Elder	278,300	27,366	10.17
Daggett	28,120	2,768	10.16
Juab	80,507	8,434	9.55
Iron	298,153	33,881	8.80
Kane	107,156	14,646	7.32
Garfield	56,489	8,029	7.04
Duchesne	178,564	26,563	6.72
Sanpete	135,277	24,858	5.44
Rich	37,883	8,073	4.69

**Assessor Net Budget calculations are shown in Appendix B*

In summary, assessors' resources vary considerably among counties. This inequality is a concern because the uniformity of assessments and thus the fairness of taxes depends on assessors' abilities to complete their assessment responsibilities. Because there is a statewide interest in the accuracy of valuations in each county, the next section discusses how assessors are funded through state-established funding mechanisms.

Assessors may not be Getting Adequate Share of A&C Levies

The Legislature created levies to finance efforts to meet legislatively defined assessment responsibilities. Although revenues from these levies are to be used to promote the accurate and uniform valuation of properties, some county assessors expressed a concern that they do not receive an adequate share of the A&C levies and are therefore unable to perform their legislatively defined duties. Our review shows that some assessors get a relatively small amount of their respective county's A&C revenue for local property valuation tasks. Additionally, we found evidence indicating that A&C funds are being used for questionable purposes because the activities are not directly related to the assessment of property.

Funding Mechanisms Exist for Assessment Activities. The Legislature created several funding mechanisms to finance the actions necessary to meet assessment responsibilities. The Legislature established both a statewide A&C levy, thereby creating the Property Tax Valuation Agency Fund [**Utah Code 59-2-906.1**], and gave counties the option of establishing a county A&C levy, [**Utah Code 59-2-906.1 (4)**], in order to “*promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system.*” In addition, the Legislature gave counties the power to impose additional levies to fund both the actions necessary to meet legislative, court or administrative assessment mandates [**Utah Code 59-2-906.3(1)**], and formal reappraisal programs [**Utah Code 59-2-906.3(2)**].

State A&C funding is provided to all counties according to a statutory formula. The levy provides each county, except Salt Lake County, with an equal and minimum amount in order to meet their assessment responsibilities. According to statute, Salt Lake County retains 94.5 percent of the state A&C funds collected by the county. All other counties receive an equalized amount based on an Adjusted Parcel Unit (APU) formula. The APU formula provides a workload measure that takes both property class composition and county population into account. Factors that reflect the differences in effort involved in assessing properties belonging to different classes as well as the geographic dispersion of parcels are applied to raw parcel counts to arrive at adjusted parcels. Because the statute does not provide a county population factor for Salt Lake County, we estimated its APUs using the same population factor as the next three largest counties. APUs provide a valuable workload measure because they are more refined estimates of relative workload than simple parcel counts because of the adjustment factors. Figure V shows how many APUs as well as how many parcels there are in

each county. This figure also shows that all counties, except for Salt Lake County, receive the same amount of state A&C funding per APU.

Figure V
1996 Assessing and Collecting (A&C) Funds
per Adjusted Parcel Unit (APU)*

County	Parcels	APUs	State A&C Funds per APU	County A&C Funds per APU	Reappraisal Funds per APU	Total A&C Funds per APU
Emery	7,946	12,092	\$12.81	\$25.22		\$38.03
Salt Lake	266,032	468,896**	18.76	11.54	\$2.96	33.26
Millard	14,201	20,121	12.81	20.41		33.23
Summit	29,460	52,215	12.81	13.28		26.10
Uintah	17,735	27,403	12.81	11.01		23.82
Utah	104,076	172,724	12.81	10.93		23.75
Tooele	16,347	25,255	12.81	9.49	1.07	23.37
San Juan	8,205	11,483	12.81	9.66		22.47
Carbon	12,550	21,242	12.81	9.25		22.07
Box Elder	27,366	40,698	12.81	8.90		21.71
Grand	4,800	9,559	12.81	8.86		21.68
Washington	45,292	73,483	12.81	8.34		21.15
Weber	73,101	121,817	12.81	7.75		20.56
Wasatch	12,512	20,712	12.81	6.96		19.78
Beaver	6,586	10,571	12.81	6.89		19.70
Morgan	5,124	8,363	12.81	6.45		19.26
Daggett	2,768	4,905	12.81	5.46		18.28
Iron	33,881	44,857	12.81	5.41		18.23
Cache	36,550	59,436	12.81	5.38		18.19
Juab	8,434	12,751	12.81	5.36		18.18
Davis	66,481	111,690	12.81	5.00		17.81
Sevier	15,353	24,108	12.81	4.83		17.64
Garfield	8,029	12,475	12.81	3.49		16.30
Duchesne	26,563	34,616	12.81	3.40		16.21
Wayne	2,832	5,353	12.81	3.26		16.07
Rich	8,073	12,931	12.81	3.04		15.86
Sanpete	24,858	34,952	12.81	2.41	.54	15.77
Kane	14,646	21,606	12.81	2.80		15.62
Piute	2,326	4,013	12.81	2.49		15.30

* APUs are calculated based on number and type of parcels and class of county

** Salt Lake County APUs calculated using Class II County factor of .9

Unlike state A&C funds, which are redistributed by the state on the basis of workload, county A&C funds are simply retained by the county that collects them. As shown in Figure V, county A&C funds per APU vary tremendously. Variances in county A&C funds collected compared to workload are mostly attributable to two factors. First is the role centrally assessed taxable values play in a county's total taxable value. For example, Emery and Millard Counties collect far more county A&C funds per APU than most other counties because their centrally assessed taxable values are so high. Consequently, Emery and Millard Counties reap tax revenues from centrally assessed property without an accompanying increase in workload. Second, the local tax rate affects the amount of county A&C funds generated. For example, Davis set its local A&C levy rate at half the maximum rate allowed. Although the county A&C is a local-option levy, all counties charge the tax.

Finally, the **Utah Code** allows counties two other local-option levies to fund either state or court mandated actions, and to fund county reappraisal programs. However, as shown in Figure V, only three counties have adopted such levies.

In summary, the Legislature has established funding mechanisms to provide resources for assessors to equitably appraise property. However, A&C funds are not earmarked solely for assessment, but fund tax collection and distribution activities as well. While the state A&C funding provides a minimum amount to each county, the additional funds from local-option levies vary widely. Thus, the total amount available per APU from these levies ranges from \$15.30 in Piute County to \$38.03 in Emery County.

Relatively Little of the A&C Revenue Funds Property Valuation. While the Legislature has established funding mechanisms to help counties equitably appraise property, much of the revenue does not get to assessors. A number of assessors are concerned that they do not receive enough funding from A&C levies; however, A&C funds are not earmarked solely for assessment, but fund tax collection and distribution activities as well. While the law is somewhat ambiguous, the primary purpose of state A&C levy (i.e., the Property Tax Valuation Agency Fund) appears to be to fund valuation activities. Therefore, we compared how much county assessors spent on property valuation against both total A&C revenue and state A&C revenue.

Our analysis indicates that assessors' property assessment budgets as a percentage of total A&C revenue vary widely, and that some county assessors may not be receiving an adequate share of the A&C funds. As shown in Figure VI, assessors' net budget per APU as a percentage of total A&C revenue per APU range from a low of 18 percent for Rich County to a high of 57 percent for Tooele and Washington Counties. One reason the percent of total A&C funds devoted to property appraisal tasks varies widely among counties is that the total revenue available in each county varies widely. Counties that have more revenue per APU may adequately fund property valuation tasks with a lower percentage of that revenue. Therefore, we extended our analysis to compare assessment budgets to revenue from the state A&C levy.

Figure VI
1996 Ratio of Assessor Net Budget to A&C Funds

County	Net Budget per APU	Net Budget as % of Total A&C	Net Budget as % of State A&C
Tooele	\$13.35	57%	104%
Washington	12.02	57	94
Cache	9.46	52	74
Sevier	9.02	51	70
Carbon	11.23	51	88
Grand	9.55	44	74
Morgan	8.34	43	65
Emery	16.18	43	126
Piute	6.24	41	49
Weber	8.09	39	63
Uintah	8.79	37	69
Wayne	5.89	37	46
Summit	9.53	37	74
Iron	6.65	36	52
San Juan	8.08	36	63
Beaver	7.08	36	55
Wasatch	6.98	35	54
Davis	6.24	35	49
Juab	6.31	35	49
Salt Lake	11.19	34	60
Duchesne	5.16	32	40
Kane	4.96	32	39
Box Elder	6.84	31	53
Daggett	5.73	31	45
Utah	7.06	30	55
Garfield	4.53	28	35
Millard	8.69	26	68
Sanpete	3.87	25	30
Rich	2.93	18	23

Our analysis indicates that assessors' assessment budget per APU as a percentage of the state A&C revenue per APU vary widely from a low of 23 percent for Rich County to a high of 126 percent for Emery County. The disparity in this measure, as well as the fact that the assessment budget per APU in several counties falls below 50 percent of the state A&C per APU, leads us to believe that some county assessors may not be receiving an adequate share of the A&C funds. Even though the state A&C funding is equalized according to a formula for all counties except Salt Lake, the proportion of that funding devoted to property valuation varies widely. As discussed below, since some counties spend a relatively small proportion of A&C funds on property valuation, we tried to determine how counties used those funds.

Some County Uses of A&C Funds are Questionable. To learn how counties use A&C funds, we asked each county to provide an accounting for A&C funds for 1995 and 1996. Under **Utah Code 59-2-906.4**, all counties must separately account for all A&C receipts and expenditures, although a special fund is not required. Despite our request, some counties failed to provide the required accounting. Nonetheless, for the 20 counties that provided accountings, we found several examples of questionable uses of A&C funds. In addition, the uses of funds identified by some counties were less than the total revenue available. We do not question that all counties are using all A&C funds for important county purposes; however, the use of some funds may not conform to the intent of the levies.

A&C funds are specifically designated for use in activities related to assessment, collection and distribution of property taxes. However, there has long been concern that funds were not spent on appropriate activities. In fact, the 1992 minutes of the Revenue and Taxation Interim Committee indicate concerns that counties were including items not related to assessing and collecting into their certified budgets. At that time the State Auditor annually reviewed A&C budgeted and actual expenditures; in 1991 approximately \$2 million of submitted county expenditures for assessing and collecting costs was disallowed. Beginning in 1994, A&C funds have been distributed by formula rather than upon review of the State Auditor. The change to a formula apparently was intended to eliminate the incentive to spend more money in order to get more A&C revenue and to save administrative costs incurred by the State Auditor. However, the adoption of a formula did not address the issue that unintended types of expenditures may be paid for out of A&C revenues.

We found several examples of questionable expenditures when we reviewed the A&C accountings provided by the counties that responded to our request. For example, several counties funded building inspectors and surveyors with A&C revenues. Another county reported funding a planning commission with A&C funds. The same county funds 50 percent of its county commission's budget with A&C funds. Granted, most county commissioners are involved with the Board of Equalization and they should be entitled to some A&C funding. But in most counties the amount budgeted to the county commission from A&C revenues averages only about 8 percent. An argument can also be made that building inspectors are entitled to some A&C funds because they collect property data and measurements when they issue permits and these data are forwarded to the assessor. However, one county charges 100 percent and another 88 percent of their building inspection program costs to A&C funds. We question the propriety of these expenditures because they do not appear to be related to the assessment, collection, and equalization of property taxes, at least not to the percentage allocated. Theoretically, costs paid from A&C funds would be eliminated if property taxes were eliminated. Thus, paying for building

inspectors, surveyors, planning commissions or county commissions with A&C funds is questionable because those functions would continue even if county operations were no longer funded through property taxes.

Another questionable use of A&C funds is its use to pay for motor vehicle programs. We found that almost all the counties that operate a motor vehicle fee collection program subsidize its costs with A&C funds. Even though the state reimburses the counties for the cost to collect the state fees, assessors claim that the reimbursement covers only about half the cost to operate the program and the remainder is paid with A&C funds. Besides the state fee, there is a county motor vehicle “in-lieu fee.” The fee, which replaced the property tax on vehicles, is calculated as a percent of vehicle value. However, unlike a local property tax, the “in-lieu fee” amount is based on a uniform statewide rate, rather than a local tax rate. Also, in most situations, the vehicle value used to calculate the fee is determined by the Tax Commission using a depreciation schedule, rather than by local officials. Because vehicle valuation decisions are made centrally by the Tax Commission, uniformity among counties is not a concern. While subsidizing the costs of state motor vehicle fee collection is clearly outside the intent of A&C funds, the costs of the “in-lieu fee” program may or may not be appropriate depending on the interpretation of legislative intent.

Another questionable aspect of the accounting for A&C funds occurs when a county’s expenditures are less than revenue. Four of the 20 counties that provided us accountings for 1995 showed expenditures less than revenue. One county accounted for A&C expenditures of \$3,403,000 while the State Auditor indicated that \$3,687,700 A&C funds were available for the year, an excess of \$284,700. Another county showed expenditures of \$684,750 and revenue \$775,900, an excess of \$91,150. Two other counties showed excess revenues of \$66,300 and \$13,800. State Auditor staff told us there is nothing wrong with spending less than the amount of revenue as long as the excess amount is carried forward. However, in the examples we reviewed, there was no indication of a carry-forward amount. We contacted these counties and they claim that a year where A&C expenditures do not exceed A&C revenues is not significant because in other years they will expend more than the available amounts. At any rate, the A&C funds are mingled with county general funds and the accounting of A&C funds is simply a manipulation of estimated allocations. One county auditor stated that if there is a concern that expenditures don’t match revenues, he could simply adjust the figures for indirect costs to make a complete accounting of the A&C funds. The point is that separate A&C accounting is not an exact science. Counties are not particularly concerned with the separate A&C accounting and they are only making estimates of the expenditures.

In summary, although the Legislature has established funding mechanisms to promote the accurate valuation of locally assessed property, in some counties relatively few of those funds are used for property valuation. A&C funds are not limited to assessment, but may be spent for property tax collection and distribution as well. Nonetheless, questionable expenditures may contribute to a shortage of funds for property assessment. If the Legislature wants more of the A&C funds to go towards property assessment, it should at least clarify its intent and perhaps amend the statute.

Legislature Should Review A&C Funding Program

In our opinion, the Legislature should review the A&C funding program and evaluate whether it is achieving its intended purpose. Our concern throughout this chapter has been on the accuracy and uniformity of local property valuation. In some cases funding limitations prevent assessors from effectively fulfilling their responsibilities. In fact, some assessors complained to us that their legislatively defined responsibilities constituted an “*unfunded mandate*.” Although legislative intent is somewhat ambiguous, the primary purpose, especially of the state A&C funds, appears to be accurate and uniform property valuation.

All A&C funds must be spent on assessing, collecting and distributing property taxes, but the purpose of state A&C funds appears to be more narrowly focused on local property valuation. Unlike county A&C funds, which are retained in the county of origin, state A&C funds are redistributed across county lines. Figure VII shows the amount collected and redistributed in 1996. The redistribution of funds among counties is permitted because the funds are used for a statewide purpose rather than a county purpose. **Utah Code 59-2-906.2 (5)** describes the statewide purpose for which state A&C funds may be used:

- A county shall use money disbursed from the Property Tax Valuation Agency Fund for:*
- (a) establishing and maintaining accurate property valuations and uniform assessment levels as required by Section 59-2-103; and*
 - (b) improving the efficiency of the property tax system.*

Both the name of the Property Tax Valuation Agency Fund and item (a) indicate that the primary purpose of state A&C funds is to insure that county assessing authorities have sufficient funds to accurately and uniformly value properties in order to comply with the constitutional directive that property be taxed at a uniform and equal rate, in proportion to its value. However item (b) can be more broadly interpreted.

Figure VII
1996 State A&C Funds Generated and Received by County

County	State A&C Funds			
	Amount Generated By County	Amount Distributed to County	Net Due To (Due From) County	% Received of Amount Generated
Utah	\$ 2,727,093	\$ 2,213,433	\$ (513,659)	81.0%
Salt Lake	9,306,218	8,794,376	(511,842)	94.5
Millard	651,212	257,849	(393,363)	39.6
Summit	1,042,476	669,132	(373,344)	64.2
Davis	1,728,425	1,431,288	(297,137)	82.8
Emery	396,376	154,954	(241,422)	39.1
Grand	117,816	122,494	4,678	104.0
Uintah	345,468	351,165	5,697	101.6
Tooele	309,911	323,638	13,727	104.4
Daggett	36,856	62,855	25,999	170.5
Morgan	81,038	107,168	26,130	132.2
San Juan	115,327	147,150	31,824	127.6
Piute	14,097	51,427	37,331	364.8
Wayne	26,044	68,603	42,559	263.4
Box Elder	477,797	521,538	43,741	109.2
Beaver	91,044	135,463	44,419	148.8
Carbon	218,394	272,213	53,818	124.6
Wasatch	209,407	265,414	56,008	126.7
Juab	100,989	163,404	62,415	161.8
Washington	847,138	941,672	94,534	111.2
Garfield	57,401	159,868	102,466	278.5
Rich	49,658	165,710	116,052	333.7
Cache	624,597	761,662	137,065	121.9
Sevier	157,602	308,940	151,338	196.0
Kane	95,931	276,880	180,949	288.6
Iron	339,466	574,835	235,369	169.3
Weber	1,319,006	1,561,061	242,055	118.4
Duchesne	141,554	443,603	302,049	313.4
Sanpete	127,363	447,909	320,546	351.7
TOTAL	\$21,755,704	\$21,755,704	-0-	100.0%

Policy Issues for Legislative Consideration. If the Legislature wants to improve county valuation practices or adjust how counties spend A&C funds, there are a number of actions it should consider. In general, any additional expression of legislative intent would enhance counties' understanding of how funds should be used. Beyond that, specific actions could include improving accounting of A&C funds, more narrowly defining allowable costs, or designating that a minimum proportion of state A&C funds be used for assessment activities. Another policy issue the Legislature may want to review is the exclusion of Salt Lake County from the equalization formula.

The Legislature could require better accounting of A&C funds. Although the **Utah Code** requires counties to separately account for A&C funds, the requirement does not appear meaningful because there is no review or follow-up of the information. Prior to 1994, it was the State Auditor's responsibility to establish categories of allowable costs and to annually review the costs claimed for the A&C funds. For example, according to a training manual formerly used, surveyor costs are not allowable, but some counties still charge such costs. In addition, there is no longer any follow-up on how excess funds are used. As mentioned earlier, counties with unexpended funds simply leave the excess A&C monies in their general fund, to be spent on future A&C costs. However, the A&C carry-forward is not subsequently tracked. With an annual review, the state auditor could determine if the counties were spending all of the A&C receipts and if they were spent appropriately.

The Legislature also could more narrowly define allowable costs. Presently, a wide range of county costs is paid with A&C funds. For example, one county charges all of a planning commission and building inspection program and half of its county commission costs. Another county whose accounting indicated an excess of revenue told us that if needed they could just allocate more indirect costs to eliminate the excess. We are not suggesting any counties are spending any funds on unimportant activities, but only that funds spent on activities unrelated to valuation are not available to help assessors discharge their duties. If the Legislature wants more A&C funds used to promote uniform valuations, it could more narrowly define allowable A&C expenses.

One way to insure more of the state A&C funds reach assessors would be to require that a minimum amount is used for assessment activities. Currently each county (except Salt Lake) receives an equal amount of state funds per APU. As shown in Figures V and VI, each county received \$12.81 per APU from the Property Tax Valuation Agency Fund in 1996, but most assessor's offices spent considerably less than that on property valuation. As noted earlier, the net assessor budget figures we use do not include all assessment expenditures. For example, data processing costs are not included. In addition, counties report other offices complete assessment work; for example, some counties report building inspectors take property measurements for assessors. Still, while there is no separate accounting of assessment expenditures, it appears that in many counties only a portion of state Property Tax Valuation Agency Fund monies are spent on assessment activities. If the Legislature wants a

minimum amount of state A&C funds to go towards assessment, it could designate that a minimum amount (for example, 50, 75, or 100 percent) be spent on assessment.

Another issue the Legislature may want to consider is the exclusion of Salt Lake County from the APU equalization formula. According to **Utah Code 59-2-906.2**, Salt Lake County retains 94.5 percent of the funds collected in the county while other counties received an equalized amount per APU. We do not know why Salt Lake County was excluded from the equalization formula, but we have been told it was a political compromise. If Salt Lake County did participate in the equalization formula, it would provide more funds to the Property Tax Valuation Agency Fund for distribution to other counties.

Recommendations:

1. We recommend that all assessors annually update values based on current market data. Assessors that cannot complete their own market analysis should work with the PTD staff to obtain and interpret preliminary assessment-sales ratio study data so that updates can be completed before assessment roles are finalized.
2. We recommend that all assessors annually update their required 5-year reappraisal plans, especially if prior plans have not been fulfilled. The county should provide a copy of the updated plan to the PTD to facilitate understanding of county needs and plans so that they can be considered before the Tax Commission issues corrective action orders and to help the PTD assist counties.
3. We recommend that the Tax Commission issue a procedural rule or guideline to insure a consistent interpretation of the **Utah Code 59-2-303.1** requirement for a periodic detailed review of property characteristics.
4. We recommend that all assessors schedule their planned detailed review of property characteristics in advance and notify county treasurers so property owners can be informed on their tax notice as required by **Utah Code 59-2-1317**. Because some assessors are uncertain of whether the notice of a planned detailed review of property characteristics should occur before it takes place, the Tax Commission should clarify in rule or policy the timing of the notice.
5. We recommend that the assessors in Davis, Weber and Utah Counties insure they have necessary data and technical expertise to successfully implement the SIGMA appraisal system.
6. We recommend that the PTD be proactive when advising counties planning to purchase new computer-assisted appraisal systems by helping them evaluate which systems best meet their needs and encouraging them to purchase compatible systems.

7. We recommend that the Legislature review the A&C funding program. To insure that assessors are adequately funded and are able to accurately and uniformly value properties, the Legislature may wish to:
 - a) Require a better accounting of A&C expenditures. For example, accounting reports could be filed with, and perhaps reviewed by, the State Auditor. Another option would be to require a separate accounting of just assessment expenditures that the Tax Commission's Property Tax Division could receive and review.
 - b) Develop criteria defining allowable costs. The lack of criteria defining allowable expenditures leads to ambiguities among counties regarding how these funds are to be budgeted, expended and accounted for.
 - c) Require that a specific percentage of state A&C revenues be dedicated to assessment activities, and/or
 - d) Review the rationale for excluding Salt Lake County from the Property Tax Valuation Agency Fund distribution formula.

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Chapter III

Role of Tax Commission Needs Clarification

Some aspects of the Tax Commission's role in equalizing property assessments need clarification. While county assessors are responsible to value homes, the State Tax Commission is responsible to insure that "*assessments of property are just and equal, according to fair market value, and that the tax burden is distributed without favor or discrimination.*" [Utah Code 59-1-210 (7)] Equalizing values enhances the fairness of property taxes both among and within counties. There are three principal ways that the Tax Commission and its Property Tax Division (PTD) insures assessed values are equitable. First, the PTD provides training, assistance, and general supervision to county assessors and their staff. Second, the PTD evaluates the counties' assessment performance. Third, when necessary the Tax Commission orders counties to adjust values or complete specific assessment activities. It is this third and most challenging responsibility of ordering counties to take actions that we feel may need additional clarification.

The Tax Commission's equalization role is difficult and sensitive. County assessors, who set property values, and county commissioners, who set the assessors' budgets, are locally elected officials. For the most part, local officials welcome assistance and training, but disapprove of state control or mandates. Moreover, some assessors are concerned that they may not have the resources needed to accomplish the tasks required by Tax Commission orders. Thus, practical considerations require some caution on the part of state officials before ordering elected county officials to take actions they cannot complete. The PTD officials also report that at times they are cautious when recommending orders because they question the validity of ratio study data. While state law seems to require a more aggressive approach to equalization, the commission appears reluctant to issue orders that may be difficult to enforce or that may strain local resources. Furthermore, the PTD staff believe a cooperative rather than adversarial relationship with counties is a better method to obtain equitable assessments.

In concert with county assessor's improved assessment practices, we feel the Tax Commission and its Property Tax Division also have made considerable progress in helping to improve assessment practices and in equalizing values during the past few years. While we commend the Tax Commission for the progress made, the remainder of this chapter focuses on areas where additional improvements may be possible and where important policy issues exist. First, we discuss possible improvements involving the assistance provided by the PTD to county assessors. Second, we discuss possible improvements in the PTD's evaluation of county assessment practices. Third, we discuss equalization policy issues relating to the methods used by the Tax Commission to insure assessments are equitable both within and among counties.

Assistance to Counties may be Improved

While generally effective, some improvements are possible in the assistance the PTD provides to county assessors. First, the division should promptly share sales data and preliminary assessment-sales ratio analysis with assessors. Second, county representatives should apportion their time more appropriately.

While we feel improvements can be made in these two areas, the PTD's assistance programs are valuable. For example, the PTD administers an appraiser designation and continuing education program for assessors and their staff. In connection with these programs, the PTD provides the training necessary for appraisers to become registered and certified to appraise property for taxation purposes. Given the need for elected assessors to register with the Division of Real Estate, and the need to replace trained appraisers because of attrition, these programs and training help to "*ensure that the assessment of property will be performed in a professional manner by competent personnel.*" [Utah Code 59-2-702]

The need for assistance from the PTD varies greatly among Utah's 29 counties. While the state's larger counties neither require nor receive much assistance, some of the smaller counties rely on their assigned representatives for technical assistance, consultation and supervision. Representative services are generally effective and popular with assessors in smaller counties whose assessors rely on them. Assessors in larger counties are more often interested in assessment-sales ratio study information. This section discusses possible improvements the PTD may consider to better assist county assessors.

Sharing of Data may be Improved

We believe the PTD can improve the assistance it renders to counties by routinely supplying assessors with sales information for their counties. While the PTD gathers sales data throughout the year as part of its annual assessment-sales ratio study, we found some inconsistencies in the manner in which current sales information is provided to assessors. Generally, the PTD has provided assessors with sales information collected for the study just before preliminary results are calculated and orders issued in November. Earlier access to the sales information is provided only upon request. Additionally, there appears to be some confusion as to the appropriate roles that county representatives and sales ratio appraisers play in providing and analyzing this sales information.

Providing sales information as a matter of course will improve equalization efforts. Earlier access to sales data allows assessors to implement appropriate adjustments to values for the current tax year, and to better plan their assessment work. Assessors who independently obtain sales data from local realtor services have less need for the state's information. However, assessors without access to realtor information rely on the PTD's sales data to develop adjustments necessary to keep assessed values current and monitor their appraisal accuracy. Providing available sales data to county assessors who may not otherwise have it enhances

equalization by helping assessors determine fair market values. For example, an assessor we visited received sales data from the PTD and assistance in analyzing it. The assessor was able to adjust values where necessary before the end of the tax period. Consequently, the county did not receive a corrective action order from the Tax Commission because most values were brought current as mandated, by applying factors based on the analysis of the sales information. Assessors who obtain sales data from their local realtors also may benefit from receiving sales information from the PTD because additional sales not available through the realtors may be included. According to the IAAO, *“The reliability of any valuation model or sales ratio study depends on the quantity and quality of its data.”* The information must also be available in time to analyze and determine necessary adjustments prior to issuing tax notices.

A recent organizational change at the PTD may have contributed to some difficulties in sharing information with counties. Until recently, a single division employee was responsible both for providing assessors with technical assistance and for evaluating assessment performance based on the ratio study analysis. Concerned with a potential conflict between representative’s assistance and evaluation functions, the PTD administrators separated the two, assigning responsibility for each function to different individuals. Now, most counties are assigned both a county representative who provides assistance, and a sales ratio appraiser who evaluates an assessor’s performance with the ratio study analysis. There appears to be some confusion in the role these PTD staff should play. In the past, representatives provided sales information and help with its analysis to direct the assessor in what valuation adjustments were necessary before the tax rolls were closed. Recently, an assessor reported frustration at being unable to get sales information from the PTD assigned representative and in being referred instead to the sales ratio appraiser. Assessors we surveyed expressed concerns that the sales ratio appraisers only provide information just prior to releasing preliminary ratio study results in November and so the assessors have little time to analyze sales.

While we encountered assessors who expressed difficulties in obtaining sales information, we believe once the transition of separating these functions is complete, the PTD representatives will provide better information services to assessors and consequently more equitable assessments. Indeed, the PTD administrators acknowledge some problems with sharing information and have revised their assessment-sales ratio study procedures to address the difficulties. According to the draft procedures, the PTD will provide counties copies of the sales questionnaires returned from new owners *“at least every other month so that counties have more immediate access to market data for their own appraisal use...”* This change should result in more accurate assessments.

Representatives Need to Better Apportion Their Time

A second improvement the PTD can make is to have county representatives better allocate their time among counties. The PTD's county representative program plays a significant role in assisting assessors so they achieve equitable property values throughout the state. The PTD has four county representatives assigned to 25 counties; the state's four largest counties are not assigned representatives. Along with field training, they provide technical assistance and general supervision in administering property tax laws and assessment procedures. Visits to all counties can help keep the PTD better informed of county needs and difficulties and better prepare them to assist each assessor. We are concerned that county representatives visit counties only upon request and spend a disproportionate amount of time assisting a few assessors.

While the PTD policy directs representatives to spend enough time in each county to be aware of any needs or concerns, we found representatives who spend a disproportionate share of their time assisting a few counties and visit other counties only upon request, or they fail to visit counties when requested. Of the 25 counties with assigned representatives, all but six of the assessors we surveyed by telephone reported representatives are very helpful, supportive, and available. Four of the six assessors have not requested any help. The only criticism the remaining two assessors provided was that they would like more detailed instructions and advice. However, when we visited with assessors and discussed representative services, we learned representatives have spent little, if any, time in some counties. Of the six counties we visited that had assigned representatives, we were told that representatives spent little, if any, time in five counties because assessors did not request services and the assigned representative failed to visit one county despite repeated requests for assistance.

County representatives should routinely visit all assigned counties even if assistance is not requested. Several assessors reported they have little need for the assistance the representatives are able to provide. However, visits are still important to keep both the PTD and local officials abreast of issues of mutual concern. County representatives may never obtain the necessary base knowledge about the unique needs and concerns of each county to effectively assist and supervise the assessor if they do not, as a matter of course, spend an appropriate amount of time in each county. County representatives should not become so involved providing detailed appraisal services to a few small counties that they do not apportion their time to all assigned counties. For example, during our audit one representative was so involved assisting the assessor in one of his assigned counties that he only made monthly inquiries to another county about whether help was needed. When told that it was not, the representative did not visit the second county. Difficulties encountered late in the tax year in the second county prevented the assessor from applying an annual adjustment necessary to keep values current with the market. Instead, the Tax Commission issued a corrective action order to equalize values the following year. If the representative had visited the county and become aware of the difficulties, he may have been able to provide the assistance needed to update values prior to the end of the tax year.

Property Tax Division Should Improve

Evaluation of Assessment Practices

assessors' assessment performance and valuation practices. The evaluation of both assessment performance and valuation practices is necessary to address assessment inequities within and while an assessor's valuation practices may be informally evaluated by assigned representatives from the PTD. This section describes recent improvements the PTD has made to the ratio study comprehensive review of assessor practices, and the important role they play to insure assessed values are equitable and approximate fair market value.

Ratio studies are the principal tool used nationwide to assure quality assessments. Used by both county assessors to monitor the quality of their own assessments and by oversight agencies ratio study provides specific measures of assessment accuracy. Utah law requires the commission to annually conduct and publish an assessment-sales ratio study to evaluate local assessment county assessors have valued property in their jurisdiction and also to assist counties in developing effective valuation policies, procedures, and work plans. The measures of assessment acceptable standards and deciding the action necessary to correct assessment inequities. It is therefore crucial that these measures be properly calculated and interpreted.

and the assessor's estimates of market value. The dollar weighted mean (DWM) is the measure traditionally used by the PTD to measure a county's assessment level. It indicates how closely

DWM is calculated by dividing the total assessments by their total sales prices. A DWM of 100 indicates these properties were assessed at 100 percent of what they sold for while a DWM of 80

assure the tax burden is equitably distributed among counties, the Tax Commission orders counties to adjust (factor) assessments if levels are not within plus or minus 10 percent of market

commission has recently focused its equalization orders on within county equity and now orders counties to adjust values within a county even when the countywide DWM is within standards. In

than the DWM. While this change is consistent

with the increased emphasis on within county equalization, the PTD continues to monitor equity

Assessment uniformity is measured by the ratio study's coefficient of dispersion (COD). The COD indicates how uniformly individual properties are assessed by calculating the average percentage deviation from the median ratio of the sample sales. Utah administrative rule requires the COD for residential properties to be less than 15 percent for urban counties and less than 20 percent for rural counties. Lower CODs indicate properties are more uniformly assessed within a county. A COD over 15 (or 20) indicates that many properties within the county are either over or under assessed. Corrective action orders, which are generally orders to reappraise, are issued by the commission when a county's COD is not within standards regardless of the assessment level.

We have included in Appendix C the administrative rule that outlines the standards for assessment level and uniformity. Included in Appendix A are the PTD's ratio study measures of the counties' assessment level (DWM) and assessment uniformity (COD) for residential property the past four years. These countywide measures were used by the Tax Commission to evaluate assessment performance and to determine the appropriate order to equalize assessments for counties that were outside minimum level and uniformity measures.

Recent Improvements Have Increased Ratio Study Validity. The PTD has recently improved the validity of its annual ratio study by producing more precise measures and by focusing on specific areas and classifications of property with assessment deficiencies. Some of the improvements include the following:

- 1. Data Stratification.** A significant improvement to the study was the stratification of data to allow for more focused equalization orders. Stratifying property classes into various subsets like location, age and size, allows the PTD to more precisely evaluate assessment performance and the commission to tailor corrective action orders to specific areas of concern instead of issuing countywide orders that are sometimes inappropriate. Additionally, orders are now issued when countywide measures meet standards but stratified measures reveal assessment inequities within a county.
- 2. Time Adjustments.** Time-adjusted sale prices are necessary for a valid study. The PTD ratio study uses sales that occur throughout the 12 months prior to the January 1 lien date. Adjusting sale prices for time allows the PTD to take into account market changes that occur between the time a property sells and the lien date.
- 3. Improved Computer Analysis.** The PTD introduced a new computer program to more efficiently and effectively analyze the counties' assessment performance. The new program allows the PTD to analyze ratios using alternate stratifications, and to select the appropriate statistical measure of central tendency (mean, median, DWM) on which to base corrective action orders.

We distributed a written survey asking county assessors for their opinions about the PTD ratio study. About 65 percent of assessors (19/29) agree the study is a valid indicator of their appraisal

appropriate. Assessors with the most confidence in the validity of the study commented about how closely they worked with their representative. The few assessors who challenged the validity of the study argued that “*transitional*” land sales distorted the study

or commercial parcels may not accurately represent the market for other vacant properties. When samples are small, ratios from these sales may distort uniformity measures. Assessors also

used in the study. Nonetheless, an assessor who appeared dissatisfied with some aspects of the study acknowledged the study “_____” to accomplish equitable assessments.

Even though recent changes have enhanced the quality of the ratio study, the PTD continues to search for

does not have a disclosure law requiring owners to reveal sales prices. Instead, the PTD staff requests information about the sales price and terms of sale in a questionnaire sent to new owners

sample of sales used in the study does not represent the population as a whole or if the sample is not selected objectively. An assessor we surveyed was concerned “*do not represent all neighborhoods and types of property.*” Other assessors questioned the

sales. This section discusses five topics we feel the PTD should consider as it continues to improve both the validity and efficiency of the study.

Make Greater use of Realtor’s Data. We recommend that the PTD consider the

supplement the number of sales used for the study. Limited sample sizes that result because Utah is a nondisclosure state could be addressed somewhat by using MLS data.

ratio increases. Additionally, MLS data appear reliable. County assessors we visited have recognized the benefit of current MLS sales information and have established agreements

analysis and the study has consistently been verified as accurate by the PTD. We also confirmed MLS information is accurate by comparing the MLS sales prices with the

2. Reduce use of Appraisals in Small Counties.

appraisals in four small counties to supplement their sample size. Assessors argue these appraisals provide little additional information because the appraisals are based on

seem to question the effectiveness of the appraisals. The 1995 ratio study indicated corrective action was needed in Daggett County, but the PTD staff did not recommend an

order because the study measures resulted from the supplementary appraisals rather than actual sales. Conducting appraisals is a labor-intensive process that occupies much of the PTD staff's time from the beginning of March to the end of May, when the counties' assessment rolls are completed. We feel that the PTD resources may be better used to evaluate assessor practices as required by administrative rule and discussed in the next section or to better verify sales already identified for the study.

- 3. Improve Guidelines for Accepting Assessor Identified Sales.** Our survey of assessors revealed concerns with the method used by the PTD to include or exclude sales from the study when requested to do so by assessors. In at least two instances in 1996, study measures changed enough after assessors requested additional sales be included in the study that corrective orders were not required. One of these assessors expressed concern that results could be changed so easily. Another concern is that some assessors may only introduce sales that will shift the resulting measures to their benefit. Better guidelines should provide consistent treatment of proposed additional sales.
- 4. Improve Tests of Representativeness.** The PTD should consider improving its tests to insure the study's sample sales are representative of the population as a whole. For the PTD to infer the sample measures to the entire population, it must insure the sample is representative. Assessors questioned if the study's sales are representative of the various populations they represent. The PTD has not developed and compared county profiles of the sample and population to examine representativeness as directed by the IAAO. The validity of the study is suspect if the profiles are dissimilar. Profiles that are dissimilar require verification that over and under represented properties are appraised in the same manner.
- 5. Improve Timeliness of Study.** The PTD should study the feasibility of either releasing frequent preliminary ratio results, or issuing the report earlier in the year. We are concerned that the study is not compiled in time to allow assessors to adjust values for the current tax year. In addition, assessors have expressed two concerns with the timing of corrective orders issued in November. First, assessors may not have enough time to complete the order's requirement for the next tax year. Second, assessors cannot obtain additional funds needed to complete an order because budgets are already set by county commissions in the early fall. The PTD might be able to complete its study more promptly by speeding up the verification process that eliminates sales from the study if the parcel has undergone a significant change between the lien date and the sold date. For example, to speed up the verification process, the PTD might verify sales before the May 22 certification date so only the assessed value needs to be obtained to complete the study. Another possibility the PTD should consider is to rely on assessors to verify sales in their county.

These recommendations may improve the ratio study by expanding the pool of sales from which to select a sample that better represents the market values of property and by completing a

more timely study through more efficient procedures. In an effort to improve the ratio study, the PTD annually updates its study procedures. This year's proposed update addresses our

small counties and by regularly providing copies of the returned questionnaires to assessors along with preliminary study results. We encourage the PTD to also consider our other

Practice Reviews are Needed to Complement Ratio Study Measures

practices are essential for assessors to fairly value properties in a mass appraisal program. According to the IAAO, "*and how it is performed.*" The PTD's ratio study provides statistical measures of assessment

satisfactorily followed good appraisal practices. Historically, the PTD has relied almost exclusively on the ratio study's statistical measures because of a philosophy that "*the pudding.*" Thus, the division has not been concerned about appraisal practices.

documented. In our opinion, practice reviews are important for a number of reasons. First, formal practice reviews provide the only practical method to evaluate assessment performance in

assessment practices before they are manifest in bad assessment results. Third, practice reviews are useful to help interpret ratio study data and documented reviews may provide a more

Practice Reviews are Required When Sales Data are Lacking. When the ratio study's *the only*

practical means of evaluating performance when market data do not exist

Commission rule R884-24P-27 (Appendix C) requires an evaluation and audit of county practices when the PTD's ratio study sample size is insufficient to make statistically reliable conclusions

minimum 29 sales, the PTD has not completed evaluations as directed by this rule. For example, in 1995 practice reviews were not conducted by the PTD even though the study's sample size was

residential sales was insufficient for five counties. The PTD completed appraisals to supplemental the sales in four of the five counties. The division may find more counties with insufficient sample

residential property assessments may more often be based on practice reviews because ratio study measures are inconclusive. Without a reliable ratio study measure or a review of practices, the

Practice Reviews may Identify Poor Assessment Practices. Ratio study measures are

compiled after assessments are completed, while practice reviews may occur during the assessment process. Practice reviews may alert the Tax Commission and assessors to potential problems that may be resolved before they show up as inequitable assessments in the ratio study. Early identification and correction of poor practices through training or orders may enable the PTD to prevent future assessment problems. In fact, the commission is required to order corrective action not only when the ratio study shows it is needed but also if an “*assessor has not satisfactorily followed the current mass appraisal standards.*” [Utah Code 59-2-303.1 (1)(a)]. Formal practice reviews with uniform guidelines provide a mechanism for the commission to identify poor practices and order corrective action before serious problems arise. For example, if the PTD focused more on practices, it may have been able to prevent or reduce the 1993 controversy in Salt Lake County over assessment increases in the Holladay-Cottonwood area. The cyclical reappraisal program used in Salt Lake County at that time updated values of a portion of the county each year while other values were unchanged. Under the cyclical plan, home values remained constant for five years at a time until the next cycle again updated them. In contrast, a 1984 IAAO standard directed the use of annual revaluations if there were market changes and taxes were levied annually. Annual ratio studies were conducted, but they did not warn state and county staff about the risk of large jumps in assessed values caused by a cyclical reappraisal program in a booming market. However, a practice review could have identified and potentially avoided the impending problem.

Practice Reviews may Help Identify the Appropriate Orders. Formally documented practice reviews may provide an objective basis for departing from a strict application of corrective orders as indicated by ratio study measures. We learned the PTD administrators informally consider a county’s assessment practices while deciding whether to issue corrective action orders. For example, we observed division administrators decide the corrective orders indicated by the ratio study measures were inappropriate and varied from the order after informally discussing the county assessor’s practices. In another instance, the PTD amended the order because they acknowledged the assessor could not possibly complete all of the corrective action indicated by the ratio study measures.

We believe the PTD should incorporate formal practice reviews into their evaluation process as is done in some other states. For example, Kansas evaluates an assessor’s performance by using a point system. It assigns points to both a county’s ratio study measures and to its evaluation of appraisal practices. A county that has not achieved a minimum number of points is required to submit detailed plans to correct the problems while the state withholds assessment reimbursement funds until the county has carried out the plan. According to a review of ratio studies in other states, Pennsylvania and Indiana have issued equalization and reappraisal orders based on procedure audits in lieu of ratio study analysis. Property

assessments in Utah counties would be better evaluated and corrective orders more fairly issued if practice reviews were formalized, consistently applied, and well documented.

Equalization Orders Raise Difficult Policy Issues

While assisting county assessors and evaluating their assessment activities and results are most direct way for the Tax Commission to improve equalization. Ordering counties to take actions they may not otherwise take is the most challenging of the commission's responsibilities

This section discusses the Tax Commission's role in achieving two broadly defined types of assessment equity: intercounty and intracounty. Intercounty equalization orders address different be assessed at fair market value if properties in another county are not because taxes paid on multicounty levies, such as the Uniform School Fund, would be affected. Intracounty equalization intracounty assessment inequities do not affect other counties because the aggregate county taxes are fair, they are unfair to those property owners within the county who are paying too much

Our review of the equalization process raised several difficult policy questions. First, should factoring orders equalize values for the current tax year? Currently, orders are issued too late to Second, how broadly should existing laws and rules directing the issuance and enforcement of orders be interpreted? Currently, the Tax Commission takes a more pragmatic approach than **Utah Code** and . Third, how should compliance with orders be tested? Currently, the PTD does not verify compliance with its

Despite the policy issues discussed here, the process by which the Tax Commission issues equalization orders has improved in recent years. Traditionally, the PTD conducted a biennial statute. In addition to the improved ratio study methodology discussed earlier, the study is now annual with annual orders because the statute has been changed. Thus, equalization orders are inconsistent in practice, recent legislative changes have helped define the process. The PTD's follow-up testing of compliance with orders also has improved. While this section discusses been implemented.

Should Assessed Values be Equalized for Current tax Year?

Although the state constitution and laws mandate property be taxed on its fair market value as of January 1 each year, factoring orders may not equalize current year values. The PTD's ratio study measures whether county assessors have fulfilled their responsibility to assess property at fair market value. However, even when the ratio study reveals an assessment level problem, factoring orders do not bring values to market levels for the current tax year. Instead, factoring orders are issued to bring values for the next tax year to the level they should have been 12 months earlier. Thus, current year taxes are paid on unequalized values. In addition, unless values remain constant during the year after the valuation problem was measured, a factoring order also does not achieve fair market value in the tax year for which the order is effective. While state policy makers could equalize values for the current tax year, it may require significant changes that should be carefully studied.

The discussion in this section focuses on the use of factoring orders to achieve intercounty equalization. Theoretically, a county could transfer part of its tax burden to other counties by underassessing property. Therefore the Tax Commission, as the state board of equalization, can require a county to increase assessments by a factor to make intercounty taxes more fair. While a reappraisal order also could improve intercounty equity, it generally takes much longer to implement than a factoring order and so is not a timely method for current year equalization. However, besides factoring orders that adjust individual parcel values, other methods are available to address assessment level differences among counties. For example, as discussed later, aggregate corrections can be made by adjusting a countywide tax rate. An aggregate adjustment, if made, would be based on the ratio study measure of dollar weighted mean (DWM) because it is the best measure of proportional equity. However, the PTD no longer relies on the DWM and instead uses the mean and median measures to identify factoring orders.

While the purpose of factoring orders is to make taxes equitable, the property tax calendar and the timing of the ratio study prevent the Tax Commission from ordering factoring adjustments to equalize current year taxes. Two important statutorily established property tax calendar dates are May 22 when assessors must complete the assessment roll and July 22 when auditors must mail valuation notices to property owners. The PTD cannot make ratio study comparisons before assessed values are finalized on May 22 and it would not be practical to change values after homeowners are notified on July 22. To equalize values for the current tax year, Tax Commission orders would have to be implemented before county auditors notify taxpayers of their values on July 22 and perhaps before June 22 when proposed tax rates are established. However, the Tax Commission currently does not issue orders until late November or December, about five months too late to equalize values for the current year. Figure VIII illustrates the timing issue although it does not list the many other dates the property tax calendar includes.

Figure VIII
Selected Property Tax Calendar Dates

Year	Date	Property Tax Calendar Event
1996	January 1	Lien date for 1996 tax year
	May 22	Assessor delivers assessment roll to County Auditor for 1996 tax year
	June 22	Proposed tax rates established
	July 22	County Auditor mails 1996 tax notices to property owners
	November or December	Tax Commission issues factoring orders to adjust assessment levels for 1997 tax year to fair market value as of 1996 tax year
1997	January 1	Lien date for 1997 tax year

Factoring orders that are not applied until the following year do not effectively equalize values for the current tax year. Consequently, multicounty levies, such as the Uniform School Fund, are based on unequal property values. For example, in 1994 21 counties were ordered to factor primary residential property because it was underassessed, but the greatest affect from low assessments occurred in Salt Lake County because it includes more residential value than other counties. According to the PTD's ratio study, residential property in Salt Lake County was assessed at only 80 percent of its market value as of January 1, 1994 so the Tax Commission ordered the county to increase values by about 25 percent. Since the factoring adjustment was not required to be applied until the following year, Salt Lake County homeowners paid approximately \$12.6 million (.00422 tax rate times \$3 billion aggregate under-assessment) less into the Uniform School Fund than they should have. The formula for calculating the school fund has since changed so that rather than the Uniform School Fund suffering a shortfall, the tax rate is adjusted statewide. Thus, whenever one county is significantly underassessed, tax rates of taxpayers statewide are slightly increased.

Additionally, factoring orders may not be appropriate when applied to the following year because values continue to change. As calculated, factoring orders adjust values only to where they should have been a year before the order is effective. If values continue to rise, as they have in recent years, an additional adjustment is needed to bring values to the current market level. For example, in December 1996 Wasatch County was ordered to factor primary residential property countywide by 20 percent based on ratio study measures for the January 1, 1996 lien date. Although not based on an assessment-sales ratio methodology, the Utah Association of Realtors estimated single-family home values increased another 12 percent in Wasatch County during 1996. Because the order does not consider market changes that occurred during 1996, it will not bring assessments to fair market value for the 1997 lien date. In contrast, if values drop during a year, a factoring order would increase values above fair market.

While the Tax Commission's factoring orders that are applied the following year do not equalization. Furthermore, the PTD recently proposed changes to its ratio study procedures to provide sales data on an ongoing basis to assist assessors in updating values before the tax rolls orders should be necessary if assessors make the adjustments indicated. Nevertheless, if assessment levels are out of standard because needed adjustments are not made, the current values.

Possible Changes Would Require Careful Study.

practices suggest some approaches to equalize current tax year values. The three approaches that are discussed below would address the current year equalization issue, but could have far reaching not only the assessor's office ability to complete their work but also other offices such as the auditor, treasurer, and board of equalization. In addition, changes intended to achieve intercounty

While any changes would require careful study, we learned that some other states apply equalization adjustments to values before their tax rolls are completed. For example, Oregon prior to finalizing the tax rolls or the assessor must provide written objections to the recommendations. According to a , some states will refuse to certify the assessment roll or will prevent assessment notices from being withheld or reduced. According to the study, about one-third of the states use the ratio study results to require an adjustment of the aggregate assessed value when the actual assessed level is change in individual parcel values when the statistic indicates that the municipality is out of compliance. Many states complete two separate studies: one to equalize effective tax rates for recently amended its property tax calendar so adjustments could be completed before current year taxes are calculated. State policymakers may want to consider the following approaches in Utah:

Issue Factoring Orders Before the tax Rolls are Completed. Ideally, factoring orders

might be accomplished by one or a combination of completing the ratio study more quickly and adjusting the property tax calendar. Chapter II mentioned some steps that

would provide more time to issue needed orders before tax notices are sent to property owners. As mentioned earlier, important statutorily established dates include May 22

must mail valuation notices to property owners. Legislative action could change the tax

calendar to extend the interval. For example, if assessors were required to complete the tax rolls by April 22 and the auditor did not send tax notices until August 22, the interval would increase from two months to four months. Any changes to the property tax calendar would require careful evaluation by policymakers because changes could affect many other property tax functions and dates. According to the PTD if the assessment time frame is shortened centrally assessed schedules could be disrupted, counties may need additional resources to complete assessment work by an earlier date, and county boards of equalization may have greater difficulty resolving property owners appeals before tax notices are mailed.

- 2. Adjust Each County's Aggregate Assessed Value.** Based on the ratio study assessment level measures, each county's aggregate value could be equalized without adjusting individual homeowners' values. For example, if a county had a shortfall or surplus contribution to the Uniform School Fund in one year, its contribution due the next year could be adjusted. If counties had significant differences in assessment levels, this type of procedure would improve intercounty equity without making any changes to individual property values. State law already prescribes a similar type of procedure. A county's Uniform School Fund tax rate can be increased if property is undervalued. **Utah Code 59-2-902(3)** requires the Tax Commission to notify county auditors that the minimum basic tax levy shall be imposed by the school district to which will be "*added an additional amount, if any due to local undervaluation.*" In a recent instance, the PTD considered recommending that the Tax Commission invoke this statutory provision but was concerned about applying it to just one county in an isolated case. The PTD also is concerned that applying the statute could lead to inequities among property classes. The commission should consider clarifying in rule or policy when and how this **Utah Code** section may be applied.
- 3. Include Current Year Value Changes in Factoring Orders.** Instead of ordering counties to adjust values to the level they should have been for a tax year that is over, orders could be more forward looking. The PTD monitors market changes throughout the year, but does not incorporate the information to make the orders appropriate for the next lien date. Presently, along with its corrective order, the commission only encourages assessors to "*make every effort to bring all property values current*" as of the next lien date. Since the year is almost over by the time the commission issues orders in late November or December, orders that include adjustments for market changes since the lien date could be issued. While this would not equalize values for the current year, it would make the order more accurately achieve fair market value for the next tax year, which is when the order is effective.

If equalizing assessed values for the current year is important, state policymakers may want to consider one of the options discussed above to insure county contributions to the Uniform School Fund are equitable. However, the possible approaches entail significant changes that would need careful study.

How Broadly Should Equalization Laws and Rules be Interpreted?

Although Utah law and rules specify when corrective action orders are issued and how they are enforced, the Tax Commission sometimes departs from the orders that seem to be required. We found that practical considerations, coupled with a governing philosophy of cooperation, prevent the Tax Commission from simply relying on statutory and rule language to dictate the content of orders in a given situation. Thus, an indicated order may not be issued even though its validity is unquestioned. The variance between actual practice and the stricter, more aggressive approach to equalization that is outlined in both the statutes and rules points to the need to clarify the role of the Tax Commission. It is not clear whether the Legislature intends or has authorized the commission to deviate from the tools and remedies specifically set forth in statute and rules in its efforts to achieve equalization.

The **Utah Code** and **Administrative Rules** define the state's equalization process to insure that *"all tangible taxable property shall be assessed and taxed at a uniform and equal rate on the basis of its fair market value"* [Utah Code 59-2-103 (1)]. As discussed in the previous section, the Tax Commission is required to conduct its assessment-sales ratio study annually to evaluate the counties' assessment performance, and to *"order each county to adjust or factor its assessment rates using the most current studies so that the assessment rate in each county is in accordance with that prescribed in Section 59-2-103.... Where significant value deviations occur, the commission shall also order corrective action"* [Utah Code 59-2-704 (2)]. If a county fails to comply with an order, **Utah Code 59-2-704 (4)**, requires the Tax Commission to implement the order itself and charge the county the costs.

Rather than strictly adhering to the equalization criteria in law and rules when issuing and enforcing corrective action orders, the Tax Commission takes a more pragmatic approach. Regard for a county assessor's capabilities affects the content of the orders. We were told that the Tax Commission sometimes only orders the performance of needed appraisal activities that the county, given resource constraints, is capable of performing successfully. The state recognizes that assessors may not have the resources needed to complete needed appraisal activities and that county commissions may be unable or unwilling to provide additional resources. This practical concern, coupled with the Tax Commission's desire to maintain cooperative rather than adversarial relationships with counties, encourages the Tax Commission to exercise caution before they order county officials to take actions they are unable to complete.

There is merit to the Tax Commission's pragmatic approach to issuing and enforcing corrective action orders. Straying from the strict terms of the statutes and rules governing the equalization process allows the Tax Commission to target areas in need of immediate attention while pursuing a long-term solution to the resource constraints that burden some assessor's offices. Still, there is a need to reconcile the more direct approach to equalization that is embodied in both the statutes and rules with actual practice. The following sections describe

some areas where state equalization policy may need clarification. A clear expression of legislative intent would enhance the Tax Commission's understanding of the limits of its authority practice may be reconciled through changes in practice or amendments to both statutes and administrative rules.

Our review of the 1995 ratio study revealed a number of instances where orders were not issued when the ratio study results adhere to the rules when issuing orders. One factor is that judgement must be used to interpret study results and make sure the indicated orders are valid. In addition to making sure orders are a county. Limiting the scope of corrective action orders based on informal consideration of a county's capabilities, while pragmatic, is not consistent with the commission rule that was reasons for limiting orders were not well documented.

Pursuant to 59-2-704.5, the Tax Commission developed standards for evaluating assessment performance and “*under Subsection 59-2-704(2).*” Thus, under R884-24P-27 (shown in Appendix C), counties market value if the uniformity measure is still within standard. Regardless of assessment level, the rule requires corrective action if the uniformity measure exceeds standard. While the rule does *corrective action,*” in practice, the Tax Commission requires that a exceeds standards. This practice is consistent with the IAAO recommendation that “*if the* .”

When reviewing the 1995 ratio study, we found a number of instances where countywide documented why the indicated orders were not issued, but division staff provided some explanations. For example, Beaver, Millard, San Juan, and Sanpete Counties were not ordered to vacant land in specific areas. The PTD administrators believed that reappraising land would address the residential property inequities. Reappraisal of vacant land in Juab County was not residential property and limit orders to what could be reasonable accomplished. Additionally, the Tax Commission should have ordered a countywide reappraisal of both commercial and vacant land in Utah County. However, the county was only ordered to reappraise vacant land in one geographic area. According to the PTD, such a limited order was issued because the Utah countywide reappraisal of both commercial properties and vacant land. In addition to the countywide orders that were not issued, as shown in Figure IX, a number of more localized

orders also were not issued.

Figure IX

Rural County Standards	Residential		Orders not Issued
	COD		
	<20		
Beaver			* Reappraise primary residential property
Daggett			* Reappraise primary residential property
Duchesne			* Reappraise vacant land
Juab			* Reappraise vacant land
Millard			* Reappraise primary residential property
San Juan			* Reappraise primary residential property
Sanpete			* Reappraise primary residential property
Urban County Standards		Vacant Land	Orders not Issued
		COD	
		<20	
	31.4	28.1	* Reappraise vacant land
Weber			* Reappraise commercial property

Note: COD - Coefficient of Dispersion

initial corrective action orders. While it seems pragmatic, the practice of limiting the content of corrective action orders runs counter to the direct approach to equalization embodied in both perpetuate assessment inequities because assessors are less likely to complete needed appraisal activities. In addition, some assessors use the orders they receive to help obtain needed resources capabilities makes it less likely that funding inadequacies will be remedied. Selective orders may also create the appearance of favoritism on the part of the Tax Commission, especially in cases indicate that two counties have similar assessment level and dispersion problems, yet different orders may be issued because the PTD

takes each county's capabilities into account. Establishing guidelines about when it is proper to deviate from the course of action specified in the rules, and documenting such occurrences, would help prevent any appearance that the Tax Commission acted arbitrarily. In our opinion, rather than limiting initial orders, a more appropriate time to consider assessor capabilities is when a possible stipulation is evaluated.

While we question limiting initial orders based on assessor capabilities, we agree with the IAAO statement that the exercise of informed judgment "*is essential when conducting a ratio study or when evaluating or using the result.*" Thus, we agree that the PTD is correct not to recommend orders indicated by ratio study results if the validity of the order is questionable. The PTD staff told us that the orders indicated for Daggett and Duchesne Counties (shown in Figure IX) were not issued because administrators decided they were inappropriate. While the PTD should not issue inappropriate orders, it should document its justification for departing from an indicated order.

Should Stipulation Process Consider Assessor Capabilities? If assessor capabilities are not considered when issuing initial orders, they will be considered to some extent at the stipulation phase. While an argument can be made that all needed appraisal activities should be required regardless, practical realities must be recognized. It makes little sense to insist that a county complete appraisal activities if it does not have the time or resources to effectively do so.

Practical concerns generally arise when reappraisal is needed. A factoring order can be implemented relatively quickly and inexpensively because it simply requires a percentage adjustment of the existing values. However, a reappraisal order may take a long time and require considerable resources to implement. Appendix D shows the Tax Commission rule that identifies the steps that may be needed to complete a reappraisal. Depending on how many steps need to be completed, a reappraisal order may require the inspection and measurement of parcels to improve property characteristic data and/or the gathering and review of sales data to evaluate market conditions. Thus, if a reappraisal order covers many parcels and extensive data gathering and analysis is needed, considerable time and resources may be required.

Tax Commission rule R861-1A-11 allows for stipulations "*when there is a reasonable basis for modifying orders.*" The stipulation process is initiated when a county appeals a corrective action order. The basis for appealing may be that the validity of the order is questioned and a stipulation may result in more appropriate appraisal activities. Other times, the main issue in an appeal may be that the appraisal activities required by the order cannot be completed in the time available. If a county does not have the resources needed to complete the needed appraisal activities, the PTD may agree to a stipulation that improves assessment equity but falls short of solving the problem. While agreeing to stipulations that only partially

solve assessment problems may temporarily perpetuate inequities, there is little more the Tax the cost.

Should Stipulations Include Resource Requirements?

demand the consideration of assessor capabilities when agreeing to stipulations, requiring a county to provide additional resources to enhance assessor capabilities in the stipulation is more

does not have an adequate appraisal system is an impediment to equalization. However, Utah statutes and Tax Commission rules require the performance of specific assessment activities (*e.g.*,

deficiencies. Absent specific legislative authorization, it is not clear that the Legislature intends the Tax Commission to directly address assessor resources in stipulations. By doing so, the Tax commissions to increase assessor funding.

Over the past few years, the Tax Commission entered into two stipulations with Utah County completing the appraisal activities apparently required by statutes and rules. In 1994, Utah County was initially ordered to reappraise all vacant land and commercial property over a 2 year stipulation allowing for the use of factors as a means of addressing both assessment level and uniformity problems on the condition that Utah County hire four appraisers and one support staff.

acquire a new appraisal system as an alternative to action required by the **Utah Code**. stipulations were designed to address the longstanding concern with the funding of the Utah County Assessor's Office. For example, the PTD's analysis of the 1994 ratio study data stated *"insufficient staffing has caused major deficiencies in all areas of maintaining schedule and plan for 5 year cycle."* *most appropriate approach to meeting the assessment level and uniformity standards* assessor's resources were behind the 1996 stipulation. Thus, during the past few years the Tax Commission has worked to insure the Utah County Assessor had the resources to successfully

While pragmatic and possibly an effective long-term method to improve equalization, the Tax Commission's use of stipulations to help assessors obtain funding from county commissions raises stipulations. Since county expenditures involves a process over which the Tax Commission has no control, it becomes dependent on the good faith of the counties to perform as promised. Utah quandary the Tax Commission faces when it uses resource orders. Utah County hired only two of the five staff agreed to because of budgetary constraints. Still, Utah County was deemed to be

stipulation---the application of factors---rather than the entire agreement.

Perhaps a more fundamental question raised by resource stipulations is whether they are consistent with the Tax Commission's role intended by the Legislature. The **Utah Constitution** requires that the Tax Commission equalize the assessment of properties “*under such regulations in such cases and within such limitations as the legislature shall prescribe.*” Existing laws and rules focus on assessment activities, but not on the resources used to accomplish them. Thus, it is not clear that the Legislature intends or has authorized the Tax Commission to focus on staffing or other resources issues rather than limiting itself to needed appraisal activities. In essence, rather than maintaining its posture as a regulatory agency controlling county assessment practices in Utah County, the commission has acted as an advocate for the assessor's office to help it obtain funding from the Utah County commission. Similarly, in a recent Tax Commission hearing, the Weber County Assessor requested a stipulation requiring additional appraisal staff to help him lobby for more funding from his county commission.

How Should Noncompliance be Addressed? While reviewing 1995 appeals from corrective action orders, we found one instance where the PTD concluded a county failed to comply with a Tax Commission reappraisal order. However, instead of simply implementing the order itself and charging the county the costs as provided by the **Utah Code**, the Tax Commission offered Utah County the alternative of increasing land values by a factor and hiring additional appraisers. The PTD staff felt that it was not practical for the division to implement the order to reappraise vacant land and that the acquisition of additional staff was the best long-term solution to Utah County assessment inequities. If the Tax Commission believes existing law is not practical, it should recommend a legislative change.

While corrective action orders identify the steps that must be taken to remedy deficiencies in county assessment performance, the inequities that result from these deficiencies are cured only when counties have complied with the terms of the corrective action order. Because county compliance with corrective action orders is critical to insuring fairness, **Utah Code 59-2-704(4)** provides that:

If a county fails to implement factoring or corrective action ordered under subsection (2), the commission shall: (emphasis added)

- a) implement the factoring or corrective action; and*
- b) charge 100% of the reasonable implementation costs to that county.*

The 1994 Legislature amended the above section and inserted the mandatory term “*shall*” in place of the permissive term “*may*” that was previously part of the law. That change suggests that the Legislature, in instances where counties fail to comply with corrective action orders, wants the Tax Commission to simply implement the requisite corrective action.

Since the above **Utah Code** section was amended, there has only been one instance where the PTD found a county had not complied with an order. A compliance audit conducted in May 1996

revealed that Utah County had failed to comply with an order to reappraise vacant land in Area 3 of the county. In response, the Tax Commission ordered that the value of all vacant land in the

doing the reappraisals itself and charging the county for the full cost of the work. However, the commission's order also stated that, “

reappraisal would be for Utah County to hire five (5) additional appraisers to begin reappraisal activities no later than January 1, 1997

hire two appraisers and purchase a new appraisal system similar to the Sigma system operated successfully in Salt Lake County. In accepting the county's counter-offer, the Tax Commission

hiring two appraisers immediately will go a long way towards preparing for the 1997 assessment season. In the long run the Sigma system should be an exceptional tool to improve

.”

The Tax Commission's response to Utah County's noncompliance was driven by practical

timely fashion. The PTD staff felt it would have to invite bids from contractors, perhaps entailing a lengthy selection process. By the time a contractor completed the work, another year may have

while expensive, would not have any lasting value to the county beyond the year for which it was done. Presumably, a contractor would provide assessed values, but would not provide the

helping the Utah County Assessor obtain more staff offered the best opportunity to improve the accuracy of assessments in the long run.

are enforced effectively. State law seems to require a more direct approach to enforcing orders than the commission feels is practical. The Tax Commission's approach is pragmatic and may be

commitment to enforcing corrective action orders may be placed in question by the impression that it is unwilling to use the enforcement tools given to it by the Legislature. In fact, the Weber

agree with concerns that the state's implementation of an order following noncompliance by a county would be very difficult and disruptive, the 1994 legislative amendment seems to require that course of action. Therefore, the Tax Commission may want to identify alternative means of addressing noncompliance and propose statutory changes to authorize them.

How Should Compliance be Tested?

Compliance with equalization orders is the final step to insure properties are equitably assessed within and among counties. While the prior section discussed how to address non-compliance when it is found, this section discusses how the PTD tests compliance. Appropriately testing compliance with orders is essential to the integrity of the equalization process. The Tax

and reappraisal orders. Commission orders to apply factoring adjustments to bring a group of assessed property closer to their market value can be implemented quickly. Reappraisal orders require significantly more time to complete because the assessor must revalue each individual property. While the PTD's statistical measures effectively test compliance with factoring orders, its statistical measures alone do not verify if the reappraisal steps outlined by rule were completed.

least one instance the PTD staff concluded a county had complied with orders when the follow-up statistical measures clearly indicated noncompliance because assessment uniformity had not improved to within acceptable standards.

In addition to its statistical measures, the PTD should consider directly testing county compliance with reappraisal orders by verifying that the reappraisal steps outlined by its rule were completed. Counties are ordered to reappraise properties when uniformity measures are unacceptable; thus, orders reflect some inadequacy in assessment performance. Whether the problem is due to resources, training, data availability, market factors or other conditions, the PTD can help make sure the cause of the assessment problem is corrected by reviewing the reappraisal activities conducted. As discussed earlier, ratio studies may not adequately monitor assessment performance unless supplemented with practice reviews. Similarly, relying solely on statistical measures may not provide an adequate measure of compliance with reappraisal orders unless supplemented with a knowledge of activities completed. The Tax Commission already has a rule that defines reappraisal activities, but has not used it to test compliance with reappraisal orders. Instead, if the follow-up ratio study measures (COD) are within established parameters, the county is judged in compliance with the orders. These follow-up measures do not reliably indicate that the assessor has reappraised as ordered.

Tax Commission rule R884-24P-17: *Reappraisal of Real Property by County Assessors*, shown in Appendix D, establishes standards to be followed in sequence when performing a reappraisal. However, the purpose of this rule is uncertain. The PTD staff told us that the rule was not intended for reappraisal orders and some of the assessors we visited were not aware of the reappraisal rule nor had they completed some of the steps outlined in the rule. However, the rule does reference the **Utah Code** section that requires corrective action orders and is the only rule that establishes reappraisal requirements. If the reappraisal steps outlined by rule do not define actions required by a reappraisal order, the Tax Commission should establish a rule or guideline that outlines the necessary actions when reappraisals are ordered. The PTD staff will then have specific criteria to test compliance of reappraisal orders against instead of relying strictly on study measures that do not provide evidence of compliance with orders.

Another concern with the PTD's use of statistical measures to test compliance is that staff support that conclusion. Currently, the PTD staff tests compliance with orders by completing a values. Measures are recalculated including the DWM and COD and compared to the original indicate compliance with the order. However, the 1996 compliance test for one county showed complied with the 1995 reappraisal order. The PTD staff explained that practical considerations been found to have not complied with an order is Utah County in 1996 when the assessor was the prior year's order either, but was not found to be out of compliance.

division should review the purpose of the commission's reappraisal rule and evaluate whether the should be consistent when evaluating if the follow-up ratio study statistics demonstrate the county the prior section, it should test compliance with the terms of the agreement. In the example constraints, yet the PTD deemed Utah County to be in compliance because it only focused on one follow-up order stated, "*commission's efforts to put the necessary resources in place to support a viable cyclical* ."

1. obtained.
2. counties.

We recommend that the PTD consider the following to further improve its annual ratio

- a.
- b.
- c.
- d.
- e.

4. We recommend that the PTD conduct written practice reviews for each county with established evaluation guidelines.
5. We recommend that the PTD document the reasons for departing from equalization orders indicated by ratio study results.
6. We recommend the Legislature and the Tax Commission clarify the following policy questions regarding the issuance and enforcement of equalization orders:
 - a. Should equalization to the current tax year be accomplished? While any changes would require careful study, possible approaches to current year equalization include:
 - adjusting the property tax calendar and/or the ratio study timing;
 - adjusting tax rates based on aggregate values; and
 - adjusting factors for subsequent market changes.
 - b. How broadly should equalization laws and rules be interpreted? Issues that should be considered include:
 - whether initial corrective action orders should be limited in consideration of assessor capabilities;
 - to what extent assessor capabilities should be considered when evaluating possible stipulations;
 - whether stipulations should include resource requirements; and
 - what should state policy be for addressing county non-compliance with state equalization orders.
 - c. Should the commission's reappraisal rule be used to test compliance with reappraisal orders and should the terms included in stipulations be directly tested?

Chapter IV

in Salt Lake County are Fair

and how appeals are processed in Salt Lake County. First, it was alleged that during the 1991- assessments of prominent homeowners and in targeting by increasing the assessments of other were unqualified. While we did not find evidence of abuse, we believe that Salt Lake County will assessment and appeals processes.

against Salt Lake County. A complainant alleged that the Salt Lake County Assessor did not use property. The complainant provided a list of 85 properties that he felt showed inequitable year to year, some increased while others decreased. The inconsistent assessment changes raised be tolerated because they are improper and violate the public trust. Therefore, it is crucial that the to insure that the assessment and appeals processes remain fair and equitable.

No Favoritism or Targeting in the

The Salt Lake County Assessor's Office did not engage in favoritism or targeting when 1991-1994 period. We found that the Assessor's Office calculates property values according to on the basis of fair market value. Consequently, the office has devoted the manpower, time, and Additionally, our review of Avenues area properties whose values changed during the 1991-1994 not the result of special treatment. While we do not believe the assessor's staff has favored or reviewing appeals are needed.

Objective Methods are Used to set Home Values

Salt Lake County uses the sales-comparison approach to calculate the value of properties. According to the International Association of Assessing Officers (IAAO), the sales-comparison approach is the best method for calculating the value of single-family residential property. Under the sales-comparison approach, a subject property's value is estimated by analyzing the sale prices of similar property for a given period. The assessor completes a statistical analysis of sales data using a regression model to measure the relative importance that specific property characteristics play in the sale price. The measures of relative importance or coefficients derived from the analysis of sales data are then applied to the corresponding characteristics of a specific property to calculate its market value. Since the statistical analysis of sales data is done annually, the amount of the coefficients that affect value may change from year to year. In fact, a given property characteristic may be included in the model one year and excluded the next, or vice versa, depending on the statistical analysis of the role it plays in determining sales price.

Figure X below shows how the 1996 fair market value of a specific property was calculated and points to the important role that accurate property data play in calculating value. Accurate property data play a critical role in assessment valuation because any inaccuracy in property data is magnified when multiplied by the appropriate coefficient.

Figure X
1996 Value Calculation for Sample Property

Variable Name	Coefficient	Distribution	Value
Mid-east Avenues Neighborhood	\$15.01	2,374 sq ft	\$35,630.37
Avenues Neighborhood Group	(5.36)	2,374 sq ft	(12,726.99)
Building Style: 2 Story Traditional	2.51	2,374 sq ft	5,967.36
Main Floor Area	50.32	1,217 sq ft	61,241.58
Upper Floor Area	53.55	1,157 sq ft	61,957.89
Kitchen: Basic/Old Style	(5,799.05)	1	(5,799.05)
Effective Age of Home	(2.07)	20 years x 2,374 sq ft	(98,220.93)
Attached Structure Area	.69	805 sq ft	555.45
1994 Building Price Adjustment	2.08	23 months x 2,374 sq ft	113,373.95
1995 Building Price Adjustment	(1.24)	11 months x 2,374 sq ft	(32,257.84)
Mid-1995 Building Price Adjust	(.99)	5 months x 2,374 sq ft	(11,725.07)
Lien Date Adjustment	(2.21)	2,374 sq ft	(5,250.81)
Constant for Model Area			53,272.34
Building Total			\$166,018.25
Land			\$ 52,600.00
TOTAL			\$218,618.25

Note: Values may not calculate exactly because coefficients are rounded to nearest cent.

While the technical details of the model are beyond the scope of this discussion, the model appears to be a reasonable and objective way for the county assessor to estimate property values. In fact, as discussed in Chapter II, Salt Lake County’s use of the model has been so successful that the other three Wasatch Front counties have decided to purchase similar systems. However, we did not investigate technical issues in Salt Lake County’s model application, such as the use of four timing adjustments or the use of a constant value added to each residence. The important point for our evaluation of possible favoritism or targeting is that values can be objectively calculated from the model coefficients and the property characteristics. Of course, subjective

determinations continue to enter into values; for example, appraiser judgement is needed to estimate the effective age of a home.

Value Changes Resulted from BOE Decisions, Data Changes and Error Corrections.

Our review of the assessment and appeal histories of several properties in the Avenues indicated that the changes in value they experienced during the 1991-1994 period were the result of Board of Equalization (BOE) decisions, property data changes, and the correction of errors rather than preferential treatment in valuation. We reviewed the assessment histories of all single-family residences on the complainant's list whose values changed during the 1991-1994 period. We also reviewed the assessment histories of several properties whose values did not change during the period.

In general, assessed values in the Avenues area should not have changed between 1991 and 1994. In 1991, the Salt Lake County Assessor's Office reappraised and calculated the fair market value of properties in the Avenues as part of its 5-year cyclical reappraisal program. Under a cyclical reappraisal program, a property's fair market value remains in effect until the next reappraisal is conducted, and a new value is calculated. Salt Lake County's cyclical reappraisal program was discontinued when Salt Lake County began calculating the fair market value of properties annually in 1995. As expected, a vast majority of the properties on the complainant's list experienced no change in assessed value during the 1991-1994 period. We reviewed the records of a few homes whose values remained constant and found they contained no indications of property characteristic changes nor BOE adjustments to value.

As for the properties on the complainant's list whose assessed values changed, we reviewed the reasons for each change as summarized in Figure XI. Of the 16 properties, one experienced first a decrease and then an increase, 10 experienced only decreases, and five experienced only increases. We discovered that all 11 properties whose assessed values were reduced received (BOE) adjustments as a result of appeals filed in 1991. In fact, their respective post-1991 property records contain a reference to the fact that the BOE adjusted their values in 1991. For the six properties whose values increased during the period, we found that generally some physical alterations were made to the properties, for example a remodeling project or garage addition. These alterations led to property characteristic changes which, in turn, led to new, higher values as they were incorporated into the 1991 valuation model. Of the nine valuation increases experienced by the six properties, only two were not accompanied by property characteristic changes.

Both instances where an assessed value increased without a property characteristic change appear to be the result of efforts by the Assessor's Office to correct errors and value properties more accurately. One instance involved a failure on the assessor's part to update the regression model used to value the property when the physical characteristics were updated in 1991. When the error was discovered in 1993, the Assessor's Office corrected the error by using the appropriate regression model. The other instance involved the complainant's property which, as explained in the next section, had its assessed value increase in 1993 as a result of a change, from

cost to regression, in the model used to calculate its value. In both instances, it appears that the to value properties at fair market value.

Figure XI

Parcel	Initial Assessment for Given Tax Year			Reason for Change
	1992	1993		
1	\$153,500	n/c		1992: BOE Adjustment on 1991 Appeal
2	436,700	n/c		1992: BOE Adjustment on 1991 Appeal
3	232,500	n/c		1992: BOE Adjustment on 1991 Appeal
4	132,000	n/c		1992: BOE Adjustment on 1991 Appeal
5	240,200	n/c		1992: BOE Adjustment on 1991 Appeal
6	195,100	n/c		1992: BOE Adjustment on 1991 Appeal
7	319,000	n/c		1992: BOE Adjustment on 1991 Appeal
8	204,500	n/c		1992: BOE Adjustment on 1991 Appeal
9	333,400	n/c		1992: BOE Adjustment on 1991 Appeal
10	275,000	n/c		1992: BOE Adjustment on 1991 Appeal
11	109,100	164,100		1992: BOE Adjustment on 1991 Appeal 1993: Model Error Corrected
12	245,200	265,600	n/c	
13	78,800	n/c	81,500	
14	147,900	n/c	n/c	
15	87,500	137,400	155,700	1994: Property Characteristics Change
16	235,600	292,000		1992: Property Characteristics Change 1993: Property Characteristics Change

No Targeting Apparent in the Assessment of Complainant's Property

Although the complainant's property received treatment different from that experienced by other properties we reviewed, we do not believe that he was unfairly targeted by the Assessor's Office when the assessed value of his property rose in 1993. Instead, the property value was increased as part of an ongoing program to correct inaccuracies as they are discovered. A second reason we doubt targeting is that the complainant also benefitted from seemingly favorable treatment both before and after the 1993 valuation change.

Internal Overrule Program was Intended to Correct Errors. The complainant received unusual treatment when the 1993 assessed value of his property rose without any changes in property characteristics data. As far as we can determine, rather than being due to targeting, the increase in value resulted from the standard operation of several programs that the Assessor's Office already had in place, which were applicable to everyone, and were designed to insure that assessed value reflected fair market value. In this case, the sequence of events began with an error by the Assessor's Office during review of the complainant's 1991 appeal. The Assessor's Office used the wrong model to calculate the value they recommended to the BOE. Then, in late 1992, the assessor discovered his error during a routine review of newspaper information about homes. Finally, the complainant's 1993 home value was changed through an internal overrule program whereby prior BOE adjustments are reversed if the office believes they do not represent fair market value. While we believe that using an internal overrule in cases where a homeowner has received a BOE adjustment is questionable, the Assessor's Office apparently was motivated solely by the belief that it was required to correct the error made in 1991 to properly discharge its duty of accurately valuing complainant's property.

Two different appraisers from the assessor's staff were responsible for different phases of the complainant's 1991 appeal, and reached inconsistent conclusions. The property was initially valued at \$168,600 in 1991. The first appraiser assigned to the case conducted a field check of the property after the appeal was filed. As a result, data changes were made to several property characteristics, and the new property data were run through the 1991 regression model again. Despite the changes in property data, the regression model still supported the assessor's value of \$168,600. Consequently, the appraiser recommended that the complainant's appeal be denied. However, another appraiser handled the final phase of the appeal. Another field check resulted in some minor property characteristic data changes. Much more importantly, the second appraiser changed the model used to calculate the property's fair market value from regression to cost. Using the "cost model" at this juncture is puzzling because, according to assessor's staff, it produces the least accurate value. Changing methods of valuation significantly reduced the assessor's estimate of the property's fair market value to \$109,100. This was the value recommended by the Assessor's Office, and eventually approved by the BOE.

While use of the cost model resolved the 1991 appeal, it later contributed to a belief by other

appraisers that the complainant's property was undervalued. A 1992 newspaper article brought attention to the complainant's home. The assessor routinely reviews newspaper articles about homes and real estate listings as a means of identifying properties whose assessed values may not be in line with fair market value. In fact, in addition to the complainant, another of the homeowners in our review also had his property revalued following a newspaper article. The article on the complainant's home led to a review of the parcel record that revealed that the cost model had been used to calculate the property's value. Use of the cost model is rare because it occupies the most inferior position in the assessor's order of model preferences. The Assessor's Office prefers to use the regression model and used it to value properties in the Avenues in 1991. While the office prefers to use the regression model, there are instances when the office will rely on either the market-adjusted cost or cost model to calculate a value. Of these models, the office prefers to use the market-adjusted cost model because it provides a better picture of the local market. The market-adjusted cost model is calibrated to actual sales and uses location modifiers, while the cost model is not. Consequently, the cost model produces the least accurate value. Thus, the newspaper article, in combination with the use of the cost model, indicated that the property was undervalued.

Upon deciding that the 1991 BOE adjustment was based on the inappropriate application of the cost model, the Assessor's Office initiated an "*internal overrule*," and, using the 1991 regression model, calculated the property's fair market value at \$164,100 for 1993. The new value was slightly less than that originally calculated in 1991 because of minor property characteristic changes made by the assessor's staff during the review of the 1991 appeal. While the internal overrule program was designed to insure that properties were valued according to statutory standards, we find its use in cases where property owners have received BOE adjustments questionable. First, to some extent, an internal overrule allows the Assessor's Office to take over the BOE's role as arbiter of valuation disputes. Second, an internal overrule allows the Assessor's Office to bypass the procedures that govern the resolution of disputes over value. Parties who disagree with the BOE must appeal to the State Tax Commission. In some cases, the assessor's decision to internally overrule an adverse decision could be nothing more than an acknowledgment of its disagreement with the BOE's decision. Still, while we cannot completely rule out targeting, the internal overrule in the complainant's case appears to be the application of an on-going program rather than targeting. Furthermore, the mistake in question that was, in essence, overruled was made by the assessor's staff and merely ratified by the BOE rather than being an independent BOE decision. However, it should be noted that the Assessor's Office was unable to provide us with additional examples where it used internal overrules because finding other examples would require that each appeal decision made in 1991 be reviewed individually.

Complainant has Received Apparently Favorable Treatment. Another reason we doubt any targeting of the complainant by the assessor is that the complainant seems to have benefitted at times from favorable treatment in the assessment of his property. For example, use of the cost model to calculate the assessed values for both the 1991 and 1992 tax years resulted in much lower values than calculated by the regression model used to determine most homeowners' value. Furthermore, in 1996, the complainant was the only beneficiary of a "*land influence*" adjustment,

a percentage reduction in the calculated value of property, in his neighborhood group. In the complainant's case, the influence adjustment is a 15 percent reduction in his property's assessed value. In contrast, other single-family residences in the immediate vicinity of complainant's property did not receive an influence adjustment despite their proximity to the Cathedral of the Madeleine, Rowland Hall-St. Mark's School, First Presbyterian Church, and LDS Business College. Similarly, the complainant's property is coded as having heavy traffic, potentially decreasing its value, while other nearby properties are coded as having either medium or light traffic.

Assessor Should Consider new Procedures

Although we do not believe the complainant was targeted by the assessor, our review of the property's history indicates the need for new procedures in two areas. First, we feel better controls are needed to insure that changes made to property records by appraisers are appropriate. Second, we feel BOE decisions should be routinely reviewed by the assessor staff to identify possible improvements in their subsequent valuation decisions.

Better Control is Needed Over Some Parcel Changes. The lack of supervisory control and guidelines governing the conditions under which valuation models can be changed contributed to the perception that the complainant had been targeted. Our review of the assessment and appeal histories of properties in the Avenues revealed that the decision to change models was left to the discretion of the appraiser reviewing the file, and that there were no guidelines governing the conditions under which valuation models could be changed. Therefore, the cost model was used to value the complainant's property despite the fact that the regression model was originally used to calculate the value of the complainant's property, and despite the fact that the cost model occupies the most inferior position in the assessor's order of model preferences.

We recommend that the Assessor's Office identify items on the parcel lists that appraisers can and cannot change without supervisory approval. We recognize that the decision to change some items on the parcel lists must be left to the discretion of the appraisers if the system is to run efficiently. For example, if a field check reveals that the size of a home is incorrect, the field appraiser needs to change it. However, there are items in the parcel lists that are more global in nature, (*e.g.*, valuation model, traffic, neighborhood group). Changes to these items should be subject to supervisory approval. Additionally, guidelines governing the conditions under which changes to these global items can be made should be established if assessment uniformity is to be maintained.

Our concern is that the lack of supervisory approval and written guidelines, in these instances, has the potential for inconsistent treatment or deliberate abuse. There are no supervisors or established guidelines to inform appraisers of the criteria that must be met before changes to global items can be implemented. Some appraisers may know when it is proper to change parcel list items that are more global in nature while others may not. The lack of supervisory approval or guidelines allows for a broad range of practices that may be detrimental to the uniformity of

assessments.

For example, the lack of control over traffic influence appears to be affecting assessment uniformity in the complainant's neighborhood group. Our review of the assessment histories of properties in the complainant's neighborhood group indicates that, over time, changes in traffic coding and accompanying influence adjustments for specific properties have not been uniform. As mentioned above, the complainant's home is the only one in our sample of properties in the same neighborhood group that received an influence adjustment to value.

BOE Decisions Provide Feedback About Assessments. While the internal overrule program became obsolete once the Assessor's Office switched to the annual reappraisal program, its use during the 1991-1994 period deserves comment. To some degree, the program reflected the assessor's belief that his valuation decisions were superior to those of the BOE. Presently, there is no longer any need to internally overrule BOE decisions. Under today's annual reappraisal program, properties in Salt Lake County are revalued yearly, according to an analysis of current market sales data. Thus, each year results in a new calculation that is reflective of current market conditions and BOE decisions that do not reflect fair market value, in the opinion of the Assessor's Office, have no effect beyond the tax year when the appeal is filed. Still, we feel appeal rulings provide important feedback about valuation accuracy that should not be ignored. We feel the assessor should routinely search for the reasons behind BOE changes for possible effects on future assessments.

The Assessor's Office should review BOE decisions that adjust a property's value to identify mitigating factors that make the valuation model partially inapplicable to the property. Not only does a BOE adjustment establish a property's fair market value, but it also demonstrates that some aspect of the valuation model does not apply to the property. Past BOE decisions now play no role in establishing current year values. The assessor's staff are concerned that bad decisions made by hearing officers not be perpetuated, thereby adversely affecting the equity of county valuations. However, hearing officer decisions are presumed to be correct unless appealed. If mitigating factors or incorrect property data are not identified, and hence play no role in calculating new values, property owners who have won adjustments are placed in a cycle of expensive, time-consuming appeals if they are to avoid large changes in assessed values.

Several Salt Lake County appellants stated that in their cases the appeal decision appeared to have no effect on subsequent assessments, and they were in the process of appealing again. However, the appeals process is time consuming and expensive. Appellants reported that they spent a lot of time researching sold properties in the general vicinity of their homes in order to have comparable sales to present at the hearing. Those who used appraisals paid \$300 to have their property appraised. In fact, at the complainant's formal hearing, when asked if he had an appraisal done on his property, the complainant replied that he did not because an appraisal was cost prohibitive.

Appeals Process is Fair

The Salt Lake County appeals process is fair because it meets minimum standards established by Utah law and national professional organizations. Appeals are conducted by the Tax Administration Division, an entity which is independent of the Assessor's Office. Although most Salt Lake County hearing officers are not professional appraisers, they are competent individuals who receive training in appraisal techniques. While the county's appeal system is fair, we feel the Assessor's Office could improve its service to taxpayers by establishing practices that help homeowners better understand how their home values are determined. Better public information also might reduce the number of formal appeals the county receives.

While the allegation of unfairness in the appeals process specifically dealt with the qualifications of Salt Lake County's hearing officers, we reviewed appeals filed in Salt Lake, Davis, Morgan and Wasatch Counties for comparative purposes. While we did not expect Davis, Morgan and Wasatch Counties to use the same procedures as Salt Lake County, we did expect all of them to be in compliance with minimum statutory requirements and standards of practice. Additionally, we believed that Davis, Morgan and Wasatch Counties would provide an insight into alternative ways of handling assessment disputes.

Appeals Process Meets Minimum Standards

The statutes and standards of practice that govern the conduct of the BOE insure that property owners who dispute their assessments are given: 1) timely and adequate notice, and 2) an opportunity to be heard by knowledgeable decisionmakers. The assessment appeal process is an important component of Utah's property assessment system. Assessed values may not accurately reflect a specific property's fair market value. Appeals allow property owners to be involved in the valuation process by providing them with an opportunity to be heard by independent bodies to resolve disagreements and disputes about assessments. Thus, appeals serve to assure the public that assessments are correct, fair, and equitable.

Appellants Receive Adequate and Timely Notice. The counties in our sample were generally in compliance with the minimum informational requirements established by both statutes and standards of practice which provide a reference to accepted guidelines for the successful administration of the appeals process. Notices of Valuation and Tax Change for the counties we sampled contained most of the information required by **Utah Code 59-2-919 (4)**. While all the forms do not contain all the information required, the lapses are minor and are not detrimental to an appellant's due process rights. For example, the Notice of Valuation for both Davis County and Salt Lake County did not contain information on when the BOE was scheduled to meet. However, the large number of appeals that these counties receive prevent the scheduling of equalization hearings when the Notice of Valuation is mailed. Furthermore, **Utah Code 59-2-1004** gives property owners 30 days from the day on which the Notice of Valuation is mailed to file an appeal if they disagree with the valuation of their property.

Appeals are Heard by Competent Individuals. Appeals are heard by individuals who have the requisite knowledge and experience to make educated, well-informed decisions. Those who hear appeals come to their positions with a variety of experiences and backgrounds. In Morgan County, the county commissioners hear appeals. Commission members are, by virtue of their office, qualified to hear equalization cases; Article XII, Section 11 of the **Utah Constitution** explicitly gives them the power to equalize the valuation and assessment of property. Davis and Wasatch Counties have hearing officers who are appraisers. Hearing officers who are appraisers have the skills and experience to understand real estate valuation and analysis. On the other hand, Salt Lake County's hearing officers are, for the most part, law and business school graduates. While most Salt Lake County hearing officers are not professional real estate appraisers, that does not make them unqualified to hear appeals nor does it make the appeals process unfair because they have the skills and training needed to properly discharge their duty of deciding cases on the basis of the evidence presented.

The allegation that appeals are unfair rests on the claim that the hearing officer who conducted the complainant's hearing did not have real estate experience. Neither the Board of Equalization Standards of Practice nor the IAAO Standard of Assessment Appeal require individuals hearing appeals to have a particular background. Both state and industry standards focus, not upon background of a hearing officer, but upon their competency in assessment matters. The Board of Equalization Standards of Practice merely states that "*a hearing officer should have sufficient skills, knowledge and experience to understand real estate valuation and analysis.*"

Salt Lake County hearing officers who are not real estate appraisers are qualified to hear valuation appeals cases. Training provided by the county insures that hearing officers are knowledgeable about property appraisal and assessment. Hearing officers are required to attend an intensive 3-day seminar where they receive instructions on appraisal theory, the assessor's appraisal system, burden of proof, weight of the evidence, as well as their roles and responsibilities at hearing. Additional training in the form of workshops conducted by members of the assessor's staff takes place throughout the hearings period. Regularly scheduled staff meetings are also used for training purposes. Staff meetings are used to conduct case studies, and hearing officers are able to discuss the issues presented and how best to resolve them given statutorily mandated requirements. The training hearing officers receive insures that they have the requisite knowledge and understanding of appraisals to apply when deciding cases.

Better Public Information may Informally Resolve Many Potential Appeals

The creation of informational programs designed to provide the public with full information on how property values are calculated could resolve inquiries without formal appeals. The Salt Lake County Assessor's Office does not, at present, have these programs. The office should provide homeowners with better information about how values are determined. Homeowners deserve access to such information, and providing it could benefit the Assessor's Office by reducing the number of appeals that are filed. Salt Lake County appears to have a relatively high appeal rate. Although the Tax Commission does not routinely track county level appeals, according to information from the commission, Salt Lake County contains 40 percent of parcels in the state, and about two-thirds of all 1994 appeals were filed in Salt Lake County. Assessors in Minnesota credit the implementation of programs designed to provide information and to resolve inquiries prior to boards of review with helping to reduce the number of appeals. For example, in the first three years that informational meetings have been held prior to local board sessions, Cass County, Minnesota has seen a 40 percent reduction in the number of appeals from the preceding 4-year average.

Homeowners Need Good Information. The establishment of practices designed to inform the public about valuation practices would allow Salt Lake County to perform its duty to "*provide the public adequate information on and full access to valuation.*" Providing the public with full information about the valuation process will help promote an understanding of how values are calculated and help reassure property owners that they have not been singled out for an increase in value. Some of the appellants we contacted were concerned about how the assessor arrived at their estimated value because it appeared to conflict with their knowledge of the market trends in their neighborhoods. One said that the only information he received about his assessed value was that it was calculated by the computer. To disseminate information about valuation, Salt Lake County could, like Cass County, Minnesota, hold informational meetings designed to provide property owners with an opportunity to talk informally with assessors about their property assessments prior to the board of equalization hearings.

The assessor's method of valuing homes is not as complicated as it may first appear. Although the regression technique used to determine coefficients may remain obscure, the application of the coefficients to property records is straightforward. Still, we initially had some difficulty determining how individual property values were calculated. With over 250,000 properties to value annually, the assessor's staff do not ordinarily focus attention on individual properties. However, when we requested it, the assessor's staff showed us the calculations for selected individual properties, such as shown in Figure X.

Providing information will allow property owners to gain knowledge about the valuation process and help to reassure them that they have been treated objectively. Owners would understand the critical role that their property's physical characteristics, as shown in Figure X, play in the calculation of values. All homeowners who question their assessments should review

the record of their property characteristics for possible inaccuracies. Better information will help homeowners understand that properties are treated uniformly because the Assessor's Office uses properties, to calculate a property's assessed value.

Better Public Information may Reduce the Number of Appeals.

the early and equitable resolution of owners' inquiries will also help reduce the number of appeals. Both the Davis and Wasatch County Assessor's Offices attempt to resolve property owners'

Minnesota Assessor's Office commits resources to answering questions in advance of scheduled board of review meetings. Beginning with the assumption that property owners have a legitimate

homeowners are put in touch with the appraisers who are familiar with the neighborhood and they explain sales trends. This program, according to the Office of the Legislative Auditor of

number of appeals that eventually appear before the board of review.

While there are costs associated with the implementation of public information practices, the property owners, procedures must be established, and staff must be trained and provided with appropriate equipment and information for the meetings. However, several assessors in

reported that overtime costs have been reduced because the reduction in the number of appeals has led to a reduction in the number of board meetings. Also, the Cass County, Minnesota

program.

Recommendations:

We recommend that the Salt Lake County Assessor identify items on the parcel lists that appraisers can and cannot change without supervisory approval.

We recommend that the Salt Lake County Assessor carefully review BOE decisions to identify mitigating factors that make valuation models partially inapplicable to properties.

We recommend that the Salt Lake County Assessor establish procedures to provide homeowners with better information on how values are determined.

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Appendices

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Appendix A

Figure A1
Average Residential Assessment Level
Dollar Weighted Mean (DWM)

County	1993	1994	1995	1996
Beaver	99.1%	86.4%	98.3%	86.6%
Box Elder	92.7	87.7	97.4	101.5
Cache	86.6	94.4	93.0	97.2
Carbon	95.2	86.1	91.7	85.9
Daggett	n/a	99.9	100.2	104.3
Davis	87.3	83.2	93.6	98.8
Duchesne	80.8	83.6	86.1	90.5
Emery	90.7	87.0	102.4	88.5
Garfield	85.2	85.2	83.5	81.5
Grand	97.2	86.6	96.3	96.5
Iron	89.4	91.5	95.1	98.1
Juab	85.9	73.3	91.0	89.0
Kane	86.5	86.1	95.3	91.2
Millard	94.8	89.8	93.8	94.8
Morgan	91.7	82.0	94.5	97.6
Piute	95.1	92.7	89.6	102.8
Rich	n/a	84.2	89.7	70.1
Salt Lake	92.1	80.3	97.3	98.0
San Juan	88.3	83.9	90.5	97.2
Sanpete	89.1	83.2	92.7	88.1
Sevier	94.2	94.4	89.8	94.6
Summit	88.6	80.9	93.6	91.6
Tooele	88.9	80.9	91.4	94.6
Uintah	97.3	93.8	96.1	98.0
Utah	95.9	83.4	96.5	97.6
Wasatch	86.4	87.5	90.8	92.8
Washington	87.3	91.9	90.5	93.4
Wayne	95.2	86.2	87.2	82.4
Weber	91.5	86.0	93.1	97.1
Median	90.7%	86.1%	93.1%	94.6%
<i>Note: Standard is to be between 90 and 110</i>				

Figure A2**Coefficient of Dispersion (COD)**

County	1993	1994	1996
Beaver	22.9%	18.9%	22.1%
Box Elder	14.3	14.7	11.3
Cache	15.0	16.4	9.6
Carbon	27.4	27.6	23.5
Daggett	n/a	24.2	12.3
Davis	14.2	20.3	12.0
Duchesne	19.8	18.7	18.8
Emery	20.8	20.7	19.6
Garfield	29.9	24.3	20.1
Grand	14.4	16.6	12.9
Iron	15.6	15.8	12.0
Juab	22.1	22.8	26.7
Kane	25.0	23.9	21.6
Millard	29.2	21.3	21.3
Morgan	13.0	12.6	12.2
Piute	17.2	16.9	17.9
Rich	n/a	19.5	22.9
Salt Lake	7.0	10.5	5.4
San Juan	19.5	18.2	16.0
Sanpete	21.4	26.1	23.5
Sevier	22.2	18.2	18.9
Summit	15.6	17.2	11.8
Tooele	13.6	20.9	15.9
Uintah	14.6	15.3	13.5
Utah	13.1	14.9	14.0
Wasatch	15.4	20.4	16.4
Washington	14.9	16.0	11.1
Wayne	21.7	18.8	18.8
Weber	15.1	15.7	15.1
Median		18.7%	17.7%
<i>Note: Lower CODs indicate more accurate valuations Higher CODs indicate less accurate valuations</i>			

Appendix C

Tax Commission Rule R884-24P-27: Standards for Assessment Level and Uniformity of Performance Pursuant to Utah Code Annotated Section 59-2-704.5.

- A. "Urban counties" means counties classified as first or second class counties pursuant to Section 17-16-13.
- B. The Tax Commission adopts the following standards of assessment performance regarding assessment level and uniformity:
1. Adjustment shall be ordered for a property class or subclass if the level of assessment is not within plus or minus 10% of the legal level of assessment and the measure of dispersion is within the limits set forth in B.2.
 2. Corrective action for a property class or subclass shall be ordered if the measure of dispersion is outside the following limits for the coefficient of dispersion (COD), or for the coefficient of variation (COV) when data are normally distributed:
 - a) In urban counties, the limit for the COD is 15% or less for primary residential and commercial property, and 20% or less for vacant land and secondary residential property.
 - b) In rural counties, the limit for the COD is 20% or less for primary residential and commercial property, and 25% or less for vacant land and secondary residential property.
 - c) The limit for the COV is 1.25 times the COD.
 3. To achieve statistical accuracy in determining assessment level under B.1. and uniformity under B.2. for any property class or subclass, the acceptable sample size shall consist of 29 or more ratios.
 - a) To meet the minimum sample size, the study period may be extended.
 - b) A smaller sample size may be used if that sample size is at least 10% of the class or subclass population.
- C. If the sample size does not meet the requirements of B.3., an alternate performance evaluation shall be conducted, resulting in the development and implementation of a county valuation work plan. The alternate performance evaluation shall include review and analysis of the following:
1. The county's procedures for use and collection of market data, including sales, income, rental, expense, vacancy rates, and capitalization rates;
 2. The county-wide land valuation guideline and its associated procedures for maintaining current market values;
 3. The county's residential valuation system, residential valuation guideline, and its associated procedures for maintaining current costs and depreciation rates, including obsolescence;
 4. The county's commercial valuation system, commercial valuation guideline, and its associated procedures for maintaining current values;
 5. The accuracy of the county's individual property data through a field audit of randomly

selected properties;

The county's level of personnel training, ratio of appraisers to parcels, level of funding, and other workload and resource considerations.

Appendix D

Tax Commission Rule R884-24P-17: Reappraisal of Real Property by County Assessors
Pursuant to Utah Constitution, Article XIII, Subsection 11, and **Utah Code Annotated** Sections 59-2-303, 59-2-302, and 59-2-704.

- A. The following standards shall be followed in sequence when performing a reappraisal of all classes of locally-assessed real property within a county.
1. Conduct a preliminary survey and plan.
 - a) Compile a list of properties to be appraised by property class.
 - b) Assemble a complete current set of ownership plats.
 - c) Estimate personnel and resource requirements.
 - d) Construct a control chart to outline the process.
 2. Select a computer-assisted appraisal system and have the system approved by the Property Tax Division.
 3. Obtain a copy of all probable transactions from the recorder's office for the three-year period ending on the effective date of reappraisal.
 4. Perform a use valuation on agricultural parcels using the most recent set of aerial photographs covering the jurisdiction.
 - a) Perform a field review of all agricultural land, dividing up the land by agricultural land class.
 - b) Transfer data from the aerial photographs to the current ownership plats, and compute acreage by class on a per parcel basis.
 - c) Enter land class information and the calculated agricultural land use value on the appraisal form.
 5. Develop a land valuation guideline.
 6. Perform an appraisal on improved sold properties considering the three approaches to value.
 7. Develop depreciation schedules and time-location modifiers by comparing the appraised value with the sale price of sold properties.
 8. Organize appraisal forms by proximity to each other and by geographical area. Insert sold property information into the appropriate batches.
 9. Collect data on all nonsold properties.
 10. Develop capitalization rates and gross rent multipliers.
 11. Estimate the value of income-producing properties using the appropriate capitalization method.
 12. Input the data into the automated system and generate preliminary values.
 13. Review the preliminary figures and refine the estimate based on the applicable approaches to value.
 14. Develop an outlier analysis program to identify and correct clerical or judgment errors.
 15. Perform an assessment/sales ratio study. Include any new sale information.
 16. Make a final review based on the ratio study including an analysis of variations in ratios.

Make appropriate adjustments.

17. Calculate the final values and place them on the assessment role.
18. Develop and publish a sold properties catalog.
19. Establish the local Board of Equalization procedure.
20. Prepare and file documentation of the reappraisal program with the local Board of Equalization and Property Tax Division.

B. The Tax Commission shall provide procedural guidelines for implementing the above requirements.

Agency Response

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