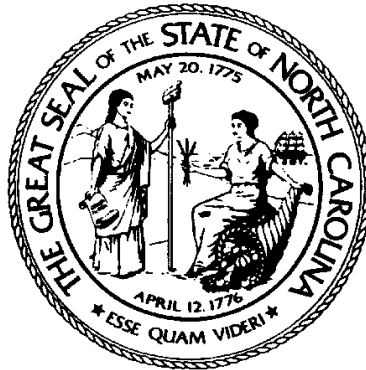


Reappraisal Standards



North Carolina Department of Revenue

Local Government Division

Property Tax Section

November 1, 2017

Introduction

The North Carolina Department of Revenue has adopted the International Association of Assessing Officers' (IAAO) Standard on Mass Appraisal of Real Property. A copy of the standard is attached in the appendix of this document. This standard should be used in the mass appraisal of real property in North Carolina and in conducting countywide reappraisals required in N.C.G.S. 105-286. The objective of this document and the adoption of the IAAO standard is to provide a systematic means by which county assessors throughout North Carolina can improve and standardize the reappraisal process. If any portion of the IAAO standard is found to conflict with the North Carolina General Statutes, the state law shall govern.

This document consists of the guidelines and recommendations of the Local Government Division of the North Carolina Department of Revenue developed from the IAAO Standard on Mass Appraisal of Real Property (Mass Appraisal Standard). To ensure a fair uniform and consistent property tax system, the Mass Appraisal Standard and the NCDOR guidelines and recommendations should be used by all 100 North Carolina counties.

The county assessor is ultimately responsible for the listing, appraisal, and assessment of all property in the county in accordance with the provisions of State law. The Board of County Commissioners is to provide the funding necessary for the county assessor to carry out the duties and responsibilities required by the North Carolina statutes. Taxpayers of each county deserve a reappraisal performed by a government providing the resources needed to meet the standards established in the assessment profession. Those resources include a public relations program that gives taxpayers the increased information and communication that should be expected during the reappraisal process.

1. **Frequency of countywide reappraisals.**

- a. The NCDOR recommends that all counties conduct a countywide reappraisal of all real property at least once every four years. This is supported by Section 4.2.2 “The Principle of Annual Assessment” of the IAAO Standard on Property Tax Policy and section 4.8 of the Mass Appraisal Standard. If immediate compliance to this recommendation is not possible, counties should progress towards a four-year cycle by shortening their current cycle by two years until they are in compliance.
- b. On April 30th each year NCDOR will notify any county that a new reappraisal should be conducted if the county fails to meet any of the two following measures:
 - i. The median sales ratio of real property determined by NCDOR pursuant to NCGS 105-284 should be above 90 percent and below 110 percent. Once the median sales ratio falls outside this range the county should immediately begin a new reappraisal.
 - ii. The overall coefficient of dispersion (COD) for the county should be in the range of 5-25. If the COD determined from the sales ratio study pursuant to NCGS 105-284 and trimmed using IAAO Sales Ratio Standard 5.2 is above 25, the county should immediately begin a new reappraisal.

The reappraisal should become effective no later than January 1, of the earlier of the following years:

- 1. The third year following the year the county received the notice.
- 2. The eighth year following the year of the county’s last reappraisal.

2. **Type of reappraisal to conduct:**

- a. Before a county decides which type of reappraisal to conduct, a data review should be performed. A random sample of all properties should be reviewed for data accuracy, and Section 3.3.2.4 and Section 4.8 of the Mass Appraisal Standard should be used to measure the accuracy of the county data.
- b. Counties are required to conduct the data review under the following schedule:
 - i. Counties on a 4 year cycle or shorter are required to conduct a data review three years prior to their next scheduled countywide reappraisal.
 - ii. Counties on a reappraisal cycle longer than 4 years are required to conduct a data review four years prior to their next scheduled countywide reappraisal.
- c. On or by January 15 of a year that a random sample is required, the county shall submit to NCDOR a list of improved properties to be used for the random sample.

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

- d. Section 3.3.2.4 and Section 4.8 of the Mass Appraisal Standard will be used to measure the accuracy of the county data. Depending on the quality of the county data determined by the review, the county will determine which type of reappraisal to conduct. The following types of reappraisal may be conducted:
 - i. A full measure and list – each property is visited and all improvements are re-measured and checked for data accuracy.
 - ii. A walk around – each property is visited and all improvements are walked around and checked for data accuracy.
 - iii. A street review only – each property is visited and reviewed.
 - iv. A desk top reappraisal – each property is reappraised using current data and maps.
 - v. A combination of the above types of reappraisals
- e. Section 3.3.4 recommends that a physical review including an on-site verification of property characteristics be conducted at least every 4 to 6 years. Provided that initial physical inspections are timely completed and that an effective system of building permits or other methods of routinely identifying physical changes are in place, jurisdictions may employ a set of digital imaging technology tools to supplement field re-inspections with a computer-assisted office review. Section 3.3.5 of the Mass Appraisal Standard provides a list of imaging tools. Analyzing data by neighborhoods is an excellent tool to determine problem areas.

3. **Reappraisal Plan**

- a. Once the frequency of the reappraisal cycle and the type of reappraisal has been determined, the county shall develop a reappraisal plan. This plan shall be developed far enough in advance of the start of the reappraisal to allow the assessor to determine the following:
 - i. Budget – see NCGS 153A-150
 - ii. Staffing levels– review Section 6.2 of the Mass Appraisal Standard
 - iii. Outsourcing needs – review Section 6.4 of the Mass Appraisal Standard and NCGS 105-299.
 - iv. Hardware and software – review Sections 6.3 and 3.3.2 of the Mass Appraisal Standard.
- b. Time line – See Appendix

- c. The county reappraisal plan shall be presented to the North Carolina Department of Revenue for approval twenty-four months before the effective date of the reappraisal. NCDOR will provide a reporting document which all counties can use to file the plan; however, counties may choose to submit an independent reappraisal plan as long as that plan provides enough detail to ensure a successful reappraisal. The Department will review the data used to determine the frequency of reappraisal, type of reappraisal, budget, staffing level, and outsourcing needs in making its approval determination.

4. **Data Collection**

- a. Counties should make contact with all taxpayers during the listing period each year either by sending them a listing form or some other type of correspondence. This will ensure that new improvements and changes to existing properties are correctly listed, appraised and assessed.
- b. Property Characteristics Data
 - i. Property data for both improved and vacant properties should be collected and maintained to meet the accuracy standards of section 3.3 of the Mass Appraisal Standard.
 - ii. The data collection and data entry should meet the quality control standards found in Section 3.3 of the Mass Appraisal Standard.
 - iii. Each county should have procedures in place to maintain property data in accordance with Section 3.3.4 of the Mass Appraisal Standard.
 - iv. Each county should have a data collection manual and schedule of values which will ensure consistent and correct data is being collected.
- c. Sales Data – Section 3.4 of the Mass Appraisal Standard.
 - i. The county should maintain an ongoing sales file made up of qualified sales of properties which have sold in the county. This file should include every qualified sale and be maintained in a database which will allow all necessary statistical studies and measures to be determined. This sales file should be maintained between reappraisals.
 - ii. The county should use NCGS 105-303(a)(1) and (2) to set up a process to collect sales information on each parcel which is transferred within the county.
 - iii. In addition to (ii) above, the county should develop a process to collect information from the seller and/or the buyer on the sale of property, to include:
 - 1. What property was transferred
 - 2. Sales price
 - 3. Any financing arrangements

4. Relationship between the buyer and seller
 5. Any other factors that might have affected the sales price of the property
- d. Income and Expense Data – Section 3.5 of the Mass Appraisal Standard.
 - i. The county should collect and maintain income and expense data on income producing properties.
 - e. Cost and Depreciation Data – Section 3.6 of the Mass Appraisal Standard.
 - i. The county should collect and maintain cost and depreciation data on all property types in the county.

5. **Valuation**

- a. Except as otherwise provided by law, the county assessor is to appraise all real property at its fair market value as defined in NCGS 105-283 and use the schedule of values and rules as required by NCGS 105-317.
- b. The CAMA system used by the county to appraise real property should allow the assessor to use all three approaches as appropriate to value real property and then reconcile the three values to determine the final market value as required by NCGS 105-283.
 - i. Sales Approach
 - ii. Income Approach
 - iii. Cost Approach
- c. The guidelines in Sections 4.1-4.7 of the Mass Appraisal Standard should be followed in appraising all real property in the county.
- d. The county assessor is required to follow the requirements found in NCGS 105-317 in appraising all real property in the county.
- e. Present Use Value: The county assessor is required under NCGS 105-277.3 to appraise all qualifying agricultural, horticultural and forestland tracts at its present use value.

6. **Uniform Schedules of Values, Standards and Rules**

- a. NCGS 105-317 requires the county to adopt a schedule of values to be used in appraising all real property in the county.
- b. The county is to follow the adoption and advertisement requirements of NCGS 105-317. A sample adoption and advertisement schedule is located in the appendix of this document.
- c. The schedule of values should include all elements and information necessary to appraise all real property in the county. See appendix.

- d. The county is to adopt a present use value schedule to be used to appraise all qualifying agricultural, horticultural and forestland at its present use. This schedule should be adopted from the manual prepared and distributed by the North Carolina Department of Revenue. This manual is developed by the Use-Value Advisory Board under NCGS 105-277.7.
- e. The county should have appraisal manuals developed from the schedules of value, standards and rules for each county appraiser's use in appraising real property between countywide reappraisals. These manuals should be developed in a manner that ensures fair and equitable appraisals throughout the county.

7. **Conducting the Reappraisal**

- a. The following are resources county assessors should use in conducting a reappraisal:
 - i. IAAO Course 300
 - ii. USPAP
 - iii. NCDOR Tax Administration Course
 - iv. IAAO Course 400
 - v. NCDOR Reappraisal Workshop
 - vi. The following IAAO text books:
 - 1. *Assessment Administration*
 - 2. *Fundamentals of Industrial Valuation*
 - 3. *Fundamentals of Mass Appraisal*
 - 4. *Fundamentals of Tax Policy*
 - 5. *GIS Guidelines for Assessors*
 - 6. *Property Appraisal and Assessment Administration*
 - 7. *Property Assessment Valuation - Third Ed.*
- b. The standards found in Section 5.2 of the Mass Appraisal Standard should be met in the appraisal of all real property in the county.

8. **Notices and Appeals**

- a. All counties are required to use the NCDOR forms and notices or they are required to have their forms and notices approved by NCDOR. The NCDOR recommended forms and letters are located at:

<http://www.dornc.com/localgovt/index.html>

- b. All counties should follow the NCDOR Appeal Manual in conducting informal appeal hearings and BOER hearings. The NCDOR Appeal Manual is located at:

<http://www.dornic.com/publications/property.html>