STATE OF NEBRASKA

DEPARTMENT OF PROPERTY ASSESSMENT & TAXATION
Catherine D. Lang
Property Tax Administrator

Mike Johanns
Governor

Agenda Item # 24
Date 2-2-05

January 13, 2005

Dear Assessor's Reference Manual Subscriber:

Enclosed are Property Tax Directive 05-1 and Property Tax Directive 05-2. Please insert these directives into the "Directives" section of your Nebraska Assessor's Reference Manual.

If you have any questions, please feel free to contact the Department of Property Assessment and Taxation.

Sincerely,

Catherine D. Lang
Property Tax Administrator

CDL:ras

Enclosures

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NEBRASKA DEPARTMENT OF PA&T PROPERTY ASSESSMENT AND TAXATION

DIRECTIVE 05-1

January 13, 2005

DATE OF SALE ASSESSED VALUE FOR USE IN THE STATE SALES FILE

Purpose. To advise assessors of their responsibility in reporting the appropriate date of sale assessed value for use in the sales file for assessment sales ratio studies, and to further ensure that the assessment record of the parcel matches the sales file record of the parcel. Any time during a calendar year "date of sale assessed value" shall reflect the assessed value of that parcel for that year.

Procedure and Implementation. The assessed value to be reported on a parcel at the time of sale shall be the assessed value for the year in which the sale occurs.

Examples. The following examples illustrate what assessed value shall be reported for use in the sales file:

1. If the sale occurs between July 1, 2004 and December 31, 2004, the assessed value to be placed on the sale in the sales file shall be the 2004 assessed value.

2. If the sale occurs between January 1, 2005 and June 30, 2005, the assessed value to be placed on the sale in the sales file shall be the 2005 assessed value.

3. If a sale occurred in 2003, and is recorded/filed in 2005, the assessed value to be placed on the sale in the sales filed shall be the 2003 assessed value.

For situations that do not correspond with the foregoing examples, please contact the Department of Property Assessment and Taxation.

APPROVED:

Catherine D. Lang

Catherine D. Lang
Property Tax Administrator
January 13, 2005

NEBRASKA DEPARTMENT OF PA&T PROPERTY ASSESSMENT AND TAXATION

DIRECTIVE 05-2

January 13, 2005

SALES QUALIFICATION PROCEDURES FOR THE STATE SALES FILE

Purpose. The purpose of this directive is to specifically define "professionally accepted mass appraisal techniques" regarding the determination that a sale is a non-arm's length transaction pursuant to Neb. Rev. Stat. Section 77-1327(2), (Reissue 2003).

Statute. Neb. Rev. Stat. Section 77-1327(2), (Reissue 2003), states:

> All transactions of real property for which the statement required in section 76-214 is filed shall be available for development of a sales file by the Property Tax Administrator. All transactions with stated consideration of more than one hundred dollars or upon which more than one dollar and seventy-five cents in documentary stamp taxes are paid shall be considered sales. ***All sales shall be deemed to be arm's length transactions unless determined to be otherwise under professionally accepted mass appraisal techniques.*** The Department of Property Assessment and Taxation shall not overturn a determination made by a county assessor regarding the qualification of a sale unless the department reviews the sale and determines through the review that the determination made by the county assessor is incorrect. (emphasis added).

Terms. The following terms are used throughout this Directive:

Adjustment shall mean adjustments made by the county assessor or the Department of Property Assessment and Taxation ("Department"), to the *selling price* of a parcel for the affects of personal property or atypical financing, involved in the transaction which represents the actual value paid for personal property or atypical financing. The International Association of Assessing Officers considers adjustments for time. However, currently, the Department does not recognize adjustments for time.

Qualified sale shall mean a sale which is an arm's-length transaction included in the sales file as determined by the assessor or review process of the Department.

Non-qualified sale shall mean a sale which has been identified through the sales review process as a non-arm's length transaction or where the property as assessed is substantially different in its characteristics then from the property as it was when sold.

Review shall mean an analysis of a sale to determine if it is an arm's length transaction, and whether the selling price should be adjusted for atypical financing or personal property included in the sale.

Selling Price for use in the sales file shall mean:

1. The adjusted purchase price reported on line 24 of the Real Estate Transfer Statement, Form 521; or
2. If no amount is reported on line 24 of Form 521, the purchase price as reported on line 22 of Form 521, less the amount reported on line 23 of Form 521, if any; or
3. If no amount is reported on line 24 or line 22 of Form 521, or if the amount reported on either of said lines is less than $100.00, then, if documentary stamp tax is reported on Line 27 of Form 521 and it is greater than $1.75, the *selling price* will be computed from the reported documentary stamp tax amount.
4. If it is appropriate to combine partial interests to construct a *selling price* of a sale, the *selling price* as set forth in any of the above may be modified to include all of the interests that were reported on corresponding Form 521s to reflect the total *selling price* of the sold parcel.

Standards. The following standards shall be applied during the process of qualifying a sale for use in the state's sales file:

Standard 1: Sale shall mean all transactions with stated consideration of more than one hundred dollars or upon which more than one dollar and seventy-five cents in documentary stamp taxes are paid.

Standard 2: All sales are deemed to be *qualified sales*.

Standard 3: A sale determined to be a *non-qualified sale* shall be reviewed pursuant to professionally accepted mass appraisal techniques and through the review, documenting sufficient and compelling information regarding the sale as a *non-qualified sale*.

Standard 4: No sale shall have an *adjustment* made to the *selling price*, unless the sale has been reviewed pursuant to professionally accepted mass appraisal techniques and determined through the *review*, with sufficient and compelling information documented, that an *adjustment* to the *selling price* is required to represent the actual value paid for the real property.

Standard 5: No sale shall be coded a *non-qualified sale* unless the sale shall have been reviewed pursuant to professional accepted mass appraisal techniques and determined through the *review* that the sale is a *non-qualified sale.*

County Assessor Procedures. The county assessor is not required to *review* any sale, as all sales are deemed to be *qualified sales*. If not reviewed, all sales shall be included in the sales file.

A *review* shall include, but not be limited to, the process of collecting, confirming, screening, and documenting any non-qualification of, or *adjustment* made to, the sale. Familiarity with the real estate market of the county and other general knowledge the county assessor has regarding the sale may also be relied upon in determining the qualification of a sale. The county assessor shall document and maintain in his or her office, all information collected during a *review*, including but not limited to, the parties contacted and the source used to confirm the sale usability decision.

The county assessor may designate the sale as a *qualified sale* by indicating a one (1) as the sales usability code. If this field contains a blank, zero or 1, the sale shall be used in the sales file.

After a *review*, if the *selling price* is adjusted, the county assessor shall state the amount of the *adjustment* in the Assessor's Adjustment to Sale Price section of the Supplemental worksheet, the reason for the *adjustment* in the assessor's comment section of the Supplemental worksheet, and indicate a two (2) as the sales usability code. These sales shall be considered *qualified sales* after application of the county assessor's *adjustment* amount.

After a *review*, if the sale is determined to be a *non-qualified sale*, the county assessor shall state the reason for the disqualification of the sale in the assessor's comment section of the Supplemental worksheet, and indicate a four (4) as the sales usability code.

To comply with the required timeframes for submitting the supplemental sales file information and also complete a thorough *review* process, the county assessor may also choose to complete the *review* and documentation at a later time and submit the proper codes, *adjustments* and comments using a future roster or a Sales File Correction and Update Request. If the county assessor chooses to complete the *review* and documentation at a later date, the sales effected will remain *qualified sales* until the *review* and documentation is completed.

Department Procedures. The Department may analyze the qualification of sales. The Department shall not overturn a determination made by a county assessor regarding the qualification of a sale or an *adjustment* to the *selling price* unless the Department *reviews* the sale and determines through the *review* that the determination made by the county assessor is incorrect.

If the county assessor fails to provide a reason for *adjusting* the *selling price* or for disqualifying the sale, the Department may include the sale in the sales file, without *adjustment*; or

If the county assessor has indicated a reason for the adjustment of a sale or the disqualification of a sale, and the reason is not in compliance with professionally accepted mass appraisal techniques, the Department may include the sale in the sales file, without *adjustment*; or

If the county assessor has indicated a reason for the *adjustment* of a sale or the disqualification of a sale, and the reason is in compliance with professionally accepted mass appraisal techniques, including but not limited to, Sections 6.4.1 and 6.4.2 of the Standard on Ratio Studies of the International Association of Assessing Officers, the Department shall include or exclude the sale in or from the sales file only after the Department has completed a *review* of the sale and has found that the Department does not agree with the decision of the county assessor.

If the Department does not agree with the decision of the county assessor, the Department, within seven (7) days of such determination, shall notify the county assessor in writing that the sale will be included in or excluded from the sales file or that the *adjustment* amount to the sale is changed. If the county assessor disagrees with the determination made by the Department, the county assessor may file a written protest of the Department's determination pursuant to the sales protest procedures.

Sales Protest Procedure. Within thirty (30) days from the mailing of the notice that the usability of a sale or the *adjustment* amount was changed, the county assessor may file a protest with the Property Tax Administrator, using the sales file protest form. Any such protest shall be filed pursuant to Title 350, Nebraska Administrative Code, Chapter 12, REG-12-004.

The county assessor shall continue to have the right to protest the inclusion, exclusion, or the adjustment or failure to make an adjustment of a sale, after receipt of the qualified and nonqualified sales roster from the Department, as set forth in Title 350, Nebraska Administrative Code, Chapter 12, REG-12.004.01.

The final determination of the Property Tax Administrator may be appealed to the Tax Equalization and Review Commission pursuant to Neb. Rev. Stat. Section 77-5007 (R. S. Supp 2004).

APPROVED:

Catherine D. Lang

Catherine D. Lang
Property Tax Administrator
January 13, 2005