

The Fight Against Regressivity

**Cornerstones of Fair and Equitable
Property Assessments**



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 - Works to further IAAO's mission of promoting innovation and excellence in property appraisal and property tax policy and administration.
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Introduction

You have likely read reports across the nation asserting that assessed valuations are regressive causing an over taxation of low-value properties in comparison to high-value properties.

While the amount of regressivity or progressivity in property taxes is of debate and varies across the country, a quest for a more equitable property values is not new.

When questions of regressivity are asked it's important for appraisers to understand the factors that can help guard against inequity and communicate those factors to the public. Public support for a local CAD is vital.



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Horizontal Equity

Similar properties having similar values.



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Example of Horizontal Equity



Both homes sold for \$300,000 and both properties were appraised for \$300,000 resulting in a perfect 100% sales ratio and perfect equity.



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Vertical Equity

Properties of differing values having similar sales ratios.



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Example of Vertical Equity



The larger homes market value is \$900,000 and it is valued at \$900,000 and the smaller homes market value is \$200,000 and it is valued at \$200,000. Both homes are valued at 100% of market value.



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Example of Progressive Values



The larger homes market value is \$900,000 and it is valued at \$900,000 and the smaller homes market value is \$200,000 and it is valued at \$150,000. The larger home is valued at 100% of market value while the smaller home is valued at just 75% of market value. Do we have an equity problem?



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Example of Regressive Values



The larger homes market value is \$900,000 and it is valued at \$700,000 and the smaller homes market value is \$200,000 and it is valued at \$200,000. The larger home is valued at 78% of market value while the smaller home is valued at 100% of market value. Do we have an equity problem?



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Cornerstones of Fair and Equitable Property Assessments

What are IAAO's recommendations?



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IAAO Statement on Fair and Equitable Assessments

April 8, 2021 - Recent news reports have highlighted potential disparities, or regressivity, in low-income properties being overvalued during the assessment process. The International Association of Assessing Officers (IAAO) and its members are committed to providing fair and equitable property valuation assessments.

IAAO believes regressivity in assessment is a serious issue. Valuation disparity is an assessment, legislative, political, and educational issue. Property tax caps, credits and freezes may contribute to disparities in valuations. Therefore, all parties must work together to identify any issues that currently exist and to prevent disparities from occurring in the future.



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IAAO Statement on Fair and Equitable Assessments

Continued:

IAAO promotes the following as cornerstones of providing fair and equitable property assessments:

- Appraising properties on a regular basis to determine Fair Market Value
- Following IAAO technical standards on assessment and office operations
- Allocating adequate resources to jurisdictions to carry out the assessing function in accordance with best practices
- Providing assessors and assessing staff with training and ongoing professional development

IAAO continues to develop additional tools to assist assessors, jurisdictions, and the public on fair and equitable assessment matters.



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IAAO's Recommendations

Cornerstones of Fair and Equitable Property Assessment

Appraise
Regularly at
Market Value

Follow IAAO
Technical
Standards



Allocate
Adequate
Resources

Provide
Training to
Assessors



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Appraise Regularly at Fair Market Value

- What does regular mean?
 - IAAO standards recommend annual valuations. Texas is inline with this standard. Continue to remind the public that annual valuations are a good way to fight inequity in values.



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Appraise Regularly at Fair Market Value

- Fair Market Value
 - Everyone knows the definition of market value, but what potential policies work against market valuations?
 - Non-disclosure of sales
 - Valuation caps and freezes
 - Special treatment for certain properties
 - What else?



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Follow IAAO Technical Standards

- Assessment Appeals
- Automated Valuation Models
- Community Outreach
- Contracting for Assessment Services
- Data Quality
- Cadastral Maps and Parcel Identifiers
- Mass Appraisal of Real Property
- Oversight Agency Responsibilities
- Professional Development
- Property Tax Policy
- Ratio Studies
- Valuation of Personal Property
- Valuation of Properties Affected by Environmental Contamination
- Verification of Sales



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Allocate Adequate Resources

- Staffing
 - Inadequate staffing causes data quality issues and process issues
 - Inadequate staffing leads to a lack of training
 - Inadequate staffing causes a lack of communication
 - Staff that aren't properly trained and don't communicate properly will not produce equitable values.
 - Remind the public that proper staffing supports equity in values.



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Allocate Adequate Resources

- Work Environment
 - Safe work environment
 - Adequate space
 - Proper lighting
 - Quiet workspace
 - Ergonomics



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Allocate Adequate Resources

- **CAMA / Software Systems**
 - Automation of processes can lead to more equitable values.
- **Hardware**
 - An extra computer monitor might make it easier for staff to QC data, increasing equity.
- **IT Support**
 - Do staff have the IT support they need to do their job to the best of their abilities?

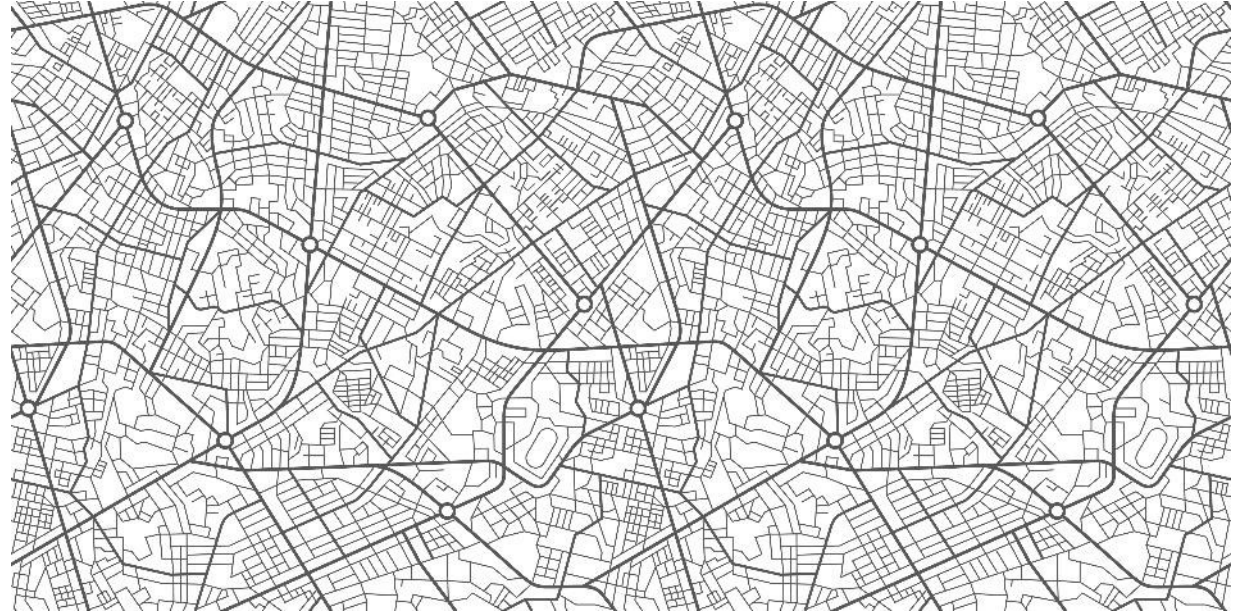


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Allocate Adequate Resources

- GIS Resources
 - Imagery
 - Software and applications



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Provide Training to Assessors

■ IAAO Courses

- 101 Fundamentals of Real Property Appraisal (All appraisers)
- 102 Income Approach to Valuation (All real estate appraisers)
- 112 Income Approach to Valuation II (All commercial real estate appraisers)
- 201 Appraisal of Land (All real estate appraisers)
- 300 Fundamentals of Mass Appraisal (All appraisers)
- 311 Real Property Modeling Concepts (All real estate appraisers)
- 400 Assessment Administration (All appraisers)
- 402 Tax Policy (All appraisers)
- 500 Assessment of Personal Property (All appraisers)

Above is a recommended course list.



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Provide Training to Assessors

- USPAP
- State Level Education
- Software Training
- Leadership Training
- Have written work procedures for all processes to ensure consistency. Train on these procedures annually.
- Train your staff to watch for vertical inequity.



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Questions and Comments

What other issues cause inequity in values?



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Conclusion

Understanding and communicating the root causes of inequity to the community can foster greater support for your CAD leading to more equitable property values.



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