

## How do I know my assessment reflects fair market value?

(as referenced in the blue flyer enclosed with the 2006 Assessment Notices)

Assessing property is not an exact science and typically is a mass estimating process, not individual property appraisals. Assessments are considered to be a good estimation of fair market value if they are reasonably close to the sale prices within any given neighborhood. The acceptability of values is measured by the Assessment-to-Sales Ratio (ASR). The ASR is derived by dividing the assessed value by the selling price.

Based on professional standards for mass assessing, the Department of Tax Administration (DTA) attempts to achieve an overall ASR for the neighborhood in the low 90's percent range. In the example below, the sale prices indicate a rising market and prices are thus pulling away from the January 1, 2005, assessment as the year progresses. Accordingly, the neighborhood's ASR has dropped to 0.769, or 76.9%. This suggests that a reassessment may be necessary.

### Example of Assessment-to-Sales Ratio (ASR) prior to reassessment:

	<u>1/1/05 Assmt</u>	<u>Sale Date</u>	<u>Sales Price</u>	<u>A/S Ratio</u>
Sale 1	\$444,500	01/06/05	\$505,000	0.880
Sale 2	\$446,500	03/01/05	\$531,000	0.841
Sale 3	\$450,000	05/15/05	\$573,000	0.785
Sale 4	\$452,000	07/16/05	\$615,000	0.735
Sale 5	\$451,500	09/15/05	\$627,000	0.720
Sale 6	\$452,500	10/14/05	\$633,000	0.715
Sale 7	\$449,000	12/15/05	\$636,000	<u>0.706</u>
		<b>Neighborhood Average:</b>		<b>0.769</b>

Looking at comparable sales and in looking at cost data, DTA appraisers estimate fair market value as of January 1, 2006. The reasonableness of these estimates is then tested by again calculating the ASR, this time using the new assessed values.

### Example of Assessment-to-Sales Ratio (ASR) after reassessment:

	<u>1/1/06 Assmt</u>	<u>Sale Date</u>	<u>Previous Sales Price</u>	<u>A/S Ratio</u>	<u>% of Assmt Increase</u>
Sale 1	\$532,000	01/06/05	\$505,000	1.053	19.7%
Sale 2	\$536,500	03/01/05	\$531,000	1.010	20.2%
Sale 3	\$540,500	05/15/05	\$573,000	0.943	20.1%
Sale 4	\$543,900	07/16/05	\$615,000	0.884	20.3%
Sale 5	\$540,100	09/15/05	\$627,000	0.861	19.6%
Sale 6	\$547,500	10/14/05	\$633,000	0.864	21.00%
Sale 7	\$536,500	12/15/05	\$636,000	<u>0.844</u>	19.5%
		<b>Neighborhood Average:</b>		<b>0.923</b>	

In the example above, assessments in this hypothetical neighborhood needed to be increased by approximately 20% to keep pace with the rising market. As a result of the reassessment, the average ASR for the neighborhood improved to 0.923, or 92.3%.