



Tax Year 2021

REAL ESTATE APPRAISAL RATIO REPORT

OVERVIEW

The Division of Property Assessments has statutory responsibility for conducting appraisal ratio studies in all counties in Tennessee at least once every two years. The division coordinates all phases of the study including data collection by assessors, sales data review by division field personnel, and analysis. Included in this report are:

- Thirty-one (31) counties with appraisal ratio studies.
- One (1) current value update county (CVU).
- Twenty-five (25) counties that completed reappraisal programs.
- Thirty-eight (38) counties did not require action this year due to previous year revaluation or ratio activity.

PURPOSE OF RATIO STUDIES

Ratio studies are conducted primarily to determine the overall level of appraisal within each assessing jurisdiction in the state. Other uses include, but are not limited to, the following:

- A disclosure of full value of taxable property as one index of community fiscal ability.
- An aid in the development of reliable measurement standards that use taxable valuations as a base (e.g. tax relief).
- A guide for equalization to be used by state and local assessing agencies.
- An indication of non-uniformity in assessment to permit equitable distribution of taxes in taxing districts identified with more than one assessing area.
- A method of disclosing the degree of non-uniformity of assessment among and within classes of taxable property.

USE OF RATIO STUDIES

Assessing personnel use ratios in a variety of ways, including but not limited to the following:

- Identify potential problems with appraisal procedures.
- Provide for a current value update between revaluation years.
- Adjust sale prices for time.
- Develop depreciation schedules.
- Test reappraisal results.

The Comptroller of the Treasury, Division of Property Assessments (DPA) uses ratios to:

- Estimate the effective tax rate for each jurisdiction in order to calculate the amount of tax relief payments for qualified applicants.

The State Board of Equalization uses ratios to:

- Equalize centrally assessed properties with locally assessed properties.
- Equalize values as determined through the appeal process.
- Equalize personal property with real property values.
- Equalize tax rates in cities that lie in more than one county.

The state's local education agencies use ratios to:

- Equalize the assessed values in each county for use in the education funding formula.

Municipally owned electric and gas systems use ratios to:

- Equalize tax rates for calculating the payments in lieu of tax payments in the jurisdictions they serve.

Basic Principle of Appraisal Ratio: Measuring the relationship between *Appraised Value* and *Market Value*. On the **appraisal date**, January 1 of the year of reappraisal, market and appraised values, should be similar. As time passes between reappraisals, the disparity between these values may increase. This disparity is what creates an appraisal ratio.

The **appraised value divided by the sale price** produces the appraisal ratio.

$$\frac{\text{APPRAISED VALUE}}{\text{SALE PRICE}} = \text{APPRAISAL RATIO}$$

RATIO STUDY PROCEDURES AND CONSIDERATIONS

DATA COLLECTION AND VERIFICATION OF SALES

Accurate and complete property sales information is critical in order to properly measure the relationship of sale prices to appraised values in a jurisdiction. The assessor of property in each county performed sales data collection and verification for use in the ratio study in accordance with the Sales Data Collection and Verification Manual: DPA, 2020.

The Division of Property Assessments monitored to ensure the collection and verification of sales information was accomplished within acceptable standards of accuracy and completeness. The monitoring focused on the following:

Completeness of the Sales File

To evaluate the completeness of the sales file, DPA personnel conducted a deed inventory of recorded property sales in the county. The results were then compared to the property records of the assessor to ensure that transfers were properly reflected.

Farm and Commercial/Industrial Sales

Sales with farm and commercial/industrial classifications are required to have a verification form completed on each sale. DPA staff reviewed these records for compliance and the resulting qualification determinations.

Acceptance or Rejection of Warranty Deeds

Although only valid 2020 transfers of real property that met the statutory standard for an arm's length transaction between a willing buyer and willing seller were used to compute the appraisal ratio, all warranty deeds were analyzed. If a deed was disqualified, the reason for rejection was entered and verified. Common situations for disqualification included sales to family members, sales that contained personal property items, forced sales, etc. A complete list of accept and reject codes and explanations can be found in the Sales Data Collection and Verification Manual: DPA, 2020.

DATA ANALYSIS

Once the data was collected and monitored, the analysis phase of the ratio study began. A ratio for each sale was calculated by dividing the appraised value from the previous year by the sale price.

Outlier and Standard Deviation Trims

Accepted sales having an appraised value to sale price ratio of less than twenty percent (20%) or greater than five hundred percent (500%) were excluded as obvious data errors. At that point, the arithmetic mean and standard deviation were computed, and trim points of two standard deviations from the mean were established. Sales falling outside those trim points were also set aside.

Representativeness of Data

The ratio study in general is only valid to the extent that the sales used are representative of the population. Optimal representativeness is achieved when: (1) appraisal procedures used to value the sales parcels are similar to procedures used to value the corresponding populations, and (2) sale properties are not unduly concentrated in certain areas or types of property with appraisal levels that differ from the general level of appraisal in the population.

In addition to the major classifications of real property (residential, commercial/industrial, and farm), each study was further stratified into groupings such as area or neighborhood, city, land type/total land units, improvement type, effective year built, and month of sale. These groupings were analyzed and compared to ensure that no strata was over represented in the study, which would unduly influence the overall results. If strata were discovered to be unduly represented, a random selection of sales within the strata was removed, leaving a more representative number of sales for that group.

Estimating Unsold Property Performance

An important objective of the ratio study was to determine appraisal performance for the entire population of properties. As long as both sold and unsold properties are appraised in the same manner, statistics calculated in the ratio study can be used to infer appraisal performance for unsold parcels. In order to ensure that sold and unsold properties were appraised in the same manner, the split sample technique was employed in each of the appraisal ratio counties and current value update counties.

Split Sample Technique

The split sample technique splits the sales file into two parts: (1) sales with value changes made after the date of sale and (2) sales with no value change after the sale date. If the ratios and statistics for each split study were significantly different or if there were an extraordinary number of changes made to the file after the date of the sale, the overall study results are not valid. The recommended corrective action for this situation is to use the appraised value at the time of sale (unless the changes are the result of specific criteria such as new construction or physical land changes).

FINAL ANALYSIS

Once the sales package was analyzed for completeness, verification, representativeness, and possible sales chasing, a final report was computed. The final report included the computation of the number of observations, arithmetic mean, median, weighted mean, coefficient of variation (COV), coefficient of dispersion about the median (COD), and price-related-differential (PRD). A histogram showing the distribution of the ratios was also produced. This report was comprised of two parts: (1) the initial report, which presents statistics for locally assessed property, and (2) a report with a proportionate number of observations added with ratios of 1.0000 to represent centrally assessed properties.

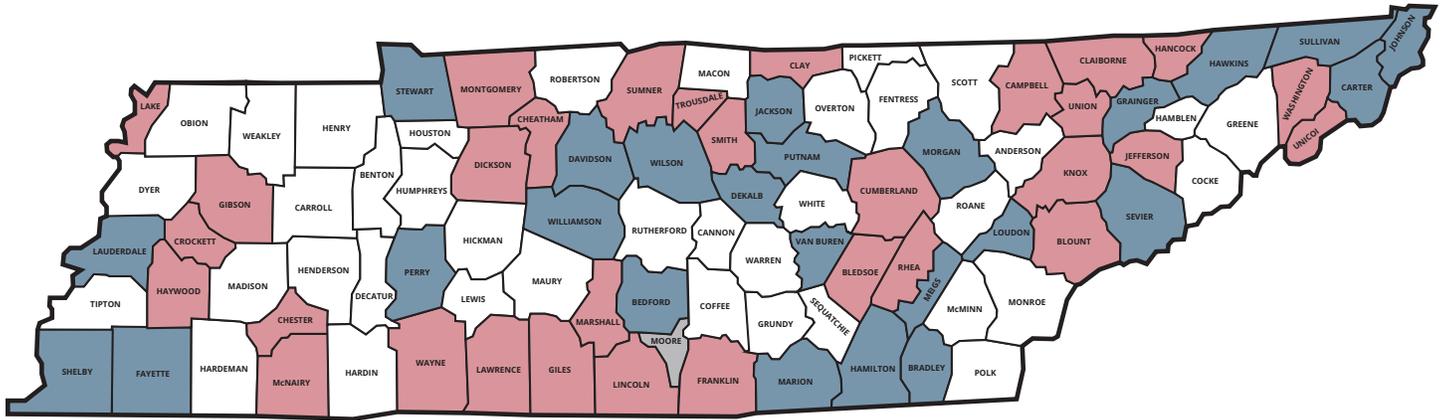
DISTRIBUTION OF RESULTS

Upon approval of the final report by the DPA Director, a letter transmitting the results was sent to the Assessor of Property, Trustee, County Mayor/Executive, and City Collecting Officials and Mayors of affected cities and towns within the county; the Executive Secretary of the State Board of Equalization; and the appropriate division personnel. The DPA retained a copy of the final reports and letters.

CURRENT VALUE UPDATE COUNTIES

Counties in Tennessee are on either a 4-, 5-, or 6-year cycle for reappraisal. In the third year of a six-year reappraisal cycle, a ratio study is performed to determine the overall level of appraisal for the jurisdiction. If the results of that ratio study reflect an overall median ratio of less than ninety percent (90%) of fair market value, all properties in the county are updated to market value. If any subclass of property does not have a level of appraisal within ten percent (10%) of the overall level of appraisal for the jurisdiction, the subclass is updated to the overall level. Only one (1) county, Moore, was scheduled for a CVU in 2021. Moore had an overall median ratio of less than ninety percent (90%) and required updating to current market value.

OVERALL MEDIAN RATIOS FOR ALL ASSESSED REAL PROPERTY BY COUNTY



■ RATIO STUDY COUNTY (31)
 ■ REAPPRAISAL COUNTY (25)
 ■ CVU COUNTY (1)

COUNTY	RATIO	COUNTY	RATIO	COUNTY	RATIO	COUNTY	RATIO
ANDERSON	1.0000	FENTRESS	0.9415	LAUDERDALE	1.0000	ROANE	1.0000
BEDFORD	1.0000	FRANKLIN	0.7710	LAWRENCE	0.7992	ROBERTSON	0.8553
BENTON	1.0000	GIBSON	0.9060	LEWIS	1.0000	RUTHERFORD	0.8858
BLEDSDOE	0.7585	GILES	0.7518	LINCOLN	0.8536	SCOTT	0.9438
BLOUNT	0.8150	GRAINGER	1.0000	LOUDON	1.0000	SEQUATCHIE	0.9030
BRADLEY	1.0000	GREENE	0.8538	McMINN	0.8684	SEVIER	1.0000
CAMPBELL	0.8697	GRUNDY	1.0000	McNAIRY	0.8859	SHELBY	1.0000
CANNON	0.8644	HAMBLEN	1.0000	MACON	0.8437	SMITH	0.7763
CARROLL	1.0000	HAMILTON	1.0000	MADISON	0.9116	STEWART	1.0000
CARTER	1.0000	HANCOCK	0.9208	MARION	1.0000	SULLIVAN	1.0000
CHEATHAM	0.8679	HARDEMAN	0.9287	MARSHALL	0.6726	SUMNER	0.8953
CHESTER	0.8313	HARDIN	0.9250	MAURY	0.8722	TIPTON	1.0000
CLAIBORNE	0.7836	HAWKINS	1.0000	MEIGS	1.0000	TROUSDALE	0.8211
CLAY	0.9352	HAYWOOD	0.9587	MONROE	0.9269	UNICOI	0.7968
COCKE	1.0000	HENDERSON	0.9182	MONTGOMERY	0.8869	UNION	0.8000
COFFEE	0.8550	HENRY	1.0000	MOORE	1.0000	VAN BUREN	1.0000
CROCKETT	0.8446	HICKMAN	0.9200	MORGAN	1.0000	WARREN	1.0000
CUMBERLAND	0.8364	HOUSTON	1.0000	OBION	0.9171	WASHINGTON	0.8983
DAVIDSON	1.0000	HUMPHREYS	1.0000	OVERTON	1.0000	WAYNE	0.9023
DECATUR	1.0000	JACKSON	1.0000	PERRY	1.0000	WEAKLEY	0.9326
DEKALB	1.0000	JEFFERSON	0.8370	PICKETT	0.9372	WHITE	1.0000
DICKSON	0.8736	JOHNSON	1.0000	POLK	0.9218	WILLIAMSON	1.0000
DYER	1.0000	KNOX	0.8236	PUTNAM	1.0000	WILSON	1.0000
FAYETTE	1.0000	LAKE	1.0000	RHEA	0.8842		

Non-shaded counties required no action due to either a countywide revaluation, ratio study or CVU having been performed in 2020.



STATUTORY PROVISIONS AND RESPONSIBILITIES RELATIVE TO RATIO STUDIES IN TENNESSEE

Tennessee Code Annotated (TCA)

67-5-1604. Appraisal ratio studies.

- (a) The **division of property assessments** shall conduct appraisal ratio studies in all counties of the state in such manner and at such time as shall be determined by the **state board of equalization**.
- (b) The purpose of these studies shall be to assist **the board** through the **division of property assessments** to effect the assessment of all property throughout the state in accordance with the constitution and laws of Tennessee.
- (c) Based upon these studies and other pertinent information which may be available, the **division of property assessments**, with approval of the **state board of equalization**, shall develop a plan and proceed to carry out the reappraisal and equalization programs in each county of the state.

67-5-1605. Periodic appraisal ratio studies required.

- (a) The **state board of equalization** has the responsibility to determine whether or not property within each county of the state has been valued and assessed in accordance with the constitution and laws of Tennessee.
- (b) (1) In order to assist **the board** in its determination, the **division of property assessments** shall conduct appraisal ratio studies in all counties of the state at least every two (2) years unless otherwise determined by the board.
- (2) Such studies shall determine applicable ratios by dividing the appraised values of property as shown on the official assessment records by the qualified selling prices of such properties.
- (3) If a sufficient number of qualified sales do not exist for a subclass of property in a jurisdiction, appraisals of representative properties in that subclass may be used to supplement any existing sales in determining the ratios required by this section and 67-5-1606.
- (4) These appraisal ratio studies and any other pertinent information which may be available shall be used by **the board** to determine whether or not the property in each county has been assessed by the assessor of property as required by the constitution and laws of the state.

67-5-1606. Annual overall ratio of appraisal ratios for classifications public utility property.

- (a) Based upon the appraisal ratio studies and other pertinent information, the **state board of equalization** shall annually determine the overall ratio of appraisal for property in each county of the state.
- (b) In addition, **the board** may also determine ratios for the respective classifications of property for each county.
- (c) The **state board of equalization** shall each year certify to the **comptroller of the treasury** appraisal levels, as are determined by **the board** for each county, to be used by the commission for purposes of computing the assessments of public utility properties.

COMPTROLLER OF THE TREASURY

Division of Property Assessments

CORDELL HULL BUILDING | 425 Rep. John Lewis Way N. | Nashville, TN 37243 | 615.401.7737
comptroller.tn.gov/sboe | comptroller.tn.gov/pa
DPA.Administration@cot.tn.gov