



Tax Year 2023 APPRAISAL RATIO STUDY 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-eight (38) counties with appraisal ratio studies.
- Three (3) current value update (CVU) counties.
- Eighteen (18) counties that completed reappraisal programs.
- Thirty-six (36) 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:

- Determine the amount of tax relief to qualifying applicants by calculating the effective assessment and the effective tax rate based on the applicant's jurisdiction.

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 2022 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 sales 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 current 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), price-related differential (PRD), and price-related bias (PRB). 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.

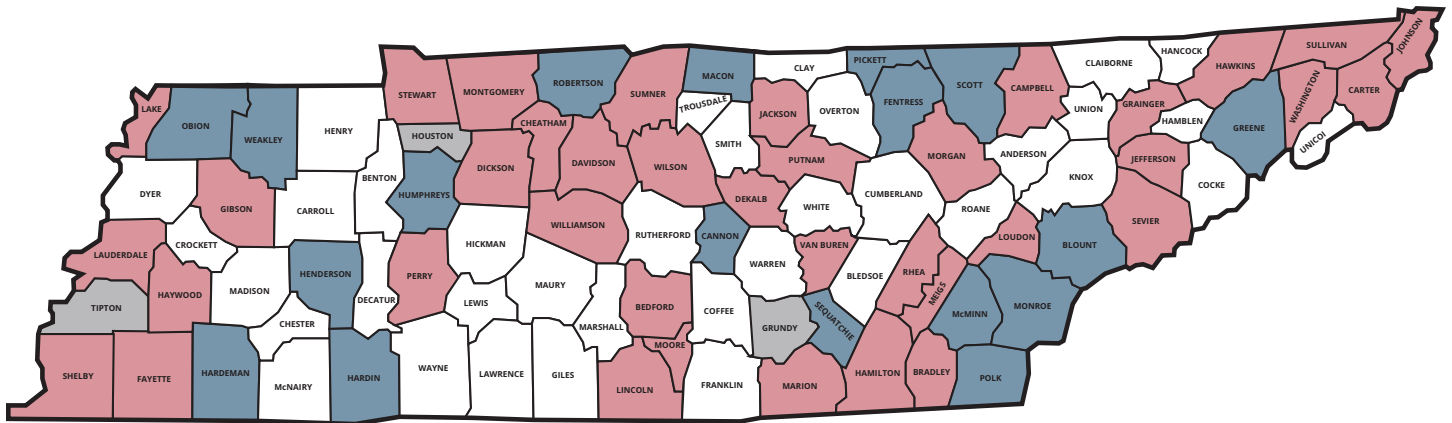
DISTRIBUTION OF RESULTS

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, an updating of real property values occurs. 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. Three counties (Grundy, Houston, and Tipton) required updating to current market value in 2023.

OVERALL MEDIAN RATIOS FOR ALL ASSESSED REAL PROPERTY BY COUNTY



RATIO STUDY COUNTY (38)
 REAPPRAISAL COUNTY (18)
 CVU COUNTY (3)

COUNTY	RATIO	COUNTY	RATIO	COUNTY	RATIO	COUNTY	RATIO
ANDERSON	0.7295	FENTRESS	1.0000	LAUDERDALE	0.7648	ROANE	0.7298
BEDFORD	0.6556	FRANKLIN	1.0000	LAWRENCE	1.0000	ROBERTSON	1.0000
BENTON	0.7969	GIBSON	0.7100	LEWIS	0.7681	RUTHERFORD	1.0000
BLED SOE	1.0000	GILES	1.0000	LINCOLN	0.6110	SCOTT	1.0000
BLOUNT	1.0000	GRAINGER	0.6600	LOUDON	0.7574	SEQUATCHIE	1.0000
BRADLEY	0.7195	GREENE	1.0000	McMINN	1.0000	SEVIER	0.5362
CAMPBELL	0.5863	GRUNDY	1.0000*	McNAIRY	1.0000	SHELBY	0.7587
CANNON	1.0000	HAMBLEN	0.7751	MACON	1.0000	SMITH	1.0000
CARROLL	0.8039	HAMILTON	0.7053	MADISON	1.0000	STEWART	0.6400
CARTER	0.7212	HANCOCK	1.0000	MARION	0.7835	SULLIVAN	0.6671
CHEATHAM	0.5906	HARDEMAN	1.0000	MARSHALL	1.0000	SUMNER	0.6156
CHESTER	1.0000	HARDIN	1.0000	MAURY	1.0000	TIPTON	1.0000*
CLAIBORNE	1.0000	HAWKINS	0.6921	MEIGS	0.7339	TROUSDALE	1.0000
CLAY	1.0000	HAYWOOD	0.6905	MONROE	1.0000	UNICOI	1.0000
COCKE	0.7300	HENDERSON	1.0000	MONTGOMERY	0.6251	UNION	1.0000
COFFEE	1.0000	HENRY	0.7695	MOORE	0.6363	VAN BUREN	0.7778
CROCKETT	1.0000	HICKMAN	1.0000	MORGAN	0.6688	WARREN	0.7997
CUMBERLAND	1.0000	HOUSTON	1.0000*	OBION	1.0000	WASHINGTON	0.6527
DAVIDSON	0.7143	HUMPHREYS	1.0000	OVERTON	0.8800	WAYNE	1.0000
DECATUR	0.8455	JACKSON	0.6625	PERRY	0.7001	WEAKLEY	1.0000
DEKALB	0.6737	JEFFERSON	0.5716	PICKETT	1.0000	WHITE	0.7434
DICKSON	0.6039	JOHNSON	0.6691	POLK	1.0000	WILLIAMSON	0.6438
DYER	0.8319	KNOX	1.0000	PUTNAM	0.7410	WILSON	0.6976
FAYETTE	0.7311	LAKE	0.7615	RHEA	0.6000		

*Grundy, Houston, and Tipton are CVU counties with calculated appraisal ratios of 0.5965, 0.6038, and 0.7026 respectively. Their appraisal ratios will each be at 1.0000 once update factors are approved by SBOE and applied by DPA.

Non-shaded counties required no action due to either a countywide revaluation or ratio study having been performed in 2022.



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 for equalization of state assessed 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 office of state assessed properties for purposes of computing the assessments of public utility properties and operating properties of modern market telecommunications providers.

COMPTROLLER OF THE TREASURY

Division of Property Assessments

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