

County Board of Equalization Training Seminar

This PDF is not mandatory and only intended as a supplement to the training video. Refer to page 20 for the answer guide.

I. Public Records and Open Meetings

a. Tennessee Public Records Act (“TPRA”) – T.C.A. §§ 10-7-101 *et seq.*

i. “Facilitating access to governmental records promotes _____
_____ and encourages government officials and agencies to _____.”

Schneider v. City of Jackson, 226 S.W.3d, 339 (Tenn. 2007).

ii. The heart of the TPRA is found under T.C.A. § 10-7-503, which states, “_____ public records shall, during _____, be _____ by _____ unless _____.”

iii. The general rule under the TPRA is that _____ (this is known as a “presumption of openness”).

iv. The TPRA is interpreted _____; the law favors _____.

b. Who is subject to the TPRA?

i. _____ and _____.

c. Who can access records under the TPRA?

i. _____, *however*, requiring proof of citizenship is _____.

ii. Whether your organization requires proof of citizenship should be included in your Public Records Policy.

d. What is a “Public Record”?

i. A “Public Record” is either made or received:

1. _____ or _____.

ii. It does not matter whether the record was created on a _____ or _____. The public record is based upon _____.

iii. Records that specifically relate to property assessments include _____, _____, and _____.

e. There are _____ of exceptions to the TPRA.

❖ A [searchable database](#) of all TPRA exceptions is available on the Office of Open Records Counsel website.

i. _____ must be redacted before fulfilling a public records request.

ii. Any information obtained as part of a property assessment (including an assessment of tangible personal property) may only be disclosed to _____, by _____, or _____.

f. Basic TPRA Analysis

- i. _____ ?
- ii. _____ ?
- iii. _____ ?
- iv. _____ ?
- v. _____ ?

g. Responding to TPRA requests

- i. Tennessee law requires governmental entities to _____ respond to public records requests.
- ii. If the governmental entity is unable to provide the records promptly, they must do one of the following within _____ :
 - 1. _____ ;
 - 2. _____ ; or
 - 3. _____ .
- iii. Failure to respond to a record request as described above can be deemed a _____ and subject your organization to possible legal action.
- iv. Governmental entities may assess reasonable charges for _____ public records, but they may not charge for _____ .

h. Tennessee Open Meetings Act ("TOMA") – T.C.A. § 8-44-101

- i. The formation of public policy and decisions is _____ and shall not be _____ .
- ii. Provides the public with the right to _____ and _____ any _____ of a _____ .

iii. What is a governing body?

When _____ members of a public body with authority to make decisions discuss or deliberate matters a quorum of the public body would need to vote upon.

iv. TOMA Requirements

1. _____
2. _____
3. _____
4. _____
5. _____

v. What is adequate public notice? It depends.

1. For a regular meeting, courts have deemed notice to be adequate as long as it gives interested citizens a reasonable opportunity to exercise their right to attend.
2. For a special meeting, courts have stated that the content of the notice should reasonably describe actions or decisions. It is advisable, though not required, to include a meeting agenda in the notice.
3. Specific Notice Requirements for County Boards:
 - a. At least _____ days before the start of the annual session, the county assessor's office is required to publish the following in a newspaper of general circulation:
 - i. _____
 - ii. _____
 - iii. _____, and

iv. _____
_____.

vi. Any action taken in violation of TOMA will be deemed _____.

II. Special Considerations

a. Telephonic or Remote Meetings

i. Every year, regardless of the circumstances, county boards have the discretion to allow taxpayers to appear at hearings telephonically.

ii. If a county board elects to allow any member of the public to appear telephonically, the county board should strive to ensure that every taxpayer is provided _____ to appear telephonically in future hearings.

b. Applying Equalization/Appraisal Ratios

i. An appraisal ratio represents the _____
_____.

ii. A reappraisal is where all properties in a county are updated to reflect the _____
_____.

iii. Thus, in a reappraisal year, the appraisal ratio is _____. The same ratio also applies in:

1. _____,

2. _____, and

3. _____.

(I.e., there really isn't a "ratio" to be applied because the most recent reappraisal or current value update reflects the current market value of the property).

iv. An appraisal ratio is applied in a value appeal only where the appealing party shows the _____ of the property under appeal.

v. Application of the appraisal ratio helps account for factors such as _____ and _____.

III. Purpose and Composition of CBOEs

a. Equalization is the process by which an appropriate governmental body (the CBOE) ensures all properties in a jurisdiction have been assessed fairly by appraising the properties at fair market value, including the application of the correct assessment percentage based on classification as required by law.

b. Levels of Appeal

- 1. _____
- 2. _____
- 3. _____

- 4. _____
- 5. _____
- 6. _____

Less formal



Extremely formal

The further you move down the scale, the more adversarial, technical, costlier, and time consuming it becomes.

c. Purpose

i. A CBOE's purpose is to provide a _____ where taxpayers and owners of property may receive _____.

- ii. A CBOE operates as a _____ between the taxpayer and the Assessor.

- d. The typical makeup of a CBOE is _____, each serving a _____ term. The county legislative body may also designate alternates who must take the same oath and whose actions apply with the same effect as regular members.

- e. Officers, Quorum, and Records
 - i. Every CBOE must elect a _____ and a _____ (at least).
 - ii. Every CBOE must keep a _____.
 - iii. Every CBOE must have a _____ to conduct business.

- f. Every CBOE convenes on _____ (or, if falling on a holiday or weekend, the next business day) of each year. The length of the session is based on the _____.
 If additional time is needed, the county mayor can extend the regular session of the CBOE or call a special session.

- g. Duties of the Board
 - i. _____
 - ii. _____
 - iii. _____
 - _____
 - iv. _____
 - v. _____
 - vi. _____
 - _____
 - vii. _____

- h. Conflict of Interest

- i. Appearance of impropriety means _____

_____.
- ii. Conflict of interest means _____
_____.
- iii. Err on the side of disclosure when it comes to conflicts of interest or potential conflicts of interest. If a conflict is disclosed, its effects can be _____.

IV. Powers and Authority of the CBOE

- a. The primary purpose of a county board, in most cases, is to determine the value of the subject properties before the board. In order to do that, the county board is authorized to:
 - i. _____
 - ii. _____
 - iii. _____
 - iv. _____
 - v. _____
- b. The CBOE does *not* have the authority to:
 - i. _____
 - ii. _____
 - iii. _____
- c. Who can appeal to the CBOE?
 - i. _____
 - ii. _____
 - iii. _____
- d. Valid reasons for appeal

- i. _____
- ii. _____
- iii. _____
- iv. _____
- v. _____

e. If a taxpayer fails to timely appeal to the CBOE, _____.

- i. Exception: The taxpayer may be able to appeal to the SBOE, but they must show

_____.

- ii. Exception: Industrial and commercial real and personal property may be appealed directly to the State Board _____.

V. Burden of Proof

a. A legal term that means _____.

b. The party _____ has the burden of proof. (This is usually the taxpayer, but not always.)

c. A CBOE can review a variety of different types of evidence. It is the CBOE’s job to determine how _____, how _____, how _____, and how _____ that evidence is.

d. Evidence of Value: “The value of all property shall be ascertained from the evidence of its _____, _____, and _____ for purposes of sale between a willing seller and a willing buyer without consideration of _____ values...” T.C.A. § 67-5-601.

e. When determining how much evidence is needed to carry the burden of proof, ask yourself:

- i. Is the evidence _____?

- ii. Is the evidence _____?

iii. Does the evidence _____?

Remember—you don't need to give weight to evidence that is too _____.

f. What are some types of acceptable evidence?

i. _____

ii. _____

iii. _____

iv. _____.

❖ Refer to page 13 of the [County Board of Equalization Practice Manual](#) for more examples.

VI. Hearings & Actions of the CBOE

a. Order of proceedings

i. _____

ii. _____

iii. _____

iv. _____

1. The appellant generally goes first (usually the taxpayer).

2. The assessor is given the opportunity to respond and defend their valuation or classification of the property.

v. _____

1. No new testimony without _____.

2. Must be _____

b. Remember—the CBOE must keep a _____ of its transactions (this includes all hearings).

c. Notice of the CBOE's decision and the process for further appeals must be provided to the taxpayer _____ no later than _____

_____.

- d. Upon completion of the session, the CBOE must turn over its records and papers to the _____, who will maintain the records for a period of _____.

VII. Assessors and Assessment Functions

- a. Assessment Calendar – Key Dates

January 1	
March 1	
May 20	
June 1	
July 1	
August 1	
1st Mon in Oct	

- b. The assessor _____ and _____ all properties within their jurisdiction and applies the _____ to the appraisals to determine _____.
- i. Farm and residential properties are assessed at _____ of the appraised value.
 - ii. Commercial property is assessed at _____ of the appraised value for tangible personal property and _____ of the appraised value for real property.

$\text{Appraisal} \times \text{Assessment Ratio} = \text{Assessed Value}$ $\text{Assessed Value} \times \text{Tax Rate} = \text{Tax Bill}$
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- c. An assessor's duties include _____, _____, _____, and _____ properties.

- d. Under T.C.A. § 67-5-160(a)(4), assessors are required to maintain a program for _____ in their jurisdiction.
- e. Tangible Personal Property
 - i. Must self-report before _____.
 - ii. It is within the CBOE's discretion to accept a late filing if the taxpayer fails to timely report their property schedule. In this situation, the taxpayer forfeits their right to _____ their schedule and they are not entitled to the _____ for that year.
- f. The Assessment Cycle
 - i. Properties are reappraised every _____, _____, or _____ years.
 - ii. Systematic field review
- g. The Appraisal Process
 - i. An appraisal is the most probable selling price for a single piece of property, whereas mass appraisal is the _____, using market data, standardized methods, and statistical modeling.
 - ii. The assessment roll must be completed by _____.
 - iii. In the appraisal process it's important to know the _____ so that values reflect the actual market.
- h. Remember: the property tax rate is determined by _____, not by the assessor (or the CBOE)!
- i. Relevant forms of evidence on appeal:
 - i. _____
 - ii. _____
 - iii. _____
 - iv. _____

- v. _____
- vi. _____
- vii. _____
- viii. _____

❖ Refer to page 13 of the [County Board of Equalization Practice Manual](#) for more examples.

j. Unique issues that may come up on appeal include:

- i. _____ and _____ with the structure
 - 1. Functional obsolescence occurs when the cost to cure the issue is _____.
 - 2. Economic and external obsolescence _____ and cannot be changed.
- ii. Listing errors or clerical mistakes on the property record card
- iii. Inconsistencies in pricing

VIII. Approaches to Value

a. Cost approach

- i. Value the land as if _____ (LV)
- ii. Determine what the total cost to replace the improvements on the land would be (_____ or RCN)
- iii. Subtract any _____ (DEPR)
- iv. Add other improvements (OI)

$RCN - DEPR = \text{Building Value}$ $\text{Building Value} + LV + OI = \text{Total Value}$

b. Income approach

- i. Calculate the _____ [the absolute maximum income the property can produce].

- ii. Make deductions for _____ to determine the effective gross income (EGI)
- iii. Subtract _____ from the EGI to determine the Net Operating Income (NOI)
- iv. _____ the NOI to determine the value.

$\text{PGI} - \text{V\&C} = \text{EGI}$ $\text{EGI} - \text{OE} = \text{NOI}$ $\text{NOI} / \text{CAP RATE} = \text{Value}$

c. Sales comparison approach

- i. Typically used for _____ or sales where there is a large amount of available data.
- ii. The property is compared to similar properties in like neighborhoods. _____ are made to account for differences in _____, _____, and _____ that could drive the value up or down.

$\begin{aligned} &\text{Sales Price} \\ &(+ \text{ or } -) \text{ Adjusted for time of sale} \\ &(+ \text{ or } -) \text{ Adjusted for location or physical characteristics} \\ &= \text{Adjusted Sales Price} \end{aligned}$

IX. Basic Principles and Approaches to Value

a. Principles of Value

- i. Anticipation
 - 1. Value is created by the anticipation of benefits to be derived in the future.
 - 2. This principle is the basis of the _____.
- ii. Supply and Demand

1. Value varies directly (but not proportionally) to _____ and inversely (but not proportionally) with _____.

2. _____ influences supply; _____ influences demand.

iii. Change

1. All markets are in a constant state of change, either _____ or _____.

2. The appraiser must analyze _____ and estimate their effect on value.

iv. Progression and Regression

The value of an _____ property is increased by its _____ and vice versa.

v. Conformity

The maximum of value is realized in areas that are _____.

vi. Balance

Value is created and maintained by the balance of _____, _____, _____, and _____.

vii. Surplus Productivity

Income from a property remaining after the costs of _____, _____, and _____.

viii. Increasing and Decreasing Returns

Greater amounts of labor, management, and capital will produce greater returns _____ . When _____ is reached, additional investments will not produce an adequate return.

ix. Contribution

The value of any individual production agent depends on how much value it _____ or how much it _____.

x. Competition

Profit tends to create competition as long as _____.

xi. Consistent Use

_____ to another use cannot be valued based on one use for the land and another use for the improvements.

xii. Substitution

1. No buyer will pay more for a property than one would have to pay to acquire _____ in the same amount of time.
2. This principle is the underlying basis for all three approaches to value.

b. Approaches to Value

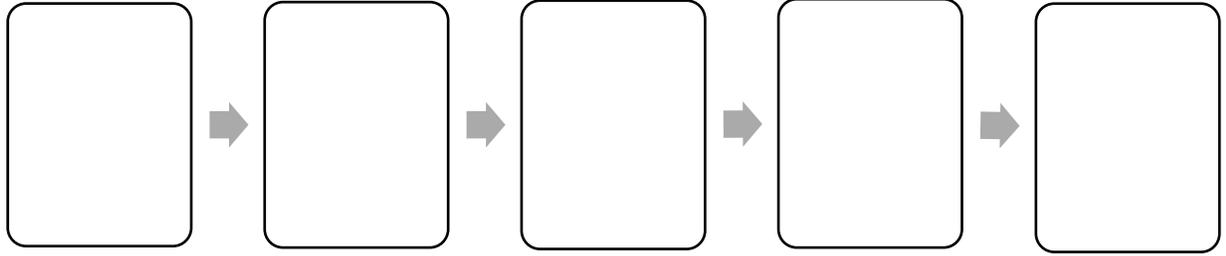
i. Sales Comparison Approach

1. Based on the principle of _____
2. The price paid for real property is a reliable indicator of _____.

3. Mass Appraisal

- a. The goal of reappraisal is to determine _____, which can be done by analyzing sales in the county and can ensure _____.

4. Life cycle of a sale



ii. Cost Approach

1. Based on the principle of _____.
2. Used to determine value of _____ (houses, garages, barns, industrial buildings)
3. Must take _____ into account
4. Uses _____ for improvements

$\text{Replacement Cost New} - \text{Depreciation} + \text{Land Value} = \text{Total Value}$
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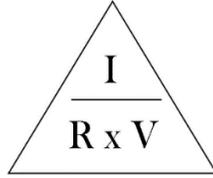
iii. Income Approach

1. Based on the principle of _____.
2. Uses a minimum of _____ years of income data.
3. Uses capitalization to convert the _____ into estimated value.
4. Best applied to income-producing properties like _____, _____, _____, etc.
5. Types of income that can be capitalized include _____, _____, and _____.

iv. Capitalization Rate

1. The capitalization rate expresses the relationship between _____ and _____.

2. Used in _____ capitalization.
3. Derived from _____ (most preferred method)



A triangle with a horizontal line across its middle. Above the line is the letter 'I'. Below the line is the expression 'R x V'.

Income = Rate x Value
Rate = Income / Value
Value = Income / Rate

Contact Information and Resources

Office of Open Records Counsel

p. 615-401-7891

e. Open.records@cot.tn.gov

<http://www.comptroller.tn.gov/openrecords>

State Board of Equalization

p. 615-401-7883

e. sb.web@cot.tn.gov

<http://www.comptroller.tn.gov/SBOE>

Division of Property Assessments

p. 615-401-7737

e. DPA.web@cot.tn.gov

<https://comptroller.tn.gov/office-functions/pa.html>

University of Tennessee County Technical Assistance Service (CTAS)

<http://www.ctas.tennessee.edu/>

Tennessee Association of Assessing Officers

<http://www.tnaao.org>

Quick Links

[Open Records Counsel Policies, Forms, and Guidelines](#)

[TPRA Exceptions Database](#)

[Appraisal Ratios](#)

[CBOE Practice Manual](#)

[Tennessee Real Estate Assessment Data](#)

[SBOE Manuals](#)

County Board of Equalization Training Seminar

ANSWERS

- I. Public Records and Open Meetings
 - a. Tennessee Public Records Act (“TPRA”) – T.C.A. §§ 10-7-101 *et seq.*
 - i. “Facilitating access to governmental records promotes **public awareness and knowledge of governmental actions** and encourages government officials and agencies to **remain accountable to the citizens of Tennessee.**” *Schneider v. City of Jackson*, 226 S.W.3d, 339 (Tenn. 2007).
 - ii. The heart of the TPRA is found under T.C.A. § 10-7-503, which states, “**All** public records shall, during **normal business hours**, be **open to inspection** by **any Tennessee citizen**, unless **otherwise provided by state law.**”
 - iii. The general rule under the TPRA is that **records are open to Tennessee citizens unless state law provides otherwise** (this is known as a “presumption of openness”).
 - iv. The TPRA is interpreted **broadly**; the law favors **disclosure**.
 - b. Who is subject to the TPRA?
 - i. **All government entities** and
 - ii. **Their functional equivalent.**
 - c. Who can access records under the TPRA?
 - i. **Any citizen of Tennessee**, *however*, requiring proof of citizenship is **discretionary**.
 - ii. Whether your organization requires proof of citizenship should be included in your Public Records Policy.
 - d. What is a “Public Record”?
 - i. A “Public Record” is either made or received:
 1. **Pursuant to law or ordinance** or

2. In connection with the transaction of official business.
 - ii. It does not matter whether the record was created on a personal or government-issued device. The public record is based upon the purpose for which it was created.
 - iii. Records that specifically relate to property assessments include the assessment roll, assessment notices, and property record cards.
- e. There are hundreds of exceptions to the TPRA.
 - ❖ A searchable database of all TPRA exceptions is available on the Office of Open Records Counsel website.
 - i. Personal identifying information must be redacted before fulfilling a public records request.
 - ii. Any information obtained as part of a property assessment (including an assessment of tangible personal property) may only be disclosed to the taxpayer or their duly authorized designee, by government officials responsible for the administration or collection of taxes, or pursuant to a judicial order.
- f. Basic TPRA Analysis
 - i. Tennessee citizen (if required)?
 - ii. Government entity or functional equivalent?
 - iii. Public record?
 - iv. Do responsive records exist?
 - v. Does an exception apply?
- g. Responding to TPRA requests
 - i. Tennessee law requires governmental entities to promptly respond to public records requests.

- ii. If the governmental entity is unable to prove the records promptly, they must do one of the following within **seven (7) business days**:
 - 1. **Make the information available**;
 - 2. **Deny the request in writing**; or
 - 3. **Furnish a response stating the time reasonably necessary to produce the information.**
 - iii. Failure to respond to a record request as described above can be deemed a **denial** and subject your organization to possible legal action.
 - iv. Governmental entities may assess reasonable charges for **copying** public records, but they may not charge for **inspection**.
- h. Tennessee Open Meetings Act (“TOMA”) – T.C.A. § 8-44-101
- i. The formation of public policy and decisions is **public business** and shall not be **conducted in secret**.
 - ii. Provides the public with the right to **attend** and **record** any **meeting** of a **governing body**.
 - iii. What is a governing body?

When **two or more** members of a public body with authority to make decisions discuss or deliberate matters a quorum of the public body would need to vote upon.
 - iv. TOMA Requirements
 - 1. **Open to the public**
 - 2. **Adequate public notice**
 - 3. **Meeting minutes**
 - 4. **Public vote**
 - v. What is adequate public notice? It depends.

1. For a regular meeting, courts have deemed notice to be adequate as long as it gives interested citizens a reasonable opportunity to exercise their right to attend.
2. For a special meeting, courts have stated that the content of the notice should reasonably describe actions or decisions. It is advisable, though not required, to include a meeting agenda in the notice.
3. Specific Notice Requirements for County Boards:
 - a. At least **ten (10)** days before the start of the annual session, the county assessor's office is required to publish the following in a newspaper of general circulation:
 - i. **Date and time the assessment records may be viewed**
 - ii. **Date the CBOE session will begin**
 - iii. **Last day the CBOE will accept appeals**, and
 - iv. **A warning that failure to appeal may result in the assessment becoming final.**
 - vi. Any action taken in violation of TOMA will be deemed **null and void.**

II. Special Considerations

a. Telephonic or Remote Meetings

- i. Every year, regardless of the circumstances, county boards have the discretion to allow taxpayers to appear at hearings telephonically.
- ii. If a county board elects to allow any member of the public to appear telephonically, the county board should strive to ensure that every taxpayer is provided **equal opportunity** to appear telephonically in future hearings.

b. Applying Equalization/Appraisal Ratios

- i. An appraisal ratio represents the change in market values since the last reappraisal of property in a county.
- ii. A reappraisal is where all properties in a county are updated to reflect the current market value.
- iii. Thus, in a reappraisal year, the appraisal ratio is 1.00. The same ratio also applies in:
 - 1. The year following reappraisal,
 - 2. A current value update year, and
 - 3. The year following a current value update.(I.e., there really isn't a "ratio" to be applied because the most recent reappraisal or current value update reflects the current market value of the property).
- iv. An appraisal ratio is applied in a value appeal only where the appealing party shows the current market value of the property under appeal.
- v. Application of the appraisal ratio helps account for factors such as inflation and changes in market value.

III. Purpose and Composition of CBOEs

a. Equalization

Equalization is the process by which an appropriate governmental body (the CBOE) ensures all properties in a jurisdiction have been assessed fairly by appraising the properties at fair market value, including the application of the correct assessment percentage based on classification as required by law.

b. Levels of Appeal

- 7. Informal Review
 - 8. CBOE
 - 9. SBOE
 - ALJ
 - AAC
 - 10. Chancery Court
 - 11. Tennessee Court of Appeals
 - 12. Tennessee Supreme Court
- Less formal
- 
- Extremely formal

The further you move down the scale, the more adversarial, technical, costlier, and time consuming it becomes.

c. Purpose

- i. A CBOE's purpose is to provide a fair and efficient process where taxpayers and owners of property may receive equalization in their property's valuation.
- ii. A CBOE operates as a third-party neutral between the taxpayer and the Assessor.

d. The typical makeup of a CBOE is five taxpayers, each serving a two-year term. The county legislative body may also designate alternates who must take the same oath and whose actions apply with the same effect as regular members.

e. Officers, Quorum, and Records

- i. Every CBOE must elect a chair and a secretary (at least).
- ii. Every CBOE must keep a daily record of its transactions.
- iii. Every CBOE must have a quorum to conduct business.

f. Every CBOE convenes on **June 1** (or, if falling on a holiday or weekend, the next business day) of each year. The length of the session is based on the **county population**. If additional time is needed, the county mayor can extend the regular session of the CBOE or call a special session.

g. Duties of the Board

i. **Hear complaints and appeals from taxpayers**

ii. **Carefully examine, compare, and equalize county assessments**

iii. **Ensure the accuracy of assessment lists (taxable properties are included and exempt properties are excluded)**

iv. **Correct errors arising from clerical or other mistakes**

v. **Adjust the assessments of properties the board determines were under or overvalued**

vi. **Take necessary steps to ensure the assessments of all properties in the county conform with all laws, rules, and regulations**

vii. **Certification of Assessments**

h. Conflict of Interest

i. Appearance of impropriety means **conduct or status that would lead a reasonable person to think that the actor is behaving or will be inclined to behave inappropriate or wrongfully.**

ii. Conflict of interest means **a real or seeming incompatibility between one's private interests and one's public or fiduciary duties.**

iii. Err on the side of disclosure when it comes to conflicts of interest or potential conflicts of interest. If a conflict is disclosed, its effects can be **mitigated.**

IV. Powers and Authority of the CBOE

a. The primary purpose of a county board, in most cases, is to determine the value of the subject properties before the board. In order to do that, the county board is authorized to:

- i. Examine witnesses
 - ii. Hear proof offered by the taxpayer
 - iii. Obtain and examine evidence
 - iv. Examine and question the county assessor
 - v. Administer oaths for witnesses
- b. The CBOE does *not* have the authority to:
 - i. Review prior year assessments
 - ii. Accept “greenbelt” applications
 - iii. Determine exemptions (other than governmental)
- c. Who can appeal to the CBOE?
 - i. Any owner or taxpayer
 - ii. Lessees responsible for property taxes
 - iii. Taxpayer’s agent or attorney
- d. Valid reasons for appeal
 - i. Erroneous classification of property
 - ii. Unlawful valuation
 - iii. Excessive valuation
 - iv. Erroneous assessment information related to the property
 - v. Subject property is appraised higher than similar properties
- e. If a taxpayer fails to timely appeal to the CBOE, the assessment becomes final.
 - i. Exception: The taxpayer may be able to appeal to the SBOE, but they must show “reasonable cause” (something beyond the taxpayer’s control prevented them from appealing on time).

- ii. Exception: Industrial and commercial real and personal property may be appealed directly to the State Board **with the written consent of the county assessor.**

V. Burden of Proof

- a. A legal term that means **the obligation to prove one's assertion.**
- b. The party **seeking to change the current classification or valuation of a property** has the burden of proof. (This is usually the taxpayer, but not always.)
- c. A CBOE can review a variety of different types of evidence. It is the CBOE's job to determine how **important**, how **relevant**, how **credible**, and how **reliable** that evidence is.
- d. Evidence of Value: "The value of all property shall be ascertained from the evidence of its **sound, intrinsic and immediate value**, for purposes of sale between a willing seller and a willing buyer without consideration of **speculative** values..." T.C.A. § 67-5-601.
- e. When determining how much evidence is needed to carry the burden of proof, ask yourself:
 - i. Is the evidence **credible**?
 - ii. Is the evidence **complete**?
 - iii. Does the evidence **support the appeal**?

*Remember- you don't need to give weight to evidence that is too **speculative**.*

- f. What are some types of acceptable evidence?
 - i. **Comparable sales records**
 - ii. **Photographs of the property**
 - iii. **Insurance replacement value**
 - iv. **Appraisal of the property**

❖ Refer to page 13 of the [County Board of Equalization Practice Manual](#) for more examples.

VI. Hearings & Actions of the CBOE

- a. Order of proceedings

- i. Call to Order
 - ii. Chairperson explains the nature of the appeal
 - iii. Chairperson swears in any person that may provide testimony
 - iv. Hearing of Evidence
 - 1. The appellant generally goes first (usually the taxpayer).
 - 2. The assessor is given the opportunity to respond and defend their valuation or classification of the property.
 - v. Deliberations
 - 1. No new testimony without a proper motion
 - 2. Must be on the record
- b. Remember: The CBOE must keep a daily record of its transactions (this includes all hearings).
- c. Notice of the CBOE’s decision and the process for further appeals must be provided to the taxpayer in writing no later than five (5) days prior to the deadline for payment of property taxes.
- d. Upon completion of all hearings, the CBOE must turn over its records and papers to the county assessor, who will maintain the records for a period of ten (10) years.

VII. **Assessors and Assessment Functions**

- a. Assessment Calendar – Key Dates

January 1	Assessment status determined
March 1	Greenbelt applications due Tangible personal property schedules due
May 20	Local assessment roll due Exemption applications due
June 1	CBOE convenes
July 1	Tax rate set

August 1	Deadline for local appeals to SBOE (generally)
1st Mon in Oct	Taxes billed

- b. The assessor **appraises** and **classifies** all properties within their jurisdiction and applies the **statutory percentages (assessment ratios)** to the appraisals to determine **assessments**.
- i. Farm and residential properties are assessed at **25%** of the appraised value.
 - ii. Commercial property is assessed at **30%** of the appraised value for tangible personal property and **40%** of the appraised value for real property.

<p>Appraisal x Assessment Ratio = Assessed Value</p> <p>Assessed Value x Tax Rate = Tax Bill</p>
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- c. An assessor's duties include **identifying, listing, appraising, and classifying** properties.
- d. Under T.C.A. § 67-5-160(a)(4), assessors are required to maintain a program for **verifying real property sales** in their jurisdiction.
- e. Tangible Personal Property
- i. Must self-report before **March 1**.
 - ii. It is within the CBOE's discretion to accept a late filing if the taxpayer fails to timely report their property schedule. In this situation, the taxpayer forfeits their right to **amend** their schedule and they are not entitled to the **equalization ratio** for that year.
- f. The Assessment Cycle
- i. Properties are reappraised every **four (4), five (5), or six (6)** years.
 - ii. Systematic field review
- g. The Appraisal Process

- i. An appraisal is the most probable selling price for a single piece of property, whereas mass appraisal is the **systematic process of valuing a group of properties**, using market data, standardized methods, and statistical modeling.
 - ii. The assessment roll must be completed by **May 20**.
 - iii. In the appraisal process it's important to know the **current physical characteristics** so that values reflect the actual market.
- h. Remember: the property tax rate is determined by **the local governing body**, not by the assessor (or the CBOE)!
- i. Relevant forms of evidence on appeal:
- i. **Comparable sales**
 - ii. **Recent photos**
 - iii. **Insurance replacement value**
 - iv. **Recent appraisal of the property**
 - v. **Architectural plans**
 - vi. **Cost to build**
 - vii. **Incurable physical or functional problems**
 - viii. **Real estate listing**
- ❖ Refer to page 13 of the [County Board of Equalization Practice Manual](#) for more examples.
- j. Unique issues that may come up on appeal include:
- i. **Physical depreciation** and **functional obsolescence** with the structure
 - 1. Functional obsolescence occurs when the cost to cure the issue is **prohibitive**.
 - 2. Economic and external obsolescence **occurs outside the home** and cannot be changed.
 - ii. Listing errors or clerical mistakes on the property record card

- iii. Inconsistencies in pricing

VIII. Approaches to Value

a. Cost approach

- i. Value the land as if **vacant** (LV)
- ii. Determine what the total cost to replace the improvements on the land would be (**Replacement Cost New** or RCN)
- iii. Subtract any **depreciation** (DEPR)
- iv. Add other improvements (OI)

$\text{RCN} - \text{DEPR} = \text{Building Value}$ $\text{Building Value} + \text{LV} + \text{OI} = \text{Total Value}$

b. Income approach

- i. Calculate the **Potential Gross Income (PGI)** [the absolute maximum income the property can produce].
- ii. Make deductions for **vacancies and collection lost (V&C)** to determine the effective gross income (EGI)
- iii. Subtract **operating expenses (OE)** from the EGI to determine the Net Operating Income (NOI)
- iv. **Capitalize** the NOI to determine the value.

$\text{PGI} - \text{V\&C} = \text{EGI}$ $\text{EGI} - \text{OE} = \text{NOI}$ $\text{NOI}/\text{CAP RATE} = \text{Value}$

c. Sales comparison approach

- i. Typically used for **residential sales** or sales where there is a large amount of available data.
- ii. The property is compared to similar properties in like neighborhoods. **Adjustments** are made to account for differences in **time of sale**, **physical characteristics**, and **location factors** that could drive the value up or down.

<p>Sales Price</p> <p>(+ or -) Adjusted for time of sale</p> <p>(+ or -) Adjusted for location or physical characteristics</p> <p>= Adjusted Sales Price</p>
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IX. Basic Principles and Approaches to Value

a. Principles of Value

i. Anticipation

- 1. Value is created by the anticipation of benefits to be derived in the future.
- 2. This principle is the basis of the **income approach**.

ii. Supply and Demand

- 1. Value varies directly (but not proportionally) to **demand** and inversely (but not proportionally) with **supply**.
- 2. **Scarcity** influences supply; **Desire** influences demand.

iii. Change

- 1. All markets are in a constant state of change, either **appreciating** or **depreciating**.
- 2. The appraiser must analyze **trends and influences** and estimate their effect on value.

iv. Progression and Regression

The value of an inferior property is increased by its proximity to better properties of the same type and vice versa.

v. Conformity

The maximum of value is realized in areas that are homogenous.

vi. Balance

Value is created and maintained by the balance of labor, coordination of management, capital, and land.

vii. Surplus Productivity

Income from a property remaining after the costs of labor, management, and capital.

viii. Increasing and Decreasing Returns

Greater amounts of labor, management, and capital will produce greater returns only up to a certain point. When maximum value is reached, additional investments will not produce an adequate return.

ix. Contribution

The value of any individual production agent depends on how much value it adds to the net income or how much it detracts because of its absence.

x. Competition

Profit tends to create competition as long as the market is not saturated.

xi. Consistent Use

Properties in transition to another use cannot be valued based on one use for the land and another use for the improvements.

xii. Substitution

1. No buyer will pay more for a property than one would have to pay to acquire an acceptable substitute of equal comparison in the same amount of time.

2. This principle is the underlying basis for all three approaches to value.

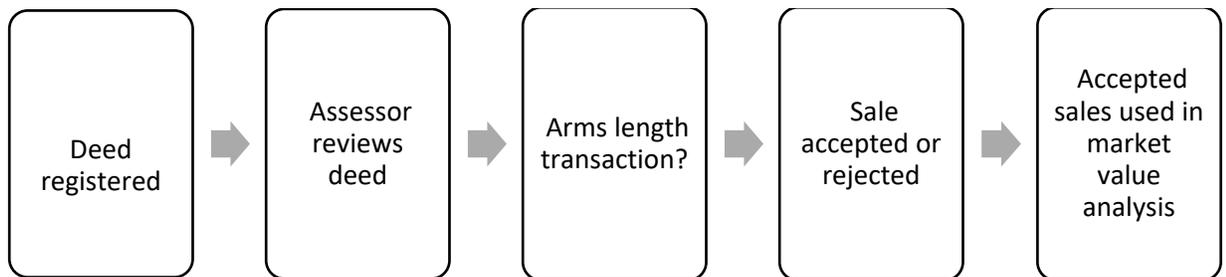
b. Approaches to Value

i. Sales Comparison Approach

1. Based on the principle of **substitution**
2. The price paid for real property is a reliable indicator of **value**.
3. Mass Appraisal

a. The goal of reappraisal is to determine market value, which can be done by analyzing sales in the county and can ensure **equitability**.

4. Life cycle of a sale



ii. Cost Approach

1. Based on the principle of **substitution**.
2. Used to determine value of **improvements to the land** (houses, garages, barns, industrial buildings)
3. Must take **depreciation** into account
4. Uses **replacement cost (direct and indirect)** for improvements

$$\text{Replacement Cost New} - \text{Depreciation} + \text{Land Value} = \text{Total Value}$$

iii. Income Approach

1. Based on the principle of **anticipation**.

2. Uses a minimum of **three (3)** years of income data.
3. Uses capitalization to convert the **anticipated benefits of ownership (\$\$\$)** into estimated value.
4. Best applied to income-producing properties like **apartments, commercial office spaces, retail stores, warehousing**, etc.
5. Types of income that can be capitalized include **rent, laundry machines, vending machines**, and **parking**.

iv. Capitalization Rate

1. The capitalization rate expresses the relationship between **net operating income** and **market value**.
2. Used in **direct** capitalization.
3. Derived from **comparable sales** (most preferred method)

$$\begin{array}{c} \text{I} \\ \hline \text{R x V} \end{array}$$

$$\text{Income} = \text{Rate} \times \text{Value}$$

$$\text{Rate} = \text{Income} / \text{Value}$$

$$\text{Value} = \text{Income} / \text{Rate}$$