

Assessment Accuracy

Assessors have a responsibility to accurately estimate the market value of all taxable property. How well this task is met affects the share of local levies paid by taxpayers and the confidence they have in the Minnesota property tax system. Thus, assessment accuracy is a principal concern of both assessors and the public when evaluating their property assessments.

What is considered an accurate assessment?

An accurate assessment is achieved when all property is assessed at a mandated and uniform percentage of market value. Assessors annually measure and monitor the quality of their appraisal work in regard to two factors: an assessment level (the overall ratio of assessments to market value) and a range of assessment uniformity (the degree to which different properties are assessed at equal percentages of market value). The legal assessment level in Minnesota is considered to be 100% of market value, but the acceptable level established by the Department of Revenue is when the overall ratio falls between 90% and 105% of market value. The standards of uniformity applied to assessments vary among the various property types because of lack of homogeneity found in properties. However, it is suggested in the guidelines published by the International Association of Assessing Officers that all categories of property should be within a 10% to 20% band of the assessment level.

What method is used to measure the assessor's appraisal performance?

The chief tool used to evaluate the assessment properties is the sales ratio study. It is a statistical analysis that compares the assessor's estimated market values with actual sales prices for a twelve-month study period that extends from October 1st through September 30th of the following year. This study identifies what is being done right, what is being done wrong and what appraisal activity is necessary for the next assessment year.

How is a sales ratio calculated?

A sales ratio is the result of dividing the assessor's market value of a property by the cash equivalent sales price of that property. For example, if a property sold for \$100,000 cash and it is assessed at \$97,000, the ratio of assessment to selling price is .970 or 97.0%.

Does one sale tell us something about the assessment level of properties?

One sale says little about the overall assessment. Conversely, when many sales of the same property type are reviewed in unison, it does establish certain trends and patterns that become meaningful. One such measure is the assessment level that is indicated by computing the central tendency of all sales ratios that comprise the study sample. This central point in the study is the middle ratio when all the ratios are arrayed. For example, if a study sample has the following ratios: 86%, 90%, 92%, 95%, 97%, 98% and 99% the assessment level is the median ratio of 95%.

Are individual sales ratios also used to reveal the degree of assessment uniformity?

Yes, assessment uniformity among and between classes of property is determined by comparing the measures of central tendency that were derived from the individual sales ratios. Several systematic techniques can be applied as needed to discern any biases that are revealed to the value of properties. Some applications measure the average percentage deviation of each sales ratio with reference to the assessment level, while others measure variability, regressively and progressivity.