

**NEBRASKA ADMINISTRATIVE CODE**

**Title 350 - Nebraska Department of Property Assessment and Taxation**

**Chapter 80 - School Adjusted Valuation Regulations**

**Effective Date 1/3/07**

**Alphabetic Table of Contents**

<b>SUBJECT</b>	<b>STATUTORY AUTHORITY</b>	<b>SECTIONS</b>
Appeals or Requests	77-702, 77-1346, 77-1348, R.R.S. 2003 and 77-1343 through 77-1345.01, 77-1347, 77-5013, 79-1003 and 79-1016, R.S. Supp., 2006	004
Definitions	77-112, 77-120 and 77-702, R.R.S. 2003 and 18-2103, 18-2147, 77-1327, 77-1360.01, 77-5027, 79-1003 and 79-1016, R.S. Supp., 2006	002
Procedures	77-702, R.R.S. 2003 and 18-2147, 77-1327, 77-1343, 77-1344, 77-1359, 77-5022, 77-5027, 79-1003 and 79-1016, R.S. Supp., 2006	003
Purpose	77-702, R.R.S. 2003 and 79-1003 and 79-1016, R.S. Supp., 2006	001

**Numeric Table of Contents**

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Purpose	77-702, R.R.S. 2003 and 79-1003 and 79-1016, R.S. Supp., 2006	001
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Procedures	77-702, R.R.S. 2003 and 18-2147, 77-1327, 77-1343, 77-1344, 77-1359, 77-5022, 77-5027, 79-1003 and 79-1016, R.S. Supp., 2006	003
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**Title 350 - Nebraska Department of Property Assessment and Taxation  
Chapter 80 - School Adjusted Valuation Regulations**

REG-80-001 PURPOSE

001.01 The purpose of these regulations is to specify the requirements and procedures of the Property Tax Administrator in establishing the assessable valuation for each local school system and school district in Nebraska, pursuant to the Tax Equity and Educational Opportunities Support Act. The purpose of using the school adjusted valuation in the state aid formula is to reflect, as nearly as possible, each school district's full assessable property value.

The Property Tax Administrator shall determine the assessment level for each school district relying primarily on two sources of information. One, a comprehensive ratio study developed in compliance with professionally accepted mass appraisal techniques, and two, an ongoing review by the Department of assessment practices within each county.

The most current description of the techniques to be used in the development and use of a ratio study is contained in the 1999 Standard on Ratio Studies, issued by the International Association of Assessing Officers (IAAO). Additionally, two other reference works, Mass Appraisal of Real Property and Property Assessment Valuation, also issued by IAAO contain some discussion of the development and use of ratio studies. Further, the Department sets forth its procedures for the development of the ratio study in Sales File Regulations, Chapter 12. The 1999 Standard provides recommendations on the design, preparation, interpretation, and use of ratio studies for a number of purposes. It also rests on the assumption that the ratio studies will contain a statistically adequate sample of sales to represent the level of value for a particular jurisdiction being measured.

In Nebraska, historically, many counties and school districts have had relatively few sales for some classes or subclasses of real property. In order to develop adequate samples, the time periods set forth in the Sales File Regulations, Chapter 12, for the ratio study are longer than one year as expressed in Section 5.4 of the 1999 Standard. The Department's experience indicates that even extending the length of the study period to as many as three years will not always ensure a statistically adequate sample.

Where sample sizes are small, the IAAO makes suggestions in both Section 8.4 of the 1999 Standard and Chapter 5 of Mass Appraisal of Real Property. The IAAO suggests restratification of sales to encompass a broader sample, extend the study period, enlarge the sample by validating previously rejected sales, using appraisals in lieu of or in addition to sales prices, imputing appraisal performance or assuming a statutory level of assessment. The Department already provides for analysis based on broad stratification of sales into residential, commercial and agricultural property. It also uses a two year study period for residential and three year study period for commercial and agricultural property, both time frames are longer than the one ideal year study period recommended by the IAAO. The Department includes all arm's-length transactions, with adjustment for items such as personal property and special financing. The use of appraisals is expensive, time consuming and, for many of Nebraska's small, rural counties, finding qualified appraisers to perform the work is difficult. Therefore, the Department has sought to focus its efforts on developing additional information regarding the assessment practices in Nebraska's counties to assist in the determination of the level of value in a county or school district.

Rather than just simply assuming that counties or school districts with small numbers of sales are at the required statutory levels of value (one hundred (100) percent of actual value for all real property other than agricultural and horticultural land; seventy-five (75) percent of actual value for agricultural and horticultural land), the Department believes that public policy requires more analysis. To do otherwise would create a lack of incentives for counties with a history of only a few sales to attempt to keep up with actual value, since they will be determined to be at seventy-five (75) percent of actual value for agricultural and horticultural land and at actual value for all other real property for purposes of distributing state aid anyway. Therefore, in such instances, the Department believes that a more appropriate position is to seek to determine a level of value based on the best information available regarding the market and assessment practices in a county. To that end, the Department has staff throughout the state, working with and monitoring the work of assessors in each county. Their work is described in Reports and Opinion Regulation, 17-004 in connection with the development of the narrative portion of the Report and Opinion for each county. It is the Department's belief that the compilation of such information constitutes the best information available for the purposes of making a determination regarding the assessment level where few sales are available for ratio study purposes.

The IAAO publications referred to are available to the public and maintained at the Department's office in Lincoln, Nebraska, for viewing during normal business hours.

(Neb. Rev. Stat. Section 77-702, R.R.S. 2003 and Neb. Rev. Stat. Sections 79-1003 and 79-1016, R.S. Supp., 2006.)

## REG-80-002 DEFINITIONS

002.01 Local system shall mean a Class VI district and the associated Class I districts or a Class II, III, IV, or V district and any Class I districts or portions of Class I districts affiliated therewith.

002.02 Centrally assessed property shall mean property valued by the state. For purposes of school adjusted value, centrally assessed property shall include owned or leased operating property of railroad companies, and public service entities.

002.03 Redevelopment project value shall mean the assessed value of the taxable real property in a redevelopment project for the year prior to the effective date of the provision dividing the ad valorem tax pursuant to Neb. Rev. Stat. Section 18-2147.

002.04 School district shall mean any Class I, II, III, IV, V, or VI district pursuant to Neb. Rev. Stat. Section 79-1003 (11).

002.05 Indirect equalization shall mean the process of estimating the total taxable valuation in a taxing jurisdiction.

002.06 Clerical error shall mean transposition of numbers, allocation of value to the wrong school district, mathematical error, and omitted value.

(Neb. Rev. Stat. Sections 77-112, 77-120, 77-702, R.R.S. 2003 and Neb. Rev. Stat. Sections 18-2103, 18-2147, 77-1327, 77-1360.01, 77-5027, 79-1003 and 79-1016, R.S. Supp., 2006.)

## REG-80-003 PROCEDURES

003.01 On or before August 25, the county assessor shall certify to the Property Tax Administrator the total taxable value including centrally assessed values, by each school district located in the county for the current assessment year on forms prescribed by the Property Tax Administrator. The assessor may amend the filing for changes made to the taxable valuation of the school district in the county if corrections or errors on the original certification are discovered. Amendments shall be certified to the Property Tax Administrator on or before September 30. The valuations as certified by the assessor on the August 25 report or amended report of September 30 shall be the starting point for school adjusted valuations, as required by Neb. Rev. Stat. Section 79-1016.

003.01A Establishment of the school district adjusted valuations for real property shall be based upon the level of value as defined in REG-12-002.03 for each class or subclass, determined from an analysis of the assessment ratio study, assessment practice or any other studies and information developed by the Property Tax Administrator that are in compliance with professionally accepted mass appraisal techniques and the level of value established by the Tax Equalization and Review Commission during statewide equalization.

003.02 The Property Tax Administrator shall compute the real property adjustment factors, for purposes of school adjusted valuation, as follows:

003.02A For residential real property, recreational real property, commercial real property, industrial real property, agricultural improvements and directly associated land, and minerals, one-hundred percent divided by the level of value for each school district or portion thereof.

003.02B For agricultural and horticultural land, as defined by Neb. Rev. Stat. Section 77-1359, seventy-five (75) percent divided by the level of value for each school district or portion thereof.

003.02B(1) For agricultural and horticultural land that receives a special valuation pursuant to Neb. Rev. Stat. Section 77-1344, seventy-five (75) percent of the special valuation as defined in Neb. Rev. Stat. Section 77-1343 divided by the level of value for each school district.

003.02C For centrally assessed real property, one hundred (100) percent divided by the level of value.

003.03 To compute the adjusted valuation for real property by class, in each school district the adjustment factors determined pursuant to REG-80-003.02 shall be applied to the total assessed valuation of the class, less any redevelopment project valuation of the class, as reported to the Property Tax Administrator by the assessor. For property valued by the state, the adjustment factor shall be applied to the real property portion of assessed value of railroad and public service entities.

003.04 Real property which is part of a redevelopment project value shall not be adjusted by the Property Tax Administrator, as the redevelopment project valuation is the maximum value assessable to the school district, pursuant to Neb. Rev. Stat. section 18-2149.

003.05 To compute the total adjusted valuation by each school district and each local system for certification to the Department of Education, the Property Tax Administrator shall add to the adjusted real property valuation, as determined pursuant to REG-80-003.03, the total net book value for all taxable personal property, and any redevelopment project valuation in each school district.

003.06 The Property Tax Administrator shall determine the level of value for school districts based upon an analysis of all relevant information including, but not limited to, assessment/sales ratio studies and data gathered pursuant to REG-17-004.01A(1) through REG-17-004.01A(4) for each county, for the various classes of property, analysis of changes in the taxable value of real property that occur between the last certified County Abstract of Assessment Report and the certified School District Taxable Value Report and the level of value established by the Tax Equalization and Review Commission during statewide equalization.

003.06A Assessment/sales ratio studies shall be developed pursuant to Neb. Rev. Stat. Section 77-1327 and Sales File Regulations, Chapter 12. The studies shall include assessment statistics by county and by school district for the various classes of real property.

003.06B Assessment practices studies shall be developed pursuant to Neb. Rev. Stat. Section 77-5027 and Reports and Opinions Regulations, Chapter 17.

003.06C The Property Tax Administrator shall consider the information regarding the various assessment practices in the county in addition to the results indicated from the assessment/ratio studies.

003.07 The weighted mean ratio, as defined in Sales File Regulations, Chapter 12, shall be the preferred measure of central tendency in determining the assessment level for purposes of school adjusted valuation. The dollar weighting feature, of the weighted mean ratio where one seeks to estimate the full assessable value of the jurisdiction, is most appropriate in performing indirect equalization.

003.07A The weighted mean ratio is calculated by (1) summing the assessed values, (2) summing the sales prices, and (3) dividing the first result by the second. The weighted mean gives weight to each dollar of value in the sample. In other words, the weighted mean weights each ratio in proportion to its sales price, whereas the mean and median give equal weight to each sales price.

003.07B Because of its weighting feature, the weighted mean ratio is the most appropriate measure of central tendency for estimating the total dollar value of a population of parcels. If, for example, the total assessed value for the residential class of property in a school district is one hundred million (\$100,000,000) dollars but the weighted mean ratio is ninety-two(.92), then the best estimate of the total market value of the class is one hundred eight million six hundred ninety-five thousand (\$108,695,000) dollars (\$100 million divided by .92). The dollar difference between the assessed value and estimated market value reflects the amount of the real property wealth not being assessed.

003.07C In the use of the weighted mean ratio, the Department of Property Assessment and Taxation shall review the sales file data base for the school district for which the assessment level is being determined to ascertain whether the sold properties in that jurisdiction contain sales which would distort the weighted mean. If sales are determined to be distorting the weighted mean, the distortion should be taken into consideration when determining level of value.

003.07D For purposes of this analysis, transactions which are representative of a class or subclass of real property in the school district, even with abnormally high or low assessment ratios, shall be considered representative.

### 003.08 School Specific Analysis

003.08A The Department shall examine the statistical information available for each county and the county's respective school districts, by property class, as follows:

003.08A(1) Determine if the school district's statistical information is sufficient in quantity and quality to measure the school district level of value for that class of property.

003.08A(2) If the school district's statistical information is sufficient, review at the confidence interval as defined in REG-17-002.14 around the weighted mean. If this confidence interval overlaps the Tax Equalization and Review Commission's countywide level of value, then the Tax Equalization and Review Commission's countywide level of value for statewide equalization should be used for the school district's level of value for that class of property.

003.08A(3) If the school district's statistical information is not sufficient, review the countywide confidence interval around the weighted mean. If this confidence interval overlaps the Tax Equalization and Review Commission's countywide level of value, the Tax Equalization and Review Commission's countywide level of value for that class of property should be used.

003.08A(4) If the school district's statistical information is sufficient but the confidence interval around the weighted mean does not overlap the Tax Equalization and Review Commission's countywide level of value, the school district's information should be analyzed further as follows:

003.08A(4)(a) Examine the data supporting the confidence interval around the weighted mean for the school district. Determine if the school district's sample transactions are sufficient and representative for the school district with the exception of one or several transactions with large dollar sales prices that may impact the weighted mean. Based upon the Department's knowledge of the county and the confidence that consistent assessment practices exist for the school district in comparison to the overall county and there is sufficient data to represent the school district, additional calculations may be performed to normalize the weighted mean for the school district's sample.

003.08A(4)(b) Any additional analysis performed by the Department, to normalize the weighted mean, shall be documented in the form of a spreadsheet with written notes regarding the analysis, printable upon demand not to exceed legal size paper. All documents shall display the title of the Nebraska Department of Property Assessment and Taxation, date of which the analysis was prepared, the Department's personnel's name, the county

number and name, school district code and name, and property type for which the analysis was prepared.

003.08A(5) If the school district's statistical information is sufficient but the level of value for the class of property is not consistent with the level of value determined by the Tax Equalization and Review Commission, then the Department must examine whether the assessment practices support the level of value for the school district. If this occurs then the level of value of the class of property of the school district shall be the weighted mean for the school district and the county shall immediately have their assessment practices examined pursuant to Neb. Rev. Stat. Section 77-1330.

#### 003.09 Final Documentation for Level of Value for School Adjusted Value.

003.09A During September, prior to the final certification of October 10<sup>th</sup>, the Property Tax Administrator shall review all counties and their respective school districts, by property class. For each class of property with a valuation greater than zero, the Property Tax Administrator or designated staff shall enter a level of value into the Department's established database along with written comments as to the chosen level of value for that property class in that school district.

(Neb. Rev. Stat. Sections 77-702, 77-1359, R.R.S. 2003 and Neb. Rev. Stat. Sections 18-2147, 18-2149, 77-1343, 77-1344, 77-5022, 77-5027, 79-1003 and 79-1016, R.S. Supp., 2006.)

#### REG-80-004 APPEALS OR REQUESTS

004.01 On or before November 10, any local system may file with the Property Tax Administrator written objections to the adjusted valuations, stating the reasons why such valuations are not the valuations required by Neb. Rev. Stat. Section 79-1016.

004.02 The Property Tax Administrator shall fix a time for hearing the written objections of each dissenting local system at the office of the Property Tax Administrator. At the hearing both parties will be allowed to introduce any evidence that is relevant and necessary for determining the adjusted valuation.

004.03 The burden of proof in such hearings shall be on the party protesting the Department of Property Assessment and Taxation's determination of adjusted valuation. The Department of Property Assessment and Taxation's determination shall be presumed correct unless competent evidence is adduced to the contrary. If competent evidence is produced by the protesting party, the reasonableness of the Department of Property Assessment and Taxation's action in determining adjusted valuation becomes one of fact based upon all of the evidence presented.

004.04 In rebutting the presumption that the Department of Property Assessment and Taxation acted reasonably in determining adjusted valuation the protesting party must show by clear and convincing evidence that the Department of Property Assessment and Taxation's determination was the result of a systematic exercise of intentional will or failure of plain duty and not mere errors of judgment or a difference of opinion.

004.05 Based upon the evidence introduced at the hearing the Property Tax Administrator shall enter a written order to change or decline to change the adjusted valuations. On or before the following January 1, the Property Tax Administrator shall certify the order to the Department of Education and mail a copy of the written order to the local system within seven days after the date of the order.

004.06 The final determination of the Property Tax Administrator, pursuant to REG-80-004.05, may be appealed within thirty (30) days after the date of the order to the Tax Equalization and Review Commission pursuant to Neb. Rev. Stat. Section 77-5013.

004.07 On or before November 10, any local system or county official may file, with the Property Tax Administrator, a written request for a nonappealable correction of the adjusted valuation due to clerical error or valuation adjustment due to qualification or nonqualification of special valuation for agricultural and horticultural land, pursuant to

Neb. Rev. Stat. Sections 77-1343 to 77-1348. On or before the following January 1, the Property Tax Administrator shall approve or deny the request. If approved, the corrected adjusted valuations shall be recertified to the Department of Education with a copy forwarded to the local system and county official.

004.08 On or before June 30 of the year following the certification of the adjusted valuations to the Department of Education, any local system or county official may file a nonappealable request with the Property Tax Administrator for a correction to the adjusted valuation of a school district. The adjustment shall be based upon corrections to the tax list that changed the assessed valuations of taxable properties within that school district.

004.09 Upon receiving the written request, the Property Tax Administrator shall notify the assessor or assessors if the school district extends into more than one county, of the request. The Property Tax Administrator shall provide the prescribed forms for the assessor to report the recertified taxable valuation. The assessor shall file this report within ten (10) days of the Property Tax Administrator's mailing of the prescribed forms.

004.09A The assessor shall determine the recertified valuation by taking the original school district valuation as certified on the tax list for the prior tax year and adding and subtracting the tax list corrections that have changed that original certified taxable value.

004.10 On or before the following July 31, the Property Tax Administrator shall approve or deny the request and if approved, certify the corrected adjusted valuations resulting from such action to the Department of Education.

(Neb. Rev. Stat. Sections 77-702, 77-1346, 77-1348, R.R.S. 2003 and Neb. Rev. Stat. Sections 77-1343 through 77-1345.01, 77-1347, 77-5013, 79-1003 and 79-1016, R.S. Supp., 2006.)