Homeowner's Guide to Mass Appraisal

JULY 2014

The 39 counties in the State of Washington collectively perform appraisals on millions of real property parcels each year for property tax assessment purposes. In order to accomplish this, most county assessors currently use mass appraisal methods that analyze properties grouped by similar market influences and characteristics rather than by performing individual appraisals on each parcel every year. Due to the large numbers of properties that need to be valued each year, individual appraisal of each parcel is not financially or logistically possible in most assessment jurisdictions. In addition, this method of appraisal provides more uniformity in taxation for taxpayers. Because of greater standardization in the valuation process together with improved consistency in the work of appraisers, similar homes in similar neighborhoods should receive similar market adjustments. The benefit to taxpayers is the knowledge that they are being treated the same as other property owners.

All Counties in the State of Washington perform annual valuation

In 2009, the Legislature enacted SSB 5368, which provided that by January 1, 2014, all counties in the State of Washington will be required to revalue all real property on an annual basis.

Annual revaluation is intended to result in greater uniformity and consistency in property tax assessments and a more equal distribution of property taxes among property owners within a jurisdiction. One of the key components of annual valuations is the use of the mass appraisal process instead of a single property appraisal.

Valuation and Physical Inspection for Annual Revaluation

There is sometimes confusion between the valuation of a property and the physical inspection of a property. State law requires that all property be valued annually and physically inspected at least once every six years. Property that is not inspected in a given assessment year is analyzed, and the values are updated through the use of statistics based on annual market data. Homeowners should let the assessor's office know of changes which have occurred to their property, such as remodeling, additions, or removal of detached structures from the parcel. This ensures that the assessor's office has an accurate property profile from which to determine the current market value.

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Individual Appraisal vs. Mass Appraisal

An individual appraisal requires the use of comparable sales which are similar to the subject property. For a valuation analysis of a single subject property, as of a given date, sales are identified that best represent the subject property. An example of this is a fee appraisal based on comparable sales that is typically required by the bank when a homeowner refinances his loan. In addition to sales, cost and income information may also be used to determine assessed value. To accomplish the task of analyzing thousands of parcels each year to determine the current market value for assessment purposes, county assessors utilize a method of appraisal called "mass appraisal".

Mass appraisal is defined as "the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing." *It involves analyzing data collected in mass quantities, developing statistics from the data, and applying the results to large numbers of properties. Groups of sales are used to provide value indications for large populations of properties.

Mass appraisal applies the same appraisal principles as an individual appraisal, but applies these principles to groups of properties rather than an individual property. For example, a mass appraisal may be conducted for a group of properties through analyzing areas that are affected by similar economic influences, such as homes that are located near an airport. Another example would be analyzing similar types of properties, such as good quality homes over 5,000 square feet in size.

For annual revaluation using mass appraisal techniques, the assessor statistically analyzes groups of sold properties to determine the annual update of values. Conducting annual review and updates to assessed values is required to ensure assessed values are representative of true and fair value (market value) as of January 1 of any given year. State law requires that assessed values reflect 100 percent of true and fair market value. If the assessor determines there is a change in value, the property owner will receive a change of value notice each year.

Mass Appraisal Models

In simple terms, mass appraisal is a mathematical formula created to represent and compare property characteristics that contribute to value for a group of properties. These may include items such as square footage, quality of construction, lot size, or view. These characteristics become "variables" when placed in the mathematical model. Variables in the model correspond to property characteristics and allow for comparisons and adjustments when there are differences between properties. Through the calculation process, the model accounts for variations between properties included in the mass appraisal of a group of properties.

For example, the condition of a home might be rated as excellent, good, average, fair, or poor condition. In order to represent this in a mass appraisal model, a number is assigned to those items ranking them from one to five, with excellent condition being a five. This allows property characteristics to be represented in a mathematical formula, assigning a value to each of these condition rankings. The chart below shows an example of the condition ranking and possible adjustments which might be associated with it.

Condition	Ranking	*Dollar Adjustment
Excellent	5	+$3500
Good	4	+$2000
Average	3	0
Fair	2	-$1000
Poor	1	-$2500

*These amounts are used as examples of adjustments to the base (average condition) with actual adjustments determined by market analysis.

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Other characteristics, which are identified as important contributors to value, can also be represented in this manner in order to calculate a total value for each property. This valuation is compared to the group of current sales in the same area. Models are "calibrated" or adjusted to reflect what the sales are indicating in the market place. This process of mass appraisal creates a consistent, uniform methodology for analyzing properties which is equitable to property owners because all properties within a category of properties are being treated in the same manner.

The mass appraisal model is tested by statistical analysis of sales as compared to assessed value of those sold properties. This includes an analysis of the AS (Assessment/Sales) ratio of the sales in a geographical area or property category. This ratio, expressed as a percentage, is an expression of the level of assessed value as compared to the current sales price of that property.

For example, a property is assessed at $92,000 and sold for $100,000. The AS (Assessment/Sales) ratio is expressed as 92,000/100,000 or 92%. The property is being assessed at 92% of market value. Washington law requires that property be assessed at 100% of market value. A ratio study indicating a level of assessment at less than 100% would be an indication that the assessor may need to statistically update values. In annual revaluation sales are analyzed as a group and a single property analysis is no longer performed. Groups of properties are valued based on the sales and other data in the market area. These valuations are statistically tested for accuracy and equity. Individual appraisals are not done on each individual property. Counties may provide homeowners with information that includes the neighborhood sales used in the mass appraisal of their property for that year's property tax assessment.

Property Owners Questions About New Assessed Values

If a property owner questions their new assessed value, the first step should include contacting the county assessor's office to verify that the county records include the correct information about the owner's property. The next step would include reviewing sales and other information used by the assessor in the mass appraisal process. The assessor will generally have sales information available in their office or through a county website. A property owner may bring recent neighborhood sales to the attention of the assessor for consideration. The assessor's office may review those sales in relation to their neighborhood sales analysis to confirm that their assessments are within a reasonable range of value compared to the sales.

** Robert J Gloudemans, The Mass Appraisal of Real Property (Chicago: International Association of Assessing Officers, 1999), 1.*

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Prepared by the Taxpayer Services Division
07/14 PTFS0080