

THE ASSESSMENT OF PROPERTY IN DAWSON COUNTY

Assessment in Dawson County is a *service*. It is not a “for profit business”.

The assessor is elected by the people. He or she and his or her staff serve those people. Hence our motto: “...for the people”.

Collection of Information

Therefore, when a property owner comes to the assessor’s counter in the county courthouse, calls on the phone, files a protest, or attempts to communicate in some form with the assessor’s office, the staff and assessor recognize the source of their duties. In other words, assessment of property also means—answering questions.

To do this properly, the process includes the collection of all manner of facts and figures. With the advent of computer automation this information is now stored in electronic files as well as in paper records or hard copies. This allows for a much faster and accurate flow of the information from the inventory of property records.

That information includes *value* in terms of assessment for the development of property tax rolls.

Professional Assessment

Assessment depends particularly on the process of *appraisal* practices. Your Dawson County assessor strives for the best of professional work as a goal. Acceptable and common *appraisal* practices are germane to equally professional assessment. Though it is a difficult task, the point is to be as fair as possible.

Assessing points to the difference between “worth” and “value”. Property owners generally look at their property in the sense of **worth**: Sometimes an emotional attachment to the property blurs the factual “market” **value** reflected in actual sales.

Those sales are analyzed by the assessor with appraisers and staff as the information is derived. That data comes from **Real Estate Transfer** statements filed at the county register of deeds office when property is sold.

The act of filing a deed establishes a document that shows who owns the property. This is a basic step for the assessor who uses this as fact before changing the records in his or her office. In Dawson County the deeds and other materials filed with the register of deeds that pertain to property ownership, are collected every **two weeks**. Subsequently, the changes are made to the records hopefully within a month.

[This information may be transferred to various web sites administered by those not connected with the assessor’s office. The time lapse and accuracy of the records depends on them, not the assessor.]

The assessor determines the quality of the sale in terms of an open arms transaction. This definition depends on a willing buyer and willing seller coming to an agreement of value or price. No undue or disproportionate influence should be involved.

The deeds that involve just a name change and no reconfiguration of the property size are easily changed. Those more complicated transactions (often accompanied by a survey) can take additional time to complete.

Approaches to Value

The collection of these sales starts the “market approach” to value and is most likely the better indicator of value for residential property. There are other classes of property—commercial, industrial, personal, and agricultural or horticultural.

[Besides the market approach to value, appraisal practice may include the “income approach” or “cost approach”. For personal property—business and agricultural equipment for the most part—a “net book approach” is used. More complicated properties such as railroads, telephone companies and pipeline companies, spread across many tax districts within the county. Those entities are assessed by the state using economic theorems and approaches involving the value as a going concern then allocated back to the counties.]

The Market Approach

The market approach is also often known as the **sales comparison** approach. In Dawson County this approach starts with the analyzation of those sales into statistical measurements. The most common of these is the “assessment/sales ratio”. Each sale is compared to the assessment of that property. Those individual sales are then collected and listed in an **array** to see a middle or *median* figure. This median is more reliable as a measure because it throws out the highest and lowest sales to give the most likely number. It is **not the average**.

[Assessors, who must be certified to administer the county office by the State of Nebraska through the Revenue Department’s Property Assessment Division (PAD), are schooled in the use of numerous statistical measurements. Over the 4-year term of the office, the assessor is required to acquire 60 hours of continuing education concerning assessment and appraisal practices. Initially the certification comes from a state administered written test.]

After the sales are analyzed they are applied to the jurisdiction of what is being assessed. The target figure of an assessment is 100 percent of value. The statutes from Chapter 77 of Nebraska law, and the rules and regulations promulgated by the PAD allow a range of value of 92-100 percent. This applies to real estate except agricultural or horticultural land. Nebraska voters allowed the range for farm ground to reflect a proportion at 75 percent of other real estate. That creates a range of 69-75 percent.

The statutes also require that each property within the inventory managed by the assessor must be reviewed at least every six years. In Dawson County that cycle is easily attained because there is seldom a 6-year period that elapses before market forces require an update of values. In most instances for cities, lake and agricultural properties, changes are required at least every three years, and sometimes more often.

The analyzation of sales leads to the setting of **models** for the areas under review. These models use a per square foot value for residential properties influenced by factors such as condition, quality and age. Appraisers attempt to find the most common bench mark on properties that have sold and apply them to unsold properties. The assessor reviews the work. He or she may ask for further examination of properties upon review. Inspection of properties is conducted on-site for dwellings and buildings.

To establish models that are accurate, sold properties are examined closely and compared to the facts on record. Any changes in the property are noted and records are updated accordingly. Most of the changes will have been noted before the on-site inspections because of building permits that are required within the various political jurisdictions including cities and the county. The changes may be discovered by routine review too. Appraisers will attempt to examine interiors of dwellings or structures if allowed. Door hangers are left to encourage call backs.

New building subdivisions are filed in the register of deeds through plats. The assessor's office enters records on those as needed.

In Dawson County the appraisers use the *cost sheets* in the files as review sheets and write notes on those for data entry later. This year Surf tablets have also been introduced so changes can be made electronically in the field and updated in the files upon return. This helps make the process a bit more efficient.

Upon the changes to the individual files, the cost sheets are reprinted for final valuation review and the adjustments are made in the records for the assessment period affected. These numbers are written on the front of the real estate cards (which at the start of the process were pulled from the file cabinets, boxed and placed on a table in the outer office for easy access) before they are eventually returned to the cabinets.

Sales are often isolated in their own box for the sake of reference.

Dawson County has used Stanard Appraisal Company for more than a decade to provide professional appraisal work in cooperation with the staff. All Stanard appraisers are certified by the State Appraisal Board. The assessor and some staff members have the same appraisal background and experience but do not necessarily have the state credentials because they are not allowed to conduct fee appraisals within this county if they are employed by the Dawson County Assessor.

The entire market approach often spans more than a year of work depending on the assessment sales ratios. The trek to the final value begins when the ratio is out of compliance. Sales are taken from the electronic files usually at least the summer before the year the final value is set.

So as early as June 2017 for the commercial update that was just completed, all files were placed in boxes, models evolved and appraisers began the field work. The final numbers are to be set by March 19 of the given year, 2018 in this case.

These values are then sent to property owners to arrive in the mail by June 1 so they have the opportunity to protest the **valuation** of their property by submitting the property form to the county clerk by June 30. The county board, with the clerk and assessor, sits as a board of equalization to hear the protests. This is most often done in early to mid-July so that the work can be complete by July 24. The results are mailed by the clerk to the property owners who may then seek further change by filing with the Tax Equalization and Review Commission (TERC). This basically puts the file into the court system. Hearings often may not be held by TERC for more than a year.

Cost Approach

Appraisers usually will utilize the cost approach in conjunction with the market approach because the approach has factors used from the market. The cost approach involves *replacement cost new*. That entails what it would cost today to build a structure. Then to get to the market value, depreciation tables are established using the differences in sales according to age compared to the new price.

An example would be that a 20-year old house might show a \$100 per square foot value new, but perhaps 25 percent depreciation was applied as shown for homes like that, at that age. So the unsold house would sell for perhaps \$75,000 in this market.

The condition of the property and quality of the structure are also important.

Appraisers will use the cost sheet because the per square foot cost is established through a price guideline book from a national company called Marshall Swift. This is administered through a software package. The tables within the books show figures for various styles of dwellings, or types of commercial buildings. There is also a section for farm structures. Figures are adjusted in accordance with a region.

The cost approach includes all the items that make up a structure. Therefore, the assessment process looks closely at the accuracy of each component.

Income Approach

While the income approach may be useful for residential properties due to the use of rents to establish an income stream, it is most often used for commercial properties. This is done because the market place sees commercial property in terms of what sort of income it will derive so that after expenses and taxes an owner can decide what his property would bring on the open market.

The income approach reflects the value of property in terms of *investment*. It is often called the **income capitalization approach** because a capitalization rate is applied to the net income. The cap rate comes out of the market as well.

Buyers are looking for a return on the investment at a given rate.

In Dawson County we talk with those who have sold property and with current tenants to discover the market rents. Common adjustments are made for vacancy and collection, and for expenses. So if the gross income is reduced by 60 percent after adjustments, the result is *divided* by the cap rate to establish value.

The result is then compared to the market sale if there is one.

Cost new may be more pertinent if the building is new. The same holds true for a new dwelling.

Net Book Value

Personal property is generally considered property used for business purposes that can be moved without destroying the value of the item. Most often things attached to the ground are not considered personal property but real estate.

The Legislature established a method of taking the initial cost of acquiring the item as used for federal income tax deduction purposes, then applying the depreciated amount to establish *net book* value of the item. That result on each item is summed with all others on a personal property schedule.

Personal property must be filed between January 1 and May 1 of the given year. It may receive up to a \$10,000 deduction if filed on time. There is also a first time farmer program that deducts a substantial amount for a period of time. Application for that must be completed and approved by December 31 the prior year.

Agricultural and horticultural methods

While market value is significant in establishing valuation on farm ground, the results are supposed to reflect an adjusted amount at 75 percent. And given the 92-100 percent of other types of property, agricultural property is considered proportional at 69-75 percent.

Farm ground is stratified into three subclasses in accordance to use. Those subclasses are stratified further by soil type and other factors, particularly slope. The set of subclasses by use are irrigated, dry or grass.

The sales are broken down by the many subclasses. Values are established according to use. The PAD uses sales outside this county as well. The number of years in a sales study is three for this type of property. That compares to three years for commercial and two years for residential properties.

Homes and other buildings on farms are looked at as residential property. The *sites* that these buildings sit on are *not* considered agricultural ground.

Over the years we have not been able to establish any difference between the irrigation methods—gravity versus pivot—in market sales.

Accretion ground along the Platte River has been a difficult issue. The sales have increased significantly in the last few years, and there is a question about whether they are influenced by other than agricultural uses.

This situation is under a serious market study as we enter 2019.

Tax Rates, Budgeting

One of the most difficult definitions for property owners to understand is the difference between *assessment* and *taxes*.

Assessing is a method to establish value. That value leads to the generation of taxes, but it is only one foot of a three-legged stool as some are fond of saying. The other two legs are budgets (your assessor prefers “tax asking” as the term), and levies.

Levies are actually “rates” since they are applied per hundred of value. These rates are a result of tax asking in budgets and valuation available. The various rates of the political subdivisions are added together to establish a “combination code” in the software and apply to the value.

The assessor does not collect taxes derived from this process. He or she also has no influence on the budgets.

The treasurer collects taxes.

Other Programs

Perhaps the most popular program administered by the assessor’s office on behalf of the state is the Homestead Exemption process. The forms must be filed annually. Eligibility depends on whether you are aged 65 by the beginning of a given year, and your income.

The program works by deducting valuation from your property to reduce or eliminate the property taxes. Other exemptions are also available to religious, charitable and educational properties, such as churches and service organizations. Those exemptions require an annual filing as well.

REMEMBER: JANUARY 1 AT 12:01 A.M. IS WHEN PROPERTY VALUATION IS ESTABLISHED FOR ANY GIVEN YEAR.