



STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 1 of 79

4.0 ASSESSMENT RATIO STUDIES

The assessor has the difficult task of preparing an annual assessment roll that accurately reflects the value of all taxable property within the jurisdiction. The assessor is charged with valuing real property (with the exception of agricultural land) at market value.

Market Value Definition:

Section 137.115, RSMo, requires that property be assessed based upon its true value in money which is defined as the price a property would bring when offered for sale by one willing or desirous to sell and bought by one who is willing or desirous to purchase but who is not compelled to do so (1). True value in money is defined in terms of value in exchange and not value in use (2). It is the fair market value of the subject property on the valuation date (3). Market value is the most probable price in terms of money which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed and well advised, and both acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in cash or its equivalent.
5. Financing, if any, is on terms generally available in the Community at the specified date and typical for the property type in its locale.
6. The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction (4).

1 *St. Joe Minerals Corp. v. State Tax Commission*, 854 S.W.2d 526, 529 (Mo. App. E.D. 1993); *Missouri Baptist Children's Home v. State Tax Commission*, 867 S.W.2d 510, 512 (Mo. banc 1993)

2 *Daly v. P. D. George Company, et al*, 77 S.W.3d 645, 649 (Mo. App E.D. 2002), *citing*, *Equitable Life Assurance Society v. STC*, 852 S.W.2d 376, 380 (Mo. App. 1993); *citing*, *Stephen & Stephen Properties, Inc. v. STC*, 499 S.W.2d 798, 801-803 (Mo. 1973)

3 *Hermel, Inc. v. STC*, 564 S.W.2d 888, 895 (Mo. banc 1978); *Chicago, Burlington & Quincy Railroad Co. v. STC*, 436 S.W.2d 650, 656 (Mo. 1968); *May Department Stores Co. v. STC*, 308 S.W.2d 748, 759 (Mo. 1958)

4 *Real Estate Appraisal Terminology, Society of Real Estate Appraisers, Revised Edition, 1984*; *See also, Real Estate Valuation in Litigation, J. D. Eaton, M.A.I., American Institute of Real Estate Appraisers, 1982, pp. 4-5*; *Property Appraisal and Assessment Administration, International Association of Practice, Glossary.*

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 2 of 79

The property tax system is fair and equitable when the assessor produces accurate assessments. The accuracy of appraisals that form the basis for assessments is, therefore, of great concern to the assessor, property owners, political subdivisions (taxing entities), elected officials, and the State Tax Commission. The State Tax Commission Ratio Studies are the fundamental instruments used to measure the accuracy of real property assessments.

4.1 MISSOURI RATIO STUDY'S REQUIREMENTS & CONCEPTS

Ratio studies determine the level and uniformity of assessment by comparing the assessor's value to a market value proxy. As of January 1, 2011 there were approximately 3.28 million parcels of real estate within the State of Missouri. As it is not feasible to test the relationships that exist between the assessor's value and market value for every taxable parcel in the state, the Commission employs a sampling process that compares a statistically valid number of parcels from each county in order to make statistical inferences about the total population of parcels in each county. In a ratio study, the county's assessment is either compared to the sale price for recent transactions (sales ratio study) or the county's assessment is compared to an independent appraisal (appraisal ratio study.) Both are recognized procedures to determine if property tax assessments are fair and equitable.

Ratio studies have a variety of uses. At the local level, they can be used to:

1. Monitor assessment performance and thereby identify potential problems with assessment procedures;
2. Improve assessment equity by monitoring the overall level of assessment and the degree of dispersion;
3. Indicate the need for a general reappraisal, or a selective reappraisal of certain property types, groups or neighborhoods; and
4. Assist in market analysis.

At the state level, they can be used:

1. To monitor assessment accuracy;
2. For inter-county and intra-county equalization;
3. To distribute intergovernmental funds, such as the distribution of state funds to local school districts;
4. To determine the need for a general reassessment;
5. To establish priorities for reappraisal of selected groups of properties;
6. To compute an estimate of the market value of taxable property within a jurisdiction;
7. To adjust appraisals for centrally assessed properties; and
8. To evaluate claims of discrimination within the assessment function.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 3 of 79

The end product of a ratio study is that the descriptive statistics allow the analyst to summarize the status of the valuations and to draw conclusions about the tested population.

4.1.1 BACKGROUND

As early as 1955 the general assembly created statutes that required the State Tax Commission to determine the general level of assessment in each of the state's 114 counties and the City of St. Louis. Over the years, a number of methods have been employed to establish assessment ratios through varying endeavors and with varied results.

In 1975, the State Auditor conducted a statewide sale ratio study to measure the assessment levels of the 114 counties and the City of St. Louis. The study showed a range of ratios from a low of 6.2% to a high of 46.7%. The problems inherent in a one-year sale ratio study subjected the study to considerable criticism; but if nothing else, the report served to point out the fact that there were obviously large disparities among the assessment levels of the counties. As a result of these studies, the legislature directed the Commission to formulate a supportable program to be used to measure the accuracy of the assessment process throughout the state.

In 1977, the Commission contracted with the Arthur Young & Company to develop a methodology for conducting statistically valid ratio studies and assisting the Commission in fulfilling its responsibilities and objectives of monitoring the property tax system.

In 1979, the State Supreme Court, in *Cassily vs. Riley*, ordered the Commission to conduct a statewide reassessment. Subsequently each county was directed to plan and implement a reassessment program in order to eliminate the deficiencies in the assessment process.

In 1985, the Commission contracted with the University of Missouri-Columbia to review the Commission's ratio study methodology and to recommend changes. The analysis found the policies and procedures of the state's study to be consistent with accepted statistical practices. The policies, procedures, and methodology of conducting the studies were also found to be in compliance with the "Standard on Ratio Studies" as published by the International Association of Assessing Officers (IAAO).

In 2006, the Commission contracted with the IAAO to re-examine the policies, procedures and methodology of the Commission's ratio study and to recommend improvements that would allow the Commission to better evaluate the state's level of assessment and to provide improved guidance to county assessors to ensure that assessments remain current.

In 2007, based on the IAAO recommendations, the Commission began using sales ratio studies for residential property, including the Traditional Sales Study and the Progressive Hybrid Study.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 4 of 79

These sales ratio studies replaced the appraisal ratio studies in counties that showed quality sales databases, historically and prospectively.

4.1.1.A MISSOURI RATIO STUDY TECHNICAL ADVISORY GROUP

The Missouri Ratio Study Technical Advisory Group (MRSTAG) was formed in 2010 to advise the Commission on its ratio study processes and procedures.

The purpose of the Missouri Ratio Study Technical Advisory Group is to review ratio study procedures, discuss relevant issues, and assist the State Tax Commission of Missouri with policies and procedures concerning the ratio study.

Committee Makeup:

The Missouri Ratio Study Technical Advisory Group is made up of individuals with a broad background in statistics, ratio studies, appraisal and assessment. The members are approved by the Commission.

The group is comprised of up to five (5) members, in addition to any STC members; one of the five members will be a sitting assessor as a representative of the Missouri State Assessors Association.

Ratio Study Management and the Ratio Study Statistician are permanent members of the committee; the Ratio Study Manager serves as Chair of the committee. Other STC personnel may participate in meetings when appropriate.

The members serve on the MRSTAG on a voluntary basis with no monetary benefit to any member. As of January 1, 2011, the Committee Members were:

Dr. Wade Davis
University of Missouri
PhD Statistician

Hon. Tom Schauwecker
Boone County Assessor
MSAA Representative

Dr. Elbert B. Whorton, Jr.
Univ. of Texas (retired); StatCom
PhD Statistician

Mr. Kris Solindas
MO State Tax Commission
B.S. (Statistics); Statistician

Dr. Thomas Hamilton
Roosevelt University
PhD Real Estate and Urban
Land Economics

Mr. Jeff Schmidt
MO State Tax Commission
Ratio Study Asst. Mgr.

Mrs. Jan Elliott, Chair
MO State Tax Commission
Ratio Study Manager

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 5 of 79

4.1.2 RESPONSIBILITIES AND OBJECTIVES

The State Tax Commission of Missouri, as the oversight agency of the assessment function in Missouri, is charged with the responsibility of monitoring the assessment accuracy in each of the 114 counties and the City of St. Louis. This is accomplished by a periodic Assessment Ratio Study.

The current analysis is based upon the accepted concepts for statistically valid studies.

- Sales studies measure marketable subsets of the entire population and are tested for reliability and adherence to professional standards.
- Appraisal studies employ a simple random, representative sample. The sampling methodology currently employed by the Commission identifies the population within each county and subclass. From this population, a random sample is drawn. Appraisals are then completed by the Commission's staff appraisers to estimate the Market Value for the property. Approximately 25 to 30 parcels are appraised in each subclass.
- Hybrid studies combine sales and appraisals for overall results.

The objective is to accurately estimate the overall level and uniformity of assessment for each specified subclass of property to determine compliance with constitutional, statutory, and departmental rule requirements.

4.1.3 RATIO STUDY CYCLE

In 1989, the Commission implemented a two (2) year ratio study cycle in place of an annually conducted study; previously, all subclasses in each of the 115 jurisdictions were completed each year. A two-year ratio study cycle provides several benefits as compared to an annual cycle:

- a. It balances the appraisal workload over a longer time period thereby improving the work product. The appraisers have more time to research the market for the data necessary to support their value conclusions.
- b. The supplementary time allows for conducting additional market studies (land analysis studies, cost studies, depreciation studies, etc.). These and other in-depth studies are most helpful in the proper valuation of real property.
- c. It allows an appropriate amount of time to perform sales studies and allows for control groups of sales occurring after the date of value (January 1, odd year).

Beginning with the 2001 cycle, agricultural studies were scheduled for completion every six years. That is, one-third of the agricultural subclass studies were scheduled for completion during each two year cycle. This practice was deemed necessary due to budget and staffing

STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 6 of 79

reductions. Then, in the 2007 cycle, Agricultural ratio studies were suspended altogether due to another round of budget and staff reductions. The reasoning in the Commission's decision lies in the nature of the agricultural assessment process.

Agricultural land is assessed based on "use value" not market value as are residential and commercial real estate. The grading and classification of agricultural land is based on observations of the topography, potential for flooding, tree cover and the quality and productivity of the underlying soil. The productivity rating for developing these classifications does not consider the market value of the land; therefore an increasing land value does not translate to an increase in land productivity. Since there is less likelihood of rapid changes in agricultural use value, the original decision to spread these studies over a longer time-frame was deemed reasonable. Paramount in the decision to suspend studies in 2007 was the stable nature of agricultural property productivity values with minimal changes over time, and consideration of the cost benefit analysis, wherein the required resources to do appraisal studies greatly exceeds any notable impact on the assessment process. Agricultural real property accounts for approximately 1.7% (as of 2010) of the total real property value in the state. While no Agricultural studies are currently planned, they can still be completed on an "as needed" basis when warranted. Additionally, agricultural values are monitored as part of the normal duties of the Technical Assistance section, and are also tracked through year end reports supplied by the county which would indicate any significant changes requiring additional investigation and scrutiny.

Beginning with the 2009 ratio cycle, commercial studies were scheduled for completion every four years, with approximately half of the counties being completed in each two year ratio cycle. This practice was deemed necessary due to budget and staffing reductions. In making the decision to extend the time frame for measuring commercial assessments in all Missouri counties, particular scrutiny was given to the complexities and nuances of the commercial real estate market. It generally takes longer to recognize trends in commercial real estate due to the timing of leases and the overall scarcity of sales and income information available at any time, and historical information indicated that commercial assessments had far less variability between cycles than the residential subclass.

4.1.4 STATUTORY ASSESSMENT RATES

Once a property is valued by the county, the property's assessment is calculated. The assessment rates are statutorily set as follows:

Residential property assessments reflect 19% of the property's market value.

Agricultural property assessments reflect 12% of the property's production and/or market value.

Commercial property assessments reflect 32% of the property's market value.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 7 of 79

These different assessment rates allocate the burden between the three subclasses of real property.

4.2 RATIO STUDY METHODOLOGY

A brief description of the various ratio studies conducted by the Commission follows. The Commission's studies use both sales and appraisals as proxies of market value. The Commission's Assessment Ratio Study follows the general guidelines and requirements set forth in the *Standard on Ratio Studies* published by the International Association of Assessing Officers.

4.2.1 RESIDENTIAL RATIO STUDY

Residential assessments are tested every biennial reassessment (once every two years.) Market value is the basis of value for properties in the residential subclass. There are three types of studies used to determine the level and uniformity of assessment for residential property.

1. Traditional Sales Study – Valid sales representative of the population are used to measure fair market value for comparison to the county's assessed values.
2. Appraisal Study – Approximately 25 properties with a residential assessment are randomly selected and independently appraised for comparison to the county's assessed values.
3. Progressive Hybrid Study – A comprehensive ratio study to emulate population characteristics using both sales and appraisal study components is utilized.

4.2.2 AGRICULTURAL RATIO STUDY

A random, independent Appraisal Study is the only method currently used by the Commission to determine the level of assessment for the agricultural subclass. Prior to the 2007 assessment cycle, Agricultural assessments were tested once every three biennial reassessments (once every six years.) Approximately 35 properties with an agricultural assessment were randomly selected and independently appraised for comparison to the county's assessed values.

Agricultural studies have been suspended since the 2007 assessment cycle. If future agricultural studies are performed, it is likely that the sample size would be between 20 to 30 properties as the STC updated its sample size requirements for appraisal studies in 2009.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 8 of 79

4.2.3 COMMERCIAL RATIO STUDY

A random, independent Appraisal Study is the only method currently used by the Commission to determine the level of assessment for the commercial subclass. Approximately 30 properties with a commercial assessment are randomly selected and independently appraised for comparison to the county's assessed values.

4.3 DATA REQUIREMENTS

In order to perform ratio study analyses of all 115 assessment jurisdictions, the Commission must collect enough information from the counties to facilitate valid and reliable ratio study results. The first step in the ratio study process is to collect information concerning the real estate properties and their assessed values so that they can be analyzed and measured.

The Commission makes a universal data request that is the same for each assessment jurisdiction for each ratio study cycle. Generally, the Commission asks for the following data sets:

- Assessment roll
- Building Structure database
- Sales database

The Commission requires the requested information be submitted in a computer database format. The objective for this requirement is to make the collection of data as efficient as possible.

These data sets are described in more detail below.

4.3.1 ASSESSMENT ROLL

An electronic version of the assessment roll is requested from each county. The information request sent to the county assessor is shown in **Exhibit 4-1**.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 9 of 79

Exhibit 4-1

Requested Database Fields *(2013 cycle example)*

Please include a data dictionary listing of all codes and the definitions that these codes represent for all variables in any database. Please include column headers.

Field Name	Format	Contents
UPN	Text	Unique Identifier for a parcel or property. The UPN can be masked with decimals and hyphens or just a string of numbers and letters.
RES09	Numeric	The Residential Assessment Value for the 2013 Tax Year
AGR09	Numeric	The Agriculture Assessment Value for the 2013 Tax Year
COM09	Numeric	The Commercial Assessment Value for the 2013 Tax Year
RES08	Numeric	The Residential Assessment Value for the 2012 Tax Year
AGR08	Numeric	The Agriculture Assessment Value for the 2012 Tax Year
COM08	Numeric	The Commercial Assessment Value for the 2012 Tax Year
SITUSADD	Text	Situs Address (If unavailable, do not include mailing address)
SITUSCITY	Text	Situs City (If unavailable, do not include mailing city)
SITUSSTATE	Text	Situs State (If unavailable, do not include mailing state)
SITUSZIP	Text	SitusZip (If unavailable, do not include mailing zip)
LEGAL	Text	Legal Description
LOT	Text	Lot
BLO	Text	Block
SUB	Text	Subdivision
SEC	Text	Section
TWN	Text	Township
RNG	Text	Range
LANDUSE	Text	Land Use such as improved, vacant, etc
SCHOOLDIST	Text	School District Code (Include a coding key file) If school district code is unavailable, include tax code with a coding key.
GEOGRAPHIC	Text	County's Preferred Geographic Stratification Variable. If the school district variable is not a preferred way to segment the county, then a different variable, such as zones or areas, should be included.
ACRES	Text	Acreage

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 10 of 79

The following fields, shown in **Exhibit 4-2**, are requested with either the assessment roll or the building structure database, if available:

Exhibit 4-2

Please include a data dictionary listing of all codes and the definitions that these codes represent for all variables in any database. Please include column headers.

LOTFRONT	Text	Lot Front Length
LOTDEPTH	Text	Lot Depth Length
ROOMS	Numeric	The number of above grade rooms
BED	Numeric	The number of above grade bedrooms
BATH	Numeric	The number of above grade bathrooms
BSMNTSIZE	Text	Indicate the size of the basement (Sq Ft, full, partial, none, 0, etc, or other code)
BSMNTFIN	Text	Indicate the finish of basement (None, partial, finished, etc, or other code; include BR/Bath counts if available and not reported above)
GARAGETYPE	Text	Indicate the type of garage (carport, attached, detached, none, etc, or other code)
GARAGECNT	Text	The number of cars for the garage

(If the county cannot delineate bedrooms and bathrooms for above grade vs. below grade, then the total number of bedrooms and bathrooms should be provided)

Requested Database Formats

The Commission prefers assessment roll data in a Microsoft Excel file. If that option is not available, then the preferred method is through a pipe “|” delimited file. Text files with a comma delimiter are acceptable, but there are often issues importing the large databases this way. The Commission also requests any codes used in the school district or geographic stratification variable.

4.3.2 BUILDING STRUCTURE DATABASE

A building structure database is requested separately from the assessment roll to avoid confusion on defining a year built or living area for a property that has more than one dominant structure. The State Tax Commission’s procedure involves defining improvements that are primary structures. These improvements often include single-family, multi-family, mobile homes, etc. If more than one of these primary structures exists on a parcel, then the information for that one parcel is not included in the year built or living area analysis. For example, a property that sells

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 11 of 79

with two or more primary structures is used in the overall statistics and the geographic location stratification, but not in the year built or improved area stratification.

Exhibit 4-3

Requested Building Structure Database Fields

Please include a data dictionary listing of all codes and the definitions that these codes represent for all variables in any database. Please include column headers.

Field Name	Format	Contents
UPN	Text	Unique Identifier for a parcel or property. The UPN can be masked with decimals and hyphens or just a string of numbers and letters
STRUCTURE	Text	A code that can refer to the type of structure. (Single Family, Duplex, Garage, Utility, etc.)
STYLE	Text	Descriptive Property Features (1 Story, 2 Story, Split Level, etc)
YRBLT	Numeric	The year the structure was built
AREA	Numeric	The size of the property. Gross living area is preferred if available. Otherwise, include base area. Adjusted area is not desired.

For some counties, living area may not be an available field. In such a case, reporting base area is preferred. Adjusted area is not desired.

The building structure information will be filtered to include only dominant structures. Parcels with one dominant structure will have their detail information paired to the assessment roll for analysis.

Requested Database Formats

The Commission prefers building data in a Microsoft Excel file. If that option is not available, then the preferred method is through a pipe “|” delimited file. Text files with a comma delimiter are acceptable, but there are often issues importing the large databases this way. The Commission also requests any codes used in the school district or geographic stratification variable.

4.3.3 SALES DATABASE

A sales database is requested from all counties. The sales database deadline for submission is around April 15th of the even numbered year subsequent to the assessment year. The database should consist of sales between January 1 of the even numbered year preceding the assessment year and December 31 of the assessment year (odd numbered year). The minimum fields that should be included are parcel number, sale price, sale date, and validity codes (if applicable).

STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 12 of 79

As an example, for the 2013 assessment year, the deadline for submission of the sales database is April 15, 2014. The database will consist of sales between January 1, 2012 and December 31, 2013.

4.3.3.A Sales Validation and Verification

The Commission generally adheres to the IAAO Standard on Ratio Studies in performing ratio studies for each county. The Commission must be able to verify the county's sales follow IAAO guidelines for validation and verification before sales can be utilized for a sales study. A sales survey is required from each county to verify sales validation and verification procedures.

The STC relies on the following IAAO standards and guidelines concerning the validation and verification of sales (all available at www.iaao.org):

- IAAO Standard on Ratio Studies (Appendix A)
- IAAO Standard on Verification and Adjustment of Sales
- IAAO Guide to Foreclosure-Related Sales and Verification Procedures

Valid Sales

Generally speaking, a valid sale is a transaction that reflects market value where a willing seller offers the property but is not obligated to sell it, and is bought by a person who is willing to purchase but is not forced to do so. A valid sale can also be described as a sale that meets the definition of a market value transaction.

Invalid Sales

Sales Generally Invalid for Ratio Studies (from IAAO publications):

- Sales involving government agencies and public utilities
- Sales involving charitable, religious, or educational institutions
- Sales involving financial institutions
- Sales between relatives or corporate affiliates
- Sales settling an estate
- Forced sales
- Sales of doubtful title

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 13 of 79

Sales with Special Conditions

The IAAO requires these sales be used with caution and requires substantial verification before being used for ratio studies. DO NOT use these sales unless certain they are valid:

- Trades
- Partial interests
- Land contracts
- Incomplete or unbuilt common property
- Auctions

4.3.3.B Requested Sales Database Fields

The fields shown in **Exhibit 4-4** are requested for residential sales ratio analysis:

Exhibit 4-4

Please include a data dictionary listing all codes and the definitions that these codes represent for all variables in any database.

Field Name	Format	Contents
UPN	Text	Unique Identifier for a parcel or property. The UPN can be masked with decimals and hyphens or just a string of numbers and letters.
Sale Price	Numeric	Sale Price; the proxy for market value between a willing buyer and a willing seller.
Sale Date	Date (mm/dd/yyyy)	The date of the transaction. The format can include month and year if the exact date is unknown.
Validation	Text	Any validation coding or key that determines if a sale was valid or invalid.

Requested Database Formats

The Commission prefers sales data in a Microsoft Excel file. If that option is not available, then the preferred method is through a pipe “|” delimited file. Text files with a comma delimiter are acceptable, but there are often issues importing the large databases this way.

Additionally, the Commission collects a copy of the county’s sales letter used to collect sales

STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 14 of 79

information. The Commission also prepares a sales survey that asks the county to explain how they comply with the IAAO guidelines on screening sales; this survey information is collected at the beginning of each ratio study cycle. This information is reviewed to ensure that proper sales screening and validation processes are being followed at the county level.

4.3.4 ONLINE DATA PROCESSES

To help counties save on costs, all requested material can be sent electronically through a File Transfer Protocol (FTP.) Links are available on the STC website at <http://stc.mo.gov/> and secure accounts are available to county officials.

4.4 DATABASE PREPARATION

4.4.1 COUNTY INFORMATION

An Incoming Data folder contains only the information received from the county; the Assessment Roll, the Building Structures database, and the Sales database.

- Assessment Roll – An electronic source that lists every parcel in the county with their descriptive information, as requested in the description above.
- Building Structure Databases – An electronic source that lists every improvement in the county.
- Sales Databases – An electronic source that lists the information collected by the assessor concerning sold properties.
- Codes – Any codes or data dictionaries received from the counties

4.4.2 FORMATTING FILES

- The initial step for any file received is to format the file type and Uniform Parcel Number to be legible by any program utilized by the Commission. Additional steps may be needed to process the files since information and formats differ by county. Assessment totals from the received Assessment Roll are verified against the odd numbered year Form 11 and Form 11A to determine the totals per each subclass are accurate.
- Within the Building Structure database, non-residential structure codes, unnecessary fields, and duplicate parcels are removed.
- The formatted Assessment Roll is merged with the Building Structure Database via the Uniform Parcel Number.
- After formatting the Sales Database, the following steps occur:

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 15 of 79

- Invalid sales are excluded
- Resales (properties that sell more than once) are identified.
- Duplicate sales (repeated records) are removed properly.
- If a property sells more than one time, then all sale prices must be within 5% of the minimum sale price. Otherwise, all sales from that property are removed.
- New construction sales data is flagged for further analysis.
- Sale dates are categorized for the different stages of the quality testing.
- The formatted Sales Database is merged with the formatted and consolidated Assessment Roll/Building Structure Database file via the Uniform Parcel Number.

4.5 RANDOM SAMPLING PROCESS

A formatted assessment roll is generated for the residential and commercial subclass. The file is sorted in Uniform Parcel Number order.

If the county identifies tax exempt properties in their database information, then the Commission will remove those parcels prior to sampling. If tax exempt properties are not identified by the county, then those properties will be omitted later in the process when identified by the statistician or the appraiser, but after the sampling procedure.

A random sample for each of the three subclasses is generated. Each property that has an assessment of the subclass being tested has an equal chance of selection. Approximately 25 (residential) or 30 (commercial) randomly selected properties will be appraised by an employee from the State Tax Commission.

4.5.1 STRATIFIED RANDOM SAMPLING PROCESS FOR APPRAISAL STUDIES

Based on the assistance and recommendations of the MO Ratio Study Technical Advisory Group, the STC implemented *stratified* random sampling for appraisal studies in the 2011 cycle. The benefit of *stratified* random sampling is more stability in the random sampling process, which should benefit the overall ratio study analysis.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 16 of 79

The stratification procedure is based on the *assessed value* of the parcel population for both the residential and commercial subclass. The parcel population is stratified into four quartiles as follows:

- 1st Quartile:* Low to Low/Middle value properties
- 2nd Quartile:* Low/Middle to Middle value properties
- 3rd Quartile:* Middle to Middle/High value properties
- 4th Quartile:* Middle High to High value properties

The overall sample sizes for appraisal studies is as follows:

- 25 appraisals for residential studies
- 30 appraisals for commercial studies

Since the total number of samples is not divisible by four, for either residential or commercial appraisal studies, there will be slightly different numbers of samples pulled from each stratum (quartile) as shown below:

	<i>1st Quartile</i>	<i>2nd Quartile</i>	<i>3rd Quartile</i>	<i>4th Quartile</i>	
	# of samples	# of samples	# of samples	# of samples	Total samples
Residential	6	6	7	6	25
Commercial	7	8	8	7	30

Because there is one more sample in some strata than in others, the Commission is purposefully choosing to include more samples in the 2nd and 3rd quartiles (in the middle) rather than the 1st and 4th quartiles (low and high ends).

The result is a completely random selection of samples for the appraisal ratio study. Every parcel within each stratum (quartile), and subsequently every sample in the parcel population, has an equal chance of being selected for the ratio study.

Statistics will only be performed on the total number of samples and there will be no statistical analysis of any of the individual strata (quartiles).

Assessors should not notice any changes in State Tax Commission operations and will have no additional requirements to implement these new sampling procedures.

The following screenshots of fictitious data demonstrate how stratified random sampling is applied.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 17 of 79

Exhibit 4-5: Data received from a County:

	A	B	C	D
1	UPN	RES13	AG13	COM13
2	01-03.1-06-00.0-00-01.000	0	350	0
3	01-03.1-06-00.0-00-04.000	0	530	0
4	01-03.1-06-00.0-00-05.000	0	960	0
5	01-03.1-06-00.0-00-06.000	4480	4370	0
6	01-03.1-06-00.0-00-07.000	5420	1660	0
7	01-03.1-06-00.0-00-08.000	0	720	0
8	01-03.1-06-00.0-00-09.000	23280	3920	0
9	01-03.1-06-00.0-00-10.000	22140	100	0
10	01-03.1-06-00.0-00-12.000	4160	5680	0
11	01-03.1-06-00.0-00-13.000	30940	13900	0
12	01-03.1-06-00.0-00-14.000	0	870	0
13	01-03.1-06-00.0-00-15.010	19180	220	0
14	01-03.1-06-00.0-00-16.000	0	840	0
15	01-03.1-06-00.0-00-17.000	0	800	0
16	01-03.1-06-00.0-00-18.000	0	880	0
17	01-03.1-06-00.0-00-19.000	0	410	0
18	01-03.2-07-00.0-00-01.000	0	2660	0
19	01-03.2-07-00.0-00-01.010	0	480	0
20	01-03.2-07-00.0-00-02.000	0	670	0

Exhibit 4-6: Residential Assessment Roll includes all samples with a residential assessed value:

	A	B	C	D
1	UPN	RES13	AG13	COM13
2	01-03.1-06-00.0-00-06.000	4480	4370	0
3	01-03.1-06-00.0-00-07.000	5420	1660	0
4	01-03.1-06-00.0-00-09.000	23280	3920	0
5	01-03.1-06-00.0-00-10.000	22140	100	0
6	01-03.1-06-00.0-00-12.000	4160	5680	0
7	01-03.1-06-00.0-00-13.000	30940	13900	0
8	01-03.1-06-00.0-00-15.010	19180	220	0
9	01-03.2-07-00.0-00-03.000	6120	1730	0
10	01-03.2-07-00.0-00-04.000	36060	5160	0
11	01-03.2-07-00.0-00-05.000	3280	2890	0
12	01-04.0-18-00.0-00-05.000	1240	940	0
13	01-04.0-18-00.0-00-06.000	1240	2380	0
14	01-04.0-18-00.0-00-08.000	10430	3980	0
15	01-04.0-18-00.0-00-08.010	5330	0	0
16	01-04.0-19-00.0-00-03.000	9590	1780	0
17	01-04.0-19-00.0-00-07.000	10710	2190	0
18	01-04.0-19-00.0-00-16.000	1240	3750	0
19	01-09.0-30-00.0-00-01.000	22040	8170	0
20	01-09.0-30-00.0-00-02.000	20200	10400	0

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 18 of 79

Exhibit 4-7: Using SPSS, insert a column for random numbers:

	A	B	C	D	E
1	RandomNumber	UPN	RES13	AG13	COM13
2	3715.94	01-03.1-06-00.0-00-06.000	4480	4370	0
3	3749.57	01-03.1-06-00.0-00-07.000	5420	1660	0
4	4281.89	01-03.1-06-00.0-00-09.000	23280	3920	0
5	2954.32	01-03.1-06-00.0-00-10.000	22140	100	0
6	5687.02	01-03.1-06-00.0-00-12.000	4160	5680	0
7	1470.01	01-03.1-06-00.0-00-13.000	30940	13900	0
8	1611.02	01-03.1-06-00.0-00-15.010	19180	220	0
9	736.59	01-03.2-07-00.0-00-03.000	6120	1730	0
10	587.02	01-03.2-07-00.0-00-04.000	36060	5160	0
11	3474.16	01-03.2-07-00.0-00-05.000	3280	2890	0
12	421.39	01-04.0-18-00.0-00-05.000	1240	940	0
13	1772.06	01-04.0-18-00.0-00-06.000	1240	2380	0
14	117.24	01-04.0-18-00.0-00-08.000	10430	3980	0
15	1144.71	01-04.0-18-00.0-00-08.010	5330	0	0
16	4625.62	01-04.0-19-00.0-00-03.000	9590	1780	0
17	15.92	01-04.0-19-00.0-00-07.000	10710	2190	0
18	5160.17	01-04.0-19-00.0-00-16.000	1240	3750	0
19	1768.2	01-09.0-30-00.0-00-01.000	22040	8170	0
20	3412.53	01-09.0-30-00.0-00-02.000	20200	10400	0

Exhibit 4-8: Add columns before the RandomNumber column, and re-label as needed. The columns needed for the random sampling are, in order: Cnty ID, Sample, Book, Control, UPN, Res13, AGR13, COM13, Name1, Name2, SitusAddress1, SitusAddress2, SitusAddress3, SitusCity, Section, Township, Range, Acres, Lotsize, Legal.

	A	B	C	D	E	F	G	H
1	CntyID	Sample	Book	Control	UPN	RES13	AG13	COM13
2	137				3715.94 01-03.1-06-00.0-00-06.000	4480	4370	0
3	137				3749.57 01-03.1-06-00.0-00-07.000	5420	1660	0
4	137				4281.89 01-03.1-06-00.0-00-09.000	23280	3920	0
5	137				2954.32 01-03.1-06-00.0-00-10.000	22140	100	0
6	137				5687.02 01-03.1-06-00.0-00-12.000	4160	5680	0
7	137				1470.01 01-03.1-06-00.0-00-13.000	30940	13900	0
8	137				1611.02 01-03.1-06-00.0-00-15.010	19180	220	0
9	137				736.59 01-03.2-07-00.0-00-03.000	6120	1730	0
10	137				587.02 01-03.2-07-00.0-00-04.000	36060	5160	0
11	137				3474.16 01-03.2-07-00.0-00-05.000	3280	2890	0
12	137				421.39 01-04.0-18-00.0-00-05.000	1240	940	0
13	137				1772.06 01-04.0-18-00.0-00-06.000	1240	2380	0
14	137				117.24 01-04.0-18-00.0-00-08.000	10430	3980	0
15	137				1144.71 01-04.0-18-00.0-00-08.010	5330	0	0
16	137				4625.62 01-04.0-19-00.0-00-03.000	9590	1780	0
17	137				15.92 01-04.0-19-00.0-00-07.000	10710	2190	0
18	137				5160.17 01-04.0-19-00.0-00-16.000	1240	3750	0
19	137				1768.2 01-09.0-30-00.0-00-01.000	22040	8170	0
20	137				3412.53 01-09.0-30-00.0-00-02.000	20200	10400	0

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 19 of 79

Exhibit 4-9: Create four tabs at the bottom of the page, TabA, TabB, TabC, and TabD.

49	1			4,887.42	02-07.0-35-000-00-02.000		40	5,290	0
50	1			7,160.16	02-07.0-35-000-00-08.000		3,340	5,090	0
51	1			1,188.87	02-07.0-35-000-00-05.000		2,720	2,510	0

CountySalesData TabA TabB TabC TabD

Ready

Exhibit 4-10: Sort the data by the RES13 column.

	A	B	C	D	E	F	G	H
1	CntyID	Sample	Book	Control	UPN	RES13	AG13	COM13
2	137			0.33	15-03.0-08-00.0-00-08.000	3650	0	0
3	137			1.43	02-07.0-26-00.0-00-03.030	12000	150	0
4	137			1.47	06-03.0-06-00.0-00-12.010	3430	240	0
5	137			1.84	22-04.1-17-00.0-00-05.000	25250	1680	0
6	137			2.21	14-04.0-20-00.0-00-11.000	5720	2670	0
7	137			3.53	03-08.0-33-00.0-00-09.000	31360	1750	0
8	137			3.65	06-01.0-12-00.0-00-06.000	3620	0	16470
9	137			6.15	11-03.1-06-00.0-00-06.000	11600	1650	12340
10	137			6.17	10-09.0-30-00.0-00-24.000	9970	0	0
11	137			6.66	15-03.0-06-04.2-18-05.000	11060	0	3380
12	137			7.54	03-07.0-26-04.0-02-14.000	2970	0	0
13	137			8.29	10-08.0-27-00.0-00-21.000	9680	100	0
14	137			8.36	18-04.0-19-00.0-00-01.000	12200	1780	0
15	137			8.63	15-03.0-05-02.2-01-01.000	16910	0	0
16	137			11.37	10-01.1-02-00.0-00-21.020	1720	0	0
17	137			11.71	14-03.0-08-00.0-00-22.000	9780	0	0
18	137			12.2	22-04.2-19-00.0-00-06.000	26650	0	0
19	137			13.76	15-03.0-05-02.2-09-01.000	10200	0	0
20	137			14.14	20-09.0-29-00.0-00-05.000	1100	1060	0

Exhibit 4-11: Sort the data by the Control column (formerly the RandomNumber column).

	A	B	C	D	E	F	G	H
1	CntyID	Sample	Book	Control	UPN	RES13	AG13	COM13
2	137			0.33	15-03.0-08-00.0-00-08.000	3650	0	0
3	137			1.43	02-07.0-26-00.0-00-03.030	12000	150	0
4	137			1.47	06-03.0-06-00.0-00-12.010	3430	240	0
5	137			1.84	22-04.1-17-00.0-00-05.000	25250	1680	0
6	137			2.21	14-04.0-20-00.0-00-11.000	5720	2670	0
7	137			3.53	03-08.0-33-00.0-00-09.000	31360	1750	0
8	137			3.65	06-01.0-12-00.0-00-06.000	3620	0	16470
9	137			6.15	11-03.1-06-00.0-00-06.000	11600	1650	12340
10	137			6.17	10-09.0-30-00.0-00-24.000	9970	0	0
11	137			6.66	15-03.0-06-04.2-18-05.000	11060	0	3380
12	137			7.54	03-07.0-26-04.0-02-14.000	2970	0	0
13	137			8.29	10-08.0-27-00.0-00-21.000	9680	100	0
14	137			8.36	18-04.0-19-00.0-00-01.000	12200	1780	0
15	137			8.63	15-03.0-05-02.2-01-01.000	16910	0	0
16	137			11.37	10-01.1-02-00.0-00-21.020	1720	0	0
17	137			11.71	14-03.0-08-00.0-00-22.000	9780	0	0
18	137			12.2	22-04.2-19-00.0-00-06.000	26650	0	0
19	137			13.76	15-03.0-05-02.2-09-01.000	10200	0	0
20	137			14.14	20-09.0-29-00.0-00-05.000	1100	1060	0

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 20 of 79

Exhibit 4-12: Calculate how many records for each tab. In a Residential Study, Tabs A, B and D will need 6/25 of the total, while Tab C will need 7/25 of the total. (For Commercial studies, tabs A and D would be 8/30 of the total, and tabs B and C would be 7/30 of the total.) In this example, with 9349 sales, tabs A, B and D each have 2244 sales, while tab C has 2618 sales.

9347	1			1,151.53	13-05.0-15-002-01-17.000	249,370	0	0
9348	1			3,959.11	13-02.0-04-1.1-04-14.000	275,510	0	0
9349	1			2,704.01	13-05.0-16-004-01-01.000	306,600	0	0
9350	1			8,555.93	13-03.0-08-001-06-07.000	351,820	0	0
9351						2243.76		
9352						=7/25*9349		

CountySalesData TabA TabB TabC TabD

Exhibit 4-13: Under the Sample column on each tab, enter the sample number. Tab A will be 1-6, Tab B will be 7-12, Tab C will be 13-19, and Tab D will be 20-25. (Commercial will be 1-7, 1-8, 1-8 and 1-7, respectively.) After the samples, enter the alternate sample IDs, A1-A5 for tab A, B1-B5 for tab B, and so on.

	A	B	C	D	E	F	G	H
1	CntyID	Sample	Book	Control	UPN	RES13	AG13	COM13
2	137	1		0.33	15-03.0-08	3650	0	0
3	137	2		1.43	02-07.0-26	12000	150	0
4	137	3		1.47	06-03.0-06	3430	240	0
5	137	4		1.84	22-04.1-17	25250	1680	0
6	137	5		2.21	14-04.0-20	5720	2670	0
7	137	6		3.53	03-08.0-33	31360	1750	0
8	137	A1		3.65	06-01.0-12	3620	0	16470
9	137	A2		6.15	11-03.1-06	11600	1650	12340
10	137	A3		6.17	10-09.0-30	9970	0	0
11	137	A4		6.66	15-03.0-06	11060	0	3380
12	137	A5		7.54	03-07.0-26	2970	0	0
13	137			8.29	10-08.0-27	9680	100	0
14	137			8.36	18-04.0-15	12200	1780	0
15	137			8.63	15-03.0-05	16910	0	0
16	137			11.37	10-01.1-02	1720	0	0
17	137			11.71	14-03.0-08	9780	0	0
18	137			12.2	22-04.2-15	26650	0	0
19	137			13.76	15-03.0-05	10200	0	0
20	137			14.14	20-09.0-25	1100	1060	0

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 21 of 79

Exhibit 4-14: Between the samples and the alternates, insert a line and shade it black.

	A	B	C	D	E	F	G	H
1	CntyID	Sample	Book	Control	UPN	RES13	AG13	COM13
2	137	1		0.33	15-03.0-06	3650	0	0
3	137	2		1.43	02-07.0-26	12000	150	0
4	137	3		1.47	06-03.0-06	3430	240	0
5	137	4		1.84	22-04.1-17	25250	1680	0
6	137	5		2.21	14-04.0-20	5720	2670	0
7	137	6		3.53	03-08.0-33	31360	1750	0
8								
9	137 A1			3.65	06-01.0-12	3620	0	16470
10	137 A2			6.15	11-03.1-06	11600	1650	12340
11	137 A3			6.17	10-09.0-30	9970	0	0
12	137 A4			6.66	15-03.0-06	11060	0	3380
13	137 A5			7.54	03-07.0-26	2970	0	0
14	137			8.29	10-08.0-27	9680	100	0
15	137			8.36	18-04.0-15	12200	1780	0
16	137			8.63	15-03.0-05	16910	0	0
17	137			11.37	10-01.1-02	1720	0	0
18	137			11.71	14-03.0-06	9780	0	0
19	137			12.2	22-04.2-15	26650	0	0
20	137			13.76	15-03.0-05	10200	0	0

4.6 RESIDENTIAL SALES STUDY PROCEDURES

In a Traditional Sales Study, the county’s values are compared against sales prices of properties that have occurred within specific time frames. Each comparison of the county’s value on a particular parcel as compared to the actual sale price results in a ratio. Statistical analyses are then performed on the ratios that occur from all sales within the specified time frame as compared to the county’s values. Currently, the Commission only performs sales studies on residential property.

The Commission attempts to perform a Traditional Sales Study in every county for residential property. Other ratio study methods (Appraisals or Progressive Hybrid) are only attempted when there are insufficient numbers of sales to reach a valid sample size for a sales study and/or the county fails the sales Reliability Test (i.e. the sales are not representative of the county, sales chasing issues may exist, etc.). The Traditional Sales Study is the most effective and efficient method available to the Commission for performing ratio studies of residential property and provides the most meaningful results for county assessors.

One of the challenges of the Traditional Sales Study is that there is no control over how many homes sell in any given county or where the sales are located within any county. Thus, it is not always possible to obtain a sampling of properties that is representative of the overall population

STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 22 of 79

when only utilizing sales information. Missouri has had good results with Traditional Sales Studies, but because they cannot be performed in all counties, the Commission has to rely on other ratio study methods for residential property in some counties.

Another challenge of the Traditional Sales Study is that not all sales are known to the assessor. Of Missouri's 115 assessment jurisdictions, only four of the jurisdictions have ordinances or rules in place that require the recordation of sales price information on all real estate transactions. For the rest of the jurisdictions in the state, the assessors collect sales data by relying on property owners to voluntarily return sales questionnaires and report the sale price information. The success rate of assessors in obtaining sales information varies from county to county. The more sales that are available, the more likely the county will qualify for a Traditional Sales Study.

Whenever sales are used in ratio studies, the Commission performs a Reliability Test to ensure that the data and sales utilized in a Traditional Sales Study will yield valid and reliable results. If the county data passes the Reliability Test, then the Traditional Sales Study is attempted.

4.6.1 RELIABILITY TEST

A Reliability Test is an analysis of the information received from the county to verify if the information will result in valid and reliable results. Once the county is identified, historical information is inputted, including the county's sales disclosure history. A brief explanation is provided concerning both the quality of the sales validation/screening and the source of the databases. Data is imported from the sales databases submitted by the counties. The sales are inspected within a quality control review. If county sales databases meet the State Tax Commission standards, then the sales are analyzed by the Traditional Sales Study.

The Reliability Test contains the following major components:

- County Sales Collection History
 - Total number of transfers
 - Number of sales letters sent as a percent of transfers
 - Sales returned percentage
 - Number of usable sales from transfers
 - Number of useable sales as a percent of transfers
 - Turnover rate as a percentage of total parcels
 - Turnover rate as a percentage of residential parcels
 - Percent of properties unchanged in value for sold vs. unsold properties
 - Overall statistics for specified time frames
 - Jan – June of Even Year
 - July – Dec of Even Year
 - Jan – June of Odd Year

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 23 of 79

- July – Dec of Odd Year
 - 1 Year study period vs. 6 months after
 - Percent of change for sold properties vs. neighboring properties
 - Percent change for sold properties vs. all unsold properties
- Past Ratios
- Post-Trim Statistics by 6 month, 12 month and 24 month periods
- Sales Chasing Detection
- New Construction Procedures
- Sales Screening and Matching Process
 - Identifies when any sales are removed because of:
 - Validation Codes
 - Resales
 - Sales that do not match assessment roll parcel database
 - Mixed-use parcels
 - New construction parcels
- Overall Statistics for Sale Properties
- Sales Letter Information
- Representativeness table with stratification by location, year built, and assessed value

For each reassessment cycle, every county must complete a sales questionnaire survey that indicates whether or not the counties are following IAAO guidelines for screening and validating sales. The results of the survey are shown on the Reliability Test and give quick reference to the analyst concerning the counties sales collection procedures.

The last portion of the Reliability Test compares stratifications of the sales and the residential parcel population (excludes mixed use properties) by Location, Age, and Value. This comparison is a test of whether or not the sales are representative of the residential population. This analysis considers all of the sales in the population.

An example of a Reliability Test is shown in **Exhibit 4-15** on the following pages:

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 24 of 79

Exhibit 4-15

<i>State Tax Commission of Missouri</i>							
Residential Sales Study		ABC County			Reliability Test		
2009 Reassessment				3/14/2012			
Comments	County Sales Collection data current as of 6/22/2010.						
County Sales Collection		2004	2005	2006	2007	2008	
Transfers		7,571	7,402	8,073	8,410	5,986	
Sales Letter Sent		5,580	5,478	5,680	5,654	2,408	
Letters Sent to Transfers as %		73.7%	74.0%	70.4%	67.2%	40.2%	
Sales Letters Returned		1,999	1918	1433	2514	906	
Sales Returned Percent		35.8%	35.0%	25.2%	44.5%	37.6%	
Usable Sales		1,618	1,325	839	2,209	818	
Transfers Used Percent		21.4%	17.9%	10.4%	26.3%	13.7%	
Parcel Count		67,544	68,444	69,102	70,040	71,000	
Turnover Rate as %		11.2%	10.8%	11.7%	12.0%	8.4%	
Usable Sales/Parcel Count as %		2.4%	1.9%	1.2%	3.2%	1.2%	
Past Ratios		1999	2001	2003	2005	2007	
Median		18.9%	19.0%	19.7%	19.5%	17.3%	
Weighted Mean		16.2%	17.5%	19.0%	19.5%	17.1%	
Coefficient of Dispersion		13.2%	18.5%	12.0%	15.7%	14.7%	
Price Related Differential		116.7%	106.1%	103.3%	98.7%	101.5%	
Post-Trim Statistics		Count	Median	Wtd Mean	Mean	COD	PRD
6 months	January 2008 - June 2008	370	93.0%	92.7%	93.7%	11.5%	101.0%
	July 2008 - December 2008	293	94.1%	92.9%	94.2%	13.8%	101.4%
	January 2009 - June 2009	267	96.0%	96.6%	98.3%	14.4%	101.8%
	July 2009 - December 2009	258	97.1%	97.4%	99.9%	16.6%	102.6%
12	January 2008 - December 2008	663	93.4%	92.8%	93.9%	12.5%	101.2%
	January 2009 - December 2009	525	96.5%	97.0%	99.1%	15.5%	102.2%
24	January 2008 - December 2009	1,191	94.7%	94.5%	96.3%	14.1%	101.9%
Sales Chasing Detection		Sold Properties	Comparable Unsold	All Unsold Property	Residential Property		
2008-2009	Number of Parcels	946	892	41,956	42,902		
	Median % Change	0.0%	0.0%	0.0%	0.0%		
	Percent Unchanged	38.2%	48.4%	56.6%	56.2%		
	Increased x2 & up	0.7%	0.2%	0.3%	0.3%		

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 25 of 79

Residential Sales Study
ABC County
Reliability Test
2009 Reassessment
Page 2

Procedure
New Construction was flagged for removal. <input checked="" type="checkbox"/> Year Built ≥ 2008 <input type="checkbox"/> County Flag <input type="checkbox"/> Occupancy

Traditional	Sale Count
County Submitted	1412
County Validated	1412
Resales Screened	56

	1 Year	2 Year
Sales Matched	644	1351
Residential Sales	581	1235
New Construction	14	28
Final Count	567	1207
Usable Rate	40.2%	85.5%

Sales w/ Location	567	1207
Improved Sales	567	1207
Sales w/ Year Built	561	1197

Overall Statistics	Change	No Change	Value x2
Sample Size	354	213	3
Median	96.5%	92.5%	97.5%
Weighted Mean	94.8%	93.8%	97.4%
Mean	97.6%	97.5%	97.0%
COD	15.5%	16.7%	2.3%
PRD	102.9%	104.0%	99.5%

SALES LETTER

Sales Date
 Sales Price
 Personal Property
 Reflects Market
 Property Type

New Construction Flags
 Jan 1 Improvement
 Year Built
 Occupancy
 Construction Plans

Source of Data
 Sales Letters
 Door Hangers
 Phone Calls
 Personal Interviews
 Third Party Source

No. of Attempts: 2
Adjustments
 Personal Property
 Time Trending
 Finance
 Realtor Fees
 Other

v=valid i=invalid f=follow up
(i) Foreclosures
(i) Relatives
(i) Trade
(v) Multiparcel
(v) Split
(v) Low Ratio
(v) Short Time
(v) Long Time
(f) Online
(f) Tax Exempt
(f) New Construction
(v) Occupancy
(f) Judicial Order
(f) Auction
(f) Estate
(f) Doubtful Title
(f) Resales

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 26 of 79

Residential Sales Study **ABC County** **Reliability Test**
2009 Reassessment Page 3

Location	Count			Median Age		Median Value	
	Sales	Res	%	Sales	Res	Sales	Res
Overall	1,197	31,176	3.8%	1985	1980	\$22,488	\$20,794
C-2	108	2,813	3.8%	1976	1970	\$19,262	\$16,175
R-1	6	141	4.3%	1952	1957	\$12,564	\$12,894
R-2	31	915	3.4%	1970	1976	\$15,876	\$16,249
R-3	37	825	4.5%	1977	1967	\$21,075	\$19,192
R-11	258	5,795	4.5%	1995	1984	\$23,522	\$21,168
R-13	141	3,757	3.8%	1974	1976	\$18,071	\$16,916
C-14	28	871	3.2%	1994	1985	\$16,424	\$14,722
R-15	5	307	1.6%	1979	1984	\$24,195	\$21,234
R-16	1	91	1.1%	1975	1972	\$14,193	\$13,903
C-6	7	290	2.4%	1985	1979	\$18,942	\$18,781
C-3	243	6,685	3.6%	1985	1981	\$23,849	\$20,526
Town 1	331	8,626	3.8%	1987	1983	\$27,064	\$26,501
R-7	1	60	1.7%	1973	1972	\$6,369	\$10,151

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 27 of 79

4.6.2 TRADITIONAL SALES STUDY REPORT

Once a county passes the Reliability Test, the sales are imported into program templates to calculate the statistics used in the ratio study. The Traditional Sales Study has three stages: Preliminary, Tentative, and Final. First, the data is imported in the Preliminary stage. The statistics calculated are reviewed internally and the report quality is monitored. The internal review consists of both specific computer program functions to review for potential errors, as well as oversight and review of results by Management. A review is also completed by the research analyst when preparing the data and compiling the reports.

The Traditional Sales Study Report can vary in length, but typically includes the following components:

- Cover Page
 - Includes all statistical results used in the decision model process
- Overall Descriptive Statistics
 - Shows the trimming process and provides a short description of each statistic used in the report.
- Stratification by Vacant and Improved property
 - Includes histograms (graphs) for each stratification
- Stratification by Assessed Value
 - Includes histograms (graphs) for each stratification
- Stratification by Year Built
 - Includes histograms (graphs) for each stratification
- Stratification by Location
 - Includes histograms (graphs) for each stratification
 - Includes overall weighted statistics which may be used in the decision model

The Commission attempts to stratify the data into quartiles whenever the data is sufficient and normally limits the number of stratifications between two and eight; as an exception, those counties with more than eight school districts will possibly have more than eight strata for the location variable.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 28 of 79

Once it is determined that the sale price estimators are valid, reliable and reflect the county's level of assessment, the report becomes tentative and is then provided to the county. Data is provided concerning the steps of the sales study process. Counties are encouraged to review the information, ask any questions, and/or provide feedback. Approximately thirty days are allowed for the county to review the report and request a meeting. After meeting with the county to discuss the study results, or after the time period has lapsed, the study becomes final.

An example of a Traditional Sales Study Report is shown in **Exhibit 4-16**, on the pages which follow:

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 29 of 79

Exhibit 4-16

<i>State Tax Commission of Missouri</i>			
Residential	XYZ County	2009 Reassessment	
 <p style="font-size: small; margin: 0;">State Tax Commission of Missouri 301 West High Street PO Box 146 Jefferson City, MO 65102-0146 Phone: (573) 751-2414 Fax: (573) 751-1341</p> <p style="font-size: x-small; margin: 0;">Three ratio study procedures are available for analysis:</p> <p style="font-size: small; margin: 0;">1) Traditional Sales Study A sales study that analyzes assessment levels based on sales stratified by land use, location, and characteristics of property.</p> <p style="font-size: small; margin: 0;">2) Progressive Hybrid Since sales often do not emulate the characteristics or attributes of the entire jurisdiction, restraints and expectations have been placed to ensure the quality of the data set. Unreliable sales samples within slow market areas may be supplemented by the hybrid study to reflect the trends of the county.</p> <p style="font-size: small; margin: 0;">3) Random Appraisals For many jurisdictions, the availability of sales is scarce. In such scenarios, parcels will be randomly appraised. Every parcel will have an equal chance to be selected in the random appraisal study.</p> <p style="font-size: x-small; margin: 0; border: 1px solid black; padding: 2px;">http://www.stc.mo.gov/</p>	Measures of Central Tendency	@19% @100%	
	<i>Median Ratio</i>	17.88%	94.09%
	<i>Weighted Mean Ratio</i>	17.98%	94.62%
	<i>Mean Ratio</i>	18.39%	96.79%
	Measures of Precision	@19% @100%	
	Median Confidence Interval		
	95% Low	17.49%	92.05%
	95% High	18.28%	96.21%
	Measures of Assessment Quality		
	Coefficient of Dispersion	18.34%	
Price Related Differential	102.29%		
Sample Data			
<i>Pre-Trim Sample Size</i>	550		
<i>Low Trims</i>	11		
<i>High Trims</i>	5		
<i>Post-Trim Sample Size</i>	534		
<i>Number of Assessments</i>	22,409		

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

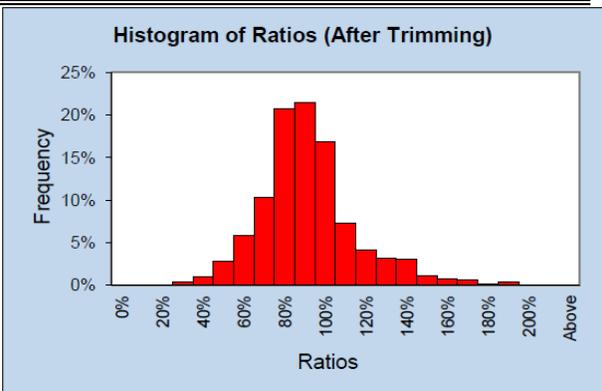
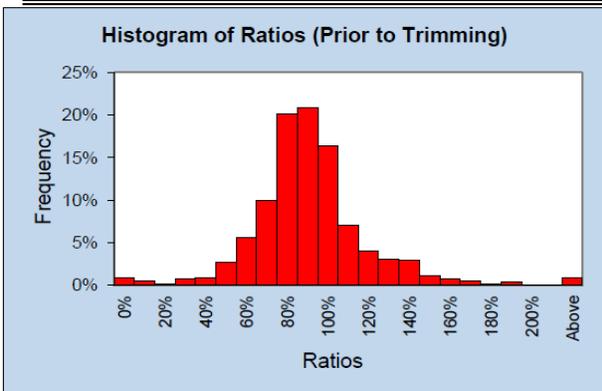
RATIO STUDY

REVISION DATE: 5/5/2014

Page 30 of 79

Overall Descriptive Statistics

	Pre-Trim	Post-Trim	Description	Required
Sample Size	550	534	The number of sales	50 minimum
Median	93.74%	94.09%	The middle ratio when ratios are arranged in ascending order.	90%-110%
95% - Low Ratio	91.72%	92.05%	<i>The range where the population median most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	95.91%	96.21%		
Weighted Mean	95.50%	94.62%	An average in which ratios are weighted in proportion to their sold amounts.	90%-110%
95% - Low Ratio	92.52%	92.08%	<i>The range where the population weighted mean most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	98.47%	97.16%		
Mean	101.28%	96.79%	The arithmetic average of ratios	90%-110%
95% - Low Ratio	93.95%	94.77%	<i>The range where the population mean most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	108.61%	98.81%		
Coefficient of Dispersion	26.13%	18.34%	The average percent deviation from the median ratio	Less than 20%
95% - Low Ratio	19.63%	17.01%	<i>The range where the population coefficient of dispersion most likely exists</i>	<i>95% Low Ratio less than 20%</i>
95% - High Ratio	34.87%	19.91%		
Price Related Differential	106.06%	102.29%	A gauge of assessment uniformity for high and low valued properties	98%-103%



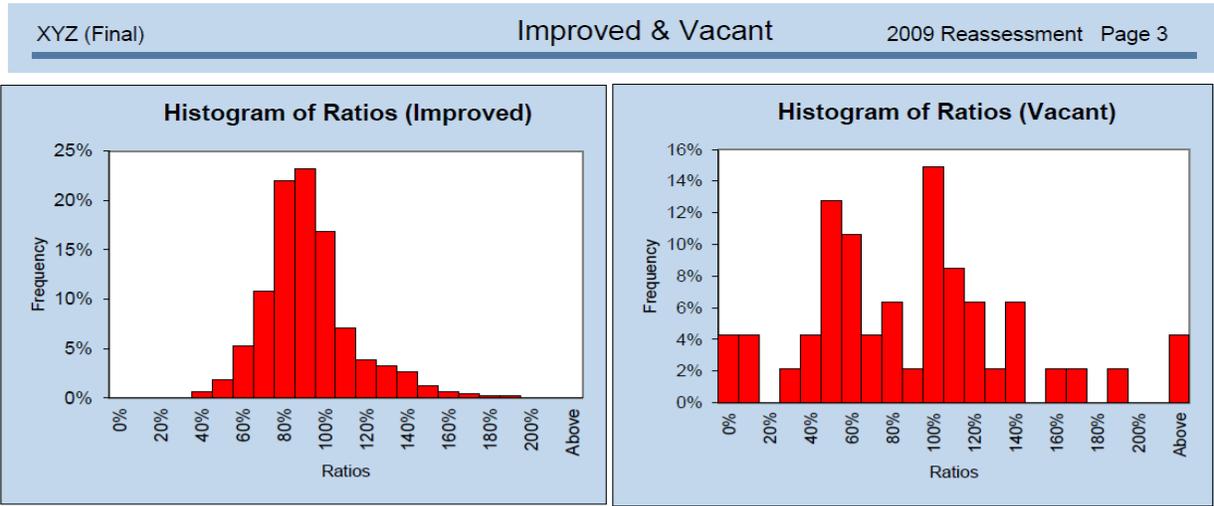
**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 31 of 79



Overall Descriptive Statistics

	Improved	Vacant	Description	Required
Sample Size	492	47	The number of sales	25 minimum
Median	93.99%	99.99%	The middle ratio when ratios are arranged in ascending order.	90%-110%
95% - Low Ratio	92.05%	66.96%	<i>The range where the population median most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	96.06%	109.09%		
Weighted Mean	97.75%	64.74%	An average in which ratios are weighted in proportion to their sold amounts.	90%-110%
95% - Low Ratio	95.21%	37.28%	<i>The range where the population weighted mean most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	100.28%	92.21%		
Mean	96.91%	119.17%	The arithmetic average of ratios	90%-110%
95% - Low Ratio	94.97%	63.34%	<i>The range where the population mean most likely exists</i>	<i>Overlaps with 90%-110%</i>
95% - High Ratio	98.85%	175.00%		
Coefficient of Dispersion	16.90%	65.37%	The average percent deviation from the median ratio	Less than 20%
95% - Low Ratio	15.62%	33.81%	<i>The range where the population coefficient of dispersion most likely exists</i>	<i>95% Low Ratio less than 20%</i>
95% - High Ratio	18.42%	171.96%		
Price Related Differential	99.15%	184.07%	A gauge of assessment uniformity for high and low valued properties	98%-103%

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 32 of 79

XYZ (Final)	Stratification by Assessed Value			Page 4		
2009 Reassessment						
Assessed Value	\$400 - \$18390	\$18391 - \$28040	\$28041 - \$168610			
Sample Size	184	183	183			
High Trims	1	2	0			
Low Trims	8	0	0			
Total Trimmed	9	2	0			
Remaining	175	181	183			
Population	10,274	6,256	5,810			
Proportion	45.99%	28.00%	26.01%			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Comments</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Stratification is by 2009 residential assessed value only.</td> </tr> </tbody> </table>					Comments	Stratification is by 2009 residential assessed value only.
Comments						
Stratification is by 2009 residential assessed value only.						
Post Trim Statistics	\$400 - \$18390	\$18391 - \$28040	\$28041 - \$168610			
Sample Size	175	181	183			
Median	86.1%	91.6%	101.5%			
<i>Low 95% Conf Int</i>	83.6%	88.7%	98.8%			
<i>High 95% Conf Int</i>	89.1%	94.6%	104.9%			
Mean	91.4%	93.9%	105.7%			
<i>Low 95% Conf Int</i>	86.2%	91.4%	102.3%			
<i>High 95% Conf Int</i>	96.7%	96.3%	109.0%			
Weighted Mean	84.5%	91.6%	104.5%			
<i>Low 95% Conf Int</i>	80.6%	89.4%	100.3%			
<i>High 95% Conf Int</i>	88.4%	93.8%	108.7%			
Coefficient of Dispersion	26.7%	13.2%	16.4%			
<i>Low 95% Conf Int</i>	22.4%	11.5%	14.4%			
<i>High 95% Conf Int</i>	31.8%	15.2%	18.9%			
Price Related Differential	108.2%	102.5%	101.1%			

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 33 of 79

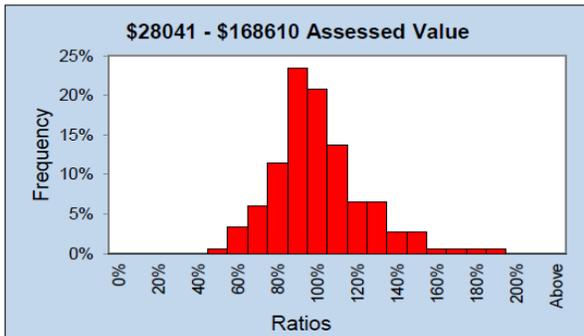
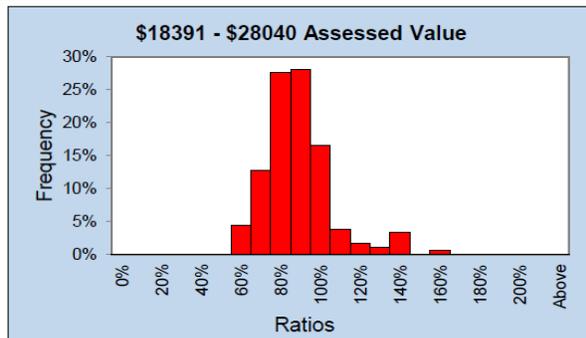
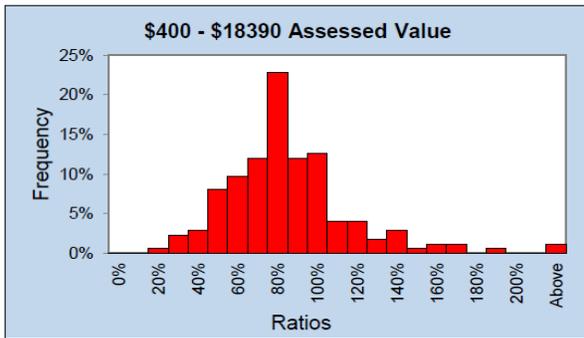
XYZ (Final)

Stratification by Assessed Value

Page 5

2009 Reassessment

Sales Ratio Histograms by Stratum



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 34 of 79

XYZ (Final)	Stratification by Year Built					Page 6
2009 Reassessment						
Year Built	1880-1991	1992-1999	2000-2003	2004-2005	2006-2007	
Sample Size	84	90	87	87	116	
High Trims	0	1	1	1	0	
Low Trims	0	0	0	0	0	
Total Trimmed	0	1	1	1	0	
Remaining	84	89	86	86	116	
Population	6,210	4,612	2,802	2,320	2,169	
Proportion	34.28%	25.46%	15.47%	12.81%	11.97%	
Comments						
Post Trim Statistics	1880-1991	1992-1999	2000-2003	2004-2005	2006-2007	
Sample Size	84	89	86	86	116	
Median	82.8%	85.0%	91.5%	97.1%	107.1%	
<i>Low 95% Conf Int</i>	76.6%	82.0%	88.0%	93.9%	102.1%	
<i>High 95% Conf Int</i>	85.0%	88.0%	94.5%	99.9%	110.3%	
Mean	86.1%	86.7%	93.4%	97.4%	112.2%	
<i>Low 95% Conf Int</i>	80.3%	84.1%	89.8%	94.8%	108.3%	
<i>High 95% Conf Int</i>	91.9%	89.3%	96.9%	100.0%	116.0%	
Weighted Mean	81.7%	84.8%	92.9%	95.7%	113.6%	
<i>Low 95% Conf Int</i>	76.0%	81.6%	88.6%	92.9%	107.9%	
<i>High 95% Conf Int</i>	87.5%	88.1%	97.3%	98.6%	119.4%	
Coefficient of Dispersion	22.7%	10.8%	12.6%	9.3%	14.3%	
<i>Low 95% Conf Int</i>	18.9%	9.0%	10.3%	7.8%	12.3%	
<i>High 95% Conf Int</i>	29.4%	13.3%	15.9%	11.4%	17.3%	
Price Related Differential	105.4%	102.2%	100.4%	101.7%	98.7%	

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 35 of 79

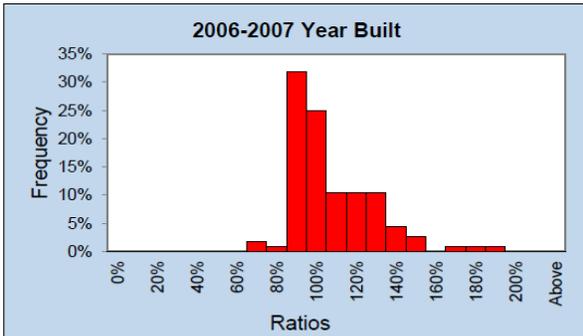
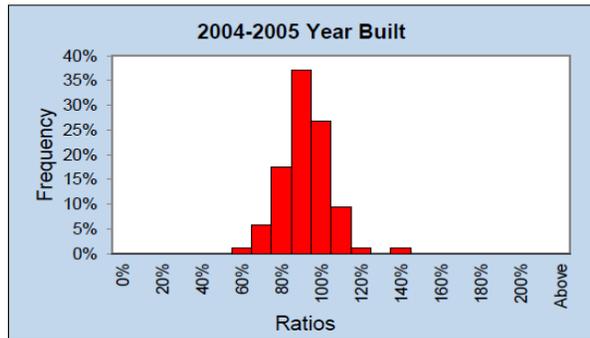
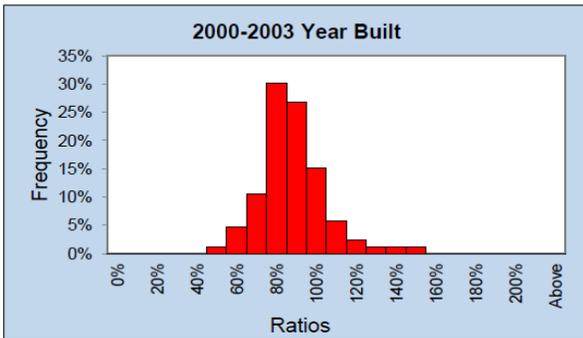
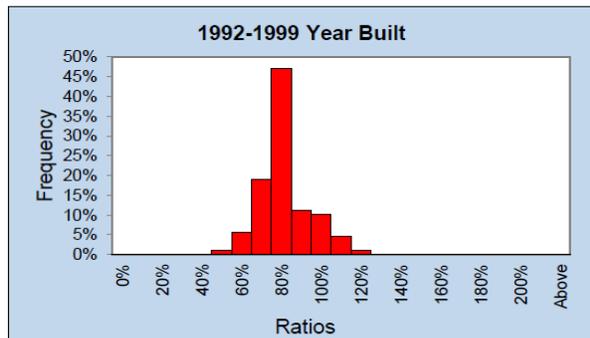
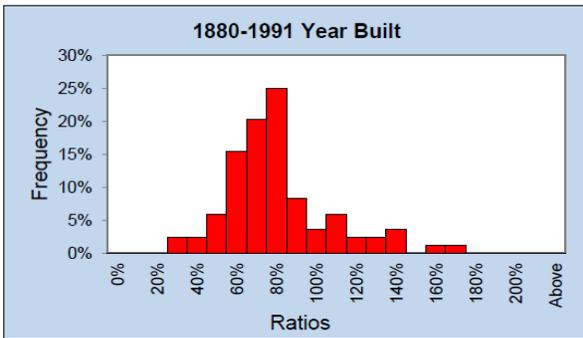
XYZ (Final)

Stratification by Year Built

Page 7

2009 Reassessment

Sales Ratio Histograms by Stratum



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 36 of 79

XYZ (Final) 2009 Reassessment	Stratification by School District					Page 8
School District	R2	R5	R6	R7	All Other Districts	
Sample Size	223	43	204	35	45	
High Trims	2	1	0	1	0	
Low Trims	4	1	2	1	2	
Total Trimmed	6	2	2	2	2	
Remaining	217	41	202	33	43	
Population	8,799	1,490	8,491	1,283	2,346	
Proportion	39.27%	6.65%	37.89%	5.73%	10.47%	
Comments						
Due to insufficient sales, school districts R1, R3, R4, R8, R10, R17, R71 and R78 have been combined under the title 'All Other Districts'.						
Post Trim Statistics	R2	R5	R6	R7	All Other Districts	Overall Weighted
Sample Size	217	41	202	33	43	536
Median	94.3%	102.9%	90.7%	99.3%	100.0%	94.1%
Low 95% Conf Int	91.9%	93.5%	87.9%	80.8%	87.1%	92.1%
High 95% Conf Int	97.4%	107.4%	93.6%	125.0%	105.6%	96.1%
Mean	98.6%	99.8%	92.4%	105.4%	100.6%	
Low 95% Conf Int	95.7%	92.8%	89.4%	89.7%	91.4%	
High 95% Conf Int	101.5%	106.9%	95.4%	121.1%	109.9%	
Weighted Mean	100.6%	100.7%	93.5%	94.3%	96.2%	
Low 95% Conf Int	96.2%	94.8%	90.4%	82.2%	86.4%	
High 95% Conf Int	105.0%	106.5%	96.5%	106.3%	106.0%	
Coefficient of Dispersion	15.9%	15.8%	17.9%	33.3%	22.2%	18.8%
Low 95% Conf Int	13.9%	12.1%	15.9%	25.9%	17.5%	15.6%
High 95% Conf Int	18.4%	22.5%	20.4%	50.0%	30.0%	22.5%
Price Related Differential	98.0%	99.1%	98.9%	111.8%	104.6%	

STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 37 of 79

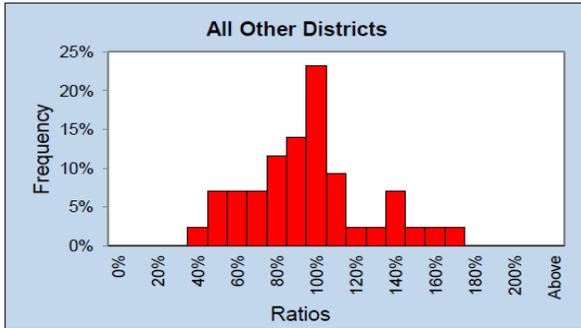
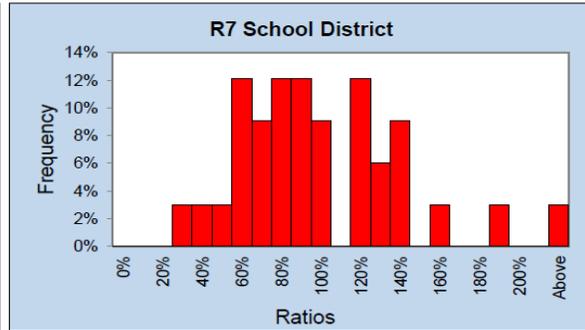
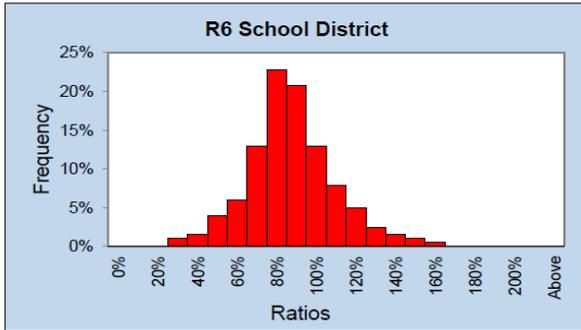
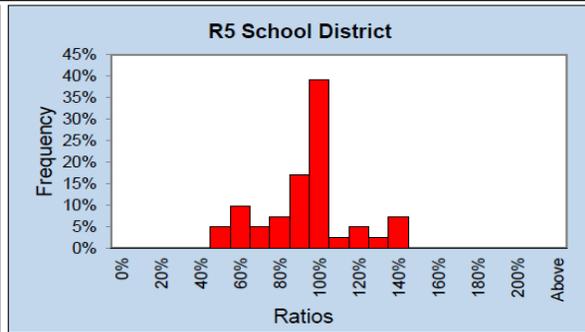
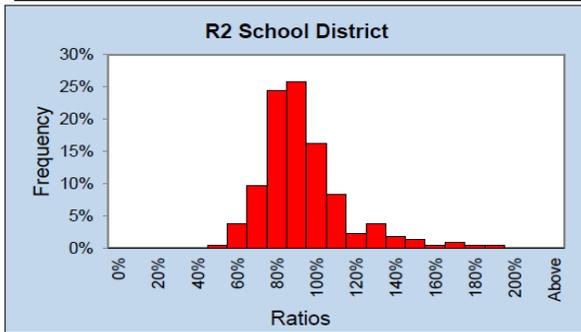
XYZ (Final)

Stratification by School District

Page 9

2009 Reassessment

Sales Ratio Histograms by Stratum



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 38 of 79

4.6.3 COUNTY MEETING PROCESS – Residential Sales Study

At the county meeting process, the assessor and staff have already been provided all the information used to generate the Traditional Sales Study, but now have an ability to ask any questions about the data, processes and procedures, or the statistical results. One of the important parts of the meeting process is to verify with the county that only valid and verified sales have been used in the sales study. Other common issues normally discussed deal with extreme outlier ratios; for example, it is important to verify that a vacant land sale is not being compared against an improved property value or vice versa. Even though the sales being used in the Traditional Sales Study have been provided by the county, the tentative results can indicate data entry errors, or other problems that can affect the study results.

Often the county will follow up on sale parcels that are discussed and then will provide the Commission with explanations and documentation concerning each sale in question. The Commission uses the county's additional information to make determinations whether the sale parcels in question should remain in the study or if they may need to be removed. After all the information from the county meeting process is analyzed, the Commission then determines a final ratio study result.

4.7 RANDOM APPRAISAL STUDY

(Residential, Agricultural, and Commercial)

Agricultural and commercial properties are only analyzed by appraisal studies whereas residential property can be analyzed by either sales or appraisals. Sales studies for the agricultural and commercial subclasses are less likely to result in justifiable assessment level estimates.

For the residential subclass, if the Reliability Test from the Traditional Sales Study shows that the sales data is not representative or does not pass the Reliability Test for any other reason, then the Commission will utilize a random appraisal study to determine the level of assessment. In a random appraisal study, the Commission takes a random sample of all of the residential parcels in the county and then sends staff appraisers to appraise those properties that were randomly selected. Currently, the Commission uses 25 random samples for a residential study. The resulting appraised values are used as proxies for market value and compared to the county's value to determine the ratios used in the ratio study.

Agricultural studies rely mainly on the productivity value of the land, rather than market value. Market value sales do not reflect productivity values based on the grading required by the State Tax Commission. No comparison can be made between productivity values determined by the

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 39 of 79

assessor and market values from sales. Due to the different definitions of value being measured (productivity value vs. market value), no valid, reasonable, or reliable conclusions can be drawn from a sales ratio study on agricultural property. Assessors do use market value sales for analyses on those agricultural properties where market value determinations are required, but this is such a small minority of the agricultural parcels that it still renders an overall sales ratio study to be inadequate for this classification of property.

The inherent disadvantages that can exist in sales are more common in commercial property. The number of sales and/or turnover rate is often inadequate to meet the standards of the State Tax Commission. For commercial property sales, there is immense difficulty separating out intangible value, personal property, and other valuable assets or considerations to obtain an adjusted sale value that appropriately represents the real property value. Additionally, it is much more difficult, subjective and burdensome to accurately validate sales for these properties. Therefore, a random independent appraisal study is utilized to produce valid statistical results that can accurately determine the level of assessment for commercial properties.

A stratified random sample is taken from the subclass population to determine which properties will be appraised.

4.7.1 APPRAISAL VALUATION

In the valuation phase, it is the responsibility of the appraiser to research the marketplace and to seek the market information necessary to arrive at the market value of the properties being appraised. This does not apply, however, in the valuation of agricultural and horticultural land when such lands are valued by their productive capability. The effective date of all appraisals completed during the two-year period is January 1 of the reassessment year, or odd-numbered year, being studied. This conforms to the same effective date of appraisal that is used by the assessor in establishing the assessed values on the parcels selected. The Commission has adopted the Uniform Standards of Professional Appraisal Practice (USPAP) as the standard to which appraisals performed for the State Tax Commission must comply, following the recommendations in the *IAAO Standard on Ratio Studies*.

The appraisals performed by ratio staff appraisers employ one or more of the following approaches to value:

- Cost Approach
- Sales Comparison Approach
- Income Approach

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 40 of 79

The applicability of using any of the approaches is dependent upon the market data available for each individual appraisal.

4.7.1.A Residential / Agricultural Property

Market value is the basis of value for properties in the residential subclass. In the agricultural subclass, buildings and other structures customarily associated with farming and agricultural lands that are vacant and unused, in accordance with Section 137.017(4), RSMo, are valued under the market value concept. Lands that are used for agricultural and horticultural purposes are valued in accordance with the land's productive capability and graded using one of the eight (8) grades published by the Commission.

One of the benefits of implementing the two-year ratio study cycle is the improvements made in the valuation process. One of the improvements involves researching and inspecting market information. Appraisers now have the time to look for additional sales information and to inspect the properties that have sold to verify their comparability to the subject properties. The second improvement involves documenting the methodology employed by the appraiser in arriving at the appraised value of the properties in the study. It is important in reviewing an appraisal that the reader, or reviewer, is able to arrive at the same value conclusion as the appraiser who prepared the report. Appraisal reports have been produced and reviewed digitally since 2005. Any data, information and documentation necessary to support the appraiser's opinions and conclusions are kept in a work file. The appraiser's work file is retained for a minimum of ten (10) years after preparation or two (2) years after the final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

In selecting counties for the ratio study, priority is given to those counties where preliminary research indicates potential valuation and/or other issues may exist that substantially impact the tax base.

4.7.1.B Commercial Property

Market value is the basis of value for properties in the commercial subclass. As with the residential and agricultural appraisals, the two year ratio study cycle for completing the appraisals improves the final product. Benefits are gained in the improved appraisal reporting format and the additional time to investigate the marketplace for comparable sales and rentals that are essential to the valuation process. It should be noted that the Commission currently performs commercial appraisal studies on approximately half of Missouri's counties every two years and that it takes four years to complete all counties for the commercial subclass. This practice was deemed necessary due to budget and staffing reductions. In making the decision to extend the time frame for measuring commercial assessments in all Missouri counties, particular

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 41 of 79

scrutiny was given to the complexities and nuances of the commercial real estate market. It generally takes longer to recognize trends in commercial real estate due to the timing of leases and the overall scarcity of sales and income information available at any time, and historical information indicated that commercial assessments had far less variability between cycles than the residential subclass.

In selecting counties for the ratio study, priority is given to those counties where preliminary research indicates potential valuation and/or other issues may exist that substantially impact the tax base.

4.7.2 INTERNAL REVIEW

The internal review process consists of two components. The main component involves a review of the procedures used in the appraisal process and the second component is a desk audit for quality control purposes.

The review is completed by the appraiser supervisor who checks for compliance with internal policies and procedures. Supervisors use the market information supplied by the appraiser plus any supplemental available market data that might be obtained in the review process. Desk audits are completed by Management staff on an 'as needed' basis to assist in maintaining quality control and adherence to policies and procedures.

An illustrative sample of a residential appraisal report is shown in **Exhibit 4-17**. The appraisals may contain more information than is shown (zoning documents, maps, community information, etc).

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 43 of 79

RATIO STUDY DATA REPORT	
Owner's Name: <u>Doe, John and Jane</u>	County/Sample No. <u>1 / 1</u>
Situs Address: <u>123 Smith Street</u>	Date of Inspection <u>07/04/10</u>
City: <u>Anytown</u>	
Parcel Number: <u>1-22-333-444-55</u>	
Discrepancy: <input type="checkbox"/> Classification <input type="checkbox"/> Mapping <input type="checkbox"/> PRC Data	
Appraiser's Comments:	
Small difference in deck measurements.	
Review Appraiser's Comments:	
The differences noted are deemed to be insignificant, but may indicate the deck was replaced since the assessor's last inspection of the property.	

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 44 of 79

SUBJECT PHOTOGRAPH SHEET

COUNTY-SAMPLE NUMBER: 01/01
PHOTO PAGE NUMBER: 1



Typical Street Scene:



Typical Street Scene:



Front View of Subject:



Rear View of Subject:

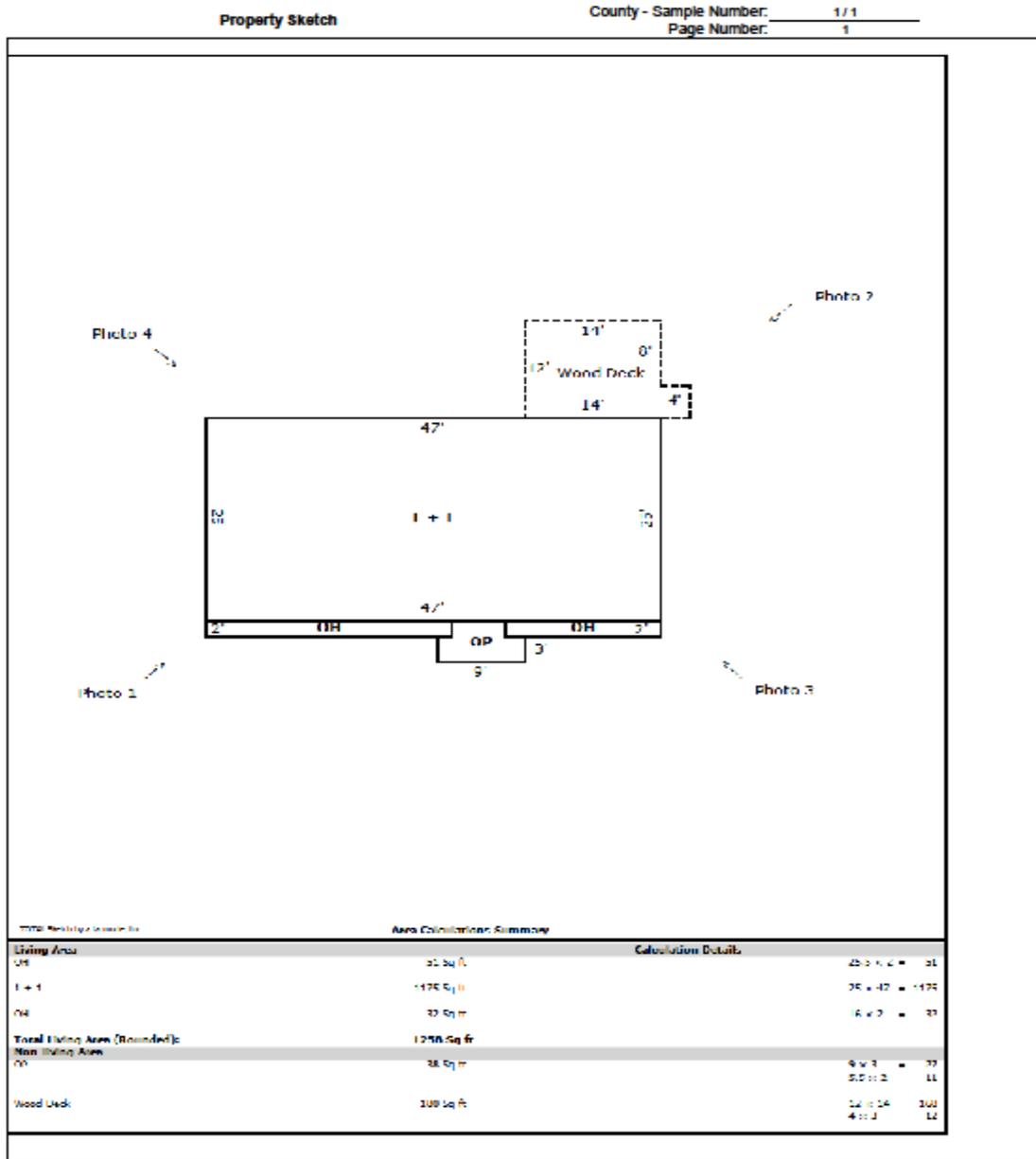
**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 45 of 79



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

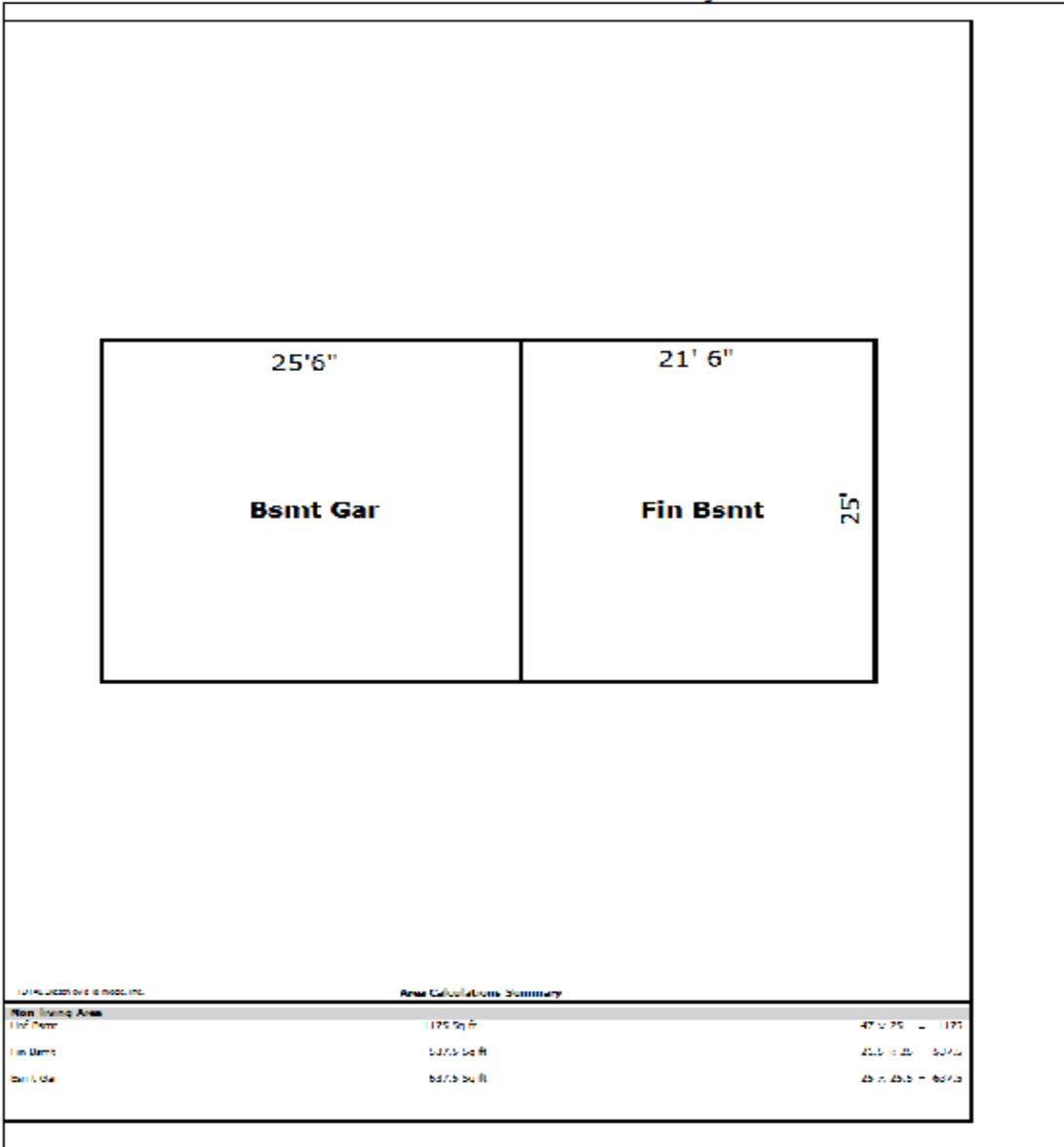
RATIO STUDY

REVISION DATE: 5/5/2014

Page 46 of 79

Property Sketch

County - Sample Number: 1/1
Page Number: 2



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 47 of 79

NEIGHBORHOOD/MARKET AREA DESCRIPTION			
NEIGHBORHOOD	DEFINE NEIGHBORHOOD: Green Grass Subdivision		COUNTY-SAMPLE NUMBER: 1 / 1
	Present Neighborhood Land Use(s)		
NEIGHBORHOOD	PREDOMINANT USE: <u>Residential</u> OTHER USES IN NEIGHBORHOOD: <input checked="" type="checkbox"/> Single Family <input type="checkbox"/> Multi-Family <input type="checkbox"/> Farm/Vac. Ag <input type="checkbox"/> Commercial <input type="checkbox"/> Industrial Other: _____		
	LOCATION:	<input checked="" type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	BUILT-UP: <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25 - 75% <input type="checkbox"/> Under 25%
NEIGHBORHOOD	CHANGE IN LAND USE:	<input checked="" type="checkbox"/> Utility <input type="checkbox"/> Utility <input type="checkbox"/> Taking Place from _____ to _____	
	One-Unit Housing Trends	Property Values <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining Demand/Supply <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	
NEIGHBORHOOD	One-Unit Housing	Price	
		↓	
		\$90,000	Low
		\$125,000	High
		\$90,000	35
SUBJECT	SUBJECT IMPROVEMENTS:	<input checked="" type="checkbox"/> Paved Streets <input type="checkbox"/> Gravel Streets/Roads <input type="checkbox"/> Sidewalks <input checked="" type="checkbox"/> Street Lights <input checked="" type="checkbox"/> Curbs & Gutters <input type="checkbox"/> Off Street Parking Other: _____	
	SUBJECT TOPOGRAPHY:	<input type="checkbox"/> Level <input checked="" type="checkbox"/> Gently Rolling <input type="checkbox"/> Rolling <input type="checkbox"/> Steep <input type="checkbox"/> Low <input type="checkbox"/> Flood Plain	
	SUBJECT SITE UTILITIES:	PUBLIC: <input checked="" type="checkbox"/> Electricity <input checked="" type="checkbox"/> Natural Gas <input checked="" type="checkbox"/> Public Water <input checked="" type="checkbox"/> Sanitary Sewers <input checked="" type="checkbox"/> Storm Sewers PRIVATE: <input type="checkbox"/> Septic <input type="checkbox"/> Lagoon <input type="checkbox"/> Well <input type="checkbox"/> Private Water Other: _____	
SUBJECT	ZONING:	<input checked="" type="checkbox"/> In Compliance (Legal, Legal Non-Conforming) <input type="checkbox"/> No Zoning <input type="checkbox"/> Unknown Zoning District: _____ Other: _____	
	State the use of the real estate existing as of January 1,2011: <u>Residential</u>		
	State the use of the real estate reflected in the appraisal: <u>Residential</u>		
	Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe: _____		
	SUBJECT HIGHEST AND BEST USE:	<input checked="" type="checkbox"/> Present If Other, explain: _____	
EXPOSURE TIME	<input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3 - 6 mths <input checked="" type="checkbox"/> Over 6 mths		
General and Neighborhood Data Analysis/Market Conditions:			
The subject is in a homogenous area of similar age/size/style homes in an area of town that is mostly developed. There is good access to major roads, and the subject is within walking distance of a public elementary school. Homes in area are similar in age, style and quality. Local market statistics show property values to be stable with adequate supply and demand, however homes are taking longer to sell at the present time. There is no evidence of foreclosure activity affecting the subject's immediate neighborhood, and the sales researched do not show any loss in value vs. older sales. When considering the subject's neighborhood, there are no negatives to report which would have a detrimental effect on value. The subject is in a desirable area that has a proven track record of marketability.			

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 50 of 79

COMPARABLE LAND SALE PHOTOGRAPH SHEET

COUNTY-SAMPLE NUMBER: 01/01



SALE 1 DESCRIPTION:
111 Good Drive



SALE 2 DESCRIPTION:
201 Curvy Road



SALE 3 DESCRIPTION:



SALE 4 DESCRIPTION:

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 52 of 79

STC Input Data Report

Estimate Number: 405
Category: ESTR

General Information

Building Data

Residence Type: Single-family Residence
Style: Bi-level
Total Floor Area: 1,258
Quality: 2.5 Fair/Average
Condition: 3 Average

Depreciation

Type: M&S Table, M&S Typical Life, Condition Adj.
Cost as of: December, 2010
Effective Age: 20
Typical Life: 53
Functional: \$0 plus 0%
External: \$0 plus 10%

Apply all percentages to Replacement Cost New

Component	Units/%	Quality	Depreciation
Exterior Walls			
107 Frame, Siding, Vinyl	100%		
Roofing			
208 Composition Shingle	100%		
Heating/Cooling			
351 Warmed & Cooled Air	100%		
Miscellaneous			
601 Plumbing Fixtures (#)	8		
602 Plumbing Rough-ins (#)	1		
622 Raised Subfloor (% or SF)	100%		
641 Single 1-Story Fireplace (#)	1		
Appliances			
502 Automatic Appliance Allowance			
Floor Cover			
402 Automatic Floor Cover Allowance			
Basement			
801 Total Basement Area (SF)	1,175		

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 53 of 79

Component	Units/%	Quality	Depreciation
803 Partition Finish Area (SF)	538		
805 Basement Garage, Single (#)	2		
Porch/Deck			
901 Open Slab Porch (SF)	38		
903 Wood Deck (SF)	180		
Land/Site			
691 Land Value (\$)	21,500		
694 Site Improvements, Undepreciated (\$)	1,200		

Additions

Remarks

TEL is 53

Overall well kept home in area of similar style, quality, and age of homes. Siding and windows appear to be fairly new, roof is fair with older AC. Overall no maintenance concerns at this time.

A test was conducted on the local multiplier and it was determined that 10% extra depreciation is needed to calibrate the Marshall & Swift costs to this market area.

Using the Marshall Swift Residential Estimator a Cost approach value of \$120,700 has been determined.

Notes

Cost Adjustment

Local Multiplier:	1.01 (Default)	Local Multiplier Adjustment:	0 (Default)
Architect's Fees:	1.05 (Default)	Rounding Value:	1
Report Date:	12/2010 (Default)	Single-Line Backdate:	12/2010 (Default)
Base Date:	12/2010	Effective Age Adj. Value:	0 (Default)
Depreciation % Adj. Value:	0 (Default)	Energy Adjustment:	Moderate (Default)
Foundation Adjustment:	Moderate (Default)	Hillside Adjustment:	Flat
Seismic Adjustment:	No Adjustment	Wind Adjustment:	No Adjustment
Type Name:	None (Default)		

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 54 of 79

STC Cost Report

Cnty-Sample Number:	01-01
County Name:	Yancy
Parcel ID No.:	1-22-333-444-555
Year Built:	1975+-
:	
Situs Address:	123 Smith Street
City:	Anytown
State:	Missouri
Local Cost Code:	65300
:	
Intended User:	State Tax Commission of Missouri
Appraiser:	
Date of Inspection:	1/1/2011
Date of Appraisal:	01/01/2011
Single-family Residence	Floor Area: 1,258 Square Feet
Effective Age: 20	Quality: 2.5 Fair/Average
Cost as of: December, 2010	Condition: 3 Average
Style: Bi-level	
Exterior Wall: Frame, Siding, Vinyl 100%	
Plumbing Fixtures: 8	

	Units	Cost	Total
Base Cost	1,258	56.86	71,530
Plumbing Fixtures	8	1,081.60	8,653
Composition Shingle	1,258	2.13	2,680
Raised Subfloor	1,258	7.24	9,108
Floor Cover Allowance	1,258	2.96	3,724
Warmed & Cooled Air	1,258	5.71	7,183
Plumbing Rough-ins	1	457.60	458
Single 1-Story Fireplace	1	2,990.00	2,990
Appliance Allowance	1	2,496.00	2,496
Basic Structure Total Cost	1,258	86.50	108,822
Total Basement Area	1,175	16.64	19,552
Partition Finish Area	538	24.51	13,186
Subtotal Basement			32,738
Open Slab Porch	38	6.33	241
Wood Deck	180	14.49	2,608
Subtotal Extras			2,849
Replacement Cost New	1,258	114.79	144,409
Physical + Functional Depreciation 23.0%			33,214
External Depreciation (10.0% RCN)			14,441
Total Depreciated Cost			96,754
Land			21,500
Site Improvements			1,200

Marshall & Swift/Boeckh, LLC and its licensors. Residential Estimator 7 - Standard
Estimate: 405
Date Printed: 5/6/2012
Page 1 of 2

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 55 of 79

	Units	Cost	Total
<u>Non Building</u>			22,700
<u>Total</u>			<u>\$119,454</u>
<u>Total, Rounded to Nearest \$1</u>			<u>\$119,454</u>

Cost data by Marshall & Swift/Boeckh, LLC and its licensors.

Remarks

TEL is 53

Overall well kept home in area of similar style, quality, and age of homes. Siding and windows appear to be fairly new, roof is fair with older AC. Overall no maintenance concerns at this time.

A test was conducted on the local multiplier and it was determined that 10% extra depreciation is needed to calibrate the Marshall & Swift costs to this market area.

Using the Marshall Swift Residential Estimator a Cost approach value of \$120,700 has been determined.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 57 of 79

Residential Sales Comparison Approach - Page 2	County-Stamp No. 1771						
<p style="text-align: center;">Value by Sales Comparison Approach</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Land</td> <td style="text-align: right;">\$22,700</td> </tr> <tr> <td style="padding-right: 20px;">Improvement</td> <td style="text-align: right;">\$64,000</td> </tr> <tr> <td style="padding-right: 20px;">Total</td> <td style="text-align: right;">\$116,700</td> </tr> </table>	Land	\$22,700	Improvement	\$64,000	Total	\$116,700	
Land	\$22,700						
Improvement	\$64,000						
Total	\$116,700						
<p>Comparable Sales Comments: All of the comparables are similar to the subject in all major facts and would appear to a similar buyer profile. All of the sales were built in the same time frame as the subject and have had similar maintenance over the years and exhibit a similar overall condition. There were few adjustments necessary because of the good comparability of the sales to the subject.</p> <p>The sales information in the neighborhood does not support a time adjustment. It appears that values have stayed the same in this area of affordable homes since 2007, but there is no evidence of a market decrease in this neighborhood. The appraiser did not locate any for adverse related activity in the area and local Realtors have confirmed that the particular neighborhood has not suffered from the declining/homeowner issues in other parts of the community.</p> <p>All of the comparables are very similar and none excel over the others in comparability. The appraiser gave equal weighting to the sales as they are all equal in their reliability as value indicators.</p>							
<p style="text-align: center;">Reconciliation:</p> <p>All of the comparables are very similar and none excel over the others in comparability. The appraiser gave equal weighting to each of the sales as they are all equal in their reliability as value indicators. A range of \$116,670 to \$117,200 is shown. \$116,700 is used to indicate final value for the subject.</p>							
<p>INCOME APPROACH (IF APPLICABLE)</p> <p>Monthly Rent Amount _____ Gross Rent Amount _____ Sales Price _____ GRM: _____</p> <p>Estimated Monthly Market Rent \$ _____ x Gross Rent Multiplier _____ = \$ _____ Indicated Value by Income Approach _____</p> <p>Summary of Income Approach including support for market rent and GRM reconciliation: The subject is in a neighborhood of owner-occupied housing with no rental data available; therefore the income approach was not applicable.</p>							

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 58 of 79

COMPARABLE IMPROVEMENT SALE PHOTOGRAPH SHEET

COUNTY-SAMPLE NUMBER: 01/01



SALE 1 DESCRIPTION:
129 Smith Street



SALE 2 DESCRIPTION:
199 Good Luck Lane



SALE 3 DESCRIPTION:
138 Smith Street



SALE 4 DESCRIPTION:
1204 Simple Street

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 59 of 79

4.7.3 EXTERNAL REVIEW - County Meeting

The external review phase is that part of the process that allows the assessor to have input into the appraisal study and may include a meeting at their request.

Upon completion of the internal review, the Tentative Ratio Study is completed. The individual samples, their assessment, and staff appraised values are detailed in a Ratio Report, a corresponding Statistical Report in sample order, and a corresponding Statistical Report in Ratio Order. These three reports along with a digital copy of the Ratio appraiser's county work are provided to the county assessor for review. The Ratio appraiser's county work will include each individual appraisal, special studies performed, county-city data, flood maps if required, etc.

The purpose of the external review is to secure any additional information that may assist the Commission in completing a fair and impartial study. The type of information typically obtained includes additional sales information, local factors that may have an impact on value, identification of incorrect parcels, land classification information, etc.

A member of the Ratio Section staff contacts the assessor to ask if a meeting to discuss the appraisals is wanted. At the meeting the appraiser receives input along with supporting documentation from the assessor on those properties on which the assessor wishes to comment. The comments are recorded on the County Meeting Review Form as shown in **Exhibit 4.18**. The purpose of the meeting is to obtain additional information, discuss the statistics that appear on the Statistical Report and to record any comments and concerns.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 60 of 79

Exhibit 4-18

County Meeting Review Form

County Name:

Date:

Review Appraiser:

Appraiser:

Sample #	Original Value:	Final Value:
Discussion of Assessor's Issues		Reconciliation Comments:

Sample #	Original Value:	Final Value:
Discussion of Assessor's Issues		Reconciliation Comments:

Sample #	Original Value:	Final Value:
Discussion of Assessor's Issues		Reconciliation Comments:

Sample #	Original Value:	Final Value:
Discussion of Assessor's Issues		Reconciliation Comments:

STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 61 of 79

After each meeting, the appraiser and review appraiser conduct site inspections of any properties for which new sales information is provided. They also re-inspect any property that requires a second review based upon information provided at the meeting.

After the meeting and any additional field reviews are completed, the appraiser and appraiser supervisor meet to review the appraisals in light of the comments and information obtained at the meeting. When an adjustment or change is warranted, they will then document their recommendation on the County Meeting Review Form. The appraiser will make the necessary changes in accordance with their agreed recommendations.

The final step in this part of the external review process is the generation of a revised ratio, referred to as the **Final Ratio**, and the redistribution of the final results to the county assessor.

4.8 PROGRESSIVE HYBRID STUDY (as needed)

The Progressive Hybrid Study is an analysis that combines sales and appraisals to determine the level of assessment. If the tentative results of the Traditional Sales Study suggest that the county's overall level of assessment is out of compliance, and the sales do not adequately represent the population as defined by the Decision Model, then the Progressive Hybrid Study is utilized. To qualify for the Progressive Hybrid Study, the Traditional Sales Study must show three inadequacies:

- The overall statistics are out of compliance.
- The overall weighted statistics are out of compliance.
- The sales insufficiently represent the population with respect to the predefined locations.

In the Progressive Hybrid study, all residential properties that are in the area(s) not represented by the sales study are subject to random independent appraisals. All areas with insufficient numbers of sales are combined and then a random sample appraisal study is performed for these combined areas. Once the appraisals have been reviewed and confirmed, they are combined with the sales study results (in the areas that are adequately represented by sales) to form the Progressive Hybrid Study. The Progressive Hybrid study results are reported by the overall weighted statistics which give weight to both the areas represented by sales and the areas represented by appraisals.

The internal and external review process for the sales portion of the Hybrid Study is the same as it is for the Traditional Sales Study (see 4.6.2). The internal and external review process for the appraisal portion of the Hybrid Study is the same as it is for the Random Appraisal Study (See 4.7.2 and 4.7.3).

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 62 of 79

The Progressive Hybrid Study Report is similar to that of the Traditional Sales Study report for the county with two differences:

- 1) Cover Page reflects the overall weighted statistics from the Location stratification
- 2) The Location stratification page shows the areas where appraisals were performed along with the statistical results from the appraisals.

The comprehensive report given to the county contains the Progressive Hybrid Study results, the Traditional Sales Study results, and the Appraisal Study results used in the analysis.

An example of the Cover Page and the Location stratification page from a Progressive Hybrid Study is shown on the following pages:

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 63 of 79

Exhibit 4-19

<i>State Tax Commission of Missouri</i>				
Residential	◇	LMN (HYBRID)	◇	
		2009 Reassessment		
 <p style="font-size: small; margin-top: 10px;">State Tax Commission of Missouri 301 West High Street PO Box 146 Jefferson City, MO 65102-0146 Phone: (573) 751-2414 Fax: (573) 751-1341</p> <p style="font-size: small; margin-top: 10px;">Three ratio study procedures are available for analysis:</p> <p>1) Traditional Sales Study A sales study that analyzes assessment levels based on sales stratified by land use, location, and characteristics of property.</p> <p>2) Progressive Hybrid Since sales often do not emulate the characteristics or attributes of the entire jurisdiction, restraints and expectations have been placed to ensure the quality of the data set. Unreliable sales samples within slow market areas may be supplemented by the hybrid study to reflect the trends of the county.</p> <p>3) Random Appraisals For many jurisdictions, the availability of sales is scarce. In such scenarios, parcels will be randomly appraised. Every parcel will have an equal chance to be selected in the random appraisal study.</p> <p style="font-size: small; margin-top: 10px;">http://www.stc.mo.gov/</p>	Measures of Central Tendency		@19%	
			@100%	
	<i>Weighted Median Ratio</i>		16.87%	88.76%
	<i>Weighted Mean Ratio</i>		17.22%	90.62%
	<i>Mean Ratio</i>		19.10%	100.54%
	Measures of Precision		@19%	@100%
	Weighted Median Confidence Interval			
	<i>95% Low</i>		16.28%	85.69%
	<i>95% High</i>		19.09%	100.49%
	Measures of Assessment Quality			
	<i>Weighted Coefficient of Dispersion</i>			35.82%
	<i>Price Related Differential</i>			115.39%
	Sample Data			
	<i>Pre-Trim Sample Size</i>			100
	<i>Low Trims</i>			0
<i>High Trims</i>			1	
<i>Post-Trim Sample Size</i>			99	
<i>Number of Assessments</i>			7,855	

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 64 of 79

School District	R1	STC Appraisals	
Sample Size	78	25	
High Trims	1	0	
Low Trims	0	0	
Total Trimmed	1	0	
Remaining	77	25	
Population	4,877	2,978	
Proportion	62.09%	37.91%	

Post Trim Statistics	R1	STC Appraisals	Overall Weighted
Sample Size	77	25	102
Median	89.0%	86.7%	88.8%
<i>Low 95% Conf Int</i>	86.7%	75.9%	85.7%
<i>High 95% Conf Int</i>	103.1%	111.5%	100.5%
Mean	99.7%	120.8%	
<i>Low 95% Conf Int</i>	91.6%	85.3%	
<i>High 95% Conf Int</i>	107.7%	156.2%	
Weighted Mean	91.0%	89.6%	
<i>Low 95% Conf Int</i>	86.2%	78.6%	
<i>High 95% Conf Int</i>	95.9%	100.7%	
Coefficient of Dispersion	25.8%	53.3%	35.8%
<i>Low 95% Conf Int</i>	19.8%	27.6%	17.1%
<i>High 95% Conf Int</i>	32.7%	94.4%	75.0%
Price Related Differential	109.5%	134.7%	115.4%

Comments
Appraisals were randomly done in these school districts: R-2, R-3, R-6, Home Town

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 65 of 79

4.9 DECISION MODEL

The Decision Model is the logical process to determine if a county is in compliance with State Tax Commission criteria for acceptable assessment performance. The diagrams on the following pages are used to illustrate the necessary steps used in the decision making process.

4.9.1 RESIDENTIAL DECISION MODEL

There is a different decision model process for Traditional Sales Studies, Progressive Hybrid Studies and Random Appraisal Studies.

For residential property, the Commission attempts to perform a Traditional Sales Study in all 115 assessment jurisdictions. If the Traditional Sales Study cannot be completed, then either the Progressive Hybrid Study or Random Appraisal Study will be utilized.

For agricultural and commercial property, the Commission only utilizes Random Appraisal Studies.

The diagrams on the following pages illustrate the steps in the decision model process for residential property.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

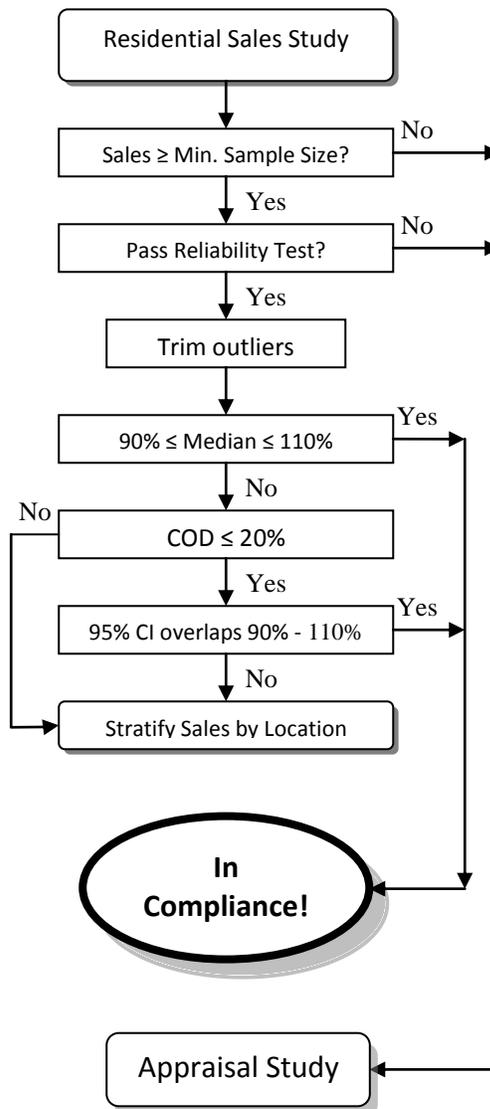
RATIO STUDY

REVISION DATE: 5/5/2014

Page 67 of 79

RESIDENTIAL TRADITIONAL SALES STUDY (Part 1)

- Sales information and other data is collected from county assessors.
- A minimum number of sales is determined to reach an adequate sample size.
- A Reliability Test is performed to ensure the sales are representative and that the data is reliable.
- The sales are trimmed to remove influential outliers.
- If the median is within 90%-110%, the county is in compliance.
- If the median is outside of the 90%-110% requirement, then the COD (Coefficient of Dispersion) is observed. If the COD is less than 20% and the median 95% confidence interval overlaps 90% or 110%, the county is in compliance.
- If the median is outside of the 90%-110% requirement and the COD is greater than 20% or the confidence interval does not overlap 90% or 110%, then the sales are stratified by location.



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

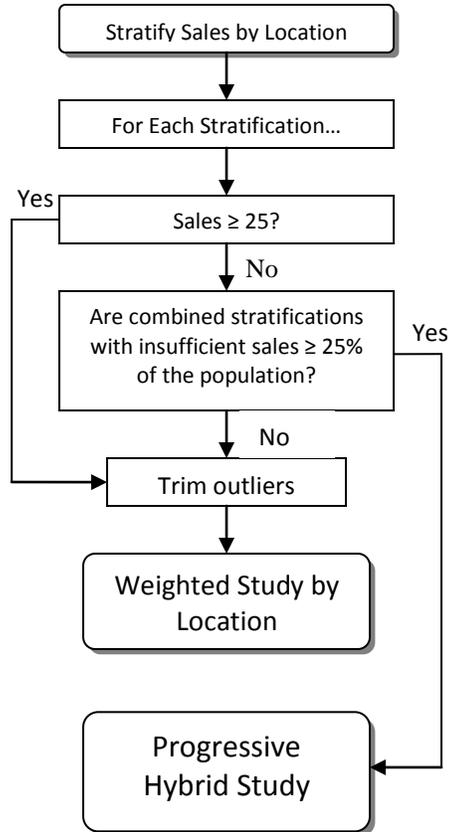
RATIO STUDY

REVISION DATE: 5/5/2014

Page 68 of 79

RESIDENTIAL TRADITIONAL SALES STUDY (Part 2)

- The STC defaults to school district as the preferred location variable, however the county can request other location variables.
- Each location is identified and observed individually in the study.
- Each location has to meet a minimum sample size requirement of 25 sales.
- If there are at least 25 sales, then the sales ratios are trimmed and used to analyze properties in the area.
- If there are less than 25 sales in any location, then all locations with fewer than 25 sales are identified and then combined together.
- If the merged locations are at least 25% of the county's parcel count, then the sales will be rejected and there will be a random appraisal study in these locations which lack sufficient sales.
- The Progressive Hybrid Study considers a sales study in the areas of the county that are represented by sales and appraisals in the areas of the county that have insufficient sales samples.
- The overall statistics for the ratio data is calculated and weighted by the proportions of the parcel counts.



**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

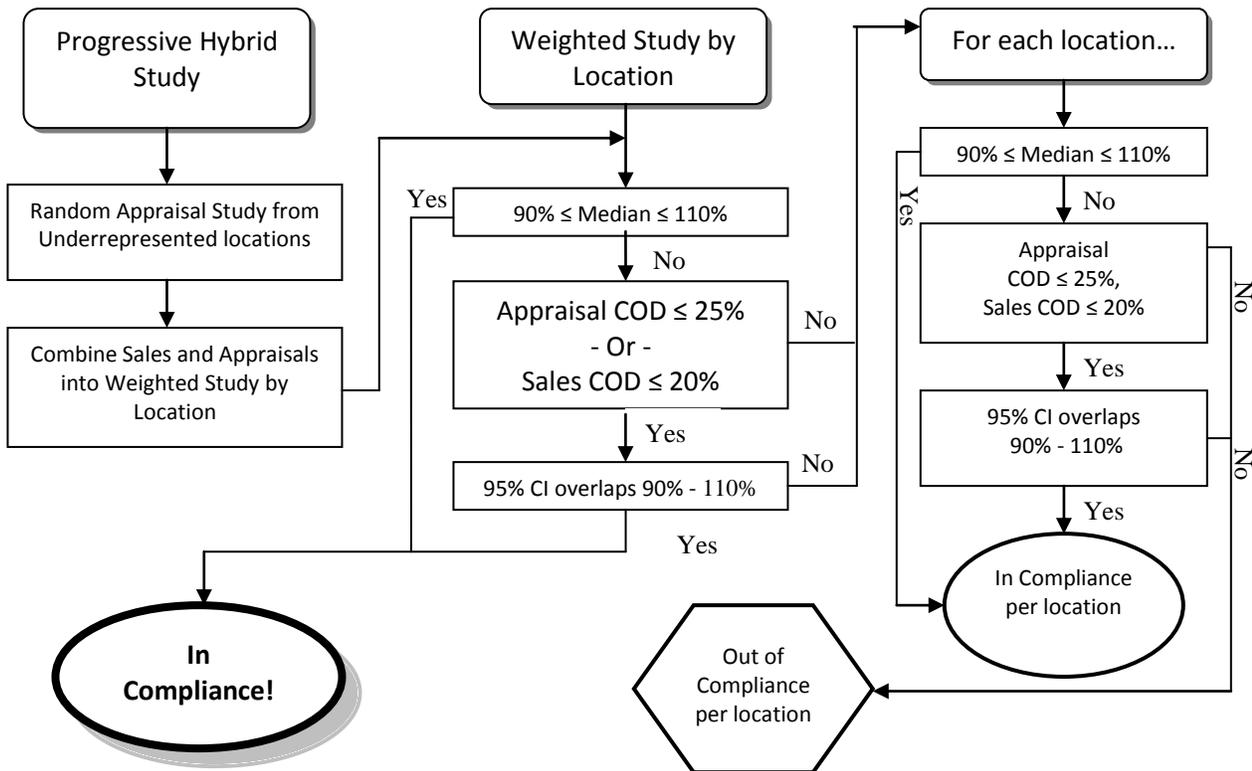
CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 69 of 79

RESIDENTIAL WEIGHTED SALES & PROGRESSIVE HYBRID STUDY



- Overall statistics are calculated by weighting the location studies by the parcel counts.
- If the median is within 90% to 110%, then the county is in compliance.
- If the median is outside of the 90% - 110% range, then the coefficient of dispersion is observed.
 - If the COD is within tolerance, then the median confidence interval must overlap 90% or 110% to be in compliance.
 - If the COD is out of tolerance, then each individual location is observed.
- For each stratified location, the median is observed. If the median is within 90% to 110%, then that location is in compliance.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

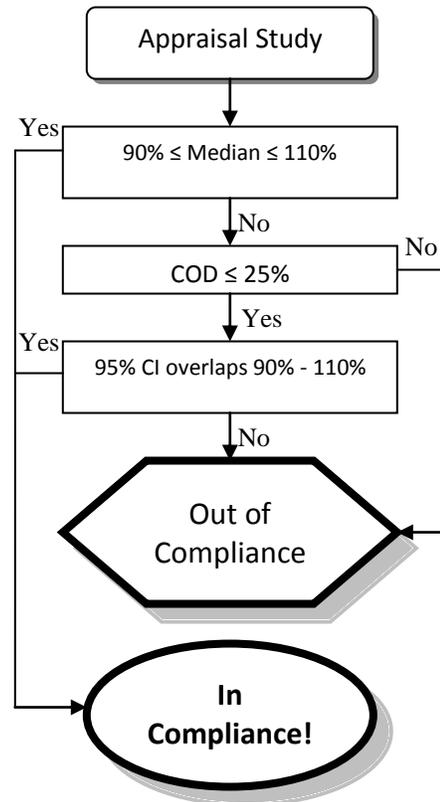
REVISION DATE: 5/5/2014

Page 70 of 79

- If the median is outside of the 90%-110% range for each stratified location, then the coefficient of dispersion is observed for each location.
 - If the COD is within tolerance, then the median confidence interval must overlap 90% or 110% for the stratified location to be in compliance.
 - If the COD is out of tolerance, then the stratified location is out of compliance.

RESIDENTIAL APPRAISAL STUDY

- A random appraisal study is performed for approximately 25 randomly selected parcels in the county.
- If the median is within the 90% - 110% range, then the county is in compliance.
- Otherwise, if the median is outside of the 90%-110% range, then the COD is observed.
- If both median and COD are out of tolerance, then the county is out of compliance.
- If the COD is less than 25%, then the median confidence interval must overlap either 90% or 110% to be in compliance.



4.9.2 AGRICULTURAL & COMMERCIAL DECISION MODEL

The decision model for agriculture and commercial property follows similarly to the residential decision model for the appraisal study (shown above). The only exceptions are that the allowable COD increases to 30% for agricultural and commercial property and these studies utilize approximately 30 samples as these subclasses have more variability than the residential subclass.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 71 of 79

For agricultural or commercial appraisal studies, if the median is outside of the 90%-110% range, then the coefficient of dispersion must be less than 30%. If the COD is less than 30%, then the median confidence interval must overlap 90% or 110%.

4.10 STATISTICS

Statistics is the branch of applied mathematics that concerns itself with the collection of quantitative data, testing inferential hypotheses, and estimating population parameters using probability theory.

The statistics used by the Commission begins with a defined population. A **population** is the set of all entities the study finds of interest. All vacant and improved parcels residing in the residential subclass comprises the residential population for that county. A **simple random sample** is a representative subset of the population. A study is said to be **random** if each individual from the population has an equal chance of entering the set of sample selections. Samples are **independent** if the value or results of one individual does not affect another. The Commission utilizes both random (appraisal studies) and non-random (sales studies) sampling in the performance of ratio studies.

Data, the collection of factual information, is drawn from the study of each individual from the sample. The Commission uses both qualitative and quantitative values to form inferences that justify hypotheses. An **inference** is the deductive and inductive logical reasoning involved in forming a conclusion or premise. A **statistic** is the arithmetic metric that is derived from an inference to describe a sample. Statistics are often considered to be estimates that describe the population's true distribution and attributes. Examples of statistics include the sample mean, and the sample variance, s^2 . A **parameter** is an estimate of the population metrics. Such examples of a parameter would be the population mean, μ , and the population variance, σ^2 . A **census** occurs when the entire population is included in the sample. It should also be known that statistics used to describe a sample are denoted with English letters whereas parameters are symbolized with the Greek alphabet.

Descriptive statistics summarize the distribution of the collected data. Knowing such information provides the ability to analyze and interpret characteristics that will be important for the study. The following sections list the important descriptive statistics used by the Commission in the performance of ratio studies.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 72 of 79

4.10.1 MEASUREMENTS OF CENTRAL TENDENCY

The **mean**, also known as the arithmetic average, is created by adding together all individual samples and dividing by the number of samples. The sample mean \bar{x} is computed as follows:

Let n represent the number of observations in the sample.

Let x_i represent the i^{th} observation of the sample.

$$\bar{x} = \frac{x_1 + x_2 + \dots + x_{n-1} + x_n}{n} = \frac{\sum_{i=1}^n x_i}{n}$$

The mean ratio is a helpful statistic. Some advantages of using the mean ratio include the ease in understanding the concept, the value of every ratio is considered, and further statistical applications can be used that are based around the value of the mean.

Table 1

Sample	Assessed Value	Appraised Value	Ratio	Ratio/0.19
1	\$5,780	\$42,200	0.1370	72.1%
2	\$100	\$500	0.2000	105.3%
3	\$5,720	\$31,800	0.1799	94.7%
4	\$3,230	\$17,400	0.1856	97.7%
5	\$11,540	\$59,100	0.1953	102.8%
6	\$1,330	\$16,200	0.0821	43.2%
7	\$4,580	\$25,900	0.1768	93.1%
8	\$3,290	\$20,800	0.1582	83.3%
9	\$3,840	\$22,300	0.1722	90.6%
10	\$5,350	\$35,700	0.1499	78.9%
11	\$160	\$700	0.2286	120.3%

*Ratio/0.19 considers the residential assessment rate

For the mean ratio from the data provided in **Table 1**, one would add all of the ratio values together and divide by the number of samples. In this scenario,

$$\bar{x} = \frac{0.1370 + 0.2000 + \dots + 0.1499 + 0.2286}{11} = \frac{1.8655}{11} = 0.1696 \Rightarrow \frac{0.1696}{0.19} = 89.26\%$$

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 73 of 79

The mean is a biased statistic. A statistic is biased when the expected value is not equal to the population's true value. The mean is biased because of the inherent properties of ratios. A ratio that is low can be overwhelmed by a ratio that is high. When a ratio of 50% (1:2) is averaged with a ratio of 200% (2:1), the result is 125% (5:4). The ratios signaling undervalued properties have a finite range of greater than 0 to less than 1, (0,1), and the ratios signaling overvalued properties have an infinite range of greater than 1 to infinity, (1,∞).

The **median**, \tilde{x} , is the middle observation when the values of the data are arrayed (listed from smallest to largest; or listed from largest to smallest).

If the number of observations is odd,

$$\tilde{x} = \left(\frac{n+1}{2}\right)^{th} \text{ ordered value.}$$

If the number of observations is even,

$$\tilde{x} = \frac{\left(\frac{n}{2}\right)^{th} + \left(\frac{n+1}{2}\right)^{th}}{2} \text{ ordered values.}$$

That is, if the number of observations is odd, the middle observation of the ordered data is the median. When the number of observations is even, the average of the two middle-most ordered observations is the median.

Table 2

Sample	Assessed Value	Appraised Value	Ratio	Rank
6	\$1,330	\$16,200	0.0821	1
1	\$5,780	\$42,200	0.1370	2
10	\$5,350	\$35,700	0.1499	3
8	\$3,290	\$20,800	0.1582	4
9	\$3,840	\$22,300	0.1722	5
7	\$4,580	\$25,900	0.1768	6
3	\$5,720	\$31,800	0.1799	7
4	\$3,230	\$17,400	0.1856	8
5	\$11,540	\$59,100	0.1953	9
2	\$100	\$500	0.2000	10
11	\$160	\$700	0.2286	11

The median ratio is an ordered statistic that concerns itself only with the middlemost value(s). It is determined by listing the ratios in order and finding the one in the middle. **Table 2** shows the ratios listed in an ascending (increasing) order.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 74 of 79

Since there are 11 samples, $n=11$.

$$\tilde{x} = \left(\frac{n+1}{2}\right)^{th} = \left(\frac{11+1}{2}\right)^{th} = \left(\frac{12}{2}\right)^{th} = 6^{th} = 0.1768 \Rightarrow 0.1768 / 0.19 = 93.05\%$$

The **weighted mean** is another descriptive statistic that describes central tendency. Weighted means generally are used in physics to describe moments of inertia and the center of mass. However, the weighted mean can also be applied to population studies in statistics. The Commission uses the weighted mean in the ratio study. It is calculated by summing both the individual assessed values and the individual indicators of market value, sales prices or appraised values.

That is, for the weighted mean, $\bar{x} = \frac{\sum \text{Assessed}}{\sum \text{Appraised}}$.

The weighted mean reflects the relationship of the total assessed value to the total market value of each subclass. From **Table 1**, the weighted ratio would be discovered using the following formula:

$$\hat{x} = \frac{\sum \text{Assessed}}{\sum \text{Appraised}} = \frac{\$44,920}{\$272,600} = 0.1648 \Rightarrow 0.1648 / 0.19 = 86.74\%$$

4.10.2 MEASUREMENTS OF VARIATION

The **Price Related Differential (PRD)** is found by dividing the mean by the weighted mean. This comparison tests for equity between low market value properties and high value properties. Disparate values suggest that inequities may exist. Therefore, the State Tax Commission has adopted the *IAAO Standard on Ratio Studies* recommendation that price related differentials should lie between 0.98 and 1.03.

A PRD above 1.00 suggests that the assessment values placed on high-value parcels are relatively lower than the assessment values placed on low-value parcels. The ratios for higher-valued properties would tend to be below the ratios for lower-valued properties.

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 75 of 79

A PRD below 1.00 suggests that the assessment values placed on high value parcels are relatively higher than the assessment values placed on low-value parcels. The ratios for higher-valued properties would tend to be above the ratios for lower-valued properties.

From the example above,

$$PRD = \frac{Mean}{WeightedMean} = \frac{89.26\%}{86.74\%} = 1.029$$

The **Coefficient of Dispersion** (COD) is a measurement of variability that assesses the horizontal uniformity of property. A lower Coefficient of Dispersion implies a lesser amount of variability. The COD measures the average percentage deviation of the ratios from the median ratio and is calculated from the following steps:

1. Subtracting the median from each ratio.
2. Taking the absolute value of the calculated differences.
3. Summing the absolute differences.
4. Dividing by the number of ratios to obtain the “average absolute deviation.”
5. Dividing by the median.
6. Multiplying by 100.

From the data in **Table 1**, the coefficient of dispersion has been calculated:

Ratio	0.0821	0.1370	0.1499	0.1582	0.1722	0.1768	0.1799	0.1856	0.1953	0.2000	0.2286
Step 1	-0.0947	-0.0398	-0.0269	-0.0186	-0.0046	0.0000	0.0031	0.0088	0.0185	0.0232	0.0518
Step 2	0.0947	0.0398	0.0269	0.0186	0.0046	0.0000	0.0031	0.0088	0.0185	0.0232	0.0518
Step 3	0.2900										
Step 4	0.0264										
Step 5	0.1491										
Step 6	14.9116 %										

Quartiles, like medians, are ordered statistics based on the nth observation. The median divides the data set into two distinct subsets: a lower subset and an upper subset. The lower subset consists of all data ranging from the minimum value to the median and the upper subset consists of all data ranging from the median to the maximum value. The **first quartile** is the median of the lower subset and the **third quartile** is the median of the upper subset. That is, when the data is ranked in ascending order, the data ranked at the 25th percentile is the first quartile and the data

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 76 of 79

ranked at the 75th percentile is the third quartile. (The median can sometimes be considered as the second quartile.)

First Quartile	$\tilde{x}_1 = \left(\frac{n+1}{4}\right)^{th}$ ordered value.
Third Quartile	$\tilde{x}_3 = \left(\frac{3n+3}{4}\right)^{th}$ ordered value.

The **interquartile range** (IQR) is a metric that will help detect **outliers**. An outlier is an unusual observation that lies well below or well above what is expected. The interquartile range is calculated by subtracting the first quartile from the third quartile, taking the absolute value, and multiplying that by 1.5. Take this quantity and subtract it from the first quartile. That is the minimum value for the IQR. The maximum value for the IQR is obtained by adding the same metric to the third quartile.

$$IQR = (Q_1 - |Q_3 - Q_1| * 1.5, Q_3 + |Q_3 - Q_1| * 1.5)$$

Extrema are outliers that are considered to be implausible and have a heavy influence on many descriptive statistics such as the mean. Extrema ranges are calculated using 3.0 instead of 1.5 from the formula listed above.

$$EQR = (Q_1 - |Q_3 - Q_1| * 3, Q_3 + |Q_3 - Q_1| * 3)$$

Example

From the data in Table 2 in which the values are ranked, the first quartile would be the 3rd observation, 0.1499 and the third quartile would be the 9th observation, 0.1953. The interquartile range would be found as follows:

$$IQR = (0.1499 - |0.1953 - 0.1499| * 1.5, 0.1953 + |0.1953 - 0.1499| * 1.5)$$

$$IQR = (0.1499 - |0.0454| * 1.5, 0.1953 + |0.0454| * 1.5)$$

$$IQR = (0.1499 - 0.0454 * 1.5, 0.1953 + 0.0454 * 1.5)$$

$$IQR = (0.1499 - 0.0454 * 1.5, 0.1953 + 0.0454 * 1.5)$$

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 77 of 79

$$\text{IQR} = (0.1499 - 0.0681, 0.1953 + 0.0681)$$

$$\text{IQR} = (0.0818, 0.2634)$$

The State Tax Commission's trimming process uses the Interquartile Range method (with a 3.0 coefficient) applied to the logarithmic ratios.

1. Calculate the ratios for each individual in the sample.
2. Transform the ratios using the natural logarithm.
3. Compute trimming parameters using the logarithmic ratios.
 - a. First quartile Q_1 ; (25th Percentile)
 - b. Third quartile Q_3 ; (75th Percentile)
 - c. Interquartile Range; $|Q_3 - Q_1|$
4. Ratios below the lower limit, $Q_1 - |Q_3 - Q_1| * 3$, are removed.
5. Ratios above the upper limit, $Q_3 + |Q_3 - Q_1| * 3$, are removed.

The **standard deviation** measures a sample's level of variability and spread. Calculating the standard deviation of a distribution without the aid of a computer spreadsheet application can easily become a difficult task.

Step	The standard deviation of a sample is	$s = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n - 1}}$
1	First, subtract the mean from each individual, x_i	$x_i - \bar{x}$
2	Square each of these differences.	$(x_i - \bar{x})^2$
3	Add each of these differences together.	$\sum_{i=1}^n (x_i - \bar{x})^2$
4	Divide the sum of the squared differences by the number of observations minus 1.	$\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n - 1}$
5	Take the square root of this value.	$s = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n - 1}}$

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 78 of 79

Using the data from Table 1, the Standard Deviation about the Mean would be calculated as follows:

Ratio	0.0821	0.1370	0.1499	0.1582	0.1722	0.1768	0.1799	0.1856	0.1953	0.2000	0.2286
Step 1	-0.0875	-0.0326	-0.0197	-0.0114	0.0026	0.0072	0.0103	0.0160	0.0257	0.0304	0.0590
Step 2	0.0077	0.0011	0.0004	0.0001	0.0000	0.0001	0.0001	0.0003	0.0007	0.0009	0.0035
Step 3	0.0147										
Step 4	0.0015										
Step 5	0.0384										

To calculate a **sample's variance**, another measurement of variability in a sample, use the same procedure as outlined above, but stop after step 4. That is, do not find the square root.

The **standard error in a mean ratio** measures the extent to which each individual ratio in a sample differs from that of the predicted value. The standard error of the mean ratio can be estimated using a predicted value of the population's standard deviation through the standard deviation of the sample. Standard Error of Mean Ratio = $\frac{s}{\sqrt{n}}$.

Example:

Recall $s=0.0384$, as observed in the standard deviation calculation.

Recall $n=11$, which is the sample size.

The standard error of the mean ratio is $= \frac{s}{\sqrt{n}} = \frac{0.0384}{\sqrt{11}} = 0.01158$

A **confidence interval** is a range in which the true estimator of the population is expected to lie based on a predetermined percent of accuracy. For example, a 95% confidence interval gives a range of values. These values predict that the true mean of the population from which the sample was taken lies within the interval. As the confidence level decreases from 95%, the range becomes smaller. Similarly, if the confidence level increases from 95%, the range becomes larger.

The **median confidence interval**, unlike the confidence interval about the mean, is not based on the assumption of a normal distribution. It is found by ranking the data: sorting the data in order and assigning each data entry a number based on the value in relation to the others. If two or more data points are tied for the same rank, the rank assigned to these values is averaged.

After ranking the data, determine if the number of entries is even or odd. If the number is even, the number of observations one must count up and down from the median to find the control

**STATE TAX COMMISSION OF MISSOURI
ASSESSOR MANUAL**

CHAPTER:

RATIO STUDY

REVISION DATE: 5/5/2014

Page 79 of 79

limits for the 95% confidence interval about the median is found by:

$$j = \frac{1.96 \times \sqrt{n}}{2}$$

If the number of observations is odd,

$$j = \frac{1.96 \times \sqrt{n}}{2} + 0.5$$

After determining the value of j , round the value up to the highest integer. From the values that are ranked, find the median, and count up and down j data entries to find the limits of the confidence interval.