

**IOWA**  **Department of REVENUE**

**SUMMARY OF  
REAL ESTATE ASSESSMENT  
2009**

**SALES RATIO STUDY**  
Compiled by State of Iowa

Hoover State Office Building  
Des Moines, IA 50319

## FOREWARD

This assessment/sales ratio study for 2009 has been prepared in compliance with Section 421.17(6) of the Code of Iowa. The ratios presented in this report reflect assessments established as of January 1, 2009, by city and county assessors.

The initial source data concerning sales was reported on declarations of value completed by buyers, sellers, or their agents pursuant to Section 428A.1 of the Iowa Code. Additional information concerning each sale was furnished by county recorders and city and county assessors.

## INTRODUCTION

The most important aspect of property taxation is the concept that all property should be valued for tax purposes on a uniform basis so that the actual property tax burden can be distributed equitably among individual property owners.

One of the most widely used and accepted methods of determining relative levels and uniformity of assessments is the assessment/sales ratio study. Such a study, in its most fundamental analysis, is the comparison of the assessed value of an individual property to its sale price. For example, a property assessed at \$12,000 which sold for \$26,000 would have an assessment/sales ratio of 46% ( $\$12,000 \div \$26,000$ ).

The purpose of this study is to provide assessment/sales ratio information that may be utilized by property tax administrators, local assessing officials, and interested taxpayers in examining the relative levels and uniformity of assessments throughout the State of Iowa. After further refinement, the study is one factor considered by the Director of Revenue in the biennial equalization of assessments.

## STATISTICAL MEASURES

This report contains, in part, a presentation of selected statistical measures which are based upon the assessment/sales ratios. These statistical measures can be valuable tools in analyzing the ratios as explained below:

**MEAN RATIO:** Obtained by dividing the total of individual ratios for a class of realty by the number of ratios.

**MEDIAN RATIO:** The ratio located midway between the highest ratio and the lowest ratio when individual ratios for a class of realty are ranked in ascending or descending order. The median ratio is most frequently used to determine the level of assessment for a given class of real estate.

**WEIGHTED RATIO:** The ratio produced by dividing the total assessed value of all sales in a group by the total consideration of those sales.

**COEFFICIENT OF DISPERSION:** A measure of assessment uniformity based upon the degree to which individual ratios vary from the median ratio. The higher the coefficient of dispersion, the greater is the degree of inequality in assessments within a given class of property. In general, a coefficient of dispersion in excess of 20.00 indicates the existence of an inequitable assessment patten for that particular class of real estate, provided a sufficient number of sales exist.

**REGRESSION INDEX:** The regression index, which is obtained by dividing the mean ratio by the weighted ratio, is an indicator of the degree to which high value properties are over-assessed or under- assessed in relation to low value properties, provided a sufficient number of sales exist. An index of 100.00 indicates no difference in the assessments of high value properties in comparison to those for low value properties. An index greater than 100 indicates that high value properties are under-assessed in relation to low value properties. Conversely, an index of less than 100 indicates that high value properties are over-assessed in relation to low value properties. In general, the regression index should fall between 90 and 110. An index of less than 90 and more than 110 would indicate a high degree of progressivity or regressivity in the assessment pattern.

## ASSESSMENT/SALES RATIO STUDY PROCEDURES

Information concerning sales of real estate is reported by buyers, sellers, or their agents and county recorders and city and county assessors.

The initial information on transfers of real estate is reported to county recorders by buyers, sellers or their agents on declarations of value. The recorders ensure that each declaration of value form is properly completed and also provide information pertaining to the location of the property.

Declarations of value are then forwarded to the appropriate city or county assessor completion. The assessor indicates the property classification of the property, its assessed value, and whether there are any additional circumstances surrounding the sale which would indicate it was not an "arms-length" transaction.

One copy of each declaration of value form is retained by the assessor for use in conducting his or her own assessment/sales ratio study. Assessors forward the original declaration of value to the Department of Revenue on at least a quarterly basis.

Each sale is individually reviewed by the Property Tax Division staff and, if necessary, additional information is obtained by contacting the parties involved in a reported transaction. All data is manually edited, computer processed and subjected to rigid standards of error control at various stages of processing. In analyzing the data collected, standard sales ratio statistical techniques have been followed. Only those sales which are normal transactions, and therefore, indicative of market value have been included in this report. Transactions such as estate sales, family sales, tax sales, or those involving a change in use of the property have not been considered for the assessment/sales ratio study. There are numerous other major categories of conditions and circumstances surrounding sales that are commonly indicative of non-market transactions.

The flow chart on the following page illustrates the basic components and work flow of the Iowa Department of Revenue's declaration of value processing system.

# ASSESSMENT/SALES RATIO PROCESSING SYSTEM

