

MASS APPRAISAL PROCEDURES

Fayette County Appraisal District's (FCAD's) market value appraisals are performed pursuant to Article VIII, Sec. 1., of the Texas Constitution, which provides that property must be taxed in proportion to its value as determined by law, Sec. 23.01, Tax Code. Additionally its mass appraisals comply with the Uniform Standards of Professional Appraisal Practice.

Except as otherwise provided by the Texas Property Tax Code (hereafter "Tax Code"), all taxable property is appraised at its "market value" as of January 1. Under the tax code, "market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Tax Code defines special appraisal provisions for the valuation of several different categories of property. Specially appraised property is taxed on a basis other than market value as defined above. These categories include residential homestead property (Sec. 23.23, Tax Code), agricultural and timber property (Chapter 23, Subchapters C and D, Tax Code), real and personal property inventory (Sec. 23.12, Tax Code), certain types of dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), and nominal (Sec. 23.18) or restricted use properties (Sec.23.83).

The appraisal will be based on the "Highest and best use" which is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. With the exception of residence homesteads, this definition of highest and best use still applies to appraisals conducted under the Property Tax Code.

The mass appraisal process appraises all taxable real and personal property known to FCAD and values all taxable real and tangible personal property within the boundaries of FCAD, which encompasses all of Fayette County, Texas.

FCAD divisions for mass appraisal valuations:

- FCAD does not value any properties that are not within, either wholly or partially, Fayette County, Texas.
- FCAD will value only that portion of land that resides within Fayette County boundaries for properties which are split by county lines.
- School District lines throughout the county are the second boundary. Properties within each school district will be compared to each other. If a property rests within two school districts, the property will be valued as follows:
 - The property residing in School District A will be appraised according to School District A's determined market value, while the property residing in School District B will be appraised according to School District B's determined market value.
- Within rural areas of a school district, any properties existing in a subdivision will be compared to each other.
- Properties within school districts that are also located within town/city limits will be compared to each other.

FCAD utilizes the services of an appraisal contract firm to determine the valuations of all mineral appraisals and a few large industrial personal property accounts.

INTERNAL RATIO STUDIES

During the February/March time period, the Chief Appraiser or Deputy Chief Appraiser completes internal ratio studies using a computerized program, Sales Ratio Report Wizard, from True Automation. Reports are run for each school district using the following criteria:

- Residential land
- Commercial land
- Vacant town lots
- Rural land
- Structures

Examine the Coefficient of Dispersion and Ratio generated by the report.

- The Coefficient of Dispersion (COD) The COD is the ratio of the Average Absolute Deviation from the Median (MAAD) to the Median of the data. This figure should be 15% or less, with a target range of 10% to 12%.
- The Ratio is determined by dividing FCAD's market value on its current records by the sales price and/or construction costs for the current tax year for each property in the study. The ideal ratio for each property is between 95% and 105%.

If the report produces a COD and ratios not within the acceptable limits, the accounts on the report not within the permissible ratio values are analyzed further for the following factors:

- Were the sales arms length transactions? (Review sales documentation to see if it was a sale between family members, estate sale, etc. that is not typical of the area.)
- Has FCAD missed some structural improvements or deteriorations during the last inspection? (If so, schedule an appraiser visit.)
- What is the location of the property? Has something happened in that area to either elevate or depress prices?
- Has the financing and interest rate played a part in the sales price reported?

Note: Special handling of residence homesteads:

In determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property:

- *was sold at a foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood; or*
- *has a market value that has declined because of a declining economy.*
- *The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.*

Adjustments to the records are made. Those sales/cost estimates that do not meet the definition of market value or are extremely high or low are removed. The Sales Ratio Wizard is re-run.

If a fair number of accounts still fall outside the 95-105% range, adjustments need to be made to either the FCAD market values of the land or the cost schedules for structures.

Once the new market values and cost schedules are input into the computer, the Sales Ratio Wizard is re-run.

This process is repeated as necessary.