Revenue Dept.

Property Tax

Chapter 9: Property Tax Valuation Methodology and Assessment (County Assessments)

Effective Date:	07/25/2016 to Current
Rule Type:	Current Rules & Regulations
Reference Number:	011.0006.9.07252016

CHAPTER 9

PROPERTY TAX VALUATION METHODOLOGY AND ASSESSMENT
(COUNTY ASSESSMENTS)

Section 1. Authority.

These Rules are promulgated under authority of W.S. 39-11-102(b) and W.S. 39-13-103(b)(ii).

Section 2. Purpose of Rules.

These rules are intended to describe the methodologies to be used to determine the taxable value of property valued and assessed by County Assessors for property tax purposes. These rules set forth the manuals, formulae, methods, systems, computations, standards, guidelines and criteria to be used by the County Assessors to determine fair market value.

Section 3. Duties of the County Assessors.

(a) The County Assessor in each individual county shall value and assess all property specified in W.S. 39-13-103(b), in accordance with these rules. The Department shall monitor the work in progress in the office of each County Assessor to determine whether the procedures and formulae promulgated by the Department are being observed and applied. With the exception of monitoring activities under section 8 and automatic computerized value calculations which occur when programs and tables are changed pursuant to Department approval and consistent with established time frames, the Property Tax Division shall not set or change values for properties under this section.

(b) The Property Tax Division may, upon a written request from the county assessor, appear and testify in a county board of equalization proceeding regarding department rules, manuals, formulae, methods and systems.

(c) County Assessors shall physically inspect all real properties within their jurisdiction at least once every six years in order to assure the property characteristic data are correct. The Department may, if necessary, require a yearly plan from the assessor to assure compliance. Exempt properties shall be reviewed as deemed necessary by the assessor to assure the basis for the exemption remains valid and applicable.

(i) Alternative to on-site physical inspection of property

(A) Provided that initial physical inspections are completed in a timely manner, the county assessor my employ a set of digital imaging technology tools to supplement field re-inspections with CAMA assisted office review. These imaging tools should include the following:

(I) Orthophoto images (minimum 6” pixel resolution in urban/suburban and 12” resolution in rural areas, updated every 2 years in rapid growth areas, or 6 – 10 years in slow growth areas).

(II) Low level oblique images capable of being used for measurement verification (four cardinal directions, minimum 6” pixel resolution in urban/suburban and

12" pixel resolution in rural area, updated every 2 years in rapid growth areas or 6 – 10 years in slow growth areas).

(B) In addition, appraisers should visit any area where this alternative is employed to observe changes in neighborhood condition, trends, and property characteristics.

(C) Onsite physical review is recommended when significant construction changes are detected, a property is sold or an area is affected by catastrophic damage.

Section 4. <u>Definitions.</u>

(a) The following definitions shall apply:

(i) "Absorption Period": The time period at the time of initial offering of the lots until all lots are sold. More importantly, the absorption period is an estimate of the time frame needed to market the inventory to the eventual end users.

(ii) "Absorption Rate": The rate at which properties for sale or lease have been or are expected to be successfully marketed, sold, or leased in a given area over a duration of time.

(iii) "Appraiser": A certified Wyoming assessing official as designated by Wyoming Department of Revenue, Rules and Regulations, Chapter 13.

(iv) "Appreciation": An increase in value due to an increase in cost to reproduce, value over the cost, or value at some specified earlier point in time, brought about by greater demand, improved economic conditions, increasing price levels, reversal of depreciating environmental trends, or other factors as defined in the market.

(v) "Appraised Value": The estimate of the value of a property before application of any fractional assessment ratio, partial exemption, or other adjustment.

(vi) "Arms-length Transaction": A transaction between unrelated parties who are each acting in his or her own best interests.

(vii) "Capitalization rate": A ratio between anticipated future income, either accounting income or cash flow and present value. Capitalization ratios can be derived from any income level, but once they have been so derived they can only be applied to a comparable income level. Such rates may be developed by generally accepted appraisal methods, to include but not be limited to the following:

(A) By comparing the incomes from recently sold comparable properties with their sales prices, adjusted, if necessary, to cash equivalents (market derived rate). This method of deriving a capitalization rate is preferred when the required sales prices and incomes are available.

(B) By deriving a weighted average for the cost of debt and equity capital, as reflected in appropriate money markets (band-of-investment method), and adding increments, when appropriate, for expenses that are excluded from outgo because they (expenses) are based on the value that is being sought or the income that is being capitalized. The rates for debt and equity capital shall be weighted by the respective proportion of such capital usually employed by typical prospective purchasers and a capital recapture rate added.

(viii) "Coefficient of Dispersion (COD)": The average deviation of a group of numbers from the median expressed as a percentage of the median. In ratio studies, the average percentage deviation from the median ratio.

(ix) "Comparative unit method": 1) A method of appraising land parcels in which an average or typical value is estimated for each stratum of land. 2) A method of estimating replacement cost in which all the direct and indirect costs of a structure (except perhaps architect's fees) are aggregated and specified with reference to a unit of comparison such as square feet of ground area or floor area, or cubic content. Separate factors are commonly specified for different intervals of the unit of comparison and for different story heights, and separate schedules are commonly used for different building types and quality classes.

(x) "Computer Assisted Mass Appraisal (CAMA)": A system of integrated components and software tools necessary to support assessment administration of both real and personal property and the appraisal of a universe of properties through the use of mathematical models that represent the relationship between property values and supply and demand factors.

(xi) "Confidence Interval": The level of confidence that the population measure (such as the median or mean appraisal ratio) falls in the indicated range.

(xii) "Construction Phase": The time period when subdivision site infrastructure is installed on the land. This could include underground utilities, street storm drainage, water retention facilities, open space, common amenities, and other improvements that make the individual subdivision lots ready for construction of homes or units.

(xiii) "Depreciation": A loss of utility and hence value from any cause. Depreciation may take the form of physical depreciation, functional obsolescence, or economic obsolescence.

(A) "Physical Depreciation": The physical deterioration as evidenced by wear and tear, decay or depletion of the property.

(B) "Functional Obsolescence": The impairment of functional capacity or efficiency, which reflects a loss in value brought about by such factors as defects, deficiencies, or super adequacies, which affect the property item itself or its relation with other items comprising a larger property.

(C) "Economic Obsolescence (External Obsolescence)": Impairment of desirability or useful life arising from factors external to the property, such as economic forces or environmental changes which affect supply-demand relationships in the market. The methods to measure economic obsolescence may include, but are not limited to:

(I) Capitalization of the income or rent loss attributable to the negative influence;

(II) Comparison of sales of similar properties which are subject to the negative influence with others which are not.

(III) Identification of factors specifically analogous to the property, i.e. Investments, capacities, and/or industry relationships.

(xiv) "Division": Is the Property Tax Division.

(xv) "Economic Life": The period of time over which an asset's operation is economically feasible.

(xvi) "End-user Sale": The sale of real estate to an owner-occupant who intends to occupy and use the land or building facilities for his or her own purposes, as opposed to a speculative investor sale in which real estate is bought as an investment to be held with the hope of selling at a profit to an end user in the future.

(xvii) "IAAO": Refers to The International Association of Assessing Officers.

(xviii) "Infrastructure": Street, water and sewer lines, and other public facilities and services necessary for the functioning of a community.

(xix) "Land Economic Area (LEA)": A geographic area that may encompass a group of neighborhoods, defined on the basis that the lands within its boundaries are more or less equally subject to a set of one or more economic forces that largely determine the value of the lands within this area.

(xx) "Level of Appraisal (LOA)": The common, or overall, ratio of appraised values to market values. Three concepts are usually of interest: the level required by law, the true or actual level, and the computed level based on a ratio study.

(xxi) "Market Adjustment Factors (Neighborhood Adjustment Factor)": Market adjustment factors, reflecting supply and demand preferences, are often required to adjust values obtained from the cost approach to the market. These adjustments should be applied by type of property and area and are based on sales ratio studies or other market analyses. Accurate cost schedules, condition ratings, and depreciation schedules will minimize the need for market adjustment factors..

(xxii) "Mass Appraisal": The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.

(xxiii) "Mean": A measure of central tendency. The result of adding all the values of a variable and dividing by the number of values.

(xxiv) "Median": A measure of central tendency. The value of the middle item in an uneven number of items arranged or arrayed according to size; the arithmetic average of the two central items in an even number of items similarly arranged.

(xxv) "Mobile Machinery": Heavy equipment, except shop or hand tools or attachments, which is self-propelled, towed or hauled and used primarily in construction and maintenance of roads, bridges, ditches, buildings or land reclamation.

(xxvi) "Model": A representation that explains the relationship between value or estimated sale price and variables representing factors of supply and demand.

(xxvii) "Neighborhood (NBHD)": The environment of a subject property that has a direct and immediate effect on value and/or a geographic area (in which there are typically fewer than several thousand properties) defined for some useful purpose, such as to ensure for later multiple regression that the properties are homogenous and share important locational characteristics.

(xxviii) "Parameter": Numerical descriptive measure of the population, for example, the arithmetic mean or standard deviation. Parameters are generally unknown and estimated from statistics calculated from a sample of the population.

(xxix) "Parcel": A contiguous area of land described in a single legal description or as one of a number of lots on a plat; separately owned, either publicly or privately; and capable of being separately conveyed.

(xxx) "Point of Valuation": The point at which a mineral is brought to the surface of the ground and is taken out of the pit, shaft or portal. For surface mine, this point shall be the area actually producing a mineral product and will be broken down to the nearest legal forty (40) acre subdivision (quarter-quarter). For an in situ mine, the point shall be the legal forty (40) acres subdivision, lot or tract in which the wellhead or mine is located.

(xxxi) "Present Worth": The present value of income that is expected to be received at some future date or dates, as ascertained by the process of discounting both the income and the anticipated expenses incident to its receipt, that is the amount of money that, if presently invested and allowed to accumulate at compound interest would yield net income in the same amounts and at the same intervals as is anticipated of a given property.

(xxxii) "Ratio Study (Sales Ratio Study)": A study of the relationship between appraised or assessed values and market values. Ratio studies evaluate the level and uniformity of the appraisals or assessments. A sales ratio study uses sales prices as proxies for market values, with the appraised/assessed value being the numerator and the sales price being the denominator.

(xxxiii) "Raw Land": Land on which no improvements have been made; land in its natural state before grading, construction, subdivision, or the installation of utilities.

(xxxiv) "Replacement Cost New (RCN)": The cost, including material, labor and overhead that would be incurred in constructing an improvement having the same utility.

(A) "Direct costs" include, but are not limited to, materials, labor, supervision, equipment rentals, installation of components, and utilities.

(B) "Indirect costs": Include, but are not limited to, architecture and engineering, building permits, title and legal expenses, insurance, interest and fees on construction loans, taxes incurred during construction, advertising and sales expenses, and reasonable overhead and profit.

(xxxv) "Replacement Cost New Less Deprecation (RCNLD)": Replacement cost new less physical incurable depreciation and external obsolescence.

(xxxvi) "Reproduction Cost": The cost of constructing a new property, reasonably identical (having the same characteristics) with the given property except for the absence of physical depreciation, using the same materials, construction standards, design, and quality of workmanship, computed on the basis of prevailing prices and on the assumption of normal competency and normal conditions.

(xxxvii) "Statistics": Numerical descriptive data calculated from a sample, for example, the median, mean, or Coefficient of Dispersion. Statistics are used to estimate corresponding measures, and termed parameters for the population.

(xxxviii) "Stratify" (stratification, strata, stratum): To divide, for purposes of analysis, a sample of observations into two or more subsets according to some criterion or set of criteria.

(xxxix) "Time-adjusted sale price": The [rice at which a property sold adjusted for the effects of price changes reflected in the market between the date of sale and the date of analysis.

(xl) "Trade Level": Refers to the production and distribution stages of a product. The appraiser should recognize three distinct basic levels of trade: the manufacturing level, the wholesale level, and the retail level. Incremental costs (such as freight, overhead, handling, installation, and sales taxes paid on installed costs) are added to a product as it advances from one level of trade to the next, thereby increasing its value as a final, in-service product. Thus the value of good will differ, depending on their level of trade. The appraiser should value personal property at its current level of trade, theoretically to a buyer within the same level of trade.

(xli) "Trended original cost method": The procedure for estimating replacement cost of property by trending its original or historical cost with a factor from an appropriate construction cost index. Subsequent additions and replacements less deductions or removals must be considered.

(xlii) "Unit-in-place method": The procedure for estimating cost which combines direct and indirect costs into a single unit-in-place, which, when multiplied by the area of the portion of the building being priced, results in a total cost estimate for that portion.

Section 5. <u>Appraisal Methods.</u>

(a) The appraisal techniques which may be used by the County Assessor include the approaches described in this section. Each approach used shall be an appropriate method for the type of property being valued; that is, the property shall fit the assumptions inherent in the appraisal method in order to calculate or estimate the fair market value of the property. Each approach used shall also consider the nature of the property and the regulatory and economic environment within which the property operates.

(b) <u>General Appraisal Methods and Reconciliation</u>

(i) <u>The Sales Comparison Approach.</u> The comparable sales approach is an appropriate method of valuation when there are an adequate number of reliable arms-length sales and the properties subject to such sales are similar to the property being valued. For land valuation, the sales comparison is the preferred method of valuation. In the absence of adequate vacant land sales, other techniques may be used including allocation, abstraction, anticipated use, and capitalization of ground rents. In the mass appraisal of properties for property tax purposes it is acceptable to value the properties using generally accepted market modeling techniques. Comparable sales shall be adjusted to reflect differences in time, location, size, physical attributes, financing terms or other differences which affect value. The use of this approach to value depends upon:

(A) The availability of comparable sales data;

(B) The verification of the sales data;

(C) The degree of comparability or extent of adjustment necessary for time differences; and

(D) The absence of non-typical conditions affecting the sales price.

(ii) The Cost Approach. The cost approach is a method of estimating value by summing the land value, where applicable, with the depreciated value of improvements. In the CAMA system, RCNLD is calculated using Marshall and Swift cost tables. The cost approach is an accepted approach and could serve as the primary approach when sales data is unavailable or inadequate (such as special purpose properties). Market adjusted RCNLD plus land value is an accepted method of the cost approach. Sale prices shall be adjusted for time. Other factors influencing sale price should be considered. The cost approach relies on the principle of substitution in which an informed buyer will not pay more for a property than its comparable replacement. The approach requires:

(A) Accurate, current land values in the case of real property;

(B) Accurate, pertinent physical data regarding the property to which cost data may be applied;

(C) Current cost data which considers appreciation in the case of real and personal property;

(I) Costs may be estimated on the basis of typical replacement or reproduction costs.

(II) Typical replacement or reproduction costs may be estimated by the quantity survey method, the unit-in-place method, the comparative unit method, or the trended original cost method.

(iii) The Income or Capitalized Earnings Approach. The income or capitalized earnings approach is a method of estimating the value of property by converting anticipated benefits to be derived from the ownership of the property into a value estimate as is reflected or accomplished by yield capitalization methodology. These benefits can be reflected through the net operating income or cash flow of a company. The anticipated future income and/or reversions are discounted to a present worth. Direct capitalization may also be used to convert a single year's income expectancy into an indication of value. This conversion is accomplished by either dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate income factor in accordance with generally accepted appraisal techniques. Both direct and yield capitalization methodologies are considered to be the income or capitalized earnings approach as discussed in this subsection

(A) For the purposes of this subsection, cash flow is the difference between dollars paid and dollars received. Dollars received include all revenues generated from operating assets. Dollars paid include all current expenses and capital expenditures, or annual allowances therefore, required to develop and maintain the income stream. Cash flow must also take into account all legally enforceable restrictions on the property.

(B) Net operating income or cash flow is discounted to fair value using a capitalization rate developed by the methods described in Section 4(a)(vii).

(iv) Reconciliation. The appraiser shall weigh the relative significance, applicability and appropriateness of the indication of value derived from the approaches to value or methods outlined above, and will place the most weight and reliance on the value indicator which, in his professional judgment, best approximates the value of the subject property. The appraiser shall evaluate all alternative conclusions and reconcile the value indicators to arrive at a final estimate of value. For market value, the final estimate is that value which most nearly represents what the typical, informed, rational purchaser would pay for the subject property and a rational seller would accept if it were available for sale on the open market as of the date of the appraisal, given all the data utilized by the appraiser in their analysis.

(c) <u>Appraisal Methods for Special Purpose Property</u>

(i) <u>Personal Property</u>

(A) The cost, sales comparison, and income approaches should be considered as long as the market within the trade level is in equilibrium.

(B) The valuation methodology selected shall reflect the trade level at which personal property is found, and consider factors influencing the value in use including utility, usefulness to the owner or the actual income produced.

(C) References: Property appraisers may use any credible source to establish costs or sales or personal property, including, but not limited to "blue book" on boats, airplanes, farm and construction equipment, Marshall and Swift Valuation Service and information developed by the Division.

(I) The Division shall annually conduct a study of information on personal property, using such source material as may be available, including but not limited to trade journals and publication, auction information, sales from dealers and manufacturers, industry associations, as well as comment from interested parties.

(II) The Division shall interpret the data collected in the study and make recommendation. The completed work product shall be published annually on the Department of Revenue website and be entitled the Wyoming Personal Property Valuation Manual.

(III) The Wyoming Personal Property Valuation Manual shall also include updated cost trend factor tables, economic life tables, and depreciation tables. Said tables shall also be incorporated into the CAMA system.

(D) Depreciation in the valuation of Personal Property

(I) Depreciation shall be applied beginning at the first assessment date after the property is acquired.

(II) Depreciation shall continue to be applied until the residual value is reached. The residual value shall be considered to be no less than twenty percent (20%) for all personal property, unless the property tax appraiser has collected sufficient market information to indicate a different residual value.

(III) The Division shall provide tables of depreciation factors for use by property tax appraisers. Other rates of depreciation may be developed by the appraiser.

(E) Apportionment of Valuation of Machinery and Equipment Among Counties

(I) Machinery and equipment located in two (2) or more counties during the year, except mobile machinery otherwise required to be registered under W.S. 31-18-203, shall be reported to the assessor of the home county. When the valuation of machinery or equipment is subject to apportionment between or among two or more counties, the owner or operator may select either the time method or monetary method of reporting the subject equipment. Once the method is selected, it must be used for all the machinery and equipment listed. If there is no monetary value of work performed, the time method must be used.

(1.) Time method of reporting and valuation allocation.

a. The report shall include a listing of machinery and equipment as requested by the assessor for the home county, as well as the amount of time to the nearest whole week each piece of machinery or equipment was used or located in each county during the immediately preceding calendar year.

b. The valuation shall be allocated as follows: the home county shall be entitled to assess one-twelfth (1/12) of the assessed valuation of the machinery by applying to the remainder a ratio of the total number of weeks in a county to the total number of weeks in the year or 52. If the machinery and equipment was located in the home county for any part of the year, the home county is entitled to its proportional share in addition to the base share of one-twelfth (1/12).

(2.) The monetary method of reporting and valuation allocation.

a. The report shall include a listing of machinery and equipment as requested by the assessor of the home county as well as the monetary value of the work done by the owner or operator in each county.

b. The valuation shall be allocated as follows: the home county shall be entitle to assess one-twelfth (1/12) of the assessed valuation of the machinery and equipment as the base share. The remainder of the total assessed valuation shall be allocated by applying to the remainder a ratio of the monetary value of the contract performed in each county to the total monetary value of the contracts performed in the state. If the machinery and equipment was located in the home county for any part of the year, the home county is entitled to its proportionate share in addition to the base share of one-twelfth (1/12).

(II) The assessor of the home county shall be responsible for allocating portions of assessed value to the counties according to this subparagraph.

(III) The time and monetary methods of reporting also apply to machinery and equipment brought into the state after the January 1st assessment date. The time method ratio, if used, shall be modified to reflect the number of weeks remaining in the year after the machinery and equipment is brought into the state.

(IV) Mobile machinery as defined by W.S.31-18-103(a)(i) may be reported to the assessor and place on the assessment roll. Property taxes and the administrative fee noted in W.S. 31-18-203(c) would then apply.

(V) Home County means the county in which an owner or operator of equipment and machinery has a principal place of business, and to which reports listing equipment used in two or more counties are made. If the owner's principal place of business is located out of Wyoming or if there is no principal place of business, the home county would be the Wyoming County where the machinery or equipment is first located in the taxable year.

(ii) <u>Present Worth Appraisal of Vacant Land within a Platted Subdivision</u>

(A) Vacant land within a platted subdivision may be considered for present worth valuation; not all vacant land within a platted subdivision will qualify. All of the following qualifications must be examined prior to utilizing present worth methodology:

(I) Land Qualifications

(1.) The property must be located within a platted subdivision. Land divided through records of survey and other forms of dividing land does not qualify as a platted subdivision.

(2.) The property must be vacant. Any form of construction taking place on the individual lot will disqualify the parcel from present worth consideration. This includes, but is not limited to excavation for improvement. Smaller, non-permanent structures such as, tool sheds, moveable trailer, etc. shall not disqualify the property from present worth consideration.

(3.) The subdivision construction phase must be completed and the lot must be ready to build upon. All intended infrastructure must be in place.

(4.) The intended property use may be residential, commercial or industrial. Property must be actively marketed for sale (taxpayer must be able to present evidence that the property is publicly available for purchase as anticipated in the definition of fair market value).

(5.) The property must be marketed as fee simple property. Property intended to be leased or being leased should not be considered for present worth valuation.

(6.) The value of any given lot appraised using present worth shall not be less than the value of raw land. Raw land is the lowest value; and in those cases where a long absorption period or high rate allow the indicated present worth value to drop below raw land, present worth shall not apply.

(7.) Subdivision infrastructures will vary within each development and where it is located. The appraiser needs to understand what is to be provided based on the location of the property and that infrastructure provided to similarly situated property. If the lots within a subdivision lack something that has been provided to other lots within the subdivision, then those lots are not ready for construction and should not be appraised using present worth.

(8.) Present worth may be applied regardless of the size of the subdivision.

(9.) Lots that have complete infrastructure but cannot be built upon for other reasons (steep grade, trees, etc) should not be appraised using present worth.

(10.) Agricultural land as defined in W.S. 39-13-101(a)(iii) shall not be appraised using present worth.

(11.) Lots gifted to friends or family shall not be appraised using present worth. In addition, those lots may not be considered in formula for calculating an absorption period.

(II) Applicant Qualification

(1.) Applicant must be the owner of the vacant lots and be actively marketing the property. Those lots that are gifted to friends and family members, or those to be used for his/her own personal use will not qualify as that individual is considered an end user.

(2.) The property owner must annually request present worth valuation no later than March 1 of the assessment year. Said request must be in writing. The format of the application shall be determined by the division and shall be available in each county assessor office.

(3.) Builders or investors who purchase groups of lots within a subdivision may apply. Builders and investors owning lots with the intent to resell may apply.

(4.) The applicant cannot be the end user of the property. By purchasing a lot to build a structure, regardless of the amount of time required to construct, the owner has become and end user of the property.

(5.) The applicant must be relying on the sale of lots for profit or reimbursement of funds invested.

(III) Absorption Period or Rate

(1.) The absorption period must be greater than one year to qualify for present worth valuation. An absorption period of less than one indicates that all remaining lots will be sold within a one year period. When the absorption period becomes less than one year the present worth appraisal method is not appropriate.

(2.) Often times within a subdivision a developer will sell several lots prior to completing the infrastructure. These presales should be counted as sales of the first month of the absorption period.

(3.) To correctly apply present worth values an absorption period must be obtained which, specifically defines the time period as starting at the initial offering of the lots and ending when all lots are sold. More importantly, it is an estimate of the time frame needed to market the inventory to the eventual end users. The appraiser may consider granting a separate absorption period for each owner of land within a development. Much like developers, builders and investors will face the task of selling an inventory of lots over time and at least in part recouping their initial investment and making a profit through the sale of those lots.

(4.) The lots being appraised using present worth must be of the same use. If multiple uses exist within a subdivision, the lots should be separated for analysis as those different used will account for different absorption periods.

(IV) Discount Rate

(1.) The Division will annually provide a discount rate that shall be incorporated in the CAMA system. The division may develop the rate or acquire the rate through a nationally recognized rate service or appraisal company. The division will provide the rate to be used by counties no later than January 31st.

(iii) <u>Land and Personal Property Subject to Gross Production Tax</u>

(A) All land and real property that are taxed based upon the gross product of a producing well, mine or mining claim shall be listed on the tax rolls by the County Assessor. All tangible personal property used underground in mining or used with the well in oil or gas exploration or production as further described below, that is taxed based upon the gross product of the producing well, mine or mining claim shall not be separately assessed. In accordance with the Wyoming Constitution and Statutes, the gross products tax shall be in lieu of property taxation of those lands and equipment, and shall be levied on all mineral interest owners in a proportion to their ownership shares unless exempted by law.

(B) In order for land to be subject to gross production tax in lieu of property tax, the land in question must be actively producing a mineral on which production tax is paid. Lands with plugged, injection or abandoned wells; or abandoned mines shall be listed for assessment by the County Assessor.

(I) The amount of land allocated to such treatment shall be:

(1.) Up to forty (40) acres of the parcel for each point of valuation where a producing well or mine is located.

(2.) Where multiple producing wells, API numbers, etc., are located in the same legal forty acre (quarter-quarter) within a parcel, a maximum of forty (40) acres is eligible.

(3.) The number of surface acres occupied by the producing well or mine has no bearing on the number of acres removed from assessment by the county assessor.

(C) Personal Property Subject to Gross Production Tax

(I) In determining whether equipment satisfied the requirements for W.W. 39-11-102(c)(viii), the taxpayer may submit, and the assessor may consider, information indicating that the equipment is specifically adapted for use underground or it is not put to any use other than the production of minerals in the underground operation. Personal property used to transport product after the point of valuation and all other surface equipment is subject to separate assessment by the county assessor.

(iv) <u>Low Income Housing Tax Credit (LIHTC) Appraisal</u>

(A) The appraisal methods identified in Section 5(b) should be considered.

(B) Tax credits received for a LIHTC project shall be included as annual income in the capitalization process at a rate equal to the total amount of the tax credits received divided by the number of years that the project is required to maintain rent restrictions.

(C) Tax credit fees shall be allowed in the total annual expenses.

(D) The Division will annually provide a discount rate that shall be used in the capitalization process. The division may develop the rate or acquire the rate through a nationally recognized rate service or appraisal company.

(d) <u>Classification and Taxable Value of Industrial Property</u>

(i) For purposes of this subsection, Industrial Property means those properties meeting the statutory definitions set forth in W.W. 39-11-101(a)(xiv) whose taxable value is stated in W.S. 39-11-101(a)(xvii)(B).

(ii) For purposes of this subsection, NAICS means the "North American Industry Classification System" published by the Executive Office of the President, Office of Management and Budget. The NAICS edition 2012 is incorporated by reference into these rules and does not include any later amendments or editions. The Department has determined that incorporation of the full text in the NAICS would be cumbersome or inefficient given the length or nature of the code. A copy of the NAICS is maintained at the Department's office at 122 West 25th Street, Cheyenne, WY 82002 and is available for public inspection and copying at cost at the same location. The NAICS may also be found at http://www.census.gov/eos/www/naics/.

(iii) Pursuant to W.S. 39-11-101(a)(xiv)(A) and (C), properties classified under the following NAICS codes shall be assessed as industrial property:

(A) Establishments whose primary activity is food manufacturing as identified in NAICS Industry Groups 3111-3119, excluding commercial bakeries which are located with retail premises and sell primarily at retail from the premises (e.g., a bakery located within a supermarket);

(B) Establishments whose primary activity is beverage manufacturing as identified in NAICS Industry Groups 3121;

(C) Establishments whose primary activity is tobacco manufacturing as identified by NAICS Industry Groups 3122;

(D) Establishments whose primary activity is the manufacture of textile mill products as identified in NAICS Industry Groups 3131- 3149;

(E) Establishments whose primary activity is apparel manufacturing and the manufacture of other finished products made from fabrics and similar materials as identified in NAICS Industry Groups 3151-3159;

(F) Establishments whose primary activity is leather and allied product manufacturing as identified in NAICS Industry Groups 3161-3169;

(G) Establishments whose primary activity is wood product manufacturing as identified in NAICS Industry Groups 3211-3219;

(H) Establishments whose primary activity is paper and allied product manufacturing as identified in NAICS Industry Groups 3221-3222;

(I) Establishments whose primary activity is printing, and related support activities, including newspapers, books, and periodicals as identified in NAICS Industry Group 3231, providing the establishment operates a printing process;

(J) Establishments whose primary activity is chemical manufacturing as identified in NAICS Industry Groups 3252-3259;

(K) Establishments whose primary activity is plastic and rubber products manufacturing as identified in NAICS Industry Group 3261-3262;

(L) Establishments whose primary activity is the non-metallic mineral product manufacturing as identified in NAICS Industry Groups 3271-3279;

(M) Establishments whose primary activity is primary metal manufacturing as identified in NAICS Industry Groups 3311-3315;

(N) Establishments whose primary activity is fabricated metal product manufacturing as identified in NAICS Industry Groups 3321-3329;

(O) Establishments whose primary activity is machinery manufacturing as identified in NAICS Industry Groups 3331-3339;

(P) Establishments whose primary activity is computer and electronic product manufacturing as identified in NAICS Industry Groups 3341-3346;

(Q) Establishments whose primary activity is electrical equipment, appliance and component manufacturing as identified in NAICS Industry Groups 3351-3359;

(R) Establishments whose primary activity is the transportation equipment manufacturing as identified in NAICS Industry Groups 3361-3369;

(S) Establishments whose primary activity is furniture and related product manufacturing as identified in NAICS Industry Groups 3371-3379;

(T) Establishments whose primary activity is medical equipment and supplies manufacturing as identified in NAICS Industry Group 3391;

(U) Establishments whose primary activity is the manufacture of jewelry, silverware, and plated ware, musical instruments; dolls, toys, games, sporting and athletic goods; pens, pencils and artists' materials; buttons, costume novelties, miscellaneous notions; brooms and brushes; caskets; and other miscellaneous manufacturing industries as identified in NAICS Industry Group 3399.

(iv) Pursuant to W.S. 39-11-101(a)(xiv)(B), properties classified under the following NAICS codes shall be assessed as industrial property:

(A) Establishments whose primary activity is oil and gas extraction as identified in NAICS Industry Group 2111;

(B) Establishments whose primary activity is coal mining as identified in NAICS Industry Group 2121;

(C) Establishments whose primary activity is metal ore mining as identified in NAICS Industry Group 2122;

(D) Establishments whose primary activity is non-metal mining and quarrying as identified in NAICS Industry Group 2123;

(E) Establishments whose primary activity is petroleum and coal product manufacturing as identified in NAICS Industry Group 3241;

(F) Establishments whose primary activity is basic chemical manufacturing as identified in NAICS Industry Group 3251;

(G) Establishments whose primary activity is pipeline transportation as identified in NAICS Industry Groups 4861-4869;

(H) Pipelines which transport minerals are considered in support of or auxiliary to the industrial property.

(v) Auxiliary real and personal property, and leased real and personal property, if the predominant use of such property is in support of, or auxiliary to, property used or held for use for industrial purposes, shall be so classified.

(vi) Undeveloped and vacant property shall be classified as industrial or commercial consistent with the concept of highest and best use.

(vii) Office buildings in which the majority of use is in conjunction with or supports industrial purposes, shall be classified as industrial property. To determine majority of use, the County Assessor will, in his or her discretion, refer to, but not be limited to, such factors as square footage, occupancy or rental charges.

(viii) Notwithstanding the strict classification of property as industrial using the NAICS manual, the County Assessor may consider property as commercial if such property includes only minimal application of skill, capital, machinery or labor in transforming materials into other suitable forms, qualities or properties.

Section 6: Statistical Analysis and Standards

(a) These standards apply to residential valuations performed by the Assessor with department approved software, and are directed primarily at the reliability of sales ratio study calculations performed by the Assessor for each LEA, Neighborhood or other stratum in the county. IAAO standards apply except where there is a conflict with these rules, in which case these rules shall prevail.

(i) Sales Sample Sizes for Ratio Studies. A ratio study is valid to the extent that the sample of sold properties is sufficiently representative of the population being appraised. The minimum sample size shall be 5 for any LEA, Neighborhood or other stratum. If five sales are unavailable the following methods should be used to increase sample size. If methods (A.), (B) and (C.) do not result in compliance with the statistical standards herein then method (D.) may be considered.

(A) Restratification. If levels of appraisal are similar or properties are homogenous, broader strata containing larger samples can be created by combining existing strata or by stratifying on a different basis.

(B) Extending the period from which sales are drawn. This is often the most practical and effective approach. Sales from prior years can be used; however, adjusting the sale price for time may be necessary and significant property characteristics must not change.

(C) Enlarging the sample by validating previously rejected sales. Sales previously excluded from the analysis, because it was not administratively expedient to confirm them or to make adjustments, can be reevaluated.

(D) Imputing appraisal performance. Ratio study statistics for strata with no or few sales can sometimes be imputed from the results obtained for other strata. These strata should be as similar as possible. Procedures and techniques used to appraise properties in the strata also should be similar.

(ii) Appraisal Uniformity. If a subset of individual sales ratios within a sample is exceptionally higher or lower than the norm in the sample, the assessor should first look for commo*n property characteristics among* them and determine if they constitute justification for the creation of a new neighborhood. In the event no such common characteristics exist, the *assessor may filter outliers in* accordance with Appendix B of the IAAO *Standard on Ratio Studies (2013).* The COD for any LEA, Neighborhood or other stratum of residential and commercial, improved and vacant, shall conform with Section 9.2 of the IAAO *Standard on Ratio Studies (2013)*.

(iii) Level of Appraisal. The level of appraisal for any LEA, Neighborhood or other stratum of residential improved or vacant property, shall lie between 0.90 and 1.10. To protect against the likelihood of over assessment of properties the recommended Level of Assessment for residential improved properties is less than 1.00.

(iv) Calculating Market Adjustments. The Level of Assessment for any Neighborhood shall annually be calculated by varying the Market Adjustment Factor until the final desired Level of Assessment is achieved, using software approved by the Department. One final Market Adjustment Factor per property type shall be applied to the CAMA-generated RCNLD for each sold or unsold property in the Neighborhood unless justified and documented by the Assessor. If analysis indicates no adjustment to RCNLD is necessary to meet the level of appraisal requirements, making no adjustment is appropriate. However making no adjustment to RCNLD based solely on a lack of sales is not appropriate.

(v) Confidence Interval of Mean or Median Sales Ratio. For residential properties a 95% confidence interval will be computed around the level of appraisal for any LEA, Neighborhood or other stratum and must include one or more points in the range of .90 and 1.10.

(vi) Land Appraisal. Within any LEA any data points of Assessed Valuation when plotted against land area prior to applying land attribute adjustments, should fit a regression line which is derived from the sold properties. The equation of the regression lines is used to assess the land value of all sold and unsold properties in the LEA. Each stratum within the LEA should have only one regression line for all its parcels.

(vii) Undefined Statistical Calculations or Adjustments. Calculations or adjustments of a statistical nature, not addressed by these rules or the IAAO Standards, shall not be applied to any properties in a county by the Assessor without a written memorandum of clarification from the Department requested by the Assessor of the Department under WS 39-11-102. The Department's memorandum shall be distributed to all County Assessors.

Section 7. Computer Assisted Mass Appraisal (CAMA). RealWare is the only CAMA system adopted and approved for valuation of taxable property assessed at the County level for property tax purposes. The system shall be used for all real and personal property, except property for which narrative appraisals or other recognized supplemental appraisals are used as a substitute to the CAMA system. For these properties, the assessor shall maintain a name and address file in the CAMA system, along with a legal description and the final value of land and buildings as described in the narrative or supplemental appraisal.

Section 8. Monitoring County Valuation Procedures.

(a) The Department shall annually provide Assessors with information and training regarding compliance with new rules and statutes.

(i) Annually, the Property Tax Division shall monitor each Wyoming County Assessor's Office to discuss and insure utilization of Department approved CAMA systems and compliance with all Department directives and orders with regard to appraisal methods and valuation methodologies. The results shall be compiled by identifying current issues of concern and presented to the Department of Revenue Director no later than January 31st of the following year.

(A) Each county shall receive a copy of the results of their county and be provided the opportunity to respond**.**

(B) If concerns are not cured within a time specified by the Division, the Department may, in conjunction with the county, develop a work plan to correct the situation.

Section 9. Written Explanation to Taxpayer.

Any taxpayer whose property is appraised under W.S. 39-13-103(b)(v) and 39-13-107(a)(i) and this Chapter will be notified of the appraised value of the subject property and, upon request, will be provided a statement indicating those methods set forth in section 5 of this chapter that were used in arriving at the appraisal.

Section 10. Responsibilities for Cadastral Mapping.

(a) County Assessors shall have authority to assign identification numbers as well as ownership and LEA/NBHD boundaries for completion of county responsibilities for cadastral mapping. Plotting ownership entails researching title records and delineating the lands owned by each individual on ownership base maps. Ownership base maps may consist of one or more of the following: Mylar overlays, other hard copy maps, or computerized mapping system. Application of parcel identification numbers and maps shall be constructed to meet the general standards of Department of Revenue's Mapping and Agricultural Manual, or other methods/systems approved by the Department.

(b) The Division shall assure that all tax district boundaries in the state of Wyoming are created on a uniform set of tax district maps that can be easily reproduced and distributed. When these tax district maps are complete, each County Assessor shall, with the assistance of the taxing bodies, confirm the tax district boundaries in accordance with W.S. 39-13-102(p).

(c) All parcels plotted on the base ownership maps and assigned a parcel identification number, as described in Subsection (a), shall have a corresponding CAMA account. Each of these newly assigned parcel identification numbers (PINs) shall be entered into the corresponding and proper CAMA account.

(d) Requests for variances from Department of Revenue's Mapping and Agricultural Manual shall be made to the Department in writing. Within sixty (60) days of receipt of the request, the Department shall obtain the recommendation of the Property Tax Division on the variance request and either approve, disapprove or conditionally approve the request. Notice of the decision on the variance shall be provided to all County Assessors.