

Section 5—Sales transaction analysis

Sales confirmation

The assessor is responsible for developing written confirmation procedures. Real estate sales are considered when valuing property for taxation. Sales are also used to measure uniformity and the current level of real market value. Using sales for these purposes has been tested in the courts.

The sales database must include all transactions. Sales are analyzed to create a listing of valid sales and ratios. An attempt should be made to confirm all transactions by mail or personal contact. As data is collected, instruments should be carefully examined to identify characteristics of individual sales. Sales listings must indicate if the sale price has been adjusted.

The data analyst, registered appraisers, or other trained staff may complete confirmation duties. The staff person confirming the sale should be identified in the sale listing with a notation of the method used. Trained clerical staff may complete certain portions of the confirmation process, such as mailing and recording sales questionnaires, data entry, responses, and day-to-day filing.

Data analysts and appraisers will consider the selling price of each property and the selling prices of similar properties to determine the **real market value** (RMV) for many properties that have not sold. Current building and construction costs, income and expenses, age of the buildings, property condition, and location are considered.

Sales in the current appraisal/valuation area must also be included in the sales analysis process and included in the ratio study. However, ratios from these sales are only useful if the ratios are calculated using the new values. Including these sales enables the data analyst to determine and monitor the RMV level for the area with new values and whether any additional adjustment is needed to attain 100 percent real market value (ORS 308.232).

Methods of confirmation

Oregon law (ORS 308.233) requires the county assessor to:

- Review all property sales;
- Verify sales information; and
- Determine the real market values.

Typical confirmation methods are:

- Sale confirmation questionnaire;
- Telephone; and
- Field confirmation.

All methods of confirmation should follow a standardized format to maintain consistency of data and allow easy data entry. See samples at the end of this chapter.

Sales questionnaire letter

The questionnaire letter is the most widely used method of sale confirmation. The best responses are received when the letters are mailed close to the sale date.

- Questionnaires need only be sent to the buyers of residential properties.
- When a questionnaire is returned, the sale listing should be updated and the appropriate condition code applied (see page 5-4).
- If personal property is listed in the sale, determine if it is truly personal property, and if the reported value is accurate.
 - Buyers/sellers do not always understand what personal property is and may include real property items such as wall-to-wall carpet, a drop-in range, cook-top, hot tub, etc., **as personal property**. Check the appraisal record for these items to determine if valued as real property.
 - Personal property may be listed by the buyer at a retail value that exceeds its contribution to the sale price. Appraisal judgment should be used to allocate value to the personal property.
- Did the buyer assume unpaid taxes and/or other assessments not included in the sale price?

If responses from both the buyer and seller are received, they should be carefully compared. Things that you need to watch for in evaluating questionnaires are:

- Did the buyer and seller provide the same sale date?
- Did the buyer and seller confirm the sale price and related terms?

What other deductions should be noted?

Selling prices often include more than land and buildings. Many sales prices include furniture, machinery, livestock, timber, orchard trees, and farm crops. Non-taxable elements should be subtracted from the sale price. If the sale price includes timber, orchard trees, or farm crops, show the number of acres, type of item, and value allocated for each.

If a buyer assumes sewer or street assessments, delinquent property taxes, or other title clearing ownership expenses, these should be added to the sales price.

The **reason for purchase** is needed to help the analyst or appraiser group properties for the study. For example, a farm that is purchased for a subdivision or an industrial site would not be used to measure farm values.

If questionnaires require a follow-up call, the additional information should be entered in the sale listing, be attached to the original questionnaire, and placed in the file.

Telephone contact

Telephone confirmation is a good method of confirming sales with the grantor, grantee, or broker directly involved in the transaction.

Using the questionnaire as a guide ensures that the information gathered is consistent. The caller should organize the interview prior to the call to ensure all necessary questions are asked and answered in one contact.

Personal interview

Complex property transactions, such as commercial, industrial, and farm properties often require confirmation in person. Such sales usually involve both real and personal property.

A questionnaire should be used as an “inquiry guide” to ensure that the information gathered is consistent. Additional questions should be added that are specific to the type of property.

Consideration from instrument

“Consideration” is the term used to denote “the recorded price for which title to a property is transferred.”* Caution must be exercised when using the consideration directly from the recording instrument (deed, contract) without initiating any confirmation. This practice should **only** be used for residential properties in counties where there are a large number of sales, and the sample is representative of the properties in each market area. Large quantities of sales can generally minimize the effect of extreme ratios on central tendencies.

Analysis of individual sales

In evaluating each sale, it’s critical to determine whether the sale meets the standards for inclusion in the ratio study. This analysis considers the following:

Quality of sale data

- Has the sale been confirmed?
- Is the source reliable?

* *The Dictionary of Real Estate Appraisal*, 3rd Edition, Appraisal Institute, 1993

- If not confirmed, what is the quality of the information available?
- If the sale data are questionable, what further study is necessary?

Extracting personal property and other items

- Does the amount extracted appear reasonable?
- What was the source of the value estimate?
- What is the source of any revised value?

General acceptance of sales

If a sale cannot be confirmed and there is no apparent reason to reject it, the sale must be included in the study. An extreme ratio is not reason to reject the sale. Attempts to confirm these sales should be documented in the sale listing. It is important to document when questionnaires were mailed and telephone contact was attempted.

Identifying sales as usable or unusable

Qualifying sales for use in ratio study

Often there is sufficient information on the recorded instrument to support rejecting the sale for use in the current ratio study, before any confirmation is attempted.

Items that may invalidate a sale include:

- **Recording dates:** Deeds recorded at approximately the same time with reverse grantor and grantee may indicate a trade.
- **Property description:** Partial sales and segregations may be indicated by the property’s legal description. A partial interest also would be indicated by the sale of a vendor’s interest in a contract or by a deed to secure financing (a trust deed).
- **Consideration:** This should be checked carefully to determine whether the sale price includes additional property or value.
- **Invalid document:** Ineligible grantee/grantor; incorrect legal description, etc.

Condition codes (listed on page 5-4) indicate the reason the sale is accepted or rejected. They are displayed in the **condition field** in the sale listing. After each sale is confirmed and coded as to its usability in the sales ratio analysis process, all of the sales can be sorted by the condition code desired by the analyst.

Condition codes fall into two categories:

1. Usable

- All confirmed arm’s length transaction sales.
- Unconfirmed sales that appear to be arm’s length transactions.

- Sales that may be usable for additional studies for measuring real market value levels if the data is corrected, confirmed, or further analyzed.
- Condition Code 21 (sold not same as appraised): If property sells in a condition that is different from the way it had been valued, it can be revalued as if it existed that way when originally appraised (using the same date of value and appraisal procedure).

Example: A property had been remodeled since the last revaluation without the records being adjusted to reflect the change. You can adjust the percent good, square footage/area, etc., to reflect the RMV that would have been used at the time of the last revaluation, trended forward.

- **IRS Revenue Code (IRC) 1031 exchanges:** These are in almost all cases valid transactions between knowledgeable parties, who have researched the available market, and who have conducted this lawful transaction through an “accommodator” to legally defer a capital gains tax. One of the main criteria in this kind of exchange requires the party selling an investment property to reinvest in like kind of property for equal or greater value than the relinquished property. Acceptable exchanges under IRC 1031 include real property with real property, personalty with personalty, aircraft with aircraft, etc., of equal or greater value. These transactions are also subject to time-period limitations to successfully comply. Like all other market transactions, these also need to be verified for value and any additional property.

The following may be potentially usable sales:

Transfers by government agencies and financial institutions may have significant influence in the real estate market. Sales by these grantors must be confirmed to establish if the sale price is indicative of the market or if it is a liquidation sale. Certain federal agencies transfer title only with quitclaim or bargain and sale deeds. Such sales should be confirmed and included in the sales listing, if:

- The grantor was a federal, state, county, municipality, or other political subdivision.
- The grantor was a bank, savings and loan, title company, finance company, or other financial institution.

Sales that were initially rejected because the instrument was not a valid deed or contract should be confirmed. Depending on the results of confirmation, these sales may be usable in the sales listing or in an additional study.

2. Unusable

- Sales that are not open-market transactions (i.e., do not comply with the real market value definition).

- Unconfirmed sales that appear to be other than arm’s length transactions. (This assumes that all reasonable attempts to confirm have been exhausted.)
- Sales that do not represent the property that was appraised (Condition Code 21), such as residential property sold for commercial use or the conversion of a garage to living area.
 - At a later date, Code 21 could be broken into two categories: a) changes to property that occurred recently and would be picked up during annual field inspections, often referred to as “maintenance” or “red tags”; b) changes to property that occurred in prior years and data collection was missed as **omitted property**.
- An unusable sale classification does not include “out-of-town purchaser” or unexplained extreme ratios.

Sales or transaction instruments deemed “unusable” for the ratio study purposes may have valid uses in other studies, such as appraisal set-up studies, etc.

For the following sale conditions only a condition code is required for the sale listing:

- The grantor is a sheriff, receiver, or other court officer disposing of property under a judicial order or administrative proceeding.
- The grantor and grantee are the same, and the deed merely changes the nature of the interest in the property.
- The transaction conveys an undivided interest with no value.
- A tenancy in common is created.
- A tenancy by the entirety is created.
- Grantor and grantee are related, and **no value is conveyed**.
- The sale is a dedication to the public.
- The instrument is a security conveyance for financing purposes, i.e., trust deed.
- Adjacent owners are exchanging property, and no value is conveyed, i.e., lot-line adjustment.
- The “sale”/instrument is a partial release of a mortgage.
- The transfer is in lieu of foreclosure.
- The transfer involves a death certificate.
- The instrument is a re-recording or correction deed.
- The transaction is a conveyance of seller’s contract balance; no real property is involved, i.e., memorandum of contract.

Note: Sales deemed unusable for ratio analysis may be useful in appraisal area set-up studies. Make proper adjustments for date of sale and any subsequent changes to the property since the last appraisal or valuation.

Sales data condition (reject) codes

ORS 306.120; OAR 309.200

The following list of condition codes is used to categorize and identify the circumstances of each property sale transaction in each county. This list can be expanded to fit the individual needs of a county.

Code

no.	Description
1.	Change of use.
2.	Deed does not show warranty of title.
3.	Grantee/grantor is a political subdivision (government agency).
4.	Grantee is a bank or other financial institution, or lender foreclosure.
5.	Grantee is charitable, religious, or other institution.
6.	Grantee and grantor are related or business associates.
7.	Conveyance of partial or divided interest.
8.	Grantee and grantor are the same, transfer of convenience.
9.	Trade... (exchange of properties).
10.	Conveyance of property to avoid lien/foreclosure.
11.	Grantor is sheriff or other court office (administrator), receiver, guardian, trustee.
12.	Contract payoff.
13.	Critical field on deed/document left blank.
14.	Prior year's real market value or sale price missing.

15. Date of sale missing.
16. Sale includes personal property, which cannot be accurately extracted.
17. Sale includes orchards, crops, or other exempt properties.
18. Mortgage balance is not noted.
19. Error in classification (unless corrected by reclassification).
20. Other errors or omissions (miscellaneous)—**must** explain under "Reasons for Rejection."
21. Property sold is not the same as valued for the current certified roll. This does not include General Ongoing Maintenance and Repair (GOMAR) unless there is an "exception value" included.
22. Sale includes designated forestland and/or timber.
23. Sales of properties that have had the real market value adjudicated by BOPTA, DOR, or the Tax Court (in the past five years) beginning with real market values adjudicated after October 3, 1989.
30. Usable, but **unconfirmed**, within current sales year.
31. Unconfirmed **prior** year's sale adjusted for time and used in current year's ratio study.
32. Confirmed prior year's sale adjusted for time and used in current year's ratio study.
33. Confirmed sale.

Sample sales confirmation letter follows

Account number:

Sales verification questionnaire—example

Buyer	Recording#
Seller	Sale date
Map #	Sale price
Location	

If the information above is wrong, please note corrections below:

Buyer: _____

Seller: _____

Location: _____

Sale price: _____

Check any of the following that might disqualify this sale as being a good indicator of market value:

- Buyer and seller were related prior to the sale as (circle one):
 family friends business associates
- An estate sale
- Purchase of a partial interest only
- Received property back (for example, in lieu of foreclosure)
- Forced or distress sale (for example, court order, divorce)
- Transfer of convenience (for example, correct defects in title, create joint tenancy)
- Restriction on use (life estate, detrimental easement)
- Satisfaction of land sale contract
- Exercise of option. The option was agreed upon _____
- An exchange of property: located at _____
- Any other unusual circumstance which might disqualify this sale from being a good indicator of market value? Please explain:

When did you agree on the sale price? _____

In addition to the sale price did you:

assume back taxes in the amount of _____

assume city or county assessments (Bancroft liens, etc) in the amount of _____

Was **Personal property** included in the sale price? Yes No

If yes, please circle items: furniture appliances equipment vehicle Other _____

Estimated value of personal property _____

Was a **Manufactured structure** (mobile home) included in the sale price? Yes No

If yes: Brand _____

Estimated value: _____

Sales transaction analysis

To your knowledge, have **alterations or improvements** been made to the property in the past year?

- Yes
- No

If YES: please explain:

- Remove old building(s)
- Add new building(s)
- Remodel. Nature of remodel _____
- Other _____

Was your purchase through a realtor? Yes No

If not, how did you hear about this property? _____

If you know, how long was the property on the market? _____

In your opinion, was the price paid a fair value? Yes No

If not, please explain _____

What is the present use of the property? _____

Is the intended use of the property the same as the present use?

- Yes Different _____

If this purchase is bare land, please indicate which site improvements were available before or after your purchase:

<u>Before</u>	<u>After</u>	
<input type="checkbox"/>	<input type="checkbox"/>	Access to public road
<input type="checkbox"/>	<input type="checkbox"/>	Private road
<input type="checkbox"/>	<input type="checkbox"/>	Well
<input type="checkbox"/>	<input type="checkbox"/>	Septic approval
<input type="checkbox"/>	<input type="checkbox"/>	Septic system
<input type="checkbox"/>	<input type="checkbox"/>	Septic denial
<input type="checkbox"/>	<input type="checkbox"/>	Electricity
<input type="checkbox"/>	<input type="checkbox"/>	Clearing

If this purchase contains farm land: is the land leased? Yes No

If yes: number of acres leased _____ date of lease _____

Length of lease _____ Rent received per month or year _____

If this purchase contains timber or timberland:

Did the purchase include timber? Yes No

If yes: number of acres _____ Type of timber _____

Estimated age of timber _____ Estimated value of timber _____

Thank you for your cooperation.

Submitted by _____ Phone number _____

Explanation of sales questionnaire

Example of accompanying information to the property owner receiving a sale verification letter.

Why is the information needed?

Sales of real estate is used as the main factor in establishing the real market value levels for land and improvements within a county. Sales are also used to measure uniformity of values to ensure that all taxpayers' properties are valued consistently with other like types of property. The use of sales for these purposes is required in statutes and has been tested in the courts.

How will the information be used?

Trained appraisers will consider the selling price of your property and the selling price of similar properties to determine the real market value for many properties. Current building construction costs, income and expenses (if the property being appraised produces income), age of the buildings, location, etc., will also be considered.

Why are so many questions asked about my property?

Selling prices of property often include more than just the land and buildings. Many sales prices include furniture, machinery, livestock, and farm crops. The value of these items is considered separately (deducted) from the total selling price when the sales are analyzed by appraisers. The value(s) the appraisers work with is the total purchase price paid for the land and buildings. The reason for purchase is needed to help the appraisers group properties for study. For example, the selling price of a farm purchased for subdivision or as an industrial site would not be used to measure farm values.

What other deductions should be noted?

Crops, timber, plants, and orchard trees are not taxable. If your purchase price included any of these items, please show the number of acres and type of item. Property included in the sale that is not assessable for property tax purposes would be subtracted from the total price of the property to permit analysis for the land and buildings. Amounts paid to the seller for sewer or street assessments, property taxes, or other expenses should be listed.