
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials

FROM: Barry Wood, Assessment Division Director

RE: Ratio Study Guidance

DATE: January 3, 2025

The purpose of this memorandum is to provide guidance to assessing officials regarding changes in the Department of Local Government Finance’s (“Department”) ratio study review process for the 2025 assessment year.

The Department will once again utilize Microsoft Teams for the submission, review, and approval process. Microsoft Teams is a unified communications platform that combines workplace chat, file storage, and application integration.

As part of the 2024 filing process, the Department compiled the name and email address for each person who was included in the county’s “Team” (vendors, office staff, etc.). Each “Team” automatically includes the assessor. It should also include the individual from within the assessor’s office or the vendor who works on the Ratio Study and typically communicates with the Department during the review process.

If your county would like to add someone (e.g., your vendor) to your “Team” or remove someone from the prior year, please send the contact information (name and email address) to Barry Wood at BWood@dlgf.in.gov and Julie Waddell at JWaddell@dlgf.IN.gov. Also, please continue to sign into your Teams account and make sure you still have access. Teams will expire a guest’s access for inactivity.

Formatting for Ratio Study Spreadsheets

The ratio study format is fully described in the attached example. As in prior years, ratio studies must be submitted in a spreadsheet compatible with Microsoft Excel 2013 (in .xlsx format). The spreadsheet must contain one tab with ratio study data for each of the following types of property:

- Industrial Vacant
- Industrial Improved
- Commercial Vacant
- Commercial Improved
- Residential Vacant
- Residential Improved

- Summary
- Formatted

The *Summary* tab will contain the details of the number of sales used and ratio statistics in each section of the ratio study. The column names for all other tabs (study sections) should match the column names on the formatted tab.

Multi-Parcel Sales

Please note that like last year, there will not be a “MultiParcelSales” tab. Every parcel in the Ratio Study must be included in the Formatted tab (including non-primary parcels).

Note: All parent parcels, even those not in a multi-parcel sale, must be marked “Y” in the Primary column.

Groupings

Groupings cannot have overlapping study sections. For example, Group001 cannot include parcels marked in both Residential Improved and Residential Vacant study sections. Likewise, parcels in a multiple parcel sale must be included in the same grouping/study section. When a township stands alone (it is not grouped or subdivided), use “None” in the grouping column.

Please provide a more meaningful name for the Grouping rather than just 1, 2, 3, or A, B, and C.

AV Increases/Decreases

AV changes are based on the prior year AV and the current year AV with the current year property class. If a parcel changed classes from 2024 to 2025, the prior year's AV will be sorted into the relevant class based on the current class code.

Once the Ratio Study is formatted, and the final files are generated for the reviewer, the Department will share an Excel spreadsheet of the AV increases/decreases (AV Comparison Detail and AV Summary files) with the county, and the county will be expected to provide the explanations to those AVs before the study is deemed compliant and assigned to the reviewer. Previously, these explanations were included in the Narrative template.

Formatting

The formatted tab must be named “Formatted.” The workbook tab must be named “Workbook.” There should be four (4) cyclical columns: 2022, 2023, 2024, and 2025 Cyclical Reassessment.

Column names for the Workbook and the Formatted tab must be as shown below:

| Workbook Column Names | Example |
|---|--------------------------|
| Parcel Number | 12-34-56-789-123.456-789 |
| Township Number | Three-digit number |
| Township Name | Jackson Township |
| Neighborhood Code | 12345 |
| Prior Year Property Class | 500 |
| Current Year Property Class Code | 510 |
| Taxing District | Three-digit number |
| Prior Year Land AV | 2000 |
| Prior Year Improvement AV | 0 |
| Prior Year Total AV | 2000 |
| Current Year Land AV | 2500 |
| Current Year Improvement AV | 95000 |
| Current Year Total AV | 97500 |
| 2022 Cyclical Reassessment | Y/N |
| 2023 Cyclical Reassessment | Y/N |
| 2024 Cyclical Reassessment | Y/N |
| 2025 Cyclical Reassessment | Y/N |
| Improvement Annual Adjustment Trending Factor (If Applicable) | 1 |

| Ratio Study Column Names | Example |
|---------------------------------|--|
| SDFID | C01-2024-9876543 |
| Parcel Number | 12-34-56-789-123.456-789 |
| <u>MultiParcel</u> | Y/N |
| Primary | Y/N |
| Study Section | <u>ResImp</u> |
| Grouping | Must be unique for each study section; use “None” when township/study section does not have a different grouping |
| Township Name | Jackson Township |
| Neighborhood | 12345 |
| Property Class | 510 |
| Taxing District | three-digit number |
| Sale Date | MM/DD/YY |
| Study Sale Price | 100000 |
| Current Land AV | 2500 |
| Current Improvement AV | 95000 |
| Current Total AV | 97500 |

The R software will sum all parcels with the same SDFID; hence, the MPS tab is no longer needed. Multiple parcel sales with unique SDFIDs for each parcel will be put into a spreadsheet for review, if applicable.

The Ratio Study File must be named “County Name Ratio Study” (e.g., Adams County Ratio Study) and the workbook file must be named “County Name Workbook (e.g., Adams County Workbook).”

Sales Reconciliation

After a county has received compliance status, the Department will generate your Sales Reconciliation file (potentially valid sales) from the sales files. Please note that this may take a few days. This is not a comprehensive list of all sales that will be in your Ratio Study, nor is it a requirement to include all of these sales. Providing this file before the Ratio Study is submitted is intended to help expedite the Ratio Study review process.

When the file is generated, the Department will upload it to your “Team” and notify you in Microsoft Teams.

Please notify the Department in Microsoft Teams that you have received the file (“👍”, @mention the Department member who uploaded the file, etc.). The sales on this list that are not included in the Ratio Study will require an explanation.

Number of Sales Used:

The IAAO states:

“There is a general relationship between statistical reliability and the number of observations in a sample. The larger the sample size, the greater the reliability.”

In accordance with 50 IAC 27-5-4 (“Sample size”), the townships or groupings such as market areas must have a sample size of five (5) or more sales if the data in the sample is used to compute an adjustment factor. To increase the sample size, sample data from townships or groupings that have similar parcel or market characteristics must be combined.

Similarly, when grouping commercial/industrial properties with fewer than five (5) sales, other approaches such as cost tables, income data, MLS data, and any other relevant standards must be utilized.

However, if you include townships or groupings with under five sales, please indicate on the narrative if those townships or groupings were trended.

Submission Files

All the following files must be submitted *as separate files* and formatted correctly to be considered a compliant submission:

- Narrative (use the template)
- Ratio Study (Sample included)
- Workbook (Sample included)
- Sales Reconciliation (With explanations included on the spreadsheet provided by the Department.)
- Most current Land Order.

Narrative Template

The sales window and time adjustment must be explained for the various groupings.

How to Submit Files

Counties and vendors will be added to Microsoft Teams as guests. Other than assessors, guests will not be added without the express consent of the county. Guests will receive an invitation to join the team via email from Microsoft. Please follow the prompts in the email to accept this invitation. Guests who were included in the 2024 Ratio Study review will be carried over for the 2025 review.

During the Ratio Study season, always keep Microsoft Teams open to get notifications immediately (Note: Set Microsoft Teams to auto-start. This way, Teams will automatically load when you start your computer.).

To submit your Ratio Study files, locate and click on the 2025 channel in your “Team.” At the top of the screen, you will see tabs named Conversation, Files, etc. click on Files. Below these tabs, you will find an “Upload” button. Select the Upload button and navigate to the appropriate files. When you select your files and click “Open” they will upload to this channel. Repeat these steps for all files if uploaded individually. *Excel files should be submitted in .xlsx format to allow for editing in Teams.*

Notify the Department by tagging @Barry Wood, and @Julie Waddell in the conversations tab. If you do not use the @mention, the Department staff will not know of your submission. The Department will acknowledge receipt of your Ratio Study.

Duplicates

Before the review begins, the Department will check for duplicates in the Ratio Study (SDFID) and workbook (Parcel #). If there are duplicates in either of the files, the Department will upload a spreadsheet with these duplicates and ask for an explanation or removal from the files in Microsoft Teams.

Discrepancies

Before the review process begins and after duplicates are removed, the Department will check for discrepancies in AVs between the workbook and Ratio Study. If there are any discrepancies for which staff cannot determine the reason, the Department will upload a file containing these duplicates and you will be asked to either make the necessary corrections or provide an explanation.

Assignment

The Ratio Study submission will be deemed compliant once all files are submitted, all formatting is correct, there are no duplicates, and there are no discrepancies, and the explanations to the AV increases/decreases have been provided on the Excel spreadsheets provided by the Department.

Additionally, all statistics will be run, and effort will be made to fix any other errors before the Ratio Study is assigned to a field representative for review.

Review Process

Once the assigned field representative has reviewed your files, they will upload a checklist with any additional questions, if needed.

As a reminder, in accordance with 50 IAC 27-4-5, the median ratio must fall between 0.90 and 1.10 for any class of property. The coefficient of dispersion (COD) standard for improved residential property is 15.0 or less, and 20.0 or less for all other property types. A COD of less than 5.0 requires an explanation. The price-related differential (PRD) must be between 0.98 and 1.03.

Note: If a property that sold as vacant but is now improved in the residential vacant ratio study, then remove the improvement AV from the total AV to avoid any issues.

For instance, you may have a property that sold in 2024 as vacant for \$20,000 with an assessed value of \$19,000. The taxpayer quickly built a home on the property valued at \$200,000. The ratio study shows a sale price of \$20,000, but the total AV for 2025 is \$219,000, thus throwing R off and causing the statistics to fail. The county can include the improvement value under the Improvement Value column in the ratio study, but it should be removed from the total AV. Using the example above, the total AV would now be \$19,000 instead of \$219,000 by removing the improvement value.

Answer the questions within the file that is uploaded in Microsoft Teams. After all the checklist questions have been answered, the Ratio Study will go through a second review. Once the second reviewer has completed their review and all AVs are considered final, two statistical tests will be run.

Statistical Tests

The Department will then conduct the Spearman Rank test, which is a test for vertical equity. This test is done for groupings with 5-20 sales. If there is vertical inequity, this will need to be corrected. Make corrections to the Ratio Study file submitted in Microsoft Teams.

The Department will also conduct the Mann-Whitney test, which is a test for the equal appraisal between sold and unsold properties. The Department will review all neighborhoods that have a statistically significant difference between the sold and unsold parcels and request an explanation for specific parcels. Please explain these parcel changes in the spreadsheet uploaded to Microsoft Teams. Also, include a Standard Operating Procedure (“SOP”) for effective age changes with the narrative to help expedite this process.

Things That Cause Delays

The following are items that may cause a delay in the review and approval of the county’s ratio

study:

- Incorrect formatting.
- Insufficient explanation on reconciliation.
- Delayed response to messages.
- No explanations for groupings or inconsistent grouping.
- The Narrative Template is not used.
- Providing overly generalized explanations.
- Out of tolerance ratio study statistics.

How to Get a Timely Approval

The following are items that can help expedite the review and approval of the county's ratio study:

- Become familiar with Microsoft Teams.
- Submit all files.
- Format all files correctly.
- Include all necessary information in the narrative. Do not include a separate spreadsheet providing information that should have been included in the narrative.
- Include a Standard Operating Procedure for effective age changes in the narrative.
- Keep Microsoft Teams open during the ratio study review process.
- Review notifications immediately.
- Mark the activity as unread if you are unable to respond immediately.
- “👍” posts you have reviewed.
- @mention the individual with whom you are communicating.
- Learn to make changes within the uploaded files before the Ratio Study begins.
- Make sure all the AV increases / decreases over 10% were explained on the AV detail and AV summary files.
- Make sure all workbook AVs are rounded to the nearest \$100. If not, please explain why some of the values did not round correctly.

2024 Annual Adjustment

As in prior years, the Department requires each county assessor to have an approved ratio study prior to submitting 2025 certified assessed values to the county auditor. Per Ind. Code § 6-1.1-5-14, the county assessor must deliver the real estate book (i.e., roll 2025 pay 2026 gross assessed values and balance) to the county auditor by **July 1, 2025**. Per Ind. Code § 6-1.1-14-12, each county must submit its ratio study and coefficient of dispersion study to the Department by **March 1, 2025**. Additionally, a county's ratio study will not be reviewed until all datasets are compliant, particularly the Sales Disclosure Data File (50 IAC 27-9-1).

As part of the annual adjustment process, values in the ratio study are set using local market data, such as the sale prices of comparable properties. **If necessary, further adjustments based on local market data (“trending”) may be performed to meet ratio study standards. However, the purpose of the 2025 annual adjustment process is to value properties at their market**

value-in-use, as indicated by compliance with ratio study standards. If this goal is met without trending, no further adjustment is necessary.

Assessment Date and Valuation Date

- The assessment and valuation date are both January 1, 2025. All real property should reflect characteristics as of this date.
- Depreciation should also be applied relative to January 1, 2025, and updated on an annual basis. If an adjustment is necessary, and depreciation has not been updated as part of the annual adjustment process, the adjustment factor may need to be revised to consider increased depreciation from the last physical reassessment. Since normal (physical) depreciation refers to normal wear and tear of an improvement, generally there would be an increase in depreciation even if the cost changes were insignificant. Even if the sales (market data) indicate there was no additional change within the market, the neighborhood (market) factor adjustment would account for this. Hence, counties should apply depreciation by accounting for the additional age of the improvement.
- Note: Please note that the Location Cost Modifiers (LCM) have been updated for the January 1, 2025, assessment date.

Parcel Characteristics

All properties must be assessed based on their characteristics as of January 1, 2025.

Ratio Study Review Standards

Sales Window:

The assessing official may use sales of properties from the period **from January 1, 2024, to December 31, 2024**, for the January 1, 2025, assessment date. **Like last year: Assessing officials may use a different sales window (e.g., November 1, 2023 – October 31, 2024).**

However, the sales window must cover at least twelve (12) months, and it cannot be more than two (2) months from the January 1 assessment date. A longer time period may be required to produce a representative sample in some counties; however, no more than five (5) years of sales may be used in the ratio study. Older sales must be time-adjusted as appropriate and in accordance with the methods prescribed in the *2013 IAAO Standard on Ratio Studies*.

Multiple Sales Years:

Similar to the 2024 assessment process, counties may use sales older than one year in one township without expanding the sales window for other townships. However, time adjustments for older sales must be performed using all comparable older sales, including those sales whose inclusion in the ratio study is not necessary because of sufficient current sales. This will promote equity among townships with different sales windows without requiring the addition of older sales in townships where they are not needed for assessment purposes.

For example, Adams Township has sufficient 2024 sales, but Boone Township does not. The sales window is expanded to 2023 sales for Boone Township. The county does not need to expand the sales window to 2023 sales for Adams Township. However, the county should use comparable 2023 and 2024 sales from both Adams and Boone Townships to determine whether a time adjustment is necessary for the 2023 sales used in Boone Township.

Sales Chasing:

Appendix E of the *2013 IAAO Standard on Ratio Studies* lists several methods that oversight agencies may use to detect sales chasing. Of these, the Department primarily uses the Mann-Whitney test outlined in E.2: Comparison of Average Value Changes. In *Mass Appraisal of Real Property*, Robert Gloudemans notes that:

When calculating average value changes, new parcels and parcels that have undergone a change in use or physical change (such as additions or renovations) should be excluded. (pp. 311 – 312)

Because 2024 marked the third phase of the cyclical reassessment, it may be difficult to discern between changes attributable to the reassessment process and changes attributable to sales chasing (hence the need for the additional columns in the workbook to designate whether a parcel was reassessed in the third phase of the cyclical reassessment). As indicated previously, the Mann-Whitney test will be utilized for the 2025 annual adjustment process for detecting sales chasing. However, parcels that were part of the third phase of the cyclical reassessment (as identified in the Workbook) will be excluded from the test. Additionally, the Department may use other methods described in Appendix D to detect sales chasing.

Questions about this memorandum may be directed to Barry Wood, Assessment Division Director, at BWood@dlgf.in.gov or (317) 232-3762.

Additional materials on Ratio Studies are available on the [Department's website](#).