

STANDARD ON RATIO STUDIES

Exposure Draft - September 2025

International Association of Assessing Officers

IAAO assessment standards represent a consensus in the assessing profession and have been adopted by the Board of Directors of the International Association of Assessing Officers (IAAO). The objective of the IAAO standards is to provide a systematic means for assessing officers to improve and standardize the operation of their offices. IAAO standards are advisory in nature and the use of, or compliance with, such standards is voluntary. If any portion of these standards is found to be in conflict with national, state, or provincial laws, such laws shall govern. Ethical and/or professional requirements within the jurisdiction^[1] may also take precedence over technical standards.

[1] For example, USPAP, CUSPAP, IVS, EVS.

About IAAO

The International Association of Assessing Officers, formerly the National Association of Assessing Officers, was founded for the purpose of establishing standards for assessment personnel. IAAO is a professional membership organization of government assessment officials and others interested in the administration of the property tax. Over the years IAAO members have developed assessment practice and administration standards and many of these standards have been adopted by state and international oversight agencies, and some have been incorporated into legislation.

IAAO continues at the forefront of assessment in North America and has been expanding its reach to the global community for the last five decades. Because standards form the rules by which North American assessors perform their duties, they may not be directly applicable to an overseas audience. The standards have been updated to also present the broad principles upon which the rules are based. IAAO believes those principles may be adapted to many differing statutory and regulatory scenarios worldwide.

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Revision notes

This standard replaces the 2008 Standard on Contracting for Assessment Services and is a complete revision. The 2008 standard updated the 2002 standard.

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TABLE OF CONTENTS

International Association of Assessing Officers	2
About IAAO.....	2
Acknowledgements.....	2
Revision Notes	3
1. Scope.....	8
2. Overall Principles.....	9
3. Introduction.....	10
3.1. The Concept of Market Value	10
3.2. Valuation Accuracy	11
3.3. Uses of Ratio Studies	11
3.3.1 Use by Oversight Agencies	11
4. Steps in Ratio Studies	12
4.1. Define the Purpose, Scope, Objectives, and Limitations of the Study	12
4.1.1 Limitations	12
4.2. Design the Study	13
4.2.1 Minimum Requirements of a Ratio Study	14
4.3. Collection and Preparation of Market Data	14
4.4. Sampling	14
4.4.1 Independent Value Estimate-based Ratio Studies	15
4.5. Stratification.....	15
4.6. Statistical Analysis and Evaluation of Results.....	15
4.7. Reporting.....	16
5. Sample Selection and Timing of Studies	17
5.1. Data Requirements and Availability	17
5.1.1 Nature of the Population	17
5.1.2 Composition of the Sale Ratio	17
5.2. Period from which Sales are Drawn	18
5.3. Sample Representativeness.....	18
5.4. Frequency of Ratio Studies	18
6. Ratio Study General Statistical Concepts	19

6.1.	Data Visualizations	19
6.2.	The Normal Distribution.....	22
6.3.	Outlier Ratios	22
6.4.	Tests of Hypotheses	23
6.5.	Parametric and Distribution-Free (Non-Parametric) Statistics	24
7.	Level of Valuation Statistics	25
7.1.	Median	25
7.2.	Mean	25
7.3.	Weighted Mean	26
7.4.	Contrasting Measures of Valuation Level	26
7.5.	Measures of Reliability	26
7.5.1	Confidence Intervals	26
7.5.2	Mean Confidence Interval.....	27
7.5.3	Median Confidence Interval	27
7.5.4	Weighted Mean Confidence Interval	28
8.	Uniformity of Valuation Statistics	29
8.1.	Measures of Variability	29
8.1.1	Coefficient of Dispersion.....	29
8.1.2	Standard Deviation and Coefficient of Variation	30
8.1.3	Other Measures of Variability	30
8.2.	Vertical Equity	31
8.2.1	Vertical Equity Indicator	31
8.2.2	Additional Vertical Equity Measures	35
9.	Considerations for Small Sample Situations.....	36
9.1.	Adequacy of a Given Sample Size.....	36
9.2.	Required Sample Size	36
9.3.	Remedies for Inadequate Samples	36
10.	Presentation of Findings, Documentation, and Training	38
10.1.	Documentation for Published Studies.....	38
10.1.1	Narrative	38
10.1.2	Exhibits	38

10.1.3	Analyses and Conclusions	38
10.2.	Internal Documentation	39
10.3.	Training and Education	39
11.	Ratio Study Standards	40
11.1.	Level of Valuation	40
11.1.1	Purpose of Level-of-Valuation Standard	41
11.1.2	Confidence Intervals in Conjunction with Performance Standards	41
11.2.	Appraisal Uniformity	42
11.2.1	Uniformity among Strata	42
11.2.2	Uniformity within Strata	43
11.2.3	Uniformity Standards for Other Property	43
11.2.4	Uniformity Standards in Blighted, Distressed, and Emerging Market Areas	44
11.2.5	Vertical Equity	45
11.3.	Natural Disasters and Ratio Study Standards	46
12.	Personal Property Ratio Studies	47
12.1.	The Performance Review	47
12.1.1	Personnel	48
12.1.2	Discovery	48
12.1.3	Valuation	48
12.1.4	Verification and Auditing	49
12.2.	Appraisal Ratio Studies for Personal Property	49
12.2.1	Assessment Ratio for Personal Property	49
12.2.2	Stratification	50
12.2.3	Property Escaping Assessment	50
13.	Considerations for Oversight	52
13.1.	Equalization	52
13.1.1	Direct Equalization	53
13.1.2	Indirect Equalization	53
13.2.	Design of Study for Oversight Purposes	54
13.2.1	Determining the Composition of Samples	54
13.2.2	Collection and Preparation of Market Data	55

13.2.3	Stratification for Equalization Studies	55
13.3.	Timing and Sample Selection	57
13.3.1	Date of Analysis and Related Considerations	57
13.3.2	Required Sample Size	57
13.3.3	Representativeness of Samples	58
13.4.	Measures of Valuation Level for Oversight and Equalization	60
13.4.1	Overall Ratio for Combined Strata	60
13.4.2	Contrasting Measures of Valuation Level for Oversight and Equalization	61
13.5.	Independent Property Valuation-based Ratio Studies	62
13.5.1	Rationale	62
13.5.2	Advantages and Disadvantages	62
13.5.3	Sample Selection and Resource Requirements	63
13.5.4	Data Requirements and Valuation Techniques	64
13.5.5	Independent Value Chasing	64
13.5.6	Reviewing of Independent Valuations	65
13.5.7	Combining of Sales and Independent Valuations	65
13.6.	Ratio Study Standards for Oversight Purposes	66
13.6.1	Level of Valuation – Oversight Use	66
13.6.2	Uniformity	69
13.7.	Caution on Use of Results	69
13.8.	Application of Results	69
13.8.1	Advice and Assistance	70
13.8.2	Equalize Local Valuations	70
13.8.3	Revaluation Orders	70
	Appendices	71
	Definitions	118
	References	130
	Additional Resources	132

1. SCOPE

This standard provides recommendations and guidance on the design, preparation, interpretation, and use of ratio studies for valuation purposes. It is divided into thirteen sections and includes a glossary of key terms. Many topics addressed in this standard are discussed in more detail in Property Appraisal and Assessment Administration (International Association of Assessing Officers (IAAO), 1990) and Mass Appraisal of Real Property (Gloudemans, 1999).

The primary audience for this standard are those creating, using, or interpreting ratio studies for mass valuations intended for property tax assessment purposes. This includes professionals involved in the development or evaluation of valuations from models or other methods, as well as those in auditor or oversight roles evaluating the performance of an entire assessment jurisdiction. Additionally, the concepts within this standard are relevant for other mass valuation projects such as mortgage portfolio management.

IAAO recognizes there are multiple ways of referring to appraisers and appraisals throughout the world. Therefore, within this document the terms *valuer*, *assessing officer*, *lister*, and *appraiser* may be used interchangeably. In addition, the terms valuation and appraisal as used in this document are interchangeable and synonymous.

2. OVERALL PRINCIPLES

The key principles within this standard are as follows:

1. Ratio Studies are a fundamental part of the mass valuation process and should be used by both Assessors and Oversight Agencies to ensure valuations are fair and equitable.
2. Sample size and representativeness can have a significant impact on the interpretation of Ratio Study results.
3. Ratio studies may be done to establish the effectiveness and results from either a pure market value standpoint or a statutorily determined valuation system.
4. Interpretation may differ when using market values vs statutorily defined values (i.e. just value, use value, capped value, taxable value, gross assessment, or net assessment) and assumptions must be clear in order to interpret results. Use of any estimate other than market value changes the context of the statistical analysis.
5. Standards are intended to represent minimum acceptable performance and assessors should strive for continuous improvement towards target levels.

3. INTRODUCTION

Ratio studies are a statistical exercise integral to determining the valuation performance of an assessment jurisdiction's estimate of statutorily defined market value. A ratio consists of that estimate divided by a market value proxy, such as a sales price or independent property valuation. By extension, a ratio study consists of multiple ratios being evaluated to determine overall compliance with the various metrics described in this standard and is a critical tool for judging the validity of market-based valuations when compared to market-based proxies.

The use of non-market valuation estimates can mask the true level of valuation and confuse the measurement of valuation uniformity when the legal assessment level is other than 100 percent for all property or when statutory valuation constraints exist, as they typically do. Care should be taken to ensure a ratio study is properly specified and clearly identifies whether values are market or non-market based so that readers are clear about the purpose of the study, reasonable expected outcomes, and statistically valid interpretations which can be made.

Principles

- Value must be defined and could be based on market or specific legal requirements.
- Market value cannot be observed directly; a single sales transaction does not equate to market value and ratio study statistics do not apply to all properties individually.
- Ratio studies serve many purposes, and the purpose of the study will dictate how the statistics are analyzed and interpreted.

3.1. THE CONCEPT OF MARKET VALUE

Market value is the goal of most mass valuation assignments. The objective is to estimate the market value of properties based on legal requirements or accepted valuation definitions. When estimating market value, a group of sales will typically be utilized in the determination of the most probable price a willing buyer and willing seller would agree upon. A single market sale transaction, by itself, is not market value.

Market value is a concept in economic theory and cannot be observed directly. While a single sale may provide an indication of the market value of the property in question, a ratio study must be based on an adequate sample. Ratios are formed by dividing the appraised value by the sale price. The ratio can be multiplied by 100 and expressed as a percentage. Market values can be represented in ratio studies by sales prices that have been confirmed, screened, and adjusted as necessary (Standard on verification and adjustment of sales, 2020). Sales prices provide the most objective estimates of market values and under normal circumstances should provide good indicators of market value. Therefore, the main concept of ratio studies is to systematically compare assessed values with sales prices as a starting point for calculating statistical measures

to do in-depth analysis. Ratio studies may compare assessed values to market value proxies using independent appraisals. (See [Appendix A- Independent Value Estimate-based Ratio Studies](#))

3.2. VALUATION ACCURACY

When mass valuation is used for property tax purposes, the credibility of the property tax depends largely on the accuracy of such value estimates to reflect market value as defined by professional standards and legal requirements. Therefore, the accuracy of valuations is of concern not only to assessors, but also taxing authorities, property taxpayers, and elected representatives.

There are two major components of accuracy: level and uniformity. Valuation level refers to the overall ratio of valuations to sales prices or market proxies. Level measurements provide information about the degree to which goals or certain legal requirements are met. Uniformity refers to the degree to which properties are appraised at equal percentages of those same sales prices or market proxies.

3.3. USES OF RATIO STUDIES

Ratio studies can be used for many purposes, both in the private and public sector by valuers, appeal boards, taxpayers, taxing authorities, oversight agencies, and others. Key uses of ratio studies are as follows:

- Measure and evaluate the level and uniformity
- Quality assurance and identify appraisal priorities
- Determine whether administrative or statutory standards have been met
- Determine time trends (See (Standard on verification and adjustment of sales, 2020))
- Test, refine, complete, and finalize values throughout the valuation process
- Direct and Indirect Equalization

It is important to note that ratio study statistics cannot be used to judge the level of valuation of an individual property. Such statistics can, however, be used to adjust assessed values on appealed properties to the common level.

3.3.1 Use by Oversight Agencies

National/State/provincial oversight agencies often perform ratio studies to advise assessing officers and the public about local market conditions and to order revaluations or equalize locally determined assessments. Many oversight agencies have a dual role. One role is to advise and assist local valuation offices, and the other role is to measure local valuation performance. These two roles may create a conflict of interest that should be minimized. See [Section 13—Considerations for Oversight](#).

4. STEPS IN RATIO STUDIES

Ratio studies generally involve the following seven steps, however some may occur in a different order or concurrently. Some of the steps, such as the collection and preparation of market data, are continuous processes. These are the steps in a ratio study:

1. Define the purpose, scope, objectives, and limitations of the study
2. Design the study
3. Collection and preparation of market data
4. Sampling
5. Stratification
6. Statistical analysis and evaluation of results
7. Report steps and results of study

Principles

- A ratio study is an iterative process of seven steps; some steps are repeated or done in a different order depending on the purpose of the study.
- Design of the study should establish minimum requirements and identify study limitations.
- Data collection, sampling, and stratification should be in accordance with acceptable statistical methods.
- Reporting on the methodology, definitions and results is a critical step in the ratio study process.

4.1. DEFINE THE PURPOSE, SCOPE, OBJECTIVES, AND LIMITATIONS OF THE STUDY

The first step in any ratio study is to determine and state clearly the reasons for the study. This crucial step of identifying the purpose of the study determines the specific goals, scope, content, depth, and required flexibility. Some of the reasons for conducting a study include:

- Review existing values/models to determine appraisal priorities
- Calibrate and refine the underlying model
- Validate a model
- Determine market trends
- Determine need for revaluation
- Oversight function – monitor, certify, and validate values. Consider corrective action.
- Equalization (direct or indirect)
- Assist primary valuers

4.1.1 Limitations

Users of ratio studies should recognize there may be limitations:

- A ratio study cannot provide perfect information about valuation performance. Lack of sufficient sales, outliers, or overrepresentation of one geographic area or type of property can distort results and make them less reliable.
- Ratio study validity requires that sold and unsold parcels be appraised at the same level and in the same manner. Violation of this condition seriously undermines the validity of both the study and the valuations.
- Findings should be used only in ways that are consistent with the intended use(s) for which the study was designed.
- Ratio study data are subject to statistical sampling errors and other processing (non-sampling) errors that may make them less reliable for informed decision making (Lessler & Kalsbeek, 1992).
- Sales must be screened to eliminate those that don't meet the requirements of arm's-length, open-market sales (Standard on verification and adjustment of sales, 2020).
- Sales are not "randomly selected" from the population, in the strict technical sense. Depending on the circumstances, sales prices can provide either useful or poor indications of market values (see [Section 5.3- Sample Representativeness](#)).
- Value-related characteristics of a sale sample may not represent all the value-related characteristics of the population.

4.2. DESIGN THE STUDY

The ratio study design must consider the quantity of sales data and resources available. It is critical the sample of sales sufficiently represent the population of properties in both characteristics and distribution of values. Although absolute accuracy cannot be ensured, all reasonable, cost-effective steps should be taken to maximize reliability. The analyst should identify the following factors:

- The groups or classes of properties to be included in the study.
- Important legal, physical, and economic characteristics of the properties selected for study.
- The quantity and quality of data available, both overall and within any stratifications
- If value ranges should be created for any continuous type variables such as sale price, year of construction, etc.
- The values being tested.
- Sales time period being used and if it is necessary to utilize time adjusted sale price rather than the original sale price.
- In some cases, the analyst can consider the use of independent value estimates as a substitute or supplement to sales. These may be developed using independent mass valuation models.
- Available resources, such as the number and expertise of staff, computer hardware and software applications, and additional limiting conditions.

4.2.1 Minimum Requirements of a Ratio Study

Although every study does not require the same level of *statistical* detail, each ratio study should include measures of valuation level, valuation uniformity, and confidence intervals showing statistical reliability. Graphs, charts, GIS, or other pictorial representations can be useful tools for showing distributions and patterns in the data. There is no model ratio study design that can serve all jurisdictions or all situations equally well; a ratio study is a function of the quantity and quality of sales data. Informed, reasoned judgment and common sense are required in the design of ratio studies.

4.3. COLLECTION AND PREPARATION OF MARKET DATA

Ratio study findings can only be as accurate as the data used in the study. Those involved in collecting, screening, and adjusting sales data should be familiar with real estate conveyance practices in their region.

Accuracy and integrity of the data must be ensured and methods for checking data quality established to reduce errors (Standard on Data Quality, 2021).

The legal and physical characteristics of each property used in the ratio study must be the same as when sold. This implies two essential steps. First, the analyst must ascertain whether the property descriptions match (the legal). Second, the analyst must verify if the physical characteristics of the property have changed since the last valuation, and if so, adjustments may be necessary before including the property in a ratio study. Properties with significant differences in these factors should be excluded from the study (Standard on verification and adjustment of sales, 2020).

4.4. SAMPLING

A ratio study is a form of applied statistics because the analyst draws conclusions about the population of properties based on those that have sold during a given period of time. The sales constitute the sample that will be used to draw conclusions or inferences about the population.

It is impossible to determine the accuracy of valuations with absolute certainty. Each arm's-length, open-market transfer is only one observation utilized in determining the most probable price (market value) of a property. Each of these observations will have slightly random deviations due to buyer or seller preferences or other unknown issues not identified when confirming the sale. However, when utilized as a group or sample, ratio studies help draw inferences or conclusions about the population from these samples.

It is important to ensure there is a sufficient number of observations (sales) for analysis. When the sample size is inadequate, the analyst should determine if it is possible to expand the time period or geographic area used in the study or use independent valuation proxies in place of sales

in order to develop a more robust sample (See [Section 9 - Considerations for Small Sample Situations](#) and [Appendix A- Independent Value Estimate-based Ratio Studies](#)).

4.4.1 Independent Value Estimate-based Ratio Studies

In specific cases ratio studies can be conducted with estimates of market value that result from independent value estimates. These independent value estimates can be made through fee appraisals or through the deployment of a separate valuation model which has undergone scrupulous testing itself and can be concluded to reflect market value. The use, considerations and principles of independent value estimate-based ratio studies is explained in [Section 13.5](#). Furthermore, the underlying principles in independent value estimate-based ratio studies closely resemble considerations for personal property, which is elaborated on in [Section 12- Personal Property Ratio Studies](#).

It is necessary that the use of independent value estimates is reflected in the scope and design of the intended ratio studies. In presenting the results of a ratio study which includes the use of an independent value estimate, it must be clear that the utilized ratios are assessment to model value ratio (AMR) and not assessment to sales price ratio (ASR) (Hermans, McCord, Davis, & Bidanset, 2023). Additional information is available in [Appendix A- Independent Value Estimate-based Ratio Studies](#).

4.5. STRATIFICATION

Stratification divides all properties within the scope of the study into two or more groups or strata. Stratification facilitates a more detailed picture of valuation performance and can enhance sample representativeness.

Strata should be chosen to be consistent with factors in the mass valuation model and ensure representativeness from the sample. When the purpose of the study is to evaluate valuation quality, flexibility in stratification is essential. The general goal is to identify areas in which the value levels are too high/low or lack uniformity and property groups for which additional work may be required. In such cases, it also is highly desirable to stratify on the basis of more than one characteristic simultaneously.

Stratification can help identify differences in level of valuation between property groups. In large jurisdictions, stratification by geographic areas is generally more appropriate for residential properties, while stratification of commercial properties by either geographic area or property subtypes (e.g., office, retail, and warehouse/industrial) can be more effective.

4.6. STATISTICAL ANALYSIS AND EVALUATION OF RESULTS

A properly designed ratio study is a powerful tool for analyzing valuation performance, evaluating mass valuation models, and suggesting strategies for improvement. A ratio study is an

iterative process and should be continuously performed throughout the valuation cycle (See [Section 5.4- Frequency of Ratio Studies](#)).

A ratio study can identify weaknesses in valuation system performance. Unexpected study results may indicate a need to respecify or recalibrate a valuation model or to reevaluate the data elements used in the valuation process.

Measures of valuation level, uniformity, and reliability for the entire jurisdiction and each group or stratification should be computed after sales have been screened, ratios computed, outliers identified and removed if appropriate. Confidence intervals should be applied to validate sample size and determine compliance with standards as well as statistical reliability (see [Section 7- Level of Valuation Statistics](#) and [Section 8- Uniformity of Valuation Statistics](#)).

4.7. REPORTING

The ratio study report offers clear, data-driven evidence of how valuations are conducted, aids internal decision-making and serves as a communication tool to foster public confidence in the equity of the valuation portion of the tax system. The purpose of a ratio study report is multifaceted, serving several critical functions in property valuation and public administration.

Primarily, it evaluates the accuracy and fairness of property valuations by comparing them to actual market sales. This ensures property valuations are equitable across different property types and geographic regions, which is crucial for fair taxation. The report also plays a vital role in validating or calibrating mass appraisal models, helping assessors refine their valuation methods and improve future valuations.

In addition to technical appraisal purposes, the ratio study report can identify market trends and provide insights into how property values are changing over time. This helps determine if there is a need for revaluation or adjustments in valuation practices. It also serves as a tool for oversight and compliance to ensure valuations meet legal standards and adhere to equalization requirements. This is particularly important for state and local governments that must maintain uniformity in property taxes.

Another significant purpose is its role in public relations and transparency. The ratio study report builds public trust by showing valuations are based on objective market data. By making the process transparent, it addresses concerns from taxpayers, property owners, and stakeholders, demonstrating the property tax system is fair and accountable. Through these multiple purposes, the ratio study report becomes an essential component of effective property tax administration.

5. SAMPLE SELECTION AND TIMING OF STUDIES

There are several important considerations regarding sample selection and timing of studies which must be considered in the design of a ratio study.

Principles

- Understanding the composition of the population is important in designing the proper study.
- Sample selection and timing of the study should be carefully considered.
- Inadequate samples must be enhanced by expanding the time period used, applying appropriate adjustments for market conditions, or through the use of independent valuation estimates.
- Careful consideration of the representativeness of the “Sample” to the “Population” is paramount to a good study outcome.

5.1. DATA REQUIREMENTS AND AVAILABILITY

Prior to defining study objectives, the jurisdiction must first determine the availability of data which will influence the design of the study. Lack of an adequate sample size may limit the usefulness of the calculated statistics. Since conclusions can be drawn about the valuation of the population of properties based on a sample, it is critical exploratory data analyses be conducted to increase understanding of both sales samples and population datasets. Increased understanding of data quality and characteristics will improve the decision-making process associated with conducting and interpreting ratio study analyses.

5.1.1 Nature of the Population

Understanding the type of properties, market conditions, and composition of the population in terms of age, size, and value range are essential to designing the proper study and successfully interpreting the results. Properties that rarely sell (e.g., hospitals) can be considered outliers that would not necessarily be included in a ratio study designed to evaluate performance, however they would be used in a study designed to calibrate the underlying model.

5.1.2 Composition of the Sale Ratio

Values or assessments are generally the numerators in the ratios used in a study. This is why it is important to understand the valuation conditions. These conditions include valuation dates, legal requirements, and the time period they remain in effect.

Sale price or proxy, as an indicator of market value, is the denominator in the calculation of the ratio. Specific information about the date, amount, terms, and conditions of each sale is required for proper analysis.

5.2. PERIOD FROM WHICH SALES ARE DRAWN

Sales used in ratio studies can span multiple years provided there have been no significant changes to property characteristics since the transaction, and sales prices have been adjusted for market conditions. The determination of the number of years utilized in the study is based on providing a representative sample for the analysis.

5.3. SAMPLE REPRESENTATIVENESS

In general, a ratio study is valid to the extent the sample is sufficiently representative of the population, to the extent the distribution of sold properties in the sample reflects the distribution of properties in the population. If sold and unsold properties are valued in the same manner and the sample is otherwise representative, statistics calculated in a sales ratio study can be used to infer valuation performance for unsold properties.

However, if properties that sell are selectively revalued based on their sale prices or not treated the same as the population, and such properties are used in the ratio study, uniformity inferences will not be accurate (valuations appear more uniform than they are). In this situation, measures of valuation level also will not be supportable (see [Appendix B- Sales Chasing Detection Techniques](#)). A quality control program should be developed, including checks and audits of the data, to ensure sold and unsold properties are valued at the same level.

Representativeness is improved when the following occur:

1. Procedures and methodology used to value the population are also used to value the sample. For example, a sample comprised mostly of new construction, first-time sales of improved properties, condominium conversions, or newly platted lots is unlikely to be fully representative of the unsold properties.
2. Recorded property characteristics data for sold property does not differ substantially from that of unsold property. For example, utilizing characteristics only available for the sales, yet not available for the population, such as interior condition or remodeling, would undermine the true representativeness of the sample.
3. Sample properties are not unduly concentrated in certain areas or property types. For example, sales of newly subdivided lots would likely not be representative of the value of land in older, established subdivisions.
4. Sales have been appropriately screened and validated (see Standard on Verification and Adjustment of Sales).

5.4. FREQUENCY OF RATIO STUDIES

The purpose of a ratio study dictates how often it should be conducted. Regardless of the revaluation cycle, ratio studies should be conducted at a minimum on an annual basis. This frequency enables potential problems to be recognized and corrected before they become serious.

6. RATIO STUDY GENERAL STATISTICAL CONCEPTS

Once data has been properly collected, reviewed, assembled, and adjusted, outlier handling and statistical analysis can begin. This process involves the following steps:

1. A ratio should be calculated for each observation in the sample by dividing the value by the sale price.
2. Graphs and exhibits can be developed that show the distribution of the ratios and tests of the hypotheses of normality may be conducted.
3. Exploratory data analysis, including outlier identification and screening should be conducted.
4. Ratio study statistics of both valuation level ([Section 7](#)) and uniformity ([Section 8](#)) should be calculated.
5. Hypothesis tests should be performed, and reliability measures, such as confidence intervals, should be calculated.

Principles

- Visualizations aid in illustrating general patterns or trends but should not be used to draw formal conclusions.
- Tests should be done to determine if parametric or non-parametric tests should be used.
- Outliers can distort results and should be identified and reviewed or trimmed as required.

6.1. DATA VISUALIZATIONS

Visualizations or exhibits that provide a profile or picture of ratio study data are useful for illustrating general patterns and trends, particularly to non-statisticians. The form of the visualization, as well as the data used (e.g., sales prices, sales ratios, and property characteristics) depends on the purpose of the analysis. Types of visualizations useful in ratio studies include tables, bar charts, histograms, scatterplots, and maps (Gloudemans, 1999).

Graphic visualizations can be used to:

- Give a visual representation of sample representativeness
- Illustrate the degree of nonnormality in the distribution of ratios
- Illustrate the overall level of valuation, degree of valuation uniformity, and degree of value related bias (progressivity and regressivity)
- Compare the valuation level or degree of uniformity between strata
- Illustrate potential ratio or value outliers
- Identify specific opportunities to improve mass valuation performance
- Track performance measures over time
- Illustrate market condition (time) trends over time

Graphic visualizations alone should not be used to draw formal conclusions. Graphical representations can be important tools to better understand the nature of the ratio data or to shed light on a particular relationship, however, graphical relationships can also be deceiving and may not consider properly designed hypothesis testing and an accounting of statistical significance in drawing conclusions.

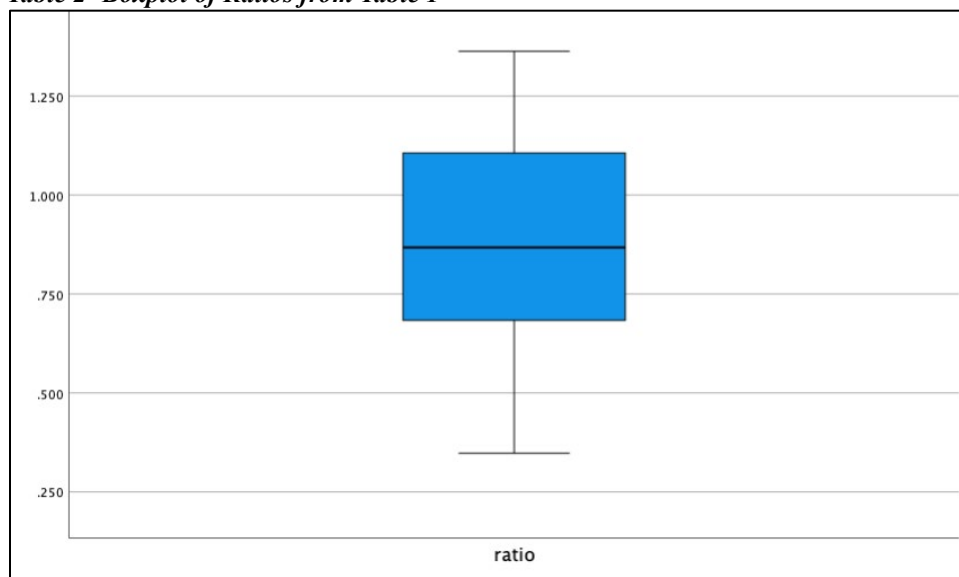
Table 1- Example of Ratio Study Statistical Analysis Data Analyzed

Observation	Assessed Value (AV) (\$)	Sale Price (SP) (\$)	Ratio (AV/SP)
1	240,000	690,000	0.348
2	144,000	296,250	0.486
3	392,000	787,500	0.498
4	199,200	372,000	0.535
5	340,800	574,500	0.593
6	472,000	795,000	0.594
7	336,000	559,500	0.601
8	284,800	465,000	0.612
9	436,000	693,600	0.629
10	191,200	298,500	0.641
11	225,000	350,000	0.643
12	194,000	295,000	0.658
13	481,600	732,000	0.658
14	338,400	495,000	0.684
15	164,800	237,000	0.695
16	252,800	352,500	0.717
17	945,000	1,289,000	0.733
18	280,000	379,000	0.739
19	407,000	540,000	0.754
20	423,000	560,000	0.755
21	306,800	390,000	0.787
22	236,800	300,000	0.789
23	361,000	450,000	0.802
24	290,400	345,000	0.842
25	235,200	277,500	0.848
26	415,000	485,000	0.856
27	381,000	442,000	0.862
28	380,000	435,000	0.874
29	875,000	998,000	0.877
30	680,000	772,500	0.880

Observation	Assessed Value (AV) (\$)	Sale Price (SP) (\$)	Ratio (AV/SP)
31	329,000	365,000	0.901
32	457,000	487,000	0.938
33	516,000	547,500	0.942
34	295,200	300,000	0.984
35	580,000	580,000	1.000
36	840,000	840,000	1.000
37	640,000	622,500	1.028
38	660,000	637,500	1.035
39	354,000	340,000	1.041
40	800,000	750,000	1.067
41	390,000	352,500	1.106
42	800,000	705,000	1.135
43	469,000	410,000	1.144
44	1,000,000	859,500	1.163
45	920,000	787,500	1.168
46	527,000	440,000	1.198
47	800,000	648,000	1.235
48	786,000	630,000	1.248
49	496,000	388,500	1.277
50	1,000,000	765,000	1.307
51	320,000	243,750	1.313
52	960,000	720,000	1.333
53	952,000	705,000	1.350
54	327,200	240,000	1.363

Note: Due to rounding, totals may not add to match those on following table, which reports results of statistical analysis of above data.

The following boxplot using the sales ratios contained in Table 1 is an example of data visualization.

Table 2- Boxplot of Ratios from Table 1

6.2. THE NORMAL DISTRIBUTION

Many conventional statistical methods assume the sample data conform to the shape of a bell curve, known as the normal (or Gaussian) distribution. Performance measures based on the mean or standard deviation can be misleading if the study sample does not meet the assumption of normality. As a first step in the analysis, the distribution of sample ratios should be examined to reveal the shape of the data and uncover any unusual features. Although ratio study samples typically do not conform to the normal distribution, statistical tests can be used to evaluate whether there is significant statistical evidence of non-normality. Presence of normal distribution allows for use of parametric tests and provides a more precise interpretation for statistics like Standard Deviation.

6.3. OUTLIER RATIOS

Outlier ratios are very low or high ratios as compared with other ratios in the sample. The validity of ratio study statistics used to make inferences about population parameters could be compromised by the presence of outliers that distort the statistics computed from the sample. One extreme outlier can have a controlling influence over some statistical measures. However, some measures, such as the median ratio, are more resistant to the influence of outliers and trimming may not make a practically significant difference.

Outlier ratios can result from any of the following:

1. an erroneous sale price
2. a non-market sale
3. unusual market variability
4. a mismatch between the property sold and the property valued
5. an error in the value of an individual parcel

6. transcription or data handling errors

In preparing any ratio study, outliers should be:

1. Identified
2. Scrutinized to validate the information and correct errors
3. Trimmed, if necessary

Value outliers have values (e.g. sale prices or estimated values) at the extreme ends of their distribution. In addition to being affected by ratio outliers, statistics such as the weighted mean, price-related differential (PRD) and coefficient of price-related bias (PRB) are also affected by value outliers, even if the ratios on sample properties with atypical values do not appear unusual relative to others. For guidelines on outlier identification and trimming, see [Appendix C- Outlier Trimming Guidelines](#).

6.4. TESTS OF HYPOTHESES

An appropriate test should be used whenever the purpose of a ratio study is implicitly or explicitly to test a hypothesis. A hypothesis is essentially a tentative answer to a question, such as, are residential and commercial properties valued at equal percentages of market value? A test is a statistical means of deciding whether the answer "yes" to such a question can be rejected at a given level of confidence.

Tests are available to determine whether the:

- valuation level of a stratum fails to meet an established standard
- meaningful differences exist in the level of value between two or more strata
- high-value properties are valued at a different percentage of market value than low-value properties

Table 3- Tests of Hypotheses

1. Ratios are normally distributed	Shapiro-Wilk W test D'Agostino-Pearson K2 test Anderson-Darling A2 test Lillifores test Kolmogorov-Smirnov test	N/A
2. The level of valuation meets legal requirements.	Binomial test (Median Sign Test)	t-test
3. Two property groups are appraised at equal percentages of market value.	Mann-Whitney Test Mood's Median Test	Two-sample t-test
4. Three or more property groups are appraised at equal percentages of market value.	Kruskal-Wallis Test	ANOVA
5. Low or high value properties are appraised at equal percentages of market value.	Spearman Rank Test, GINI-based measures; Clapp's Two-Stage Least Squares Approach	PRB

6. Sold and unsold parcels treated equally.	Mann-Whitney Test Mood's Median Test	Two-sample t-test
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Other appropriate tests are discussed in (Gloude-mans, 1999), (Property appraisal and assessment administration, 1990), and (Improving real property assessment: A reference manual, 1978).

6.5. PARAMETRIC AND DISTRIBUTION-FREE (NON-PARAMETRIC) STATISTICS

For every problem that might be solved by using statistics, there is usually more than one measure or test. These measures and tests can be divided into two broad categories: parametric and distribution-free (nonparametric). Parametric statistics assume the population data conform to a known family of probability distributions (such as the normal distribution).

When measures like the mean, weighted mean, and standard deviation are used in the context of a normal distribution, they tend to be more meaningful. Distribution-free statistics make less restrictive assumptions and do not require knowledge about the nature of the underlying population distribution. Given similar distribution of ratios in the underlying populations, distribution free tests, such as the Mann-Whitney test, can determine the likelihood that the valuation level of property groups differ. Distribution-free measures include the median and the COD.

7. LEVEL OF VALUATION STATISTICS

The first of two primary aspects of valuation accuracy is the level of valuation. Valuation level refers to the overall, or typical, ratio at which properties are valued relative to market proxies.

Estimates of valuation level are based on measures of central tendency. They should be calculated for each stratum and for aggregations of strata as may be appropriate. Several common measures of valuation level (central tendency) can be calculated in ratio studies, including the median ratio, mean ratio, and weighted mean ratio.

When one of these measures is calculated on the data in a sample, the result is a point estimate, which is accurate for the sample but is only an indicator of the level of valuation in the population. Therefore, confidence intervals should be calculated to determine the reliability of these point estimates as predictors of the overall level of valuation of the population.

Particularly in oversight situations, it is important that a finding of noncompliance with valuation level standards **should not** be determined based on sample point estimates alone. This requires the use of confidence intervals or statistical hypothesis tests.

Principles

- Measures of central tendencies such as median, mean and weighted mean should be calculated to estimate level of valuation.
- Measures computed from samples are point estimates, serve as indicators, and require confidence intervals to provide measures of statistical significance.
- Different tests of level have different uses and applicability.

7.1. MEDIAN

The median ratio is the middle ratio when the ratios are arrayed in order of magnitude (ascending or descending). If there is an even number of ratios, the median is the average of the two middle ratios.

The median divides the data into two equal parts and is less affected by extreme ratios than other measures of central tendency. Because of these properties, the median is the generally preferred measure of central tendency for evaluating overall valuation level, determining revaluation priorities, or evaluating the need for a revaluation.

7.2. MEAN

The mean ratio is calculated by summing the ratios and dividing by the number of ratios.

The mean is affected more by extreme ratios than the median. In a distribution skewed to the right (typical of ratio study data), the mean is greater than the median.

7.3. WEIGHTED MEAN

The weighted mean ratio is the value-weighted average of the ratios in which the weights are proportional to the sales prices. The weighted mean also is called the aggregate ratio.

The weighted mean can be calculated by (1) summing the values, (2) summing the sales prices, and (3) dividing the first result by the second.

The weighted mean gives equal weight to each unit of value (e.g. dollar) in the sample, whereas the median and mean give equal weight to each property. The weighted mean is an important statistic and is also used in computing the PRD, a measure of uniformity between high- and low-value properties. The weighted mean is affected more by extreme ratios on high priced properties.

7.4. CONTRASTING MEASURES OF VALUATION LEVEL

The median is the preferred measure of central tendency for evaluating appraisal performance because it gives equal weight to each ratio and is unaffected by extreme ratios. Although the mean ratio also gives equal weight to each ratio, it can be affected appreciably by extreme ratios and can be relied upon only if outliers have been appropriately trimmed. The weighted mean is also affected by extreme ratios. It is the generally recommended measure of central tendency for indirect equalization because it gives equal weight to each unit of value (dollar).

7.5. MEASURES OF RELIABILITY

Reliability, in a statistical sense, indicates the degree of confidence that can be placed in a statistic calculated from a sample which is then being used as an estimate for an unknown population. This is important in ratio studies because point estimate statistics are calculated from a sample comprised of market proxies which are then applied to the total population. Variations within the sample can influence how reliable those point estimates are, therefore using measures of reliability provides additional information to determine if a sample point estimate is truly in compliance or not. For example, how precisely does a median ratio using a sample comprised of market proxies approximate the total population's median valuation ratio?

7.5.1 Confidence Intervals

Reliability is measured with a confidence interval which brackets a sample's point estimate measure with two numbers, an upper and lower limit. These limits utilize a specified degree of confidence (the most common in valuation being 90% and 95%) which determines the upper and lower limits of the true measure of central tendency for the population. If the point estimate is out of compliance, but either the upper or lower limit overlaps the expected parameters, then the analyst cannot reliably say the test has failed.

Confidence intervals explicitly consider errors inherent in the sampling process. In general, larger and more uniform (i.e. less disperse) samples produce narrower confidence intervals while smaller and less uniform (i.e. more disperse) samples produce wider confidence intervals. These confidence intervals indicate whether the desired degree of confidence has been achieved regarding a given parameter or range. This is important in ratio studies because the reliance on samples means the true measures of the entire population are unknown and care should be taken to ensure any given statistic truly meets or fails to meet standards.

The analyst should not tolerate measures of central tendency that fail to meet goals or standards whenever measures of reliability are wide due to small samples, poor uniformity of values, or both. Such cases require either additional data for proper analysis or alternative action if poor uniformity is the cause. Such alternative action might include revaluation, trending of strata, or respecifying or recalibrating mass valuation models.

See Appendix 20- 4 in (Property appraisal and assessment administration, 1990) and [Appendix D](#) for guidelines on calculating small-sample confidence intervals. Procedures such as bootstrapping (Efron & Tibshirani, 1993), enable the development of confidence interval estimates for any statistic of interest, including measures of level and uniformity.

7.5.2 Mean Confidence Interval

The formula for the confidence interval about the mean assumes a normal distribution. It is calculated with the following steps:

1. Calculate the standard deviation of the sample
2. Determine the sample size (n) and calculate the degrees of freedom (n-1)
3. Determine the applicable confidence level
4. Identify the critical value of t for a two-tailed test using a Critical Value Table
5. Multiply the critical value by the standard deviation
6. Divide by the square root of the sample size (n)
7. Determine the upper limit of the confidence interval by adding the result to the mean ratio
8. Determine the lower limit of the confidence interval by subtracting the result from the mean ratio

7.5.3 Median Confidence Interval

Unlike the mean, the median confidence interval does not depend on the assumption of a normal distribution, and it is not nearly as affected by outlier ratios. It is calculated using the following steps:

1. Array the ratios
2. Calculate the rank of the upper and lower confidence intervals:
 - a. When the sample size (n) is odd: If using a confidence interval of 95%, the calculation is 1.96 times the square root of the sample size (n). If using a

confidence interval of 90%, the calculation is 1.64 times the square root of the sample size (n).

- b. This result is divided by 2.
 - c. When the sample size (n) is even, follow step A and B above and then add 0.5 to the result.
3. If the result from step 2 is not an integer, round up to the next integer.
 4. Return to the array and locate the median.
 5. Using the result from step 3 count up and down the array from the median to find the ratios which correspond as the upper and lower confidence limits.

7.5.4 Weighted Mean Confidence Interval

The Confidence Intervals for the weighted mean are calculated as follows:

1. Calculate the weighted mean ratio per Section 7.3.
2. For each ratio, calculate the weighted variance by subtracting the weighted mean ratio from step 1 and then square the result. Then multiply each result by the weight for that ratio.
3. Sum the weighted variances from step 2.
4. Calculate the weighted standard deviation by dividing the total weighted variance from step 3 by the total of the weights minus the sum of the squared weights divided by the total of the weights. Then take the square root of this value.
5. Determine the effective sample size by calculating the sum of the weights and dividing by the sum of the squared weights.
6. Calculate the degrees of freedom by subtracting one from the effective sample size calculated in step 5.
7. Selected the desired confidence level, such as 90% or 95%.
8. Find the critical value of t for a two-tailed test using a t-distribution table and the degrees of freedom from step 6.
9. Multiple the critical t-value by the weighted standard deviation.
10. Divide the result by the square root of the effective sample size to calculate the margin of error.
11. Add the margin of error to the weighted mean from step 1 to determine the upper limit of the confidence interval.
12. Subtract the margin of error from the weighted mean from step 1 to determine the lower limit of the confidence interval.

8. UNIFORMITY OF VALUATION STATISTICS

In addition to the valuation level statistics discussed in [Section 7- Level of Valuation Statistics](#), uniformity between groups of property is an equally important and critical aspect of mass valuation and ratio studies. When evaluating uniformity, there are two aspects: horizontal equity, which looks at how uniform ratios are between groups or stratum, and vertical equity, which looks at how uniform ratios are as value increases.

Principles

- Horizontal and vertical equity measures should be computed and examined to determine uniformity and compliance with standards.
- Conducting multiple tests may be required to ensure compliance.
- Extremely low variability should be examined to detect possible sales chasing or model overfitting.
- Different classes and stratum should achieve similar measurement results.

8.1. MEASURES OF VARIABILITY

Measures of dispersion or variability of the ratio distribution relate to the uniformity of the ratios. In general, the smaller the dispersion, the better the uniformity. However, extremely low measures can signal the following:

Typical acceptable causes:

- extremely homogeneous properties
- very stable markets

Unacceptable causes:

- poor sample representativeness ([Section 9](#))
- sales chasing and model overfitting ([Appendix B](#))
- ratio over-trimming ([Appendix C](#))

It is important to note that as market activity changes or as the complexity of properties increases, the measures of variability will typically also increase, even though valuation procedures may be equally valid. Measures of dispersion should be calculated overall and for each stratum in the study. By evaluating across stratum, the presence or absence of horizontal equity can be determined.

8.1.1 Coefficient of Dispersion

The Coefficient of Dispersion (COD) is generally considered the most useful measure of variability or uniformity in property valuation. The COD measures the average absolute percentage deviation of the ratios from the median ratio and is calculated by the following steps:

1. Calculate the overall sample median ratio.
2. Subtract the median from each individual ratio.

3. Determine the absolute value of the calculated differences.
4. Sum the absolute differences.
5. Divide by the number of ratios to obtain the average absolute deviation.
6. Divide by the overall sample median ratio.
7. Multiply by 100.

A desirable feature of the COD is that its interpretation does not depend on the assumption that the ratios are normally distributed. In general, more than half the ratios fall within one COD of the median.

Note that the typical percentage error is not the COD but is expressed by the median absolute percentage error statistic. Also, it is the interquartile range, not the COD, that brackets the middle 50 percent of the assessment ratios.

8.1.2 Standard Deviation and Coefficient of Variation

The standard deviation and coefficient of variation (COV) are common measures of dispersion and can be a powerful measure of appraisal uniformity. These statistics are calculated using the following steps:

1. Determine the overall sample mean ratio.
2. Subtract the mean from each individual ratio.
3. Square the resulting differences.
4. Sum the squared differences.
5. Divide by the number of ratios less one to obtain the variance of the ratios.
6. Compute the square root of the variance to obtain the standard deviation.
7. To obtain the Coefficient of Variation, divide the standard deviation by the mean ratio.

For reference, in a normal distribution, the COV is approximately 1.25 times the COD.

8.1.3 Other Measures of Variability

Other useful measures of variability applicable to ratio studies include:

- range: A measurement of dispersion. Higher is associated with more variability
- percentiles (e.g. quintiles, quartiles, and deciles): Dividing the data set into separate strata for analysis.
- interquartile range: A measure of dispersion of the middle 50% of the data.
- median absolute deviation (MAD): Measure of variability given by the median of absolute deviation from the median.
- mean absolute percentage error (MAPE): Measure of accuracy of predictive models
- median absolute percentage error (MdAPE): Measure of accuracy of predictive models which is less susceptible to outliers due to its use of the median.
- coefficient of concentration: Relative measure of variation in terms of the mean.

- coefficient of variation (COV): Measure variation given by the ratio of standard deviation to the mean.

8.2. VERTICAL EQUITY

Vertical equity evaluates consistency in valuation levels across the range of market values. When there are systematic differences, this is termed vertical inequity. Vertical equity measures inherently provide an indication of the relationship between the ratio and a market value proxy.

When low-value properties are valued at greater percentages of market value than high-value properties, assessment regressivity is indicated. When low-value properties are appraised at smaller percentages of market value than high-value properties, assessment progressivity is the result. Valuations made for tax purposes should be neither significantly regressive nor progressive.

Sale prices, valuation agency estimates of value, and third-party estimates of value are estimates of an unknown market value and thus measure the unknown market value with error. Validated sale prices are the most objective indicator of the unknown market value and should be the basis of ratio studies (i.e. sales ratio studies) when sufficient sales are available.

Significant vertical inequities should be addressed through revaluation or other corrective actions. In some cases, additional stratification can help isolate the problem.

8.2.1 *Vertical Equity Indicator*

Some measures and tests can be useful in exposing and diagnosing vertical equity patterns, however they stop short of indicating whether vertical inequity rises to the point of being provably unacceptable. The Vertical Equity Indicator (VEI) is a comprehensive test that fills this void.

This test is based on the concept found elsewhere in this standard that there should not be a provable difference of greater than 10% between property groups (e.g., commercial and residential properties). The test should be conducted as follows:

1. Compute a ratio for each observation by dividing the valuation estimate by the sales price.
2. Compute a market value proxy for each observation that gives equal weight to sales price (SP) and estimated assessed value (AV):

$$\text{Proxy} = 0.50 * \text{SP} + 0.50 * (\text{AV} / \text{Median Ratio})$$

Note: When vertical equity detection methods rely solely on the sale price (or third-party estimate of value in the case of an appraisal ratio study) as the market value proxy, results tend to be biased toward regressivity. Likewise, when vertical inequity detection methods rely solely on valuation agency estimates of value as the market value proxy, results tend to be biased

toward progressivity. This bias can be reduced by using a market value proxy calculated from the average of the valuation agency value estimate and the sale price, or by using a valid market value proxy not based on either the valuation agency value estimate or the sale price at all.

3. Using the results from step 1 and 2, sort the market value proxy in ascending order and split the corresponding ratios into percentile groups (PG) as follows:
 - a. Halves (two equal groups) if the sample size is between 20 and 50 observations (at least 10 sales per group are required for the comparison).
 - b. Quartiles (four equal groups) if the sample size is between 51 and 500 observations.
 - c. Deciles (10 equal groups) if the sample size is at least 501 observations or more.

If there are unequal groups, see Appendix F- Percentile Rank Observations Tables for further instructions.

Note: At least 10 sales per group are required for the comparison. If the sample is smaller, please see Section 9 for guidance on small sample sizes.

4. For each percentile group as determined in Step 3, compute the median ratio and 90% confidence interval.

Note: The formulas for calculating median confidence intervals can be found in Section 7.5.2 or (Gloude-mans & Almy, 2011, p. 365).

5. To calculate the Vertical Equity Indicator (VEI) point estimate, identify the first and last percentile group (PG) medians. Subtract the first percentile group median from the last percentile group median. Then divide by the overall sample median and multiply the result by 100.

$$VEI = 100 * (\text{MEDIAN Last PG} - \text{MEDIAN First PG}) / \text{Sample MEDIAN}$$

A negative VEI indicates a regressive tendency, whereas a positive VEI point estimate indicates a progressive tendency.

If the VEI is within the acceptable range of –10% to 10%, then we immediately fail to reject the null hypothesis that the degree of vertical inequity present is within acceptable limits. In other words, the VEI indicates that the degree of vertical inequity is acceptable.

If the VEI point estimate is outside of the acceptable range of –10% to 10%, then we must conduct a statistical test to determine if there is significant statistical evidence to conclude that the VEI is outside of the acceptable range for the population. If the VEI is statistically significantly outside of the acceptable range, then we reject the null hypothesis that the degree of vertical inequity present is within acceptable limits.

6. A recommended method of testing whether a given VEI is statistically significantly outside of the acceptable range is to compare the confidence interval bounds for each median. Under this method, first evaluate the upper and lower limits of the median

confidence intervals for the first and last percentile groups. If the intervals overlap, then we immediately fail to reject the null hypothesis that the degree of vertical inequity present is within acceptable limits. In other words, the degree of vertical inequity is acceptable.

If the confidence intervals do not overlap, then we must calculate the difference between the lower confidence limit for the percentile group with the highest median and the upper confidence limit for the percentile group with the lowest median, scaled by the sample median ratio.

$$\text{VEI Significance} = 100 * (\text{Lower CI Limit for PG with the Highest Median} - \text{Upper CI Limit for PG with the Highest Median}) / \text{Sample MEDIAN}$$

If the result is greater than 10%, then the test indicates that the difference between the two medians is statistically significantly greater than 10% and thus one can then reject the null hypothesis and conclude there is statistical evidence that the level of vertical inequity present is outside of acceptable limits (in other words, the level of vertical inequity present is not acceptable). If the result is less than 10%, then we fail to reject the null hypothesis that the level of vertical inequity present is within acceptable limits (in other words, the level vertical inequity present is acceptable).

8.2.1.1. Further Analysis

It is highly recommended to graph all calculations for VEI in order to visualize the relationship between the medians of each percentile group, the accompanying median confidence intervals, and the overall sample median. When all this information is compiled, it can illustrate the presence or absence of vertical equity for a sample.

In situations where the sample has more than two percentile groups, the VEI calculations can also be run on the highest and lowest groups or any other combinations to further evaluate the presence of vertical equity. One should be aware of the statistical considerations surrounding the conduction of multiple comparisons. Vertical inequities can be presented in many shapes so it may not always be the first and last percentile groups which are the highest and lowest medians.

If an analyst desires a more comprehensive picture of mass valuation performance in each percentile group, then they could calculate the Coefficient of Dispersion as well for each group as well.

8.2.1.2. Example

Using the data from [Table 1](#), there are 54 sales in the sample. The sales ratio and value proxy have been calculated as outlined in Steps 1 and 2 above. Given the size of the sample, we divide the data into four groups, as outlined in Step 3, based on the value proxy.

The overall sample median is 0.868 and the 90% confidence intervals for the four quartiles are as follows:

Table 4- Percentile Group Statistics for VEI

PG	Sales	Med Proxy Value	Median A/S Ratio	Lower CI	Upper CI
Quartile 1	14	\$302,709	0.728	0.643	0.848
Quartile 2	13	\$436,450	0.862	0.787	1.041
Quartile 3	14	\$584,538	0.755	0.594	1.000
Quartile 4	13	\$903,995	1.163	1.000	1.248

Note: Because the sales sample is not divisible by 4, there are a different number of sales in two of the quartiles.

To calculate VEI, we determine that Quartile 1 and Quartile 4 are the first and last percentile groups, such that:

$$\text{VEI: } 100 * ((1.163 - 0.728) / 0.868 = 100) * 0.5012 = 50.12\%$$

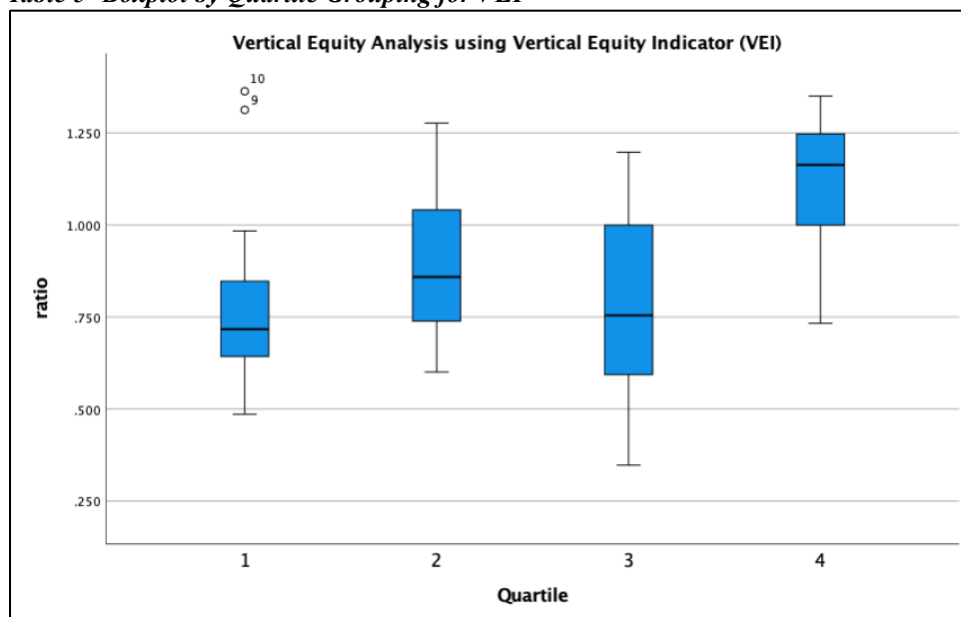
Given that the VEI point estimate of 44.6% is greater than our +/- 10% requirement, we now proceed to evaluate the confidence interval limits.

The confidence Intervals for Quartile 1 and Quartile 4 do not overlap, seeing as the lower is from 0.643 to 0.848 and the upper is from 1.000 to 1.248. We determine that 1.000 and 0.848 are the closest of these two confidence intervals so we can now apply the VEI Significance calculation:

$$\text{VEI Significance: } 100 * ((1.000 - 0.848) / 0.868) = 100 * 0.1751 = 17.51\%$$

Since the result of 17.51% is outside our +/-10% requirement, we have not met the requirement of VEI Significance and reject the null hypothesis that the level of vertical inequity present is acceptable. In this instance, since the VEI point estimate is positive, the sales ratios indicate a progressive tendency.

Additionally, plotting the group medians can provide a highly informative visualization of the nature and extent of the vertical inequity present.

Table 5- Boxplot by Quartile Grouping for VEI

8.2.2 Additional Vertical Equity Measures

The Vertical Equity Indicator should be the primary metric utilized to evaluate vertical equity, however there are many other metrics available and ongoing research which may produce new metrics in the future. In 2023, the IAAO Statistical Tools and Measures Task Force reviewed twelve different tests for measuring vertical equity and concluded that “a suite of tests be reported to support the existence or absence of vertical equity” (p. 131). No one test should be expected to identify or detect all vertical equity issues. For this reason, Appendix E- Additional Tests for Vertical Equity provides additional measuring tools and the analyst is encouraged to consider or employ these tools to provide a more comprehensive evaluation of this issue.

9. CONSIDERATIONS FOR SMALL SAMPLE SITUATIONS

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. Even large jurisdictions will face small sample situations for certain property types, such as gas stations, where there are limited numbers in the population.

Principles

- The usefulness of the statistics is a function of sample size; smaller samples provide less meaningful statistics.
- Point estimates alone are inadequate for determining compliance for a small sample; confidence intervals must be used to reflect sample error.
- Sample size can be improved by extending the time period, re-stratification, use of independent estimates, or validating previously rejected sales.

9.1. ADEQUACY OF A GIVEN SAMPLE SIZE

The adequacy of a given sample size can be evaluated by computing measures of reliability. Measures such as confidence intervals are wider given smaller sample sizes. This makes drawing statistically valid conclusions about applicability of sample results to intended populations more questionable. The two ways to address this problem are to: (1) accept less precision (ie: lower the degree of confidence being used from say 95% to 90% or 80%, etc.) or (2) increase the sample size by including longer sampling periods, combining strata, or adding independently developed valuations as proxy sales (see [Section 9.3](#) for further explanation of expansion methods).

9.2. REQUIRED SAMPLE SIZE

The minimum sample size is relative to the representativeness of the sample. If the sample consists of mostly new construction or newly created lots, the applicability of the results to the population could be minimal. To increase the reliability of the statistical measures and the guidance they provide, the sample size should be increased to ensure the market data being used is representative of the population as a whole.

9.3. REMEDIES FOR INADEQUATE SAMPLES

Inadequate sample sizes are typically indicated by unacceptably wide confidence intervals (see [Section 9.1](#)). The following alternatives should be considered:

1. **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.

2. ***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.
3. ***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.
4. ***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.
5. ***Conducting independent value estimate-based ratio studies.*** Market value estimates are developed independently from the assessor's values via independent automated valuation models or single-property appraisals. This approach minimizes bias and allows greater control over sample selection, improving representativeness through random or stratified sampling in underrepresented areas or property types.

10. PRESENTATION OF FINDINGS, DOCUMENTATION, AND TRAINING

The findings of a ratio study should be sufficiently detailed and documented to meet the needs of the users of the study. Documentation for internal ratio studies can be less detailed than for reports prepared for external uses (See [Section 4.7- Reporting](#)).

Principles

- Documentation should be created to support and adequately explain the study in accordance with academic and IAAO standards.
- Training and education should be provided and focus on interpretation and use of results.

10.1. DOCUMENTATION FOR PUBLISHED STUDIES

The following documentation should be provided in conjunction with any published ratio study.

10.1.1 Narrative

A ratio study should be accompanied by a brief narrative describing the purpose and the methods used. This information can be incorporated in the report of the findings or be contained in a separate memorandum. The narrative should contain the statistics presented and outline the major procedural steps in completing the study and should also describe any rules for eliminating sales or extreme ratios, and acknowledge any significant limitations in the data and include information used to determine that the ratio study sample is representative of the population.

10.1.2 Exhibits

The body of the ratio study report should include for each stratum the statistical results intended to be used for decision-making purposes. Reports should contain the following written or graphical information:

- date and tax year of the appraisals being evaluated
- number of parcels in each stratum
- number of sales
- number of sales trimmed from the study
- measures of central tendency (valuation level)
- measures of uniformity (variability) and price- related biases
- confidence interval (measures of reliability)
- summary of adjustments made to sales prices

10.1.3 Analyses and Conclusions

An objective statement of the results of the ratio study should be prepared. If the study is one in a series, a comparison of the results with those of previous studies can be helpful.

10.2. INTERNAL DOCUMENTATION

In addition to information for published studies, there should be internal documentation.

Operating Procedures should include:

- General explanation of the design of the study. This explanation should be updated whenever procedures are changed.
- Documentation of software applications.
- An explanation of how to execute the study or run the software.

10.3. TRAINING AND EDUCATION

The understanding of ratio studies can be improved through education and training. Seminars or workshops should be conducted to explain how to interpret reports, how ratio studies can be used to improve appraisal performance, and how the results will be used in-house.

11. RATIO STUDY STANDARDS

Each property valuation authority and oversight agency should have ratio study performance standards. Local standards should be consistent with state, provincial, or national standards. The standards summarized in [Table 7](#) are suggested for jurisdictions in which current market value is the legal basis for valuation.

In general, when state, provincial, or national standards are not met, revaluation or other corrective measures should be taken, or equalization procedures can be imposed. When an oversight agency orders such actions, the burden of proof should be on the oversight agency to show that the standards have not been achieved.

All standards recommended in this section are predicated on the assumption that steps have been taken to maximize representativeness and validity in the underlying ratio study.

Principles

- Ratio studies must employ measures of statistical significance—such as confidence intervals and hypothesis testing—to evaluate whether appraisal level and uniformity meet established performance standards.
- Some tolerance in evaluating mass valuation performance is acceptable and necessary. Failure to meet tolerance ranges indicates need for remediation.
- Extraordinary circumstances—such as natural disasters or emerging markets—may increase uncertainty, but do not justify the abandonment of fundamental ratio study standards.

11.1. LEVEL OF VALUATION

In analyzing valuation level, ratio studies attempt to measure statistically how close valuations are to market value (or to a required statutory constraint that can be expressed as a percentage of market value) on an overall basis. While the target level of valuation should be 1.00, a valuation level between 0.90 and 1.10 is considered acceptable for any class of property.

By themselves, point estimates for a measure of central tendency provide only an indication, not proof, of whether the level for the population of properties fails to meet the appropriate goal. Statistical tests or an equivalent confidence interval should be used to determine whether it can be reasonably concluded that the valuation level for the population differs from the established goal.

A decision by an oversight agency to take some action (direct equalization, indirect equalization, revaluation) can have serious consequences for taxpayers, taxing jurisdictions, and other affected parties. This decision should not be made without a high degree of certainty that the action is warranted. Conversely, a decision not to take action when action is needed can have equally serious consequences.

11.1.1 Purpose of Level-of-Valuation Standard

Jurisdictions that follow the IAAO recommendation of annual revaluations (Standard on property tax policy, 2020) and (Standard on mass appraisal of real property, 2025) and comply with (Uniform standards of professional appraisal practice (USPAP)) should be able to develop mass appraisal models that maintain an overall ratio level of or very near 100 percent. However, the valuation entity may be compelled to follow revaluation cycles defined by a legal authority or public policy that can extend beyond one year. During extended cycles, the influence of inflation or deflation can shift the overall ratio.

The purpose of a performance standard that allows reasonable variation from 100 percent of market value is to recognize the limiting conditions that may constrain the degree of accuracy that is possible and cost-effective within a valuation entity.

11.1.2 Confidence Intervals in Conjunction with Performance Standards

The purpose of confidence intervals and similar statistical tests is to determine whether it can be reasonably concluded that the appraisal level differs from the established performance standard range in a particular instance. A conclusion of noncompliance requires a high degree of confidence; thus, a 90 percent (two-tailed) or 95 percent (one-tailed) confidence level should be used, except for small or highly variable samples. The demonstration ratio study report in [Table 6](#) presents 90% two-tailed confidence interval estimates for the mean, median, and weighted mean ratio using the data from [Table 1](#) in [Section 6.1](#).

Table 6- Demonstration Ratio Study Report

Statistic	Result
Number of observations in sample	54
Total value	\$26,127,200
Total sale price	\$29,020,600
Average value	\$483,837
Average sale price	\$537,418
Mean ratio	0.894
90% mean two-tailed confidence interval	(0.835, 0.953)
Median ratio	0.868
90% median two-tailed confidence interval	(0.787, 0.984)
Weighted mean ratio	0.900
90% weighted mean two-tailed confidence interval	(0.836, 0.965)
Coefficient of Dispersion (COD)	24.65%
Coefficient of Dispersion (COD) 95% confidence interval	(20.62%, 30.61%)
Vertical Equity Indicator (VEI)	50.12%
Vertical Equity Indicator Significance	17.51%
Normal distribution of ratios (0.05 level of significance)	Reject D'Agostino, Pearson K2, and Shapiro-Wilk W

Additional Vertical Equity Measures	
Statistic	Result
Price-related bias (PRB) coefficient (t-value)	.1871 (3.113)
Price-related bias 95% confidence interval	(0.0665, 0.3078)
Price Related Differential (PRD)	0.993
Date of Analysis	01/01/2023
Category or class being analyzed	Residential

11.2. APPRAISAL UNIFORMITY

Assuming the existence of an adequate and sufficiently representative sample, if the uniformity of appraisal is unacceptable, model recalibration and/or revaluation should be undertaken. It is important to recognize that the COD is a point estimate and, especially for small samples, should not be accepted as proof of assessment uniformity problems. Proof can be provided by recognized statistical tests, including bootstrap confidence intervals.

In unusually homogeneous strata, low CODs can be anticipated. In all other cases, CODs less than 5 percent should be considered suspect and possibly indicative of non-representative samples, model overfitting, or the selective revaluation of sold parcels.

11.2.1 Uniformity among Strata

Although the goal is to achieve an overall level of valuation equal to 100 percent of the legal requirement, ensuring uniformity in valuation levels among strata also is important. The level of valuation of each stratum (class, neighborhood, age group, market areas, and the like) should be within 5 percent of the overall level of valuation of the jurisdiction (not 5 percentage points but 5 percent). This test should be applied only to strata subject to compliance testing. Consider an example where the overall level of valuation of the jurisdiction is 1.00, but the valuation level for residential property is 0.93 and the valuation level for commercial property is 1.06. It can be concluded that this standard has been met if 90 percent (two-tailed) confidence intervals about the chosen measures of central tendency for each of the strata fall within 5 percent of the overall level of valuation calculated for the jurisdiction. Using the above example, if the upper confidence limit for the level of residential property is 0.97 and the lower confidence limit for commercial property is 1.01, the two strata are within the acceptable range. In addition, classes or categories should not have valuation levels provably differing from each other by more than 10% - see [13.6.1.2](#)

11.2.2 Uniformity within Strata

In sales ratio studies, uniformity within strata, or horizontal equity, is determined using measures of variability. The Coefficient of Dispersion (COD) is the recommended measure to determine horizontal equity. The lower the measure, the better the uniformity of estimated sale prices or assessed values. As markets become more complex or market activity changes, measures of variability typically increase.

Table 7 outlines the COD Standards by general property class accounting for differences in market profile and activity. In unusually homogeneous strata, low CODs can be anticipated. In other cases, CODs less than 5 percent should be considered suspect and possibly indicative of nonrepresentative samples or selective reappraisal of selling parcels. Additionally, in cases of high heterogeneity CODs greater than 5 percent may still indicate possibility of selective reassessment. See [Appendix B](#).

Table 7- COD Standards by General Property Class*

General Property Class	Jurisdiction Size/Profile/Market Activity	COD Range **
Residential Improved (single family dwellings, condominiums, mobile homes, 2-4 family units)		5.0 to 15.0
	Newer or more homogeneous market areas including condominiums	5.0 to 10.0
	Rural, seasonally occupied housing, or Mobile Homes	5.0 to 20.0
Multi-Family		5.0 to 20.0
	Rural jurisdictions	5.0 to 25.0
Commercial, Industrial, Retail, Warehouse, etc.		5.0 to 25.0
	Commercial/Industrial Condominiums	5.0 to 15.0
	Less active markets with small sample size	5.0 to 30.0
Vacant Land		5.0 to 20.0
	Less active markets with small sample size	5.0 to 25.0
	Rural jurisdictions	5.0 to 30.0
Agricultural land		5.0 to 25.0
<i>These types of property are provided for guidance only and may not represent jurisdictional requirements.</i> <i>*Valuation level for each type of property shown should be between 0.90 and 1.10, unless stricter local standards are required.</i> <i>**CODs lower than 5.0 may indicate sales chasing or non-representative samples.</i>		

11.2.3 Uniformity Standards for Other Property

Target CODs for special-purpose real property and personal property should reflect the nature of the properties involved, market conditions, and the availability of reliable market indicators. Special-purpose properties tend to sell infrequently and are less likely to transact under arms-length conditions compared to more common property types. As a result, their sale prices often

exhibit substantial variability. Calculated CODs for these properties may be heavily influenced by sampling error, and resulting confidence intervals may be wide, limiting the reliability of the measure. Given these limitations, assessors should rely on market expertise and judgment when evaluating uniformity.

11.2.4 Uniformity Standards in Blighted, Distressed, and Emerging Market Areas

COD standards in blighted, distressed or emerging market areas differ from other market areas due to either the deterioration of or progression to a properly functioning real estate market.

A blighted property can be defined as land or building that has fallen into a significant state of disrepair, making it hazardous, unattractive, or uninhabitable. Common indicators of a blighted property include structural defects or dilapidation, abandonment, and unsafe living conditions.

A market area, neighborhood, or region may be defined as blighted if enough blighted properties exist to alter the functioning of the market due to declining economic conditions and social issues.

Blighted areas differ from distressed areas since properties do not meet the definition of blight, and any changes in the market behavior are more related to financial difficulty leading to foreclosures, short sales, or tax delinquencies.

Sales in both a blighted area or distressed area may be limited and not meet the conditions of an open market transaction, making sale prices less reliable indicators of market value that require a different standard to measure horizontal equity.

A developing or emerging real estate market refers to one where the formal practices of buying, selling, and valuing property are still evolving, not necessarily because private ownership is new, but because the norms, transparency, and professional infrastructure that support efficient transactions are weak or underdeveloped. In many such markets, private property ownership may have existed for generations, yet the systems that govern real estate transactions—such as registries, appraisal standards, brokerage services, and legal oversight—remain fragmented, informal, or unreliable.

One common feature of these markets is a lack of trustworthy or accessible data on past sales, making it difficult for buyers and sellers to determine fair market value. Transaction taxes and fees may be excessively high, creating strong incentives for participants to underreport sale prices or conduct deals partially outside official channels. This practice distorts the market, weakens government revenue, and further erodes the availability of accurate market information. In such settings, formal sale transactions are either rare or recorded inaccurately, and the true value of a property often circulates informally through personal networks rather than institutional systems.

These characteristics are typical of emerging markets more broadly, where legal, financial, and institutional frameworks are still consolidating. Property rights may be legally recognized but

unevenly enforced. Land titling systems can be incomplete or contested, and bureaucratic inefficiencies or corruption may add layers of risk or delay. Financing options, such as mortgages or title insurance, may be limited or inaccessible to large portions of the population. Professional services like real estate agencies, appraisal firms, and legal specialists may exist, but they often lack industry standards or consistent regulations. As a result, trust in market mechanisms is low, and transactions rely heavily on informal relationships, local knowledge, and personal negotiation rather than standardized processes.

Rather than being defined by rapid growth in activity or prices, a developing real estate market in this context is marked by the gradual emergence of informed market participants, the establishment of trust in formal processes, and the slow building of transparency and professional infrastructure necessary for a stable, efficient marketplace.

Table 8- COD Standards for Blighted, Distressed, and Emerging Market Areas

General Property Class	Jurisdiction Size/Profile/Market Activity	COD Range
Residential improved (as defined in Table 7)		
	Distressed or blighted market areas	5.0 to 25.0
	Emerging market areas	5.0 to 35.0
Multi-Family		
	Distressed or blighted market areas	5.0 to 30.0
	Emerging market areas	5.0 to 35.0
Commercial, Industrial, Retail, Warehouse, etc.		
	Distressed or blighted market areas	5.0 to 35.0
	Emerging market areas	5.0 to 40.0
Vacant Land		
	Distressed or blighted market areas	5.0 to 30.0
	Emerging market areas	5.0 to 45.0
Agricultural land		5.0 to 45.0

11.2.5 Vertical Equity

An analysis of vertical equity provides an indication of whether properties are equitable in relation to an indicator of market value across the range of a market value proxy. The preferred measure of vertical equity is the Vertical Equity Indicator (VEI). The acceptable IAAO standard range for the VEI is –10% to 10%. This means that the median ratio for the lowest-valued property group should be within 10%, adjusted for the overall median, of the median ratio for the highest-valued property group. A VEI that is statistically significantly outside of this range does not meet the vertical inequity standard. A statistical testing strategy was suggested for this in [Section 8.2.1](#) which uses a quantity called the VEI Significance.

11.3. NATURAL DISASTERS AND RATIO STUDY STANDARDS

All factors listed below should be considered when ratio study standards are being applied to study results from areas substantially affected by disasters. Such consideration should not result in unwarranted relaxation of applicable standards. When faced with such situations, valuers must use informed, reasoned judgment and common sense to produce a sufficiently reliable ratio study, based upon the best information available.

- Natural disasters such as earthquakes, floods, tornadoes, and hurricanes can have a substantial impact on the interpretation and use of ratio studies.
- Properties impacted by disasters may require adjustment to the valuation approach.
- If an adjustment is warranted, it should be based on the level of impact and the interpretation from the market.
- A number of unreliable sample properties may need to be excluded, and sample sizes may be unavoidably reduced.

12. PERSONAL PROPERTY RATIO STUDIES

Personal property ratio studies can be done by those primarily responsible for valuation of such property to determine the quality of personal property valuations.

Most personal property ratio studies performed by oversight agencies are performed for equalization purposes and hence sample must be designed accordingly. For direct equalization the level of valuation for property classes or strata subject to such equalization is the primary area of interest and for indirect equalization it is the overall value of the population and the disproportionate influences of high value properties.

Horizontal equity requires similar levels of appraisal between real and personal property. Sales data for personal property are difficult to obtain and analyze because markets for personal property are generally less visible to follow than real property markets. Therefore, performance reviews and appraisal ratio studies should be used in place of sales ratio studies to determine the quality of appraisal of personal property. The performance review does not quantify assessment conditions but can determine general assessment quality. The appraisal ratio study can be used to determine the level and uniformity of assessment for personal property.

Indirect equalization in particular requires overall estimation of value based on validation of property owner filings and/or estimated values by assessing officers for property owners that did not report accurate costs. The validation process is most typically accomplished by conducting personal property audits and/or physical inspections.

Principles

- Audits and/ or physical inspections are essential tools for validating the reported values in the property owner's filings and/ or the estimated values by assessing officers for property owners that did not report accurate costs, and detecting property escaping taxation.
- Appraisal ratio studies and performance reviews aid in evaluating assessment performance by providing alternate methods of evaluating level and uniformity of personal property valuation.
- Personal Property escaping assessment must be identified and factored into performance reviews to calculate a corrected level of valuation that reflects both reported and unreported property. Similarly, identifying and removing property that is no longer a part of the assessment roll is also needed to calculate the correct level of valuation.
- Performance reviews and appraisal ratio studies provide alternate methods of evaluating level and uniformity of personal property valuation.

12.1. THE PERFORMANCE REVIEW

The performance review is an empirical study that evaluates the assessment method used and the ability of the jurisdiction to meet its legal requirement in the assessment of personal property.

This type of study can be used to allocate tax dollars in multijurisdictional funding calculations or equalization by assuming that jurisdictions passing the performance review are assessing personal property at the general level of other classes of property analyzed with ratio studies. If the ratio is within the common level range established, then the jurisdiction will pass the performance review otherwise, corrective action may be prescribed as per established procedures. The study is completed by determining the amount of resources directed toward the assessment of personal property and reviewing appraisal and discovery methods. Therefore, performance reviews ascertain both the efficiency (cost and timeliness) and accuracy of assessment.

12.1.1 Personnel

Personnel should be assigned to personal property accounts. The number of accounts assigned to each personnel depends upon the complexity of the requirements, that is, inclusion of intangibles, inventories, household goods, agricultural products, motor vehicles, and complex exemptions. The appropriate number is also influenced by the amount of assistance provided by state or regional agencies.

12.1.2 Discovery

Identifying property escaping assessment, also known as discovery, is an important step in the performance review process to calculate the corrected level of valuation. The jurisdiction must have the ability to discover the owners or users of taxable personal property within the jurisdiction. This is accomplished using numerous sources such as business licenses, online searches and by conducting a canvass. Similarly, property that is no longer part of the assessment roll must also be identified. The most comprehensive method of discovery of property is a well-designed property listing form completed by the property owner or their representative and should track both the additions and deletions of personal property for the period of assessment. A field canvass is also another comprehensive method of discovery that helps to identify property additions and deletions. (See Section 4 of the (Standard on valuation of personal property, 2018)).

12.1.3 Valuation

Personal property may be valued by using the three recognized approaches to value, namely, cost, income and sales comparison approaches to value depending upon the objective of the assessment. The most widely used approach in valuing personal property for ad valorem taxation is the cost approach. This requires using acceptable schedules and methods including properly submitted renditions, depreciation schedules published by nationally recognized valuation firms, market data from published valuation guides, and other generally accepted valuation methods. Though the cost approach is the most widely used approach, all three approaches to value must be used to evaluate their reliance during the valuation process. In addition, all three approaches should value personal property at its current level of trade, theoretically to a buyer within the same level of trade. Other crucial factors to consider are those that influence the value in use

including utility, usefulness to the owner or the actual income produced (see Section 7 of (Standard on valuation of personal property, 2018)).

12.1.4 Verification and Auditing

Jurisdictions should establish statutes that contain enabling language for regulatory compliance and enforcement measures which include: (i) a requirement that property owners file personal property statements to the jurisdiction, (ii) giving assessors and their representative's authority to examine the property, books, papers, and accounts of taxpayer, and (iii) appropriate penalties for those who fail to file timely returns, file inaccurate information, or deny the assessor access to property and records.

Accuracy of personal property returns and reports should be verified by an audit program. Auditing is defined as a systematic method of validating the accuracy of the assessment by validating the data regarding property classifications, estimation of useful life, cost factor, percentage good, and methods used to ascertain replacement cost new. The audit program should provide coverage of the entire tax base regardless of the jurisdiction's reappraisal cycle. Evidence of the overall thoroughness of the jurisdiction may be indicated by the number of value change notifications and penalties imposed during the personal property assessment process (See Section 6 of the (International Association of Assessing Officers (IAAO), 2018)).

12.2. APPRAISAL RATIO STUDIES FOR PERSONAL PROPERTY

The appraisal ratio study is a numerical study that produces an estimate of the level of assessment of personal property by developing a ratio of assessment for property that is on the tax roll through the use of appraisals. The appraisal ratio study develops the relationship between validated market value of personal property (by audit and/or inspection) to the market value as established for the assessment roll for the same time period.

12.2.1 Assessment Ratio for Personal Property

Personal property market values are usually derived from appraisals using a replacement cost new (RCN) less depreciation. Assessed values differ from the assessor's estimate of actual (market) value for three major reasons: fractional assessment ratios, partial exemptions, and decisions by assessing officials to override market value.

A comparison of the depreciation schedules in use to nationally accepted schedules would enable the calculation of a ratio for property on the roll. A statistically sound process should be used to select a sample that is representative of personal property on the tax rolls. Such a sample can be based on the intended use of the ratio study in direct or indirect equalization.

Jurisdictions may establish a fractional assessment ratio rather than an assessment ratio that equals 100% of the market value for all personal property or certain class of personal property. Further, partial tax exemptions provided by federal, state or local legislations may create a lower assessed value. See [Table 9](#) for example.

Table 9- Example of fractional assessment ratio

Personal Property	Economic Life	Age	Cost	Cost Factor	RCN	Percent (%) good	Level of Value	Actual Value
Table	10 yrs.	6	1000	1.1	1100	.60	.98	647

12.2.2 Stratification

Proper stratification of personal property accounts should be done for greater statistical accuracy. Strata should be based on the type and value of personal property accounts. Stratification by type of account should occur first. Personal property accounts can be divided into residential (motor vehicles, boats, aircraft, and the like), agriculture, and business accounts. Further stratification can occur in residential and agricultural accounts but is necessary in business or commercial accounts. Business accounts are usually stratified by size into a minimum of four groups. Value ranges for these groups should be derived from the value ranges in the local market. One example would be small (less than \$250,000), medium (\$250,000 to \$1 million), moderate (\$1–\$5 million), and large (greater than \$5 million). Individual size of account by value can be determined based on the prior-year personal property tax roll.

12.2.3 Property Escaping Assessment

Personal property is particularly prone to escaping assessment. Some determination should be made about the portion of taxable personal property not on the assessment roll. However, estimates based on national averages are less meaningful at the local jurisdictional level. A policy should be established to uniformly correct escaped property from the assessment roll. The policy may consider such items as the value of the omission, the number of tax years to be revised, and the percentage of the omission to the value on the assessment roll for each year of the omitted property.

12.2.3.1. Identifying Personal Property Owners and Users Not on the Roll or Property not included in Taxpayer Returns/Reports

Discovery tools can be used to determine accounts not on the roll for a sample area or group. Once the extent of the problem is identified, a projection can be made of the percentage of personal property not identified on the assessment roll.

The accepted method of determining the property omitted in taxpayer returns/reports is to audit the account (see Section 6 of the (Standard on valuation of personal property, 2018)). The audit results are applied back to the account value. The resulting fraction is property that is escaping taxation within that particular personal property account. If appropriate sampling techniques are used in selecting the accounts for audit, the resulting ratio is applied to the total roll to help determine the percentage of personal property escaping assessment within the jurisdiction.

12.2.3.2. Computing the Level of Valuation

The overall ratio is then determined by reducing the valuation ratio by the percent of property wholly or partially escaping taxation. For example, if the valuation level is found to be 90

percent and it is determined that 5 percent of personal property is escaping assessment, then the corrected level of assessment is the valuation level times the percentage of personal property assessed: $0.90 \times (1 - 0.05) = 0.855$. For indirect equalization, this calculation would result in a higher equalized value.

12.2.3.3. Ratio Study Performance Standards

Ratio study performance standards for personal property vary with local conditions. Hence, the jurisdictions have to comply with the performance standards established by the appropriate assessment administrator. Assessment administrators may be able to develop target standards based on an analysis of past performance or results in similar markets elsewhere. Such an analysis can be based on ratio study results for the past five years or more. Established target standards should reflect the nature of the properties involved, market conditions, and the availability of reliable market indicators.

13. CONSIDERATIONS FOR OVERSIGHT

In this standard, Oversight Agency refers to a completely independent oversight entity or separate internal division of a valuation organization responsible for quality assurance.

This section provides additional information specific to oversight and should be read in conjunction with the prior sections.

Oversight agencies perform ratio studies to monitor valuation performance and may establish independent and consistent parameters separate from those used by primary valuation offices. Common uses of these studies by oversight agencies may include:

- Advise and assist primary valuation offices.
- Equalize primary assessing agency valuations.
- Issue revaluation orders.

Principles

- There are differences between ratio studies used for oversight and those used by primary valuation offices.
- Oversight agency ratio study processes include stratification requirements for direct and indirect equalization.
- Various actions and roles of oversight agencies exist with regard to use of ratio studies.
- Independent valuations may be included to improve sample representativeness.
- Remedial actions should be based on pre-defined standards and ranges.

13.1. EQUALIZATION

Oversight agencies may use the results of ratio studies to equalize, directly or indirectly, valuations in taxing jurisdictions. Direct equalization is accomplished by an oversight agency which alters values determined by primary valuation agencies by ordering valuations within jurisdictions or property classes to be adjusted to market value or to the legally required level of valuation. Direct equalization can also involve adjusting valuations of centrally valued properties. When indirect equalization is used, valuations are not adjusted. Instead, indirect equalization involves an oversight agency estimating total taxable value, given the legally required level of assessment or market value. Indirect equalization allows proper distribution of intergovernmental transfer payments between different level governments despite different levels of valuation among jurisdictions or property classes. Equalization is not a substitute for revaluation.

When equalization is based on ratio study samples, sampling error must be taken into account. When confidence intervals include an acceptable range, equalization cannot be supported statistically. When confidence intervals fail to bracket official requirements, equalization actions are supported (see Section 7- Level of Valuation Statistics).

Legal aspects of ratio studies, many of which relate to equalization, are discussed in [Appendix G](#).

13.1.1 Direct Equalization

The advantage of direct equalization is that it can be applied to specified strata, such as property classes, geographic areas, and political subdivisions that fail to meet valuation level performance standards. Direct equalization also produces results that are generally more visible to the taxpayer and more clearly reduces perceived inequities between classes. For example, direct equalization allows proper and equal application of debt and tax rate limits and equitable partial exemptions.

Direct equalization involves use of adjustment factors, which produce effects mathematically identical to those derived through the application of "trending" or "index" factors, which are commonly used for value updating by primary valuation agencies. The most significant differences typically are the level of the jurisdiction originating the adjustments and the stratification of property to which the factors are applied. It is rare for equalization factors developed by oversight agencies to be applied to strata more specific than property class or broad geographic area. Often such factors are applied jurisdiction wide.

Although not a substitute for valuation or revaluation, direct equalization applied at the stratum level improves equality in effective tax rates between strata and lessens the effect of valuation practices that improperly favor one stratum over another. For example, assuming that all classes of property are to be valued at 100% of market value, without such equalization, in a case where residential property is valued at a median of 80% of market value, while commercial property is valued at a median of 90% of market value, residential property will pay a lesser percentage of its proper tax share than commercial property. Direct equalization mitigates this problem. However, such equalization cannot improve uniformity between properties within a given stratum. So, in the previous example, the median level for residential property can be adjusted from 80% to 100% of market value, but valuation disparities between individual residential properties will not be addressed. For this reason, revaluation orders should be considered as the primary corrective tool for uniformity problems, and direct equalization should be considered appropriate only if time or other constraints preclude such an approach.

13.1.2 Indirect Equalization

The most common use of indirect equalization is to enable proper intergovernmental funding distribution, particularly for school districts. Such equalization provides an estimation of the proper tax base (acknowledging statutory constraints such as agricultural use value) despite valuations that are higher or lower than legally required levels in certain jurisdictions. For example, if the valuation roll for residential property in a jurisdiction shows a value of \$750 million, but a residential ratio study shows an valuation level of 75 percent, while the legally required level is 100 percent, an equalized value of \$1,000 million could be computed ($\$750 \text{ million} / 0.75$). This adjusted or equalized value would then be used to apportion payments or requisitions between higher and lower level governments.

Indirect equalization results in fairer funding apportionment because the overall valuation levels of the taxing jurisdictions tend to vary. If there were no equalization, the extent that a jurisdiction under- or overestimated its total tax base would result in over- or under-apportionment of funds. However, indirect equalization does not correct under- or overvaluation between classes of property within a jurisdiction. It usually adjusts only intergovernmental payments, is less visible to taxpayers, and often lacks checks and balances associated with direct equalization.

13.2. DESIGN OF STUDY FOR OVERSIGHT PURPOSES

The most important design consideration is that the study sample be sufficiently representative of the population of properties or the distribution of values in the jurisdiction under review. For direct equalization the level of valuation for property classes or strata subject to such equalization is the primary area of interest and the sample must be designed accordingly. Indirect equalization seeks to estimate the overall value of the population, so the sample must be representative of that overall value and must reflect the disproportionate influences of high value properties. For general performance monitoring the study must be designed so that both level and uniformity statistics reflect those aspects of the underlying population.

13.2.1 Determining the Composition of Samples

In the design stage, the oversight agency must decide whether the ratio study sample should comprise sales, independent valuations, or a combination of the two. Each sample type has its advantages and disadvantages, as described below.

13.2.1.1. Sale Samples

The advantages of using sale samples include the following:

- Properly validated sales provide more objective indicators of market value than independent valuations;
- Using sales is much less expensive than producing independent valuations.

The disadvantages include the following:

- Difficulty in collecting sales data in jurisdictions without disclosure requirements;
- The oversight authority may not have control over the sales data collection and validation process;
- Influence of sales chasing can be difficult to detect or prevent;
- Samples of sales may not adequately represent the population of properties;
- An adequate sample size may not be achieved if sales data are scarce;

13.2.1.2. Independent Valuation Samples

Independent valuations can also be used instead of or combined with sales for ratio study samples. Advantages and Disadvantages of this approach are discussed in [Section 13.5.2](#).

13.2.2 Collection and Preparation of Market Data

The reliability of a ratio study depends in part on how accurately the sales or independent appraisals used in the study reflect market values. For sales-based studies, oversight agencies should conduct an independent sales verification and screening program if resources permit. Alternatively, oversight agencies should develop audit criteria to review data submitted to qualify sales, corroborate representativeness and confirm adequate sample size.

Oversight agencies that develop ratio studies from sales provided by local assessment jurisdictions should track the number of transfers obtained in different study periods. Quality control techniques can be used to measure market activity or to determine whether an assessor is fully reporting sales information.

Independent valuations used in ratio studies must reflect market values as of the assessment date being studied. To produce credible independent valuations, the oversight agency must be certain that property data used in developing its values are accurate.

13.2.3 Stratification for Equalization Studies

Predefined stratification is more transparent and enhances cooperation between the oversight agency and the jurisdiction valuing the property subject to equalization. In general, oversight agencies should not redefine the strata once they have been defined for equalization purposes, especially in the case of direct equalization. It is appropriate, however, to collapse strata to compensate for otherwise inadequate samples sizes especially in the case of indirect equalization which then uses value strata. If value stratification is necessary, predefined strata may not be practical. In addition, a revaluation or equalization order can be targeted for specific problem areas that cause noncompliance at a broader level of aggregation.

13.2.3.1 Stratification for Direct Equalization

Oversight agencies generally should define the strata prior to acquiring and compiling data for the ratio study.

Strata should be chosen consistent with equalization requirements. Statistical issues in the determination of strata include the size of the population and resulting strata and the likely variability of the ratios in each stratum. Care must be taken not to over-stratify, that is, to create strata that are too small to achieve statistical reliability (see Section 5- Sample Selection and Timing of Studies and (Sherrill & Whorton, Jr, 1991)). No conclusion about stratum level or uniformity should be made from stratum samples that are unreliably small (resulting in unacceptably large margins of error) or where confidence intervals cannot be computed.

Ultimately, the degree of stratification is determined largely by available sales data, unless it is cost-effective and practical to add sufficient independent valuations. If sufficient sales or independent valuations are not available for a given stratum, it should be combined with similar strata.

Combination of strata with insufficient observations permit broader applicability of ratio study results and prevent ratio study analysis from becoming too focused on substrata with few sales or independent valuations. When jurisdiction or category wide equalization actions are required, reliability of component strata is not an issue.

13.2.3.2. Stratification for Indirect Equalization

Indirect equalization develops an estimate of full market value, but valuations of individual properties are not altered. Such studies can use a substantially different approach to stratification than ratio studies intended for performance evaluation or direct equalization. The purpose of stratification in this case is to minimize distortions due to different assessment levels, which can vary by property type, value range, geographic area, and other factors. A reasonable number of strata with small samples and larger margins of error can increase overall representativeness and may reduce the margin of error for the overall jurisdiction-wide sample.

If stratification creates a more representative sample, equalization decisions may be based on results from individual stratum. If the overall sample is representative of the population, then equalization decisions should be based on overall sample results.

The primary level of stratification should ordinarily be by major property type (e.g., residential, commercial, and vacant land). If circumstances permit, a secondary level of stratification also is recommended. When relying on the weighted mean, the secondary level of stratification (substrata) should normally be value range. Higher-value properties can sell with a different frequency than low value properties, and valuation levels can vary between high and low-value properties. As a result, high-value properties can be oversampled (or under sampled) and, because of their high value, can exert a disproportionate influence on the weighted mean and resulting estimated value. Value stratification reduces distortion of the weighted mean caused by over or under-representation of value strata with different levels of valuation. To properly develop and use value strata, the oversight agency needs each individual valuation in the study population. If detailed value information is not available, the oversight agency should work with primary valuation agencies to obtain sufficient information including the total value and number of properties in predetermined value categories.

In situations in which value stratification information is not available, or where property ratios are not significantly value-influenced, substrata can be created based on property subtype, geographic area, or other appropriate criteria. Stratification by these criteria corrects for differences in level of valuation between substrata. In large jurisdictions, sub-stratification by geographic areas generally is more appropriate for residential properties while sub-stratification by either geographic area or property subtypes (e.g., office, retail, and warehouse/industrial) can be appropriate for income-producing properties.

When relying on the median and when sample sizes permit, it is appropriate to stratify within property class by whichever property characteristic is most likely to capture differences in valuation levels. This characteristic can be geographic area, property subtype, or value range.

Stratification by value range helps capture value related differences in assessment levels which (unlike the weighted mean) are not reflected in the overall median.

13.3. TIMING AND SAMPLE SELECTION

Ratio studies made by oversight and equalization agencies should be conducted annually or to coincide with reassessment or equalization cycles. Where possible, ratio studies conducted by equalization agencies should use final values established at the primary valuation agency, inclusive of changes made by local appeal boards up to that time. However, if the primary valuation agency or appeal board "chases sales" or sets values in a manner that is dissimilar to the way other property values have been set, the sample may not be sufficiently representative and should not be used without careful investigation and necessary adjustment.

13.3.1 Date of Analysis and Related Considerations

When prior-year assessments are used to gauge current performance (to avoid sales chasing), the results should be adjusted for any revaluation activity or assessment changes that occurred in the population (net of new construction) between the prior and current years. Sale prices also should be adjusted to the assessment date to account for time trending. While this is an effective method for offsetting the effects of sales chasing on the level of valuation, caution should be used with drawing any conclusions about uniformity.

If the purpose of the study is equalization, using sales after the valuation date (adjusted for time as necessary) helps ensure the independence of assessed values and sales prices. A sales period spanning the valuation date can be used if measures are taken to ensure the independence of valuations determined after the earlier sales. This approach has the advantage of reducing the importance of time adjustments.

13.3.2 Required Sample Size

Because designing for sampling objectives and planning for resource allocation in ratio studies must occur well before final ratio data sets are available and ratio study statistics are calculated, decisions on critical input variables must be made well before their true values are known. For example, the sample size formulas ((Cochran, 1977); (Sherrill & Whorton, Jr, 1991); and (Gloude-mans R. , 1999)) used to plan for specific margins of error and/or specific levels of confidence theoretically require, as input variables, the actual variation within the final ratio data sets (usually measured by the coefficient of variation). However, the actual variation in final ratio data sets is not known during the design and planning stage and, thus, the desired sample size must be projected based upon the best information available at the time of design and planning. This projection results in unavoidable forecast error and can result in the production of a higher or lower sample size than needed to reach sampling objectives. This issue is an accepted part of conducting ratio studies when it is necessary and important to attain a predetermined or uniform degree of precision. In other cases, it may be acceptable to use all available qualified sales. When predetermination of sample size is important, the variation in the ratio data set from the most

recent time-period available can provide a reasonable estimate for the time-period under analysis.

13.3.3 Representativeness of Samples

The design and conduct of ratio studies requires decisions that maximize representativeness within the constraints of available resources.

In many kinds of statistical studies, samples are selected randomly from the population and from within each stratum to maximize representativeness. Ratio study samples based on independently valued properties can be randomly selected. Because sales do not represent true random samples, care must be taken to maximize the representativeness of sales samples.

A ratio study sample is considered sufficiently representative for direct equalization and mass valuation performance evaluation when the distribution of ratios of properties in the sample reflects the distribution of ratios of properties in the population. A ratio study is considered sufficiently representative for indirect equalization when the distribution of property values in the samples reflects the distribution of property values in the population.

Sales from areas or substrata in which the number of sales is disproportionately large can distort ratio study results by weighting level and uniformity indicators toward whatever conditions exist in the overrepresented area. To alleviate this problem and create better representativeness, large samples can be further stratified by:

- randomly selecting sales to be removed;
- isolating the overrepresented groups into substrata;
- redefining the time-period for the overrepresented groups;
- weighting the data.

Most importantly, care must be taken to ensure that independent valuations reflect market value or value based on statutory constraints as of the appraisal date.

13.3.3.1. Maximizing Representativeness with Independently Valued Properties

When independently valued properties are added to sales used in ratio studies, the application of random sampling techniques can help ensure that valuation procedures used for the sampled properties are similar to the corresponding population. A well-designed random sampling plan also can help ensure that properties selected for independent valuation are not concentrated in areas of high sales activity or associated with property types with higher turnover rates in the market.

13.3.3.2. Extreme High-Value Properties

Assessment jurisdictions often contain unique, very high value properties (for example, properties that constitute more than 10 percent of the value of a property class) that cannot reasonably be combined with other properties for purposes of the ratio study. For indirect equalization, high-value parcels are especially important to maximize representativeness. For

instance, consider a population consisting of 1,000 properties, 999 of which range in value from \$20,000 to \$750,000, and one that is valued at \$1 billion (e.g., a power plant). If the intended use of the ratio study is to estimate the general level and uniformity of valuation in regard to the typical property, the stratified population of parcels need not include the \$1 billion property. If the intended use of the ratio study is to estimate the total market value in the jurisdiction, however, exclusion of the power plant can distort the study.

Very high-value properties should not be ignored or assumed to be valued at the legal or general level for indirect equalization studies. An equalization agency can place very high-value property in a separate stratum to prevent distortion of the overall weighted mean or total estimated value. Provided there are sufficient numbers of properties in very high value strata the oversight agency should perform a ratio study on this strata and use the results to adjust the jurisdictions value when warranted.

13.3.3.3. Outlier Ratios

Oversight agencies should consider the extent of sales verification when developing guidelines for trimming limits. In practice, this means that if an oversight agency derives sales data from assessing jurisdictions that may have already removed outliers from the sample, additional trimming may not be necessary (see [Appendix C- Outlier Trimming Guidelines](#)).

13.3.3.4. Value Outliers

When the weighted mean is used for indirect equalization or for equalization of centrally assessed property, a method that identifies high-value influential sales is recommended. Since an influential sale may not have an unusually low or high ratio relative to the rest of the sample, the definition of distortion is based on the principle that the point estimate calculated from the sample should not be statistically significantly different whether the suspect observation is in the sample or not.

To test for an influential sale, one approach is to remove it from the sample and compute the weighted mean and associated confidence interval. If the weighted mean of the sample lies outside the confidence interval calculated without the influential sale, then the sale is truly influential and is a candidate for further scrutiny, isolation in a separate stratum, or possible trimming. An additional approach is to identify the likelihood of occurrence of an extremely high assessed value in the probable distribution of all assessed values in the population. If the extremely high value represents for example, 10% of the total of all assessed value in the sample, it will carry a 10% weight with respect to the weighted mean which may overstate its influence on the population where it may only be 1% of the population (see (Dornfest & Chizewsky, 2017)).

These procedures test the presence of individual influential sales and are not intended to be used successively after deletion of a sale but can be applied to more than one apparent outlier at a time by leaving all other sales in the comparison group. Note, however, that the presence of multiple influential sales can indicate the start of a trend.

13.3.3.5. Outlier Trimming

Statistics calculated from trimmed distributions cannot be compared to those from untrimmed distributions or interpreted in the same way. This is especially problematic when making interjurisdictional comparisons. For this reason, oversight agencies may wish to promulgate uniform trimming procedures, based on sound statistical principles. Regardless of the chosen procedure, trimming of outliers must not occur more than once for any sample.

13.4. MEASURES OF VALUATION LEVEL FOR OVERSIGHT AND EQUALIZATION

The median is the generally preferred measure of central tendency for direct equalization, monitoring of valuation performance and evaluation of the need for a revaluation. The weighted mean is most appropriately used in indirect equalization when estimating the total value of the jurisdiction (see [Table 10](#)). When relying on the measure, outliers should be carefully reviewed (and deleted if appropriate), since they can strongly affect the weighted mean, particularly when they occur for high-value properties and in small samples. The mean should not be used for indirect equalization if there are measurable differences in appraisal level of high- and low-value properties. In data commonly containing outliers, the trimmed mean can be substituted for the mean (Gloude-mans R. , 1999), chapter 3). See [Appendix C](#) for ratio outlier-trimming procedures.

Table 10- Illustration of determining overall ratio for indirect equalization

Stratum	Total sample assessed value	Total sample sale price	Weighted mean	Total assessed value of stratum	Indicated market value of stratum
Residential	\$ 3,000,000	\$ 4,000,000	0.750	\$ 600,000,000	\$ 800,000,000
All other	\$ 950,000	\$ 1,000,000	0.950	\$ 400,000,000	\$ 421,000,000
Total				\$ 1,000,000,000	\$ 1,221,000,000

$$\text{Overall ratio} = \frac{\$ 1,000,000,000}{\$ 1,221,000,000} = 0.819$$

13.4.1 Overall Ratio for Combined Strata

The preferred approach for monitoring overall valuation performance and direct equalization is to weight the median ratio of each stratum based on the relative number of properties in the stratum. For indirect equalization, the weight assigned to a measure of central tendency of a stratum should be proportional to the share of that stratum's total estimated market value. Because the number of parcels bears only a loose relationship to total value, weighting by number of parcels is not appropriate for indirect equalization.

For indirect equalization, the preferred method of calculating the overall market value of a jurisdiction is as follows:

1. Divide the total value of each stratum by the stratum sample's measure of central tendency (see [Section 13.4.2- Contrasting Measures of Valuation Level for Oversight and](#)

Equalization) to obtain an estimate of the total market value of taxable property in the stratum.

2. Sum the estimates of total stratum market value to obtain an estimate of the total market value of taxable property in the jurisdiction or class of property.
3. To obtain an overall weighted level of valuation, divide the total value of the jurisdiction or class of property by the estimated total market value (Table 9 contains a simplified example).

13.4.2 Contrasting Measures of Valuation Level for Oversight and Equalization

Table 11 summarizes the preferred measures of central tendency for the three broad purposes of indirect equalization, direct equalization, and the general monitoring of valuation performance.

Table 11- Preferred Estimators

	Indirect Equalization	Direct Equalization	Monitoring Performance
Median 1	-	X	X
Mean	-	-	-
Weighted Mean	X ¹	-	-
¹ : Caution should be exercised when the sample contains value outliers or indicates value related bias, in which case the median should be substituted.			

For indirect equalization, the preferred measure is the weighted mean (the measure used in Table 10). This helps achieve an accurate estimate of total value, the goal of indirect equalization. However, there are implicit difficulties in obtaining sales samples that are representative of all significant groups of properties with different ratios. The weighted mean can be disproportionately influenced by high-value properties, particularly in a small sales sample. This influence of high-value properties can be reduced through value stratification within the property class. Such value stratification helps capture value-related ratio differences, as well as improve representativeness, regardless of which measure of central tendency is used. If there are provable value-related ratio differences within strata, the weighted mean must be used since the median is incapable of capturing value-related differences. In cases in which value stratification is not practicable, equalization agencies may stratify by some proxy for value, such as neighborhood or property sub-class. If results appear distorted by non-representative high-value sales, outlier identification methods described in Appendix C and Section 13.3.3 should be employed.

While not conceptually preferred, the median can be used to prevent the disproportionate influence of high-value properties with outlier ratios. To be clear, although the median is not the conceptually appropriate measure, it nonetheless has the desirable property of smaller sampling variance and, in cases in which assessment regressivity/progressivity has not been found to be a significant concern, can provide an acceptable substitute for the weighted mean.

13.5. INDEPENDENT PROPERTY VALUATION-BASED RATIO STUDIES

Ratio studies may be conducted by using independently determined values for a random sample of parcels. Such sampling plans can be designed to be more representative of the population in terms of property characteristics than a sales sample of the same size and can include analysis of personal property (see [Section 12](#)). However, such procedures require adequately trained valuers and are comparatively expensive. Many equalization or oversight agencies do ratio studies in which both sales and independently determined values are combined. Furthermore, it may be possible to develop sales driven models for use in valuing a particular population of properties (excluding those not adequately represented in the underlying model) or randomly selected parcels for ratio study purposes (Standard on automated valuation models, 2018). See [Appendix A- Independent Value Estimate-based Ratio Studies](#).

13.5.1 Rationale

Independent valuations can be used as indicators of market value. Independent valuations are valuations performed by valuers who are not employees of the valuation agency that is the subject of the study. Such ratio studies are particularly useful for property classes with limited sales data, such as commercial and industrial real property and personal property (see (Property appraisal and assessment administration, 1990), Appendix 1-1) and (Gloudemans R. , 1999), chapter 6). In addition, independent valuation ratio studies can be used for agricultural or other properties not valued on an ad valorem basis. In this case, the independent valuations should reflect the use value or other statutory basis on which the properties are valued for property tax purposes.

13.5.2 Advantages and Disadvantages

Independent valuation-based ratio studies have both advantages and disadvantages. The advantages are:

- the ability to sample from areas or property types with insufficient sales information
- a high degree of control in sample size that enables the analyst to treat jurisdictions equally, regardless of the availability of market information
- the avoidance of non-representativeness stemming from the use of sales samples that may not represent the property population
- the size of the sample can be specified
- the initial sample can be randomly drawn, thus helping to maximize representativeness.

If objectivity can be maintained, the independent valuation-based ratio study avoids potential distortions due to systematic differences between valuations of sampled and unsampled properties. In addition, independent valuations can be used to test for systematic differences between valuations of sold and unsold properties.

A disadvantage of independent valuation-based ratio studies is the extra time and cost involved with the independent valuation process. The subject and any comparable sale should be physically inspected and the valuations documented according to appropriate standards. Another disadvantage is that such valuations are an opinion of value. Accordingly, they should be documented and tested against the market. However, this becomes difficult when sales data are scarce. To reduce this disadvantage, ratio study analysts should ensure that independent valuations are carefully reviewed and allow primary valuation agency valuers to submit information that may affect the value conclusion (Standard on oversight agency responsibilities, 2020). Where adequate sales are available, independent valuations should be checked for consistency with sales.

13.5.3 Sample Selection and Resource Requirements

Sample selection and resource planning in independent valuation-based ratio studies require knowledge of statistical sampling, estimation principles, and available resources. Judgment must be used, because the determination of an adequate sample can require more information than is available during the design and planning phase, such as the actual variation within the final ratio data sets (see Section 9.1- Adequacy of a Given Sample Size). Moreover, the cost of the study increases with the size of the sample. Therefore, the value of more reliable information must be balanced against the costs of obtaining that information.

In determining the size of the sample for each stratum, the following should be taken into consideration:

1. the required precision (typically measured by the margin of error) of the estimate of the valuation level, for example, ± 0.05 ;
2. the required confidence level, for example, 95 percent;
3. the amount of dispersion expected in the final ratio data set;
4. the wastage associated with properties that cannot be efficiently valued or valuations that cannot be used for one reason or another (Gloude-mans R. , 1999), chapter 6) for sample size formulas and required input variables; also see (Sherrill & Whorton, Jr, 1991)).

Once the desired size of an independent valuation sample has been determined, the individual properties that will constitute the sample should be selected using a statistically valid sampling plan. Stratified random sampling is preferred.

If value stratification is used, sample properties selected from value groups during resource planning can shift into other value groups before completion of the study, thus reducing the ultimate representativeness of the sample. Some intended valuation parcels may need to be removed from the sample when anomalous conditions are discovered such as environmental contamination (sufficiently reliable valuations may be prohibitively difficult or resource intensive) or when the independent valuer is not allowed access to the property. Any sample parcels that are voided or that shift from a stratum because of value changes should be replaced if possible.

Independent valuation-based ratio studies, as with sales ratio studies, require informed, reasoned judgment to maximize sample representativeness and statistical reliability.

13.5.4 Data Requirements and Valuation Techniques

The valuation techniques selected for an independent valuation-based ratio study should be consistent with accepted valuation principles and practices. The valuations should reflect the valuation date in question and should be well documented. Statistical software should be used as much as possible to expand analytical capabilities and perform calculations.

The valuations used in independent valuation-based ratio studies can be based on CAMA and automated valuation model (AVM) techniques (Standard on automated valuation models, 2018). The models used must be developed independently from those used for assessment purposes. Adequate market data and property characteristic data are required to develop reliable and defensible model estimates. If available, sales from a later period can be used to expand sample size. However, as in sales-based ratio studies, sales derived from primary valuation jurisdictions should be reviewed to ensure accuracy and validity. CAMA and AVM models have the advantage of reducing costs, permitting the use of larger, more representative samples. CAMA and AVM models developed for equalization must focus on the adequacy of overall, not individual, value or level of assessment estimates.

Because the purpose of the independent valuation is to make an independent value estimate, not audit the assessor's work, the independent valuations should be made without knowledge of the assessor's value. Independent valuers should not be supplied with copies of the assessor's valuation work sheets or model information. Supervisors should spot-check and review the work of staff valuers to ensure that the required independence is maintained. When the purpose of the ratio study is equalization or performance measurement, rather than internal quality assurance, the independently determined valuations should not be revealed to the assessor until the assessor's values are final.

13.5.5 Independent Value Chasing

Independent value chasing can take two forms, either of which reduces or destroys the validity of the ratio study. The first occurs when an independent valuer knows the locally determined value and either consciously or unconsciously biases the independently determined value towards the primary assessing jurisdiction determined value. Independent valuers should not have access to the primary assessing jurisdiction's values or valuation work papers prior to completing their independent valuations. Also, independently determined values should be reviewed and tested against the market.

The second form of independent value chasing occurs when the primary assessing jurisdiction knows which properties are in the ratio study independent valuation sample and adjusts values on some or all of these properties to achieve better ratios without making similar adjustments to unsampled properties. This form of independent valuation chasing is similar to sales chasing and

has similar consequences (see [Appendix B- Sales Chasing Detection Techniques](#)). Ratio study analysts should guard against this form of independent valuation chasing by withholding the release of sample information until the primary assessing agency values are final. If this form of independent valuation chasing occurs, the oversight agency can use primary assessing agency's values prior to adjustment to provide a more accurate representation of the population ratios.

13.5.6 Reviewing of Independent Valuations

Valuation supervisors should review valuation models or individual single-property valuations to ensure that standards are met. It also is good practice to include some recently sold properties in the sample being independently valued as a check on the validity of the methods being applied. In addition, the assessor must be afforded an opportunity to review the independent valuations along with supporting documentation and to submit information supporting different value conclusions. If different value conclusions or factual information would materially affect the outcome of the study, a procedure for resolving conflicts, for example, by an independent review body, should be established.

13.5.7 Combining of Sales and Independent Valuations

Independently determined valuations can be combined with valid sales in a ratio study. Using available sales adds objectivity to the study and reduces the required number of independent valuations. On the other hand, combining sales and independent valuations mixes two market indicators. If sales and independently determined values are combined, an analysis should be performed to test the consistency of measures of central tendency derived from the sales ratios compared to the same measures derived from the independent valuation-based ratios. A Mann-Whitney test comparing values per unit or comparing ratios based on sales with those based on independent valuations is appropriate for this purpose. Significant differences can result from several of the following conditions:

1. Sales have been chased;
2. Sales and independent valuations came from different geographic areas with different markets and different levels of valuation (maximize representativeness by stratifying);
3. Sales and independent valuations have different property characteristics that cause different levels of valuation;
4. All or some of the sales are invalid;
5. Outlier ratios are causing sale/ independent valuation ratio differences;
6. All or some of the independent valuations are inaccurate.

If none of the first five conditions listed above apply, the independent valuations should be tested against the market and revised as necessary (Wooten, 2003).

Variability measures computed on sales used in the sample should not be expected to be similar to variability measures computed on independent valuations. Sales ratios reflect the vagaries of the marketplace. Ratios based on independent valuations, on the other hand, come from comparing the results of one valuation model (the oversight agency's) to the results of another

(the assessing office's). If both parties use mass valuation procedures, differences in valuations between the two models should be less than when compared with sales; thus, variability measures based on independent valuation-based ratios can be expected to be lower than those based on sales ratios as long as they represent properties with similar characteristics and similar degrees of valuation difficulty.

13.6. RATIO STUDY STANDARDS FOR OVERSIGHT PURPOSES

Each oversight agency should have ratio study performance standards. These standards are suggested for jurisdictions in which current market value is the legal basis for valuation. In general, when state, provincial, or national standards are not met, revaluation or other corrective measures should be taken, or equalization procedures can be imposed. When an oversight agency orders such actions, the burden of proof should be on the agency to show that the standards have not been achieved.

All standards recommended in this section are predicated on the assumption that all practicable steps necessary to maximize representativeness and validity in the underlying ratio studies have been conducted.

When ratio studies are conducted for equalization purposes, confidence intervals and statistical tests can be used to determine whether it should be concluded at a given confidence level that appraisal performance or level requirements in a stratum (or jurisdiction) being tested meets or falls outside of mandated standards. Statistical tests can be used for comparisons among strata, provided the sample sizes are large enough that meaningful differences are not missed.

13.6.1 Level of Valuation – Oversight Use

Confidence intervals or statistical tests of significance should be used to determine whether the valuation level differs from the established goal in a particular instance.

A decision by an oversight agency to take some action (direct equalization, indirect equalization, revaluation) can have profound consequences for taxpayers, taxing jurisdictions, and other affected parties. This decision should not be made without a high degree of certainty that the action is warranted. Conversely, a decision not to take action when action is needed can have equally profound consequences. Oversight agencies should weigh all the options and consider the issues discussed below when developing or revising a level-of-valuation standard, and when developing equalization or other valuation oversight procedures.

13.6.1.1 Purpose of Level-of-Valuation Standard

Jurisdictions that follow the IAAO recommendation of annual revaluations should be able to develop mass valuation models that maintain an overall ratio level of 100 percent (or very near thereto). The local assessor may be required to observe revaluation cycles defined by a legal authority or public policy that can extend beyond one year. During extended cycles inflation or deflation can influence the overall ratio.

The purpose of a performance standard that allows reasonable variation from 100 percent of market value is to recognize uncontrollable sampling error and the limiting conditions that may constrain the degree of accuracy that is possible and cost-effective within a valuation jurisdiction. Further, the effect of performance standards on local assessors must be considered in light of expectations of public policy and resources available. For these reasons, oversight agencies may adopt performance standards for valuation level that allow some variance from the 100 percent goal of market value.

13.6.1.2. Recommended Valuation Level Standards for Direct and Indirect Equalization

The performance standard adopted by an oversight agency should be a range around the legally required level of valuation in a property class or an overall jurisdiction. This range should be 90 to 110 percent of the legally required level of valuation for direct equalization or revaluation, or 95 to 105 percent for indirect equalization. A smaller maximum range for indirect equalization is justified because taxpayers are not as comprehensively affected. Oversight agencies should adopt performance standards that are as close to the legally required level as can be justified given the local situation and taking into account the factors discussed herein.

In addition to the above valuation level standards, each class of property for which valuation level standards have been defined should not have measures of central tendency provably different by more than 10%. Both criteria must be met.

For example, if the valuation level for residential property is 0.93 and the valuation level for commercial property is 1.06, the jurisdiction is not in compliance with this requirement. This test should be applied only to strata subject to compliance testing. The oversight agency can conclude that this standard has been met if 95 percent (two-tailed) confidence intervals about the chosen measures of central tendency for each of the stratum fall within 10 percent of the overall level of valuation calculated for the jurisdiction or within 10% of the level of valuation of any strata. Using the above example, if the upper confidence limit for the level of residential property is 0.97 and the lower confidence limit for commercial property is 1.01, the two strata are within the acceptable range.

13.6.1.3. Confidence Intervals in Conjunction with Performance Standards

By themselves, the calculated measures of central tendency provide only an indication, not proof, of whether the valuation level meets the performance standard. So, the purpose of confidence intervals and similar statistical tests is to determine whether the valuation level differs from the established performance standard in a particular instance. A conclusion of noncompliance requires a high degree of confidence, thus a 90 percent (two-tailed) or 95 percent (one-tailed) confidence interval should be used, except for small or highly variable samples as described in Section 13.6.1.5- Adjustment for High Variability and Small Samples.

13.6.1.4. Decision Model

The oversight agency should determine whether the estimate is outside the acceptable range around the legal level of valuation with a specified degree of statistical significance. The chosen interval should overlap the performance standard range of 90 percent to 110 percent in the case of direct equalization or measuring valuation performance. For indirect equalization the chosen interval should overlap the performance standard range of 95 percent to 105 percent. If the confidence interval does not overlap any portion of the appropriate range, equalization is performed, or revaluation orders are issued. See [Table 12](#) for an example of the direct equalization or valuation performance decision making process. When the interval includes a desired assessment level or a performance standard range around the desired level, equalization adjustments are not warranted. Similarly, when the interval includes a maximum allowable COD, reappraisal or other action to correct poor uniformity is not warranted.

Table 12- Ratio Study Standards and Decision Making-Direct Equalization or Valuation Performance Using Median 90%-110% Standard*

Case	Point Estimate	Confidence Interval (CI) Width (95%)	CI Overlaps Performance Standard Range	Point Estimate in Performance Standard Range	Equalization Action or Revaluation Order
1	92%	86% to 101%	Yes	Yes	No
2	88%	81% to 95%	Yes	No	No
3	84%	79% to 88%	No	No	Yes

*Example demonstrating application of standard at a 95% level of confidence

13.6.1.5. Adjustments for High Variability and Small Samples

High variability, small sample size, or a combination of these factors often causes confidence intervals to become quite wide. Wide confidence intervals reflect the imprecision of the underlying statistic and can decrease the usefulness of performance measures. Also, wide confidence intervals can cause an inequitable situation in which jurisdictions with small samples and large variability are never subject to equalization or revaluation orders, while jurisdictions with larger samples and much less variability are more likely to be subject to such orders even though their valuation performance may be arguably better.

For these reasons, oversight agencies should consider expanding sample sizes by taking steps to increase the number of sales or by adding independently valued properties (see [Section 13.5](#)). If the sample size cannot be increased, two options may be considered when the point estimate fails to achieve compliance, but the confidence interval overlaps the range of compliance:

- If a particular point estimate does not meet the standard for the current study cycle the oversight agency may reduce the level of confidence by 5% the following year. This may be followed by an annual stepwise reduction of 5%. Such a reduction may continue to a 70 percent level of confidence if the point estimate fails to meet the compliance threshold

over this period of time. Corrective action would be imposed when a given year's confidence interval fails to include the performance standard range.

- The oversight agency may examine statistical point estimates over several study cycles. A jurisdiction that fails to meet a particular point standard for 5 consecutive years has a probability of less than 5% that compliance has been achieved, even if the confidence interval overlaps the compliance threshold every year. In such cases the oversight agency would impose corrective decisions based upon the point estimate.

13.6.1.6. Calculating Equalization Adjustments

If noncompliance with either direct or indirect equalization standards is indicated, the appropriate point estimate (statistic) measuring valuation level should be used to calculate adjustment factors, by dividing it into 100 percent.

13.6.2 Uniformity

Oversight agencies should establish uniformity standards for local assessment jurisdictions. Revaluation orders may be necessary to achieve these standards. Such orders should be dependent on statistically significant failures to meet standards. Suggested uniformity standards are presented in [Table 7](#), and are defined in terms of CODs, but compliance should be evaluated using confidence intervals and other measures of statistical significance. The standards in [Table 7](#) are intended to apply to ratio studies based on sales, not those based on independently valued properties, for which lower CODs typically are observed and expected.

In addition to horizontal uniformity standards based on the COD, oversight agencies should establish vertical equity standards (see [Section 11.2.5- Vertical Equity](#)).

13.7. CAUTION ON USE OF RESULTS

Lack of independence between locally determined values and sale prices (sales chasing) or independent property valuations can subvert attempts to improve equity (direct equalization) and result in incorrect distribution of funds between higher and lower-level governments (indirect equalization). To guard against these possibilities, oversight agencies should ensure that sold and unsold properties are valued similarly. Also, independent valuations used as substitutes for sales must reflect market value, and the oversight agency must take remedial measures in instances in which they do not (see [Section 9- Considerations for Small Sample Situations](#) and [Appendix B- Sales Chasing Detection Techniques](#)).

13.8. APPLICATION OF RESULTS

Once results are known, verified and indicated with sufficient statistical significance, actions of oversight agencies as listed in the introduction to this section should be considered on the basis of these results. If assessments and oversight are the responsibility of a single entity, there should be provisions for independent review.

13.8.1 Advice and Assistance

Frequently the role of the oversight agency is to advise primary assessment jurisdictions of concerns about the quality of the assessments. Such advice should lead to follow-up to ensure that quality issues are resolved. However, the effectiveness of corrective measures cannot be ascertained until future ratio studies are done.

13.8.2 Equalize Local Valuations

Prior to issuing direct equalization orders oversight agencies should provide opportunities for primary assessment jurisdictions to take corrective actions or to comment on and review underlying data and ratio studies. In the case of indirect equalization affected jurisdictions should be given an opportunity to review the findings.

13.8.3 Revaluation Orders

Prior to issuing revaluation orders oversight agencies should communicate with local assessment jurisdictions to review quality concerns indicated by ratio studies. Grace periods should be considered by oversight agencies.

Oversight agencies may consider significant or unusual market forces that may make a revaluation ineffective.

Oversight agencies may consider the availability of reappraisal resources when issuing reappraisal orders.

APPENDICES

A. INDEPENDENT VALUE ESTIMATE-BASED RATIO STUDIES

Ratio studies may be conducted by using independent value estimates for a random sample of properties. Such sampling plans can be designed to be more representative of the population in terms of property characteristics than a sales sample of the same size. Procedures for the analysis of personal property can be very similar, but are addressed separately (see [Section 12](#)).

The independent valuations should be made without knowledge of the assessor's value. Independent valuers should not be supplied with copies of the assessor's valuation work sheets or model information. Supervisors should spot-check and review the work of staff valuers to ensure that the required independence is maintained. When the purpose of the ratio study is equalization or performance measurement, rather than internal quality assurance, the independent value estimates should not be revealed to the assessor until the assessor's values are final.

The use of independent value estimates, based on independent automated valuation models or single property appraisals, require adequately trained valuers and can be comparatively expensive. Many equalization or oversight agencies perform ratio studies in which sales and independent value estimates are combined. Executing a similar procedure can also benefit primary valuation offices. Furthermore, it can be possible to develop sales driven models for use in valuing a particular population of properties (excluding those not adequately represented in the underlying model) or randomly selected properties for ratio study purposes (Standard on automated valuation models, 2018).

A.1. Rationale

Independent value estimates can be used as indicators of market value. Independent valuations are performed by valuers who were not part of the group that has carried out the initial valuations. Independent value estimates include those derived from an independently created automated valuation model. Ratio studies based on such independently determined values are particularly useful for property classes with limited sales data, such as commercial and industrial real property and personal property (see (Property appraisal and assessment administration, 1990), Appendix 1-1 and (Gloudemans R. , 1999), chapter 60). In addition, independent value estimate-based ratio studies can be used for agricultural or other properties not valued on an ad valorem basis. In this case, the independent value estimates should reflect the use value or other statutory basis on which the properties are valued for property tax purposes.

A.2. Advantages and Disadvantages

Independent value estimate-based ratio studies have both benefits and limitations. Perhaps the greatest benefit of independent value estimate-based ratio studies is the ability to utilize effective sample selection practices that ensure a sufficiently sized and well-distributed sample. Such samples can, by design, accurately represent the entire property population, even in cases where

there are insufficient sales, thus providing reliable and unbiased comparisons of assessed values to market values. If objectivity can be maintained, the independent value estimate-based ratio study avoids potential distortions due to systematic differences between valuations of sampled and unsampled properties. In addition, independent value estimates can be used to test for systematic differences between valuations of sold and unsold properties.

There are some important limitations to this approach. Beyond the expected added time and cost associated with conducting reviews and completing valuations to appropriate standards, there is the added challenge of completing these valuations where market data is scarce. This lack of direct market feedback requires additional scrutiny of the independent value estimates, both by those requesting the valuations and by the assessor, to ensure their accuracy and consistency.

A.3. Sample Selection and Resource Requirements

Sample selection and resource planning in independent value estimate-based ratio studies require knowledge of statistical sampling, estimation principles, and available resources. Judgment must be used because the determination of an adequate sample can require more information than is available during the design and planning phase, such as the actual variation within the final ratio data sets (see Section 9.1- Adequacy of a Given Sample Size). Moreover, the cost of the study increases with the size of the sample. Therefore, the value of more reliable information must be balanced against the costs of obtaining that information.

In determining the size of the sample for each stratum, the following should be taken into consideration:

1. the required precision (typically measured by the margin of error) of the estimate of the valuation level, for example, ± 0.05 ;
2. the required confidence level, for example, 95 percent;
3. the amount of dispersion expected in the final ratio data set;
4. the wastage associated with properties that cannot be efficiently valued or valuations that cannot be used for one reason or another (see (Gloude-mans R. , 1999) chapter 6 for sample size formulas and required input variables; also see (Sherrill & Whorton, Jr, 1991)).

Once the desired size of an independent valuation sample has been determined, the individual properties that will constitute the sample should be selected using a statistically valid sampling plan. Stratified random sampling is preferred.

If value stratification is used, sample properties selected from value groups during resource planning can shift into other value groups before completion of the study, thus reducing the ultimate representativeness of the sample. Some intended valuation parcels may need to be removed from the sample when anomalous conditions are discovered such as environmental contamination (sufficiently reliable valuations may be prohibitively difficult or resource intensive) or when the independent valuer is not allowed access to the property. Any sample

property that are voided or that shift from a stratum because of value changes should be replaced if possible.

Independent value estimate-based ratio studies (AMR based), as with sales ratio studies (ASR based), require informed, reasoned judgment to maximize sample representativeness and statistical reliability.

A.4. Data Requirements and Valuation Techniques

The valuation techniques selected for an independent value estimate-based ratio study should be consistent with accepted valuation principles and practices. The valuations should reflect the valuation date in question and should be well documented. Statistical software should be used as much as possible to expand analytical capabilities and perform calculations.

A.5. Independent Value Estimates from Automated Valuation Models

The valuations used in independent value estimate-based ratio studies can be based on CAMA and automated valuation model (AVM) techniques (Standard on automated valuation models, 2018). The models used must be developed independently from those used for assessment purposes. Adequate market and property characteristic data are required to develop reliable and defensible model estimates. If available, sales from a later period can be used to expand sample size. However, as in sales-based ratio studies, sales derived from primary valuation jurisdictions should be reviewed to ensure accuracy and validity. CAMA and AVM models have the advantage of reducing costs, permitting the use of larger, more representative samples. CAMA and AVM models developed for equalization must focus on the adequacy of overall, not individual, value estimates.

If the independent value estimates are used for ratio studies compared to the outcome of another automated valuation model it is advised that the model which creates the independent value estimates is based on a different statistical approach.

A.6. Independent Value Chasing

Independent value chasing can take two forms, either of which reduces or destroys the validity of the ratio study. The first occurs when an independent valuer knows the locally determined value and either consciously or unconsciously biases the independently determined value towards the primary assessing jurisdiction determined value. Independent valuers should not have access to the primary assessing jurisdiction's values or valuation work papers prior to completing their independent valuations. Also, independent value estimates should be reviewed and tested against the market.

The second form of independent value chasing occurs when the primary assessing jurisdiction knows which properties are in the ratio study independent valuation sample and adjusts values on some or all of these properties to achieve better ratios without making similar adjustments to unsampled properties. This form of independent valuation chasing is similar to sales chasing and

has similar consequences (see [Appendix B- Sales Chasing Detection Techniques](#)). Ratio study analysts should guard against this form of independent valuation chasing by withholding the release of sample information until the primary assessing agency values are final. If this form of independent valuation chasing occurs, the oversight agency can use primary assessing agency's values prior to adjustment to provide a more accurate representation of the population ratios.

A.7. Reviewing of Independent Value Estimates

Valuation supervisors should review valuation models or single-property valuations to ensure that standards are met. It also is good practice to include some recently sold properties in the sample being independently valued as a check on the validity of the methods being applied. In addition, the assessor must be afforded an opportunity to review the independent value estimates along with supporting documentation and to submit information supporting different value conclusions. If different value conclusions or factual information would materially affect the outcome of the study, a procedure for resolving conflicts, for example, by an independent review body, should be established.

A.8. Combining of Sales and Independent Value Estimates

Independently determined value estimates can be combined with valid sales in a ratio study. Using available sales adds objectivity to the study and reduces the required number of independent value estimates. On the other hand, combining sales and independent value estimates mixes two market indicators. If sales and independently determined values are combined, an analysis should be performed to test the consistency of measures of central tendency (mean and median) derived from the sales ratios compared to the same measures derived from the independent valuation-based ratios. Furthermore, the ratios should be distinguishable from one another in such a situation, careful labeling of the ratios must be done consistently (Hermans, Bidanset, Davis, & McCord, 2022). A Mann-Whitney test comparing values per unit or comparing ratios based on sales with those based on independent value estimates is appropriate for this purpose. Significant differences can result from several of the following conditions:

1. Sales have been chased;
2. Sales and independent valuations came from different geographic areas with different markets and different levels of valuation (maximize representativeness by stratifying);
3. Sales and independent valuations have different property characteristics that cause different levels of valuation;
4. All or some of the sales are invalid;
5. Outlier ratios are causing sale/ independent valuation ratio differences;
6. All or some of the independent valuations are inaccurate.

If none of the first five conditions listed above apply, the independent valuations should be tested against the market and revised as necessary (Wooten, 2003).

Variability measures (e.g, standard deviation, coefficient of dispersion, and interquartile range) computed on sales used in the sample may not always be similar to variability measures computed on independent valuations. Sales ratios reflect the vagaries of the marketplace. Ratios based on independent value estimates, on the other hand, come from comparing the results of one valuation model (e.g. the oversight agency's) to the results of another (e.g. the assessing office's). If both parties use mass valuation procedures, differences in valuations between the two models can be less than when compared with sales, particularly if the two models are too similar in their structure or are not truly independent of each other; in other words, variability measures based on independent valuation-based ratios can be lower than those based on sales ratios, even if the two groups represent properties with similar characteristics and similar degrees of valuation difficulty.

It is necessary that the use of independent value estimates is reflected on in the scope and design of the intended ratio studies. In presenting the results of a ratio study which includes the use of an independent value estimate it must be clear which ratio is used as underlying the calculation of the indicator.

For instance, ratios calculated between assessments and observed sale prices are referred to as the assessment to sales price ratio (ASR). Ratios calculated between assessment and the independent value estimate resulting from an automated valuation model are referred to as the assessment to model value ratio (AMR) (Hermans, Bidanset, Davis, & McCord, 2022). When a ratio study includes two or more differently constructed ratios, all ratios must be labelled in a way that each reported ratio is interpretable in a meaningful manner.

B. SALES CHASING DETECTION TECHNIQUES

Only when sold and unsold parcels are valued in the same manner and the data describing them coded consistently, can the statistics calculated in a sales ratio study be used to infer valuation performance for unsold parcels. If parcels that sell are selectively revalued or recoded based on their sale prices or some other criterion (such as listing price) and included in the ratio study, uniformity measures and inferences will likely be inaccurate (ratios, and thereby valuations will likely appear more uniform than they are). In this situation, measures of valuation level will be unsupportable and likely closer to market value than they are. Various forms of model overfitting can have the same practical effect of sales chasing.

Valuation officers and oversight agencies should consider implementing at least one of the detection procedures outlined in this Appendix. In addition, corrective procedures should be adopted when detection is indicated. In some cases, access to assessment information for all properties is necessary to perform the suggested techniques. Oversight agencies may not have such access and therefore may be more limited in terms of which detection techniques can be followed. Regardless, they may employ detection techniques, such as those described in sections B.3 and B.4, which do not require such comprehensive valuation information.

B.1. Comparison of Value Changes

If sold and unsold properties within a specified group are not valued in the same way, their valuations will likely result in different measures of central tendency of the percentage change from year to year. In determining the appropriate measure of central tendency, the median is preferred over the mean. However, there should also be a review of the proportion of sold and unsold properties with no value change. If this proportion is high in the unsold group, the median value change in that group may not be meaningful, in which case the mean should be used. On a deeper level, the distributions of the percent changes for sold and unsold properties can be compared.

In making this comparison, it is essential to remove properties that have undergone a substantive physical change or a change in use over the time period, as well as other properties that do not belong in such a comparison (e.g. agricultural use values that are not set by the valuation agency or values that changed due to an appeal / value stipulation). Such properties' value changes could bias this test towards detecting selective valuation, if included.

Statistical significance in the absence of practical significance may be moot. In large samples, small differences in the magnitude of value changes on sold and unsold parcels can be proven to be statistically significant, yet the actual differences may be slight. Therefore, it is prudent to establish some reasonable tolerance in addition to statistical significance. For this reason, it is recommended that statistically significant differences in valuation changes of sold and unsold properties greater than 5% likely indicate sales chasing that warrants remedial action (e.g., changes of 10 percent for sold properties and 4 percent for unsold properties). Such tolerance

applies to other detection techniques discussed below. Useful tests of statistical significance include the Mann-Whitney U and T-test as indicated in [B.2](#).

Value change comparisons can be visualized to pair with heuristic or statistical conclusions. Visualizations, such as boxplots, can compare value change percentages across sold and unsold property groups. These visualizations can be repeated across multiple data strata.

B.2. Comparison of Unit Values

If sold and unsold parcels are not valued equally, median or average unit values (for example, value per square foot) could be dissimilar. Appropriate tests (Mann Whitney U or *T*-test) can be conducted to determine whether differences are significant. The distributions of the unit values can also be compared statistically.

B.3. Split Sample Technique

In this technique, two ratio studies are performed, one using sales that occurred before the point at which sales would have been known by the valuation agency and one using sales that occurred after that point, both adjusted for date of sale as appropriate. A practical dividing point may be sales that occur after the last date at which the valuation agency can adjust values other than through appeal. As sales were not previously used, models and values can no longer be adjusted prior to conducting the ratio study. Taking into account appropriate market condition (i.e. time) adjustments, the results of the two studies should be similar. Sales chasing is indicated if a given statistic in the first study is statistically significantly better than in the second study and that the difference is practically meaningful. In such a case, the given statistic in the second study is still valid but the statistic in the first study should be rejected.

B.4. Comparison of Observed versus Expected Distribution of Ratios

Assuming the ratio studies are based on sales that have been properly adjusted for time and other factors, a strong indication of the likelihood of "sales chasing" can be obtained by computing the proportion of ratios that would be expected to fall within a particular narrow range of the mean given the lowest likely standard deviation (although this depends somewhat on the assumption of a normal distribution).

For example, with a standard deviation of 5 percent given a normal distribution, about 32 percent of the ratios would be expected to fall within ± 2 percent of the mean (for example, between 98 and 102 percent, given a mean of 100 percent). Except in highly constrained or well-behaved real estate markets, many valuers consider such a low standard deviation, corresponding approximately to a COD of 4 percent, to be unachievable. Regardless of the distribution of the ratios, the likelihood is extremely low that there would be a sufficiently representative sample with more than this proportion of ratios in such a narrow range. If such is the case, "sales chasing" is a likely conclusion.

Although samples may not be normally distributed, in which case equivalently precise proportions of expected ratios around the median cannot be determined, the 32 percent concentration is very conservative. Finding such a high concentration of ratios around any measure of central tendency is a strong indicator of sales chasing or, at least, of a non-representative ratio study. In addition, when the distribution of ratios is bimodal or multimodal, similar significant concentrations of ratios around these modes can indicate selective revaluation.

Table 13 demonstrates the conservative nature of the 32 percent concentration. If the minimum achievable COD is, in fact, higher than 4 percent for the strata or property class being analyzed, then even lower concentrations could indicate sales chasing, and previously discussed investigative procedures should be instituted. One disadvantage to this procedure is that it can be misleading when applied to small samples. Therefore, the method should not be employed for sample sizes less than 30.

Even when critical proportions of ratios shown in Table 13 are exceeded, further investigation should be conducted before concluding that sales chasing has occurred.

B.5. Mass Appraisal Techniques

Provided sales are sufficient in number, valuation and oversight agencies can develop mass valuation models to apply to a random sample of unsold properties or to the population of properties that are represented by the sold properties. An independent multiple regression or other automated calibration techniques can be used to develop the models. A ratio study is then conducted for the unsold parcels by substituting sale price, the denominator of the sale ratio, with the values predicted by the independent models as they are used as indicators of market value for the unsold parcels. This approach has the following advantages:

It is objective and rooted in the market.

The models can be reviewed for sufficient reliability before being applied to the unsold parcels.

The technique yields measures of central tendency, which can be compared against those produced by the sales ratio study and tested for compliance with standards for the level of valuation.

The technique takes the form of an independent valuation ratio study but avoids the time and expense of single -property appraisals.

Reliability of this method depends on the accuracy and independence of the mass valuation models used to generate the value estimates. The models must be consistent with valuation theory and reviewed for sufficient reliability by examining goodness-of-fit statistics. The models should be independent of those used for valuation purposes.

To effectively detect sample-induced bias—such as that caused by sales chasing—an independent model should be developed that differs from the primary model in key respects. The

second model should use a different modeling structure (e.g., linear regression versus gradient boosting) to ensure sensitivity to different forms of distortion. It should ideally be constructed by a separate analyst or team to avoid unintentional replication of assumptions. The underlying data should be handled independently, either through random sample splits or by structuring the second dataset to include or treat sales differently (e.g., blinding sales status), to break any feedback loop between modeling and sample selection. Variable selection should also differ, emphasizing (for example) model stability and generalizability over precision. These safeguards help ensure that the second model acts as a meaningful diagnostic tool, capable of revealing sample-induced bias that may remain hidden when only a single model structure and dataset are used. Structural differences also increase the likelihood of detecting model-induced bias, which may compound sample issues and further obscure equity concerns.

B.6. Independent Value Chasing Detection

As outlined in [Section 13.5.5](#), statistical inferences about the level and uniformity of the population of properties under review can also be distorted when ratio studies are based in part on proxy values determined independently by oversight agencies. In addition to other detection methods indicated in this appendix, statistically significant differences between ratios of independently valued properties and selling properties in the same strata should be analyzed. If differences that also are of practical significance are detected, procedures found in [Section 13.5.5](#) should be used to correct ratio study results or employed preemptively to preclude value chasing when independent values are developed.

Table 13- Example of critical ratio concentrations indicative of sales chasing or similar practices

Minimum achievable COD	Standard deviation assuming normal distribution and mean ratio	Critical proportion of ratios*	zscore based on $\pm 2\%$ range (Absolute value)	Expected proportion of ratios below 0.98	Expected proportion of ratios below 1.02	Expected proportion between 0.98 and 1.02 (within $\pm 2\%$ of central tendency)
1.6%	2.00%	69	1.0000	0.1587	0.8413	0.6826
4.0%	5.00%	32	0.4000	0.3446	0.6554	0.3108
5.0%	6.25%	26	0.3200	0.3745	0.6255	0.2510
6.0%	7.50%	22	0.2667	0.3949	0.6051	0.2102
7.0%	8.75%	19	0.2286	0.4110	0.5896	0.1801
8.0%	10.00%	16	0.2000	0.4207	0.5793	0.1586
10.0%	12.50%	13	0.1600	0.4364	0.5636	0.1272
12.0%	15.00%	11	0.1333	0.4467	0.5530	0.1063
14.0%	17.50%	10	0.1143	0.4545	0.5455	0.0910
16.0%	20.00%	8	0.1000	0.4602	0.5398	0.0796

* Given the assumption that the COD shown represents the minimum achievable COD for the property type, class, or strata being analyzed with the ratio study, sales chasing (or a similar distortive procedure) is very likely if the concentration of ratios with $\pm 2\%$ of a measure of central tendency, such as the median or a mode, or 700%, equals or exceeds this value. This proportion is based on values of the standard normal distribution function and assumption that sample size is greater than 30. The critical number equals the integer immediately exceeding the expected proportion.

C. OUTLIER TRIMMING GUIDELINES

C.1. Identification of Ratio Outliers

It is first necessary to determine a procedure to identify outliers. Outlier identification based on the interquartile range (IQR) uses order statistics (see [Table 14](#)) and has been shown to be robust for a wide variety of distributions (Iglewicz & Hoaglin, 1993); (Barnett & Lewis, 1994). The term outlier is often associated with ratios that fall outside 1.5 multiplied by the IQR. A factor of 3.0 X IQR often is chosen to identify extreme outliers. Other outlier identification procedures are found in statistical literature and can be used. Outlier identification and trimming should follow the sales validation process and precede the calculation of ratio statistics and related tests or analyses.

The example in [Table 14](#) demonstrates the use of the 1.5 X IQR procedure to identify outlier ratios. The distribution of ratios often is skewed to the right; therefore, it is advisable to apply an appropriate transformation to the ratios to make their distribution more symmetric prior to applying the IQR method. For example, the use of logarithmic transformations tends to achieve greater symmetry and so identify fewer high and more low ratios as outliers.

C.2. Scrutiny of Identified Outliers

The preferred method of handling an outlier ratio is to subject it to additional scrutiny to determine whether the sale is a non-market transaction or contains an error in fact. If an error can be corrected (for example, data entry), then it should remain in the sample so long as it is no longer a ratio outlier. If the error cannot be corrected or if inclusion of the identified outlier would reduce sample representativeness, the sale should be excluded.

C.3. Analytical Use of Identified Outliers

After identification, scrutiny, and correction of errors associated with outliers, the procedure can be run again to identify any remaining apparent outliers. If outlier ratios tend to be concentrated in certain areas or other subsets of the sample, they can point directly to systematic errors in the appraisal process and should be stratified and reanalyzed if they are sufficiently representative.

C.4. Outlier Trimming

Once outliers have been identified and scrutinized and any errors resolved, the next step is to exclude (i.e. trim) those that may unduly influence calculated statistical measures. For this reason, it is acceptable to trim outliers identified by recognized statistical procedures (for cautionary notes on trimming small samples, see (Tomberlin, 2001) and (Hoaglin, Mosteller, & Tukey, 1983). An example of such trimming is found in [Table 15](#). However, trimming of outliers using arbitrary limits, for example, eliminating all ratios less than 50 percent or greater than 150 percent, tends to distort results and should not be employed.

Detected outliers should be reported and can be treated in a variety of ways, including trimming (D'Agostino & Stephens, 1986)). If outliers are to be considered for removal, the analyst can select a procedure to trim all or just the extreme or influential outliers (see [Table 15](#)). If a trimming method has been used to reject ratios from the sample, this fact must be stated in the resulting statistical analysis. Outlier trimming is not mandatory; however, if outlier-trimming procedures are not used, sales with extreme or influential ratios must be thoroughly validated and determined to be highly trustworthy observations because they can play a pivotal role in the ratio study outcome.

Using the data in [Table 14](#), the following procedure identifies outlier ratios that fall more than 1.5 times beyond the range of the middle 50 percent of the arrayed sample.

Table 14- A Distribution-Free Method for Locating Outliers- Data before trimming

Rank	Ratio (A/S)
1	0.611
2	0.756
3	0.762
4	0.853
5	0.867
6	0.909
7	0.925
8	0.944
9	1.014
10	1.052
11	1.178
12	1.367
13	1.850
14	2.500
Median Ratio	0.935
COD	32.271

Steps to locate trim boundaries:

1. *Locate the first quartile point formula to locate the first quartile:*
 $(0.25 \times \text{number of ratios}) + 0.25$
 $(0.25 \times 14 \text{ ratios}) + 0.25 = 3.75$
 3.75 is three-quarters between the third and fourth ranked ratios.
 Ratio 3 = 0.762
 Ratio 4 = 0.853
 Three-quarters between = $(0.853 - 0.762) \times 0.75 = 0.068$
 The first quartile point = $0.762 + 0.068 = 0.830$
2. *Locate the third quartile point*
 Formula to locate the third quartile
 $(0.75 \times \text{number of ratios}) + 0.75$
 $(0.75 \times 14 \text{ ratios}) + 0.75 = 11.25$

11.25 is one-quarter between the eleventh and twelfth ranked ratios.

Ratio 11 = 1.178

Ratio 12 = 1.367

One-quarter between = $(1.367 - 1.178) \times 0.25 = 0.047$

The third quartile point = $1.178 + 0.047 = 1.225$

3. *Compute the interquartile range*

The distance between the first and third quartile = interquartile range

$1.225 - 0.830 = 0.395$

4. *Establish the lower boundary*

Lower trim point = first quartile $-(\text{interquartile range} \times 1.5 \text{ or } 3.0)$

$0.830 - (0.395 \times 1.5) = 0.238$

5. *Establish the upper boundary*

Upper trim point = $(\text{interquartile range} \times 1.5 \text{ or } 3.0) + \text{third quartile}$

$(0.395 \times 1.5) + 1.225 = 1.818$

Outliers identified: 1.850, 2.500

Table 15- Effects of Outlier Trimming- Data after 1.5x trimming

Rank	Ratio (A/S)
1	0.611
2	0.756
3	0.762
4	0.853
5	0.867
6	0.909
7	0.925
8	0.944
9	1.014
10	1.052
11	1.178
12	1.367
Median Ratio	0.917
COD	15.649

C.5. Trimming Limitations

In the process of outlier trimming, the goal should be to remove observations responsibly. Outlier trimming can be an important tool in not allowing atypical observations to have an undue influence on calculated statistics. Trimming too many observations, however, may make the same calculated statistics seem better than they really are and may reduce sample representativeness. To that end, it is appropriate to set maximum limits for outlier trimming. For small samples, no more than 10 percent (20 percent in the most extreme cases) of the ratios should be removed. For larger samples, this threshold can be lowered to 5 to 10 percent depending on the distribution of the ratios and the degree to which sales have been screened or validated. Trim limits should generally be developed in consideration of the extent of sales

verification, with a greater percentage trimmed when a thorough and properly conducted sales verification process has not taken place.

In general, IQR-based outlier identification should be undertaken in instances in which sample sizes are sufficient to preclude the aberrant results that can be expected when this procedure is applied to very small, highly variable samples.

Also, some samples have low CODs and tight ratio frequency distributions, possibly due to unusually homogeneous populations of property. In such cases the IQR could identify a large proportion of the sample as “outliers” even though the difference between these sales in ratio terms is very small. If blindly followed, this can unnecessarily reduce sample size, eliminating representative sales and lowering statistical significance of results. For this reason, sales flagged by the IQR method should not be automatically excluded in such a low dispersion situation, but instead be subject to the maximum trimming limits outlined in this section.

C.6. Reporting Trimmed Outliers and Results

Ratio study reports or accompanying documentation should clearly state the basis for excluding outlier ratios. Statistics calculated from trimmed distributions, obviously, cannot be compared to those from untrimmed distributions or interpreted in the same way.

C.7. Handling of Value Outliers

While this section focuses on ratio outliers, values that make up the ratio can also be outliers that may have a distorting effect on certain statistics like the weighted mean. Guidance from this section such as outlier detection methods, scrutiny, trimming, and trimming limitations can be applied to value outliers as well. However, in order to prevent the inappropriate or unbalanced removal of value outliers, data should be transformed before the application of the IQR approach or an alternative method should be used that is based on ranking sales by assessed value or sale price. Alternatively, a more representative weighted mean (such as for indirect equalization) can be developed by identifying and trimming outliers found using specific value outlier identification procedures presented in [Section 13.3.3.1](#).

D. MEDIAN CONFIDENCE INTERVAL TABLES FOR SMALL SAMPLES

A confidence interval (CI) is a range of values that contains the true population parameter (such as a mean, median or proportion) with a specified level of confidence. It provides an estimate along with a margin of error to account for variability in the data.

For example, a **90% confidence interval** means that if we repeated the sampling process many times, 90% of the calculated intervals would contain the true population value. A wider interval suggests more uncertainty, while a narrower interval indicates greater precision in the estimate. The confidence level (e.g., 90%, 95%, or 99%) reflects how sure we can be that the true value falls within the range.

A **binomial distribution** describes the probability of getting a certain number of "successes" in a fixed number of independent trials, where each trial has only two possible outcomes (success or failure) and the probability of success stays the same. For example, if you flip a fair coin 10 times, it can help determine the likelihood of getting exactly 6 heads. In real estate, the binomial distribution can be used in a ratio analysis to estimate the probability of a certain number of properties having an assessed value within an acceptable range of their sale price, assuming each property has the same chance of meeting the criteria.

For small samples, Tables 17 and 18 demonstrate the use of a formula based upon the binomial distribution to develop the lower and upper median confidence interval estimates (Clapp, 1989). **R** is the ratio in an array ranked from the lowest to the highest (sorted in ascending order). Each row represents the sample size with the corresponding formula to be utilized.

Each confidence interval boundary typically falls between two ratios in the array. The interpolation factor is multiplied by the ratio value and the two are added together to obtain a weighted average.

This method should be used for small samples with up to 30 observations (see Tables 17 and 18). For larger samples the method as outlined in [Section 7.5.3](#) of this standard may be used.

Example

Table 16- Sample Data for Small Sample Example

Rank	Parcel #	Appraised Value	Sale Price*	Ratio
1	9	\$87,200	\$138,720	0.629
2	10	38,240	59,700	0.641
3	11	96,320	146,400	0.658
4	12	68,610	99,000	0.693
5	13	32,960	47,400	0.695

Rank	Parcel #	Appraised Value	Sale Price*	Ratio
6	14	50,560	70,500	0.717
7	15	61,360	78,000	0.787
8	16	47,360	60,000	0.789
9	17	56,580	69,000	0.820
10	18	47,040	55,500	0.848
11	19	136,000	154,500	0.880
12	20	98,000	109,500	0.895
13	21	56,000	60,000	0.933
14	22	159,100	168,000	0.947
15	23	128,000	124,500	1.028
16	24	132,000	127,500	1.035
17	25	160,000	150,000	1.067

**Or Time Adjusted Sales Price*

Using data from Table 16 (n = 17 ratios) and a 95 percent confidence interval in Table 18:

Lower bound:									
Step 1:	Identify sample size:		n = 17						
Step 2:	Go to 95% confidence interval Lower Bound table where n = 17								
	17		0.9899	x	R ⁵	+	0.0101	x	R ⁶
Step 3:	Select Ratio 5		= .695						
	Select Ratio 6		= .717						
Step 4:	Place Ratios 5 & 6 in formula								
	17		0.9899	x	0.695	+	0.0101	x	0.717
Step 5:	Calculate Lower Bound:								
	0.6880 + 0.0072 = 0.6952								
Answer:	0.6952								
Upper bound:									
Step 1:	Identify sample size:		n = 17						
Step 2:	Go to 95% confidence interval Upper Bound table where n = 17								
	17		0.9899	x	R ¹³	+	0.0101	x	R ¹²
Step 3:	Select Ratio 13		= .933						
	Select Ratio 12		= .895						
Step 4:	Place Ratios 13 & 12 in formula								
	17		0.9899	x	0.933	+	0.0101	x	0.895
Step 5:	Calculate Lower Bound:								
	0.9236 + 0.0090 = 0.9326								
Answer:	0.9326								

Therefore, the 95% median ratio confidence interval in Table 16 is from .6952 to .9326.

As noted in *Property Appraisal and Assessment Administration* (International Association of Assessing Officers (IAAO), 1990, p. 609) caution is advised when the confidence limits are equal to the lowest and highest ratios in the sample. For a 90% median confidence interval, samples of five to seven ratios will have confidence limits equal to the lowest and highest ratios. For a 95% median confidence interval, samples of six to eight ratios will have confidence limits equal the lowest and highest ratios.

Table 17- 90% Confidence Interval

n	Lower Bound	Upper Bound
6	$9000 \times R_1 + 1000 \times R_2$	$9000 \times R_6 + 1000 \times R_1$
7	$.6857 \times R_1 + .3143 \times R_2$	$.6857 \times R_7 + .3143 \times R_6$
8	$.3250 \times R_1 + .6750 \times R_2$	$.3250 \times R_8 + .6750 \times R_7$
9	$.9222 \times R_2 + .0778 \times R_3$	$.9222 \times R_9 + .0778 \times R_7$
10	$.6756 \times R_2 + .3244 \times R_3$	$.6756 \times R_9 + .3244 \times R_8$
11	$.2873 \times R_2 + .7127 \times R_3$	$.2873 \times R_{10} + .7127 \times R_9$
12	$.8936 \times R_3 + .1064 \times R_4$	$.8936 \times R_{10} + .1064 \times R_9$
13	$.6056 \times R_3 + .3944 \times R_4$	$.6056 \times R_{11} + .3944 \times R_{10}$
14	$.1659 \times R_3 + .8341 \times R_4$	$.1659 \times R_{12} + .8341 \times R_{11}$
15	$.8218 \times R_4 + .1782 \times R_5$	$.8218 \times R_{12} + .1782 \times R_{11}$
16	$.4827 \times R_4 + .5173 \times R_5$	$.4827 \times R_8 + .5173 \times R_{12}$
17	$.9899 \times R_5 + .0101 \times R_6$	$.9899 \times R_8 + .0101 \times R_{12}$
18	$.7076 \times R_5 + .2924 \times R_6$	$.7076 \times R_{14} + .2924 \times R_8$
19	$.3059 \times R_5 + .6941 \times R_6$	$.3059 \times R_{15} + .6941 \times R_{14}$
20	$.8835 \times R_6 + .1165 \times R_7$	$.8835 \times R_{15} + .1165 \times R_{14}$
21	$.5479 \times R_6 + .4521 \times R_7$	$.5479 \times R_{16} + .4521 \times R_{15}$
22	$.0697 \times R_6 + .9303 \times R_1$	$.0697 \times R_{17} + .9303 \times R_{16}$
23	$.7381 \times R_7 + .2619 \times R_8$	$.7381 \times R_{17} + .2619 \times R_{16}$
24	$.3373 \times R_7 + .6627 \times R_8$	$.3373 \times R_{18} + .6627 \times R_{17}$
25	$.8958 \times R_8 + .1042 \times R_9$	$.8958 \times R_{18} + .1042 \times R_{17}$
26	$.5481 \times R_8 + .4519 \times R_9$	$.5481 \times R_{19} + .4519 \times R_{18}$
27	$.0677 \times R_8 + .9323 \times R_9$	$.0677 \times R_{20} + .9323 \times R_{19}$
28	$.7221 \times R_9 + .2779 \times R_{10}$	$.7221 \times R_{20} + .2779 \times R_{19}$
29	$.3063 \times R_9 + .6937 \times R_{10}$	$.3063 \times R_{21} + .6937 \times R_{20}$
30	$.8709 \times R_{10} + .1291 \times R_{11}$	$.8709 \times R_{21} + .1291 \times R_{20}$

Table 18- 95% Confidence Interval

n	Lower Bound	Upper Bound
6	$9000xR^1 + 1000xR^2$	$9000xR^4 + 1000xR^5$
7	$6857xR^1 + 3143xR^2$	$6857xR^7 + 3143xR^8$
8	$3250xR^1 + 6750xR^2$	$3250xR^8 + 6750xR^9$
9	$9222xR^2 + 0778xR^3$	$9222xR^8 + 0778xR^9$
10	$6756xR^2 + 3244xR^3$	$6756xR^9 + 3244xR^{10}$
11	$2873xR^2 + 7127xR^3$	$2873xR^{10} + 7127xR^{11}$
12	$8936xR^3 + 1064xR^4$	$8936xR^{11} + 1064xR^{12}$
13	$6056xR^3 + 3944xR^4$	$6056xR^{11} + 3944xR^{12}$
14	$1659xR^3 + 8341xR^4$	$1659xR^{12} + 8341xR^{13}$
15	$8218xR^4 + 1782xR^5$	$8218xR^{12} + 1782xR^{13}$
16	$4827xR^4 + 5173xR^5$	$4827xR^{13} + 5173xR^{14}$
17	$9899xR^5 + 0101xR^6$	$9899xR^{14} + 0101xR^{15}$
18	$7076xR^5 + 2924xR^6$	$7076xR^{14} + 2924xR^{15}$
19	$3059xR^5 + 6941xR^6$	$3059xR^{15} + 6941xR^{16}$
20	$8835xR^6 + 1165xR^7$	$8835xR^{15} + 1165xR^{16}$
21	$5479xR^6 + 4521xR^7$	$5479xR^{16} + 4521xR^{17}$
22	$0697xR^6 + 9303xR^7$	$0697xR^{17} + 9303xR^{18}$
23	$7381xR^7 + 2619xR^8$	$7381xR^{17} + 2619xR^{18}$
24	$3373xR^7 + 6627xR^8$	$3373xR^{18} + 6627xR^{19}$
25	$8958xR^8 + 1042xR^9$	$8958xR^{18} + 1042xR^{19}$
26	$5481xR^8 + 4519xR^9$	$5481xR^{19} + 4519xR^{20}$
27	$0677xR^8 + 9323xR^9$	$0677xR^{20} + 9323xR^{21}$
28	$7221xR^9 + 2779xR^{10}$	$7221xR^{20} + 2779xR^{21}$
29	$3063xR^9 + 6937xR^{10}$	$3063xR^{21} + 6937xR^{22}$
30	$8709xR^{10} + 1291xR^{11}$	$8709xR^{21} + 1291xR^{22}$

Critical Values for t

Table 19 provides the critical values when calculating mean confidence intervals using a two-tailed test. The steps and assumptions to determine a confidence interval about the mean are included in [Section 7.5.2](#).

Table 19- Critical Values of t for the two-tailed test

Confidence level for two-tailed test				
Degrees of Freedom	70%	80%	90%	95%
1	1.963	3.133	6.320	12.69
2	1.385	1.883	2.912	4.271
3	1.250	1.637	2.352	3.179
4	1.190	1.533	2.132	2.776
5	1.156	1.476	2.015	2.570
6	1.134	1.440	1.943	2.447
7	1.119	1.415	1.895	2.365
8	1.108	1.397	1.860	2.306
9	1.100	1.383	1.833	2.262
10	1.093	1.372	1.813	2.228
11	1.088	1.363	1.796	2.201
12	1.083	1.356	1.782	2.179
13	1.079	1.350	1.771	2.160
14	1.076	1.345	1.761	2.145
15	1.074	1.341	1.753	2.131
16	1.071	1.337	1.746	2.120
17	1.069	1.333	1.740	2.110
18	1.067	1.330	1.734	2.101
19	1.066	1.328	1.729	2.093
20	1.064	1.325	1.725	2.086

Confidence level for two-tailed test				
Degrees of Freedom	70%	80%	90%	95%
21	1.063	1.323	1.721	2.080
22	1.061	1.321	1.717	2.074
23	1.060	1.319	1.714	2.069
24	1.059	1.318	1.711	2.064
25	1.058	1.316	1.708	2.060
26	1.058	1.315	1.706	2.056
27	1.057	1.314	1.703	2.052
28	1.056	1.313	1.701	2.048
29	1.055	1.311	1.699	2.045
30	1.055	1.310	1.697	2.042
40	1.050	1.303	1.684	2.021
60	1.045	1.296	1.671	2.000
120	1.041	1.289	1.658	1.980
∞	1.036	1.282	1.645	1.960

Note: The table reports positive values only. The rejection region consists of values more extreme than the indicated critical values. For example, the rejection region for a two-tailed test at the 95% confidence level when the degrees of freedom equals 10 is all values greater than 2.131 and less than -2.131.

E. ADDITIONAL TESTS FOR VERTICAL EQUITY

This appendix presents additional tests considered in the IAAO Statistical Tools and Measures Task Force¹. While the primary measure for vertical equity in the standard is now the Vertical Equity Indicator (VEI) discussed in [Section 8.2](#), there are many tests available to test for vertical equity, each with their strengths and weaknesses. This appendix provides a look at some of these vertical equity tests, however it should by no means be considered a comprehensive list particularly as vertical equity research reaches new conclusions and findings. It is highly recommended that multiple vertical equity tests be run as they may provide additional insights into potential valuation bias.

The following additional methods are summarized in this appendix:

- **Gini Indices** – A set of measures adapted from inequality studies to assess vertical equity, including the Kakwani Index and the Modified Kakwani Index (MKI).
- **Instrumental Variable (IV) Regression** – A technique that directly accounts for measurement errors in market value proxies to assess valuation bias.
- **Mann-Whitney and Kruskal-Wallis** – A method that compares valuation levels across percentile groups.
- **Price-Related Bias (PRB)** – A regression-based measure that quantifies the percentage change in assessment ratios relative to changes in value.
- **Price-Related Differential (PRD)** – A simpler index that compares the mean and weighted mean ratios to detect regressivity or progressivity in assessments.
- **Spearman Rank** – A method which calculates the correlation between the rank of valuations and market value proxies.

Gini Indices	
Description	<p>The Gini Coefficient is the basis of the Gini Indices, further discussed in the Kakwani Index (KI) and Modified Kakwani Index (MKI).</p> <p><i>Kakwani Index:</i> Measures the difference between the Gini coefficient of price and the Gini coefficient of assessments, conditional on increasing price levels. This conditional Gini is also called the Concentration Index (CI) since it measures the spread of assessments conditioned on each price level.</p> <p><i>Modified Kakwani Index:</i> Modifies the KI index by taking the ratio, rather than the difference, of the CI of assessments and the Gini coefficient of price. Since it is a ratio, equity is around 1 rather than zero.</p>
Interpretation	<p>The Gini coefficient ranges from 0, indicating perfect equality (where everyone receives an equal share), to 1, perfect inequality (where only one recipient or group of recipients receives all the shares).</p> <p><i>Kakwani Index:</i> A KI equal to zero denotes vertical equity (since the CI of assessments and the gini of prices are the same). A KI less than zero indicates regressive assessments and conversely a KI greater than zero indicates progressive assessments. For lower variability strata, some consider a KI between -0.01 and 0.01 to be optimal. For higher variability or small-sized strata, some consider a KI between -0.02 and 0.02 to be optimal.</p> <p><i>Modified Kakwani Index:</i> An MKI equal to 1 denotes vertical equity (since the assessments and prices have the same Gini measurements). An MKI less than one indicates regressive assessments and conversely an MKI greater than one indicates progressive assessments. For lower variability strata, some consider an MKI between 0.95 and 1.05 to be optimal. For higher variability or small-sized strata, some consider an MKI between 0.90 to 1.10 to be optimal.</p>
Pros	<ul style="list-style-type: none"> • Naturally has desirable graphical qualities • Allows for a more complete understanding of the nature of any vertical inequity
Cons	<ul style="list-style-type: none"> • More complicated to calculate and conceptualize • Uses sale price as the market value proxy so can be prone to regressive bias if measurement error in sale prices is sizable enough to significantly reorder the sale price ranks

Gini Indices	
Additional Resources	<p>Quintos, C. (2020). A Gini measure for vertical equity in property assessments. <i>Journal of Property Tax Assessment & Administration</i>, 17(2).</p> <p>Quintos, C. (2021). A Gini decomposition of the sources of inequality in property assessments. <i>Journal of Property Tax Assessment & Administration</i>, 18(2).</p>

Instrumental Variable (IV) Regression	
Description	Introduced by Clapp (1990) as a solution to the measurement error problem in prices, this technique accounts for measurement errors in prices to assess valuation bias by creating two regressions.
Interpretation	Vertical equity is indicated by the slope coefficient being equal to one in the second stage regression. Regressivity occurs when the slope coefficient is greater than 1; conversely, progressivity occurs when the slope coefficient is less than 1.
Pros	<ul style="list-style-type: none"> • Mitigates measurement error bias by construction
Cons	<ul style="list-style-type: none"> • The construction of the instrument variable causes some data loss • More complicated to calculate and conceptualize • Does not allow for an understanding of more complicated vertical equity patterns
Additional Resources	Clapp, John M, 1990. " <u>A New Test for Equitable Real Estate Tax Assessment</u> ," <u>The Journal of Real Estate Finance and Economics</u> , Springer, vol. 3(3), pages 233-249, September.

Mann-Whitney	
Description	A nonparametric test of two groups to see if they are being valued at the same percentage of market value. The individual ratios in the two groups are ranked from smallest to largest. The test evaluates if the average ranks assigned to ratios from the two groups are approximately equal.

Mann-Whitney	
Interpretation	When the average ranks of the assigned ratios are approximately equal, we accept the null hypothesis that the two groups are appraised at equal percentages of market value. When they are not approximately equal, we reject the null hypothesis and accept the alternative hypothesis that the two groups are not being valued at the same percentage of market value.
Pros	<ul style="list-style-type: none"> • Easier to understand and calculate • May be useful for smaller sample sizes
Cons	<ul style="list-style-type: none"> • Only compares two groups so it cannot say much about the nature of the vertical inequity present or the value of the ratio at the extreme ends of the value spectrum
Additional Resources	Fundamentals of Mass Appraisal 380-383

Kruskal-Wallis	
Description	A nonparametric test of three or more groups to see if they are being valued at the same percentage of market value. Like the Mann-Whitney Test, ratios are ranked in ascending order. Using a predetermined confidence interval, such as 95%, the test evaluates whether the differences in the average ranks of the groups are sufficiently large enough to indicate systematic differences in the percentage of market value.
Interpretation	The Kruskal-Wallis Test is the Mann-Whitney Test with more than two groups.
Pros	<ul style="list-style-type: none"> • Easy to understand and calculate
Cons	<ul style="list-style-type: none"> • Must ensure that groups are constructed with an adequate sample size • Depending on the number of groups, it may not be able to capture to complete nature of the vertical inequity present
Additional Resources	Fundamentals of Mass Appraisal 383-384

Price-Related Bias (PRB)	
Description	A regression-based test for vertical equity which quantifies the relationship between assessment-sales ratios (ASR) and value in percentage terms by regressing percentage difference from the median ratio on percentage differences in value.
Interpretation	A measure of 0 indicates there is neither regressivity or progressivity present in the sample.
Pros	<ul style="list-style-type: none"> • Less sensitive to market value proxy outliers than the PRD • The method permits a meaningful interpretation of its coefficient • The method mitigates measurement error bias through the construction of the market value proxy
Cons	<ul style="list-style-type: none"> • The method assumes a linear relationship between the independent and dependent variables and its coefficient can be misinterpreted should that not be the case • The method may not permit a complete understanding of the nature of any vertical inequity present, only its general direction
Additional Resources	Fundamentals of Mass Appraisal 409-413

Price-Related Differential (PRD)	
Description	An Index statistic which evaluates vertical equity by comparing the mean and weighted mean ratios
Interpretation	A measure of 1.00 indicates there is neither regressivity or progressivity present in the sample. Measures considerably above 1.00 tend to indicate assessment regressivity while measures below 1.00 suggest assessment progressivity.
Strengths	<ul style="list-style-type: none"> • Easy to compute and interpret

Price-Related Differential (PRD)	
Limitations	<ul style="list-style-type: none"> • When the weighted mean is heavily influenced by several extreme sales prices, the PRD may not be a sufficiently reliable measure of vertical inequities. • When samples are very large, the PRD may be too insensitive to show small pockets in which there is significant vertical inequity. • The method only yields the general direction of any vertical inequity present, not a complete picture. • Can be biased toward regressivity. • Resampling based methods must be used for confidence intervals and statistical inference.
Additional Resources	Fundamentals of Mass Appraisal 229-231

Spearman Rank	
Description	A nonparametric test in which sales prices and assessment-sales ratios (ASR) are ranked from smallest to largest and correlates the two. This test evaluates the significance of the correlation.
Interpretation	If sales prices and ASR are unrelated, there should be no significant correlation between the two ranks. A negative correlation suggests assessment regressivity while a positive correlation suggests assessment progressivity.
Strengths	<ul style="list-style-type: none"> • The method has an interpretable result
Limitations	<ul style="list-style-type: none"> • The method only yields the general direction of any vertical inequity present, not a complete picture. • Uses sale price as the market value proxy so can be prone to regressive bias if measurement error in sale prices is sizable enough to significantly reorder the sale price ranks.
Additional Resources	Fundamentals of Mass Appraisal 387-389

F. PERCENTILE RANK OBSERVATIONS TABLES

This appendix details how to group observations for the Vertical Equity Indicator (VEI) detailed in [Section 8.2.1](#).

F.1. Steps to calculate

1. Determine the position of each percentile by multiplying the total number of observations by the percentage.

$$\text{Position} = \text{Observations} * \text{Percentage as a decimal}$$

2. For each result from step 1, round up to the next number to determine the distributed positions.

$$\text{Position} = \text{Roundup}(\text{step 1})$$

3. The number of observations in each group can then be determined by calculating the difference between each group.

$$\text{Observations per Group N} = \text{GroupN+1} - \text{GroupN}$$

F.2. Two Groups

Step 1			Step 2			Step 3		
	Positions			Distributed Positions			Observations per Group	
	Gr 1	Gr 2		Gr 1	Gr 2		Gr 1	Gr 2
Sample Size	50	100	Sample Size	50	100	Sample Size	50	100
10	5	10	10	5	10	10	5	5
11	5.5	11	11	6	11	11	6	5
12	6	12	12	6	12	12	6	6
13	6.5	13	13	7	13	13	7	6
14	7	14	14	7	14	14	7	7
15	7.5	15	15	8	15	15	8	7
16	8	16	16	8	16	16	8	8
17	8.5	17	17	9	17	17	9	8
18	9	18	18	9	18	18	9	9
19	9.5	19	19	10	19	19	10	9
20	10	20	20	10	20	20	10	10
21	10.5	21	21	11	21	21	11	10
22	11	22	22	11	22	22	11	11
23	11.5	23	23	12	23	23	12	11
24	12	24	24	12	24	24	12	12
25	12.5	25	25	13	25	25	13	12
26	13	26	26	13	26	26	13	13
27	13.5	27	27	14	27	27	14	13

Step 1			Step 2			Step 3		
	Positions			Distributed Positions			Observations per Group	
	Gr 1	Gr 2		Gr 1	Gr 2		Gr 1	Gr 2
Sample Size	50	100	Sample Size	50	100	Sample Size	50	100
28	14	28	28	14	28	28	14	14
29	14.5	29	29	15	29	29	15	14
30	15	30	30	15	30	30	15	15
31	15.5	31	31	16	31	31	16	15
32	16	32	32	16	32	32	16	16
33	16.5	33	33	17	33	33	17	16
34	17	34	34	17	34	34	17	17
35	17.5	35	35	18	35	35	18	17
36	18	36	36	18	36	36	18	18
37	18.5	37	37	19	37	37	19	18
38	19	38	38	19	38	38	19	19
39	19.5	39	39	20	39	39	20	19
40	20	40	40	20	40	40	20	20
41	20.5	41	41	21	41	41	21	20
42	21	42	42	21	42	42	21	21
43	21.5	43	43	22	43	43	22	21
44	22	44	44	22	44	44	22	22
45	22.5	45	45	23	45	45	23	22
46	23	46	46	23	46	46	23	23
47	23.5	47	47	24	47	47	24	23
48	24	48	48	24	48	48	24	24
49	24.5	49	49	25	49	49	25	24
50	25	50	50	25	50	50	25	25

F.3. Four Groups

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
51	12.75	25.5	38.25	51	51	13	26	39	51	51	13	13	13	12
52	13	26	39	52	52	13	26	39	52	52	13	13	13	13
53	13.25	26.5	39.75	53	53	14	27	40	53	53	14	13	13	13
54	13.5	27	40.5	54	54	14	27	41	54	54	14	13	14	13
55	13.75	27.5	41.25	55	55	14	28	42	55	55	14	14	14	13
56	14	28	42	56	56	14	28	42	56	56	14	14	14	14
57	14.25	28.5	42.75	57	57	15	29	43	57	57	15	14	14	14
58	14.5	29	43.5	58	58	15	29	44	58	58	15	14	15	14

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
59	14.75	29.5	44.25	59	59	15	30	45	59	59	15	15	15	14
60	15	30	45	60	60	15	30	45	60	60	15	15	15	15
61	15.25	30.5	45.75	61	61	16	31	46	61	61	16	15	15	15
62	15.5	31	46.5	62	62	16	31	47	62	62	16	15	16	15
63	15.75	31.5	47.25	63	63	16	32	48	63	63	16	16	16	15
64	16	32	48	64	64	16	32	48	64	64	16	16	16	16
65	16.25	32.5	48.75	65	65	17	33	49	65	65	17	16	16	16
66	16.5	33	49.5	66	66	17	33	50	66	66	17	16	17	16
67	16.75	33.5	50.25	67	67	17	34	51	67	67	17	17	17	16
68	17	34	51	68	68	17	34	51	68	68	17	17	17	17
69	17.25	34.5	51.75	69	69	18	35	52	69	69	18	17	17	17
70	17.5	35	52.5	70	70	18	35	53	70	70	18	17	18	17
71	17.75	35.5	53.25	71	71	18	36	54	71	71	18	18	18	17
72	18	36	54	72	72	18	36	54	72	72	18	18	18	18
73	18.25	36.5	54.75	73	73	19	37	55	73	73	19	18	18	18
74	18.5	37	55.5	74	74	19	37	56	74	74	19	18	19	18
75	18.75	37.5	56.25	75	75	19	38	57	75	75	19	19	19	18
76	19	38	57	76	76	19	38	57	76	76	19	19	19	19
77	19.25	38.5	57.75	77	77	20	39	58	77	77	20	19	19	19
78	19.5	39	58.5	78	78	20	39	59	78	78	20	19	20	19
79	19.75	39.5	59.25	79	79	20	40	60	79	79	20	20	20	19
80	20	40	60	80	80	20	40	60	80	80	20	20	20	20
81	20.25	40.5	60.75	81	81	21	41	61	81	81	21	20	20	20
82	20.5	41	61.5	82	82	21	41	62	82	82	21	20	21	20
83	20.75	41.5	62.25	83	83	21	42	63	83	83	21	21	21	20
84	21	42	63	84	84	21	42	63	84	84	21	21	21	21
85	21.25	42.5	63.75	85	85	22	43	64	85	85	22	21	21	21
86	21.5	43	64.5	86	86	22	43	65	86	86	22	21	22	21
87	21.75	43.5	65.25	87	87	22	44	66	87	87	22	22	22	21
88	22	44	66	88	88	22	44	66	88	88	22	22	22	22
89	22.25	44.5	66.75	89	89	23	45	67	89	89	23	22	22	22
90	22.5	45	67.5	90	90	23	45	68	90	90	23	22	23	22
91	22.75	45.5	68.25	91	91	23	46	69	91	91	23	23	23	22
92	23	46	69	92	92	23	46	69	92	92	23	23	23	23
93	23.25	46.5	69.75	93	93	24	47	70	93	93	24	23	23	23
94	23.5	47	70.5	94	94	24	47	71	94	94	24	23	24	23
95	23.75	47.5	71.25	95	95	24	48	72	95	95	24	24	24	23
96	24	48	72	96	96	24	48	72	96	96	24	24	24	24
97	24.25	48.5	72.75	97	97	25	49	73	97	97	25	24	24	24

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
98	24.5	49	73.5	98
99	24.75	49.5	74.25	99
100	25	50	75	100
101	25.25	50.5	75.75	101
102	25.5	51	76.5	102
103	25.75	51.5	77.25	103
104	26	52	78	104
105	26.25	52.5	78.75	105
106	26.5	53	79.5	106
107	26.75	53.5	80.25	107
108	27	54	81	108
109	27.25	54.5	81.75	109
110	27.5	55	82.5	110
111	27.75	55.5	83.25	111
112	28	56	84	112
113	28.25	56.5	84.75	113
114	28.5	57	85.5	114
115	28.75	57.5	86.25	115
116	29	58	87	116
117	29.25	58.5	87.75	117
118	29.5	59	88.5	118
119	29.75	59.5	89.25	119
120	30	60	90	120
121	30.25	60.5	90.75	121
122	30.5	61	91.5	122
123	30.75	61.5	92.25	123
124	31	62	93	124
125	31.25	62.5	93.75	125
126	31.5	63	94.5	126
127	31.75	63.5	95.25	127
128	32	64	96	128
129	32.25	64.5	96.75	129
130	32.5	65	97.5	130
131	32.75	65.5	98.25	131
132	33	66	99	132
133	33.25	66.5	99.75	133
134	33.5	67	100.5	134
135	33.75	67.5	101.25	135
136	34	68	102	136

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
98	25	49	74	98
99	25	50	75	99
100	25	50	75	100
101	26	51	76	101
102	26	51	77	102
103	26	52	78	103
104	26	52	78	104
105	27	53	79	105
106	27	53	80	106
107	27	54	81	107
108	27	54	81	108
109	28	55	82	109
110	28	55	83	110
111	28	56	84	111
112	28	56	84	112
113	29	57	85	113
114	29	57	86	114
115	29	58	87	115
116	29	58	87	116
117	30	59	88	117
118	30	59	89	118
119	30	60	90	119
120	30	60	90	120
121	31	61	91	121
122	31	61	92	122
123	31	62	93	123
124	31	62	93	124
125	32	63	94	125
126	32	63	95	126
127	32	64	96	127
128	32	64	96	128
129	33	65	97	129
130	33	65	98	130
131	33	66	99	131
132	33	66	99	132
133	34	67	100	133
134	34	67	101	134
135	34	68	102	135
136	34	68	102	136

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
98	25	24	25	24
99	25	25	25	24
100	25	25	25	25
101	26	25	25	25
102	26	25	26	25
103	26	26	26	25
104	26	26	26	26
105	27	26	26	26
106	27	26	27	26
107	27	27	27	26
108	27	27	27	27
109	28	27	27	27
110	28	27	28	27
111	28	28	28	27
112	28	28	28	28
113	29	28	28	28
114	29	28	29	28
115	29	29	29	28
116	29	29	29	29
117	30	29	29	29
118	30	29	30	29
119	30	30	30	29
120	30	30	30	30
121	31	30	30	30
122	31	30	31	30
123	31	31	31	30
124	31	31	31	31
125	32	31	31	31
126	32	31	32	31
127	32	32	32	31
128	32	32	32	32
129	33	32	32	32
130	33	32	33	32
131	33	33	33	32
132	33	33	33	33
133	34	33	33	33
134	34	33	34	33
135	34	34	34	33
136	34	34	34	34

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
137	34.25	68.5	102.75	137
138	34.5	69	103.5	138
139	34.75	69.5	104.25	139
140	35	70	105	140
141	35.25	70.5	105.75	141
142	35.5	71	106.5	142
143	35.75	71.5	107.25	143
144	36	72	108	144
145	36.25	72.5	108.75	145
146	36.5	73	109.5	146
147	36.75	73.5	110.25	147
148	37	74	111	148
149	37.25	74.5	111.75	149
150	37.5	75	112.5	150
151	37.75	75.5	113.25	151
152	38	76	114	152
153	38.25	76.5	114.75	153
154	38.5	77	115.5	154
155	38.75	77.5	116.25	155
156	39	78	117	156
157	39.25	78.5	117.75	157
158	39.5	79	118.5	158
159	39.75	79.5	119.25	159
160	40	80	120	160
161	40.25	80.5	120.75	161
162	40.5	81	121.5	162
163	40.75	81.5	122.25	163
164	41	82	123	164
165	41.25	82.5	123.75	165
166	41.5	83	124.5	166
167	41.75	83.5	125.25	167
168	42	84	126	168
169	42.25	84.5	126.75	169
170	42.5	85	127.5	170
171	42.75	85.5	128.25	171
172	43	86	129	172
173	43.25	86.5	129.75	173
174	43.5	87	130.5	174
175	43.75	87.5	131.25	175

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
137	35	69	103	137
138	35	69	104	138
139	35	70	105	139
140	35	70	105	140
141	36	71	106	141
142	36	71	107	142
143	36	72	108	143
144	36	72	108	144
145	37	73	109	145
146	37	73	110	146
147	37	74	111	147
148	37	74	111	148
149	38	75	112	149
150	38	75	113	150
151	38	76	114	151
152	38	76	114	152
153	39	77	115	153
154	39	77	116	154
155	39	78	117	155
156	39	78	117	156
157	40	79	118	157
158	40	79	119	158
159	40	80	120	159
160	40	80	120	160
161	41	81	121	161
162	41	81	122	162
163	41	82	123	163
164	41	82	123	164
165	42	83	124	165
166	42	83	125	166
167	42	84	126	167
168	42	84	126	168
169	43	85	127	169
170	43	85	128	170
171	43	86	129	171
172	43	86	129	172
173	44	87	130	173
174	44	87	131	174
175	44	88	132	175

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
137	35	34	34	34
138	35	34	35	34
139	35	35	35	34
140	35	35	35	35
141	36	35	35	35
142	36	35	36	35
143	36	36	36	35
144	36	36	36	36
145	37	36	36	36
146	37	36	37	36
147	37	37	37	36
148	37	37	37	37
149	38	37	37	37
150	38	37	38	37
151	38	38	38	37
152	38	38	38	38
153	39	38	38	38
154	39	38	39	38
155	39	39	39	38
156	39	39	39	39
157	40	39	39	39
158	40	39	40	39
159	40	40	40	39
160	40	40	40	40
161	41	40	40	40
162	41	40	41	40
163	41	41	41	40
164	41	41	41	41
165	42	41	41	41
166	42	41	42	41
167	42	42	42	41
168	42	42	42	42
169	43	42	42	42
170	43	42	43	42
171	43	43	43	42
172	43	43	43	43
173	44	43	43	43
174	44	43	44	43
175	44	44	44	43

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
176	44	88	132	176
177	44.25	88.5	132.75	177
178	44.5	89	133.5	178
179	44.75	89.5	134.25	179
180	45	90	135	180
181	45.25	90.5	135.75	181
182	45.5	91	136.5	182
183	45.75	91.5	137.25	183
184	46	92	138	184
185	46.25	92.5	138.75	185
186	46.5	93	139.5	186
187	46.75	93.5	140.25	187
188	47	94	141	188
189	47.25	94.5	141.75	189
190	47.5	95	142.5	190
191	47.75	95.5	143.25	191
192	48	96	144	192
193	48.25	96.5	144.75	193
194	48.5	97	145.5	194
195	48.75	97.5	146.25	195
196	49	98	147	196
197	49.25	98.5	147.75	197
198	49.5	99	148.5	198
199	49.75	99.5	149.25	199
200	50	100	150	200
201	50.25	100.5	150.75	201
202	50.5	101	151.5	202
203	50.75	101.5	152.25	203
204	51	102	153	204
205	51.25	102.5	153.75	205
206	51.5	103	154.5	206
207	51.75	103.5	155.25	207
208	52	104	156	208
209	52.25	104.5	156.75	209
210	52.5	105	157.5	210
211	52.75	105.5	158.25	211
212	53	106	159	212
213	53.25	106.5	159.75	213
214	53.5	107	160.5	214

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
176	44	88	132	176
177	45	89	133	177
178	45	89	134	178
179	45	90	135	179
180	45	90	135	180
181	46	91	136	181
182	46	91	137	182
183	46	92	138	183
184	46	92	138	184
185	47	93	139	185
186	47	93	140	186
187	47	94	141	187
188	47	94	141	188
189	48	95	142	189
190	48	95	143	190
191	48	96	144	191
192	48	96	144	192
193	49	97	145	193
194	49	97	146	194
195	49	98	147	195
196	49	98	147	196
197	50	99	148	197
198	50	99	149	198
199	50	100	150	199
200	50	100	150	200
201	51	101	151	201
202	51	101	152	202
203	51	102	153	203
204	51	102	153	204
205	52	103	154	205
206	52	103	155	206
207	52	104	156	207
208	52	104	156	208
209	53	105	157	209
210	53	105	158	210
211	53	106	159	211
212	53	106	159	212
213	54	107	160	213
214	54	107	161	214

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
176	44	44	44	44
177	45	44	44	44
178	45	44	45	44
179	45	45	45	44
180	45	45	45	45
181	46	45	45	45
182	46	45	46	45
183	46	46	46	45
184	46	46	46	46
185	47	46	46	46
186	47	46	47	46
187	47	47	47	46
188	47	47	47	47
189	48	47	47	47
190	48	47	48	47
191	48	48	48	47
192	48	48	48	48
193	49	48	48	48
194	49	48	49	48
195	49	49	49	48
196	49	49	49	49
197	50	49	49	49
198	50	49	50	49
199	50	50	50	49
200	50	50	50	50
201	51	50	50	50
202	51	50	51	50
203	51	51	51	50
204	51	51	51	51
205	52	51	51	51
206	52	51	52	51
207	52	52	52	51
208	52	52	52	52
209	53	52	52	52
210	53	52	53	52
211	53	53	53	52
212	53	53	53	53
213	54	53	53	53
214	54	53	54	53

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
215	53.75	107.5	161.25	215
216	54	108	162	216
217	54.25	108.5	162.75	217
218	54.5	109	163.5	218
219	54.75	109.5	164.25	219
220	55	110	165	220
221	55.25	110.5	165.75	221
222	55.5	111	166.5	222
223	55.75	111.5	167.25	223
224	56	112	168	224
225	56.25	112.5	168.75	225
226	56.5	113	169.5	226
227	56.75	113.5	170.25	227
228	57	114	171	228
229	57.25	114.5	171.75	229
230	57.5	115	172.5	230
231	57.75	115.5	173.25	231
232	58	116	174	232
233	58.25	116.5	174.75	233
234	58.5	117	175.5	234
235	58.75	117.5	176.25	235
236	59	118	177	236
237	59.25	118.5	177.75	237
238	59.5	119	178.5	238
239	59.75	119.5	179.25	239
240	60	120	180	240
241	60.25	120.5	180.75	241
242	60.5	121	181.5	242
243	60.75	121.5	182.25	243
244	61	122	183	244
245	61.25	122.5	183.75	245
246	61.5	123	184.5	246
247	61.75	123.5	185.25	247
248	62	124	186	248
249	62.25	124.5	186.75	249
250	62.5	125	187.5	250
251	62.75	125.5	188.25	251
252	63	126	189	252
253	63.25	126.5	189.75	253

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
215	54	108	162	215
216	54	108	162	216
217	55	109	163	217
218	55	109	164	218
219	55	110	165	219
220	55	110	165	220
221	56	111	166	221
222	56	111	167	222
223	56	112	168	223
224	56	112	168	224
225	57	113	169	225
226	57	113	170	226
227	57	114	171	227
228	57	114	171	228
229	58	115	172	229
230	58	115	173	230
231	58	116	174	231
232	58	116	174	232
233	59	117	175	233
234	59	117	176	234
235	59	118	177	235
236	59	118	177	236
237	60	119	178	237
238	60	119	179	238
239	60	120	180	239
240	60	120	180	240
241	61	121	181	241
242	61	121	182	242
243	61	122	183	243
244	61	122	183	244
245	62	123	184	245
246	62	123	185	246
247	62	124	186	247
248	62	124	186	248
249	63	125	187	249
250	63	125	188	250
251	63	126	189	251
252	63	126	189	252
253	64	127	190	253

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
215	54	54	54	53
216	54	54	54	54
217	55	54	54	54
218	55	54	55	54
219	55	55	55	54
220	55	55	55	55
221	56	55	55	55
222	56	55	56	55
223	56	56	56	55
224	56	56	56	56
225	57	56	56	56
226	57	56	57	56
227	57	57	57	56
228	57	57	57	57
229	58	57	57	57
230	58	57	58	57
231	58	58	58	57
232	58	58	58	58
233	59	58	58	58
234	59	58	59	58
235	59	59	59	58
236	59	59	59	59
237	60	59	59	59
238	60	59	60	59
239	60	60	60	59
240	60	60	60	60
241	61	60	60	60
242	61	60	61	60
243	61	61	61	60
244	61	61	61	61
245	62	61	61	61
246	62	61	62	61
247	62	62	62	61
248	62	62	62	62
249	63	62	62	62
250	63	62	63	62
251	63	63	63	62
252	63	63	63	63
253	64	63	63	63

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
254	63.5	127	190.5	254	254	64	127	191	254	254	64	63	64	63
255	63.75	127.5	191.25	255	255	64	128	192	255	255	64	64	64	63
256	64	128	192	256	256	64	128	192	256	256	64	64	64	64
257	64.25	128.5	192.75	257	257	65	129	193	257	257	65	64	64	64
258	64.5	129	193.5	258	258	65	129	194	258	258	65	64	65	64
259	64.75	129.5	194.25	259	259	65	130	195	259	259	65	65	65	64
260	65	130	195	260	260	65	130	195	260	260	65	65	65	65
261	65.25	130.5	195.75	261	261	66	131	196	261	261	66	65	65	65
262	65.5	131	196.5	262	262	66	131	197	262	262	66	65	66	65
263	65.75	131.5	197.25	263	263	66	132	198	263	263	66	66	66	65
264	66	132	198	264	264	66	132	198	264	264	66	66	66	66
265	66.25	132.5	198.75	265	265	67	133	199	265	265	67	66	66	66
266	66.5	133	199.5	266	266	67	133	200	266	266	67	66	67	66
267	66.75	133.5	200.25	267	267	67	134	201	267	267	67	67	67	66
268	67	134	201	268	268	67	134	201	268	268	67	67	67	67
269	67.25	134.5	201.75	269	269	68	135	202	269	269	68	67	67	67
270	67.5	135	202.5	270	270	68	135	203	270	270	68	67	68	67
271	67.75	135.5	203.25	271	271	68	136	204	271	271	68	68	68	67
272	68	136	204	272	272	68	136	204	272	272	68	68	68	68
273	68.25	136.5	204.75	273	273	69	137	205	273	273	69	68	68	68
274	68.5	137	205.5	274	274	69	137	206	274	274	69	68	69	68
275	68.75	137.5	206.25	275	275	69	138	207	275	275	69	69	69	68
276	69	138	207	276	276	69	138	207	276	276	69	69	69	69
277	69.25	138.5	207.75	277	277	70	139	208	277	277	70	69	69	69
278	69.5	139	208.5	278	278	70	139	209	278	278	70	69	70	69
279	69.75	139.5	209.25	279	279	70	140	210	279	279	70	70	70	69
280	70	140	210	280	280	70	140	210	280	280	70	70	70	70
281	70.25	140.5	210.75	281	281	71	141	211	281	281	71	70	70	70
282	70.5	141	211.5	282	282	71	141	212	282	282	71	70	71	70
283	70.75	141.5	212.25	283	283	71	142	213	283	283	71	71	71	70
284	71	142	213	284	284	71	142	213	284	284	71	71	71	71
285	71.25	142.5	213.75	285	285	72	143	214	285	285	72	71	71	71
286	71.5	143	214.5	286	286	72	143	215	286	286	72	71	72	71
287	71.75	143.5	215.25	287	287	72	144	216	287	287	72	72	72	71
288	72	144	216	288	288	72	144	216	288	288	72	72	72	72
289	72.25	144.5	216.75	289	289	73	145	217	289	289	73	72	72	72
290	72.5	145	217.5	290	290	73	145	218	290	290	73	72	73	72
291	72.75	145.5	218.25	291	291	73	146	219	291	291	73	73	73	72
292	73	146	219	292	292	73	146	219	292	292	73	73	73	73

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
293	73.25	146.5	219.75	293
294	73.5	147	220.5	294
295	73.75	147.5	221.25	295
296	74	148	222	296
297	74.25	148.5	222.75	297
298	74.5	149	223.5	298
299	74.75	149.5	224.25	299
300	75	150	225	300
301	75.25	150.5	225.75	301
302	75.5	151	226.5	302
303	75.75	151.5	227.25	303
304	76	152	228	304
305	76.25	152.5	228.75	305
306	76.5	153	229.5	306
307	76.75	153.5	230.25	307
308	77	154	231	308
309	77.25	154.5	231.75	309
310	77.5	155	232.5	310
311	77.75	155.5	233.25	311
312	78	156	234	312
313	78.25	156.5	234.75	313
314	78.5	157	235.5	314
315	78.75	157.5	236.25	315
316	79	158	237	316
317	79.25	158.5	237.75	317
318	79.5	159	238.5	318
319	79.75	159.5	239.25	319
320	80	160	240	320
321	80.25	160.5	240.75	321
322	80.5	161	241.5	322
323	80.75	161.5	242.25	323
324	81	162	243	324
325	81.25	162.5	243.75	325
326	81.5	163	244.5	326
327	81.75	163.5	245.25	327
328	82	164	246	328
329	82.25	164.5	246.75	329
330	82.5	165	247.5	330
331	82.75	165.5	248.25	331

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
293	74	147	220	293
294	74	147	221	294
295	74	148	222	295
296	74	148	222	296
297	75	149	223	297
298	75	149	224	298
299	75	150	225	299
300	75	150	225	300
301	76	151	226	301
302	76	151	227	302
303	76	152	228	303
304	76	152	228	304
305	77	153	229	305
306	77	153	230	306
307	77	154	231	307
308	77	154	231	308
309	78	155	232	309
310	78	155	233	310
311	78	156	234	311
312	78	156	234	312
313	79	157	235	313
314	79	157	236	314
315	79	158	237	315
316	79	158	237	316
317	80	159	238	317
318	80	159	239	318
319	80	160	240	319
320	80	160	240	320
321	81	161	241	321
322	81	161	242	322
323	81	162	243	323
324	81	162	243	324
325	82	163	244	325
326	82	163	245	326
327	82	164	246	327
328	82	164	246	328
329	83	165	247	329
330	83	165	248	330
331	83	166	249	331

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
293	74	73	73	73
294	74	73	74	73
295	74	74	74	73
296	74	74	74	74
297	75	74	74	74
298	75	74	75	74
299	75	75	75	74
300	75	75	75	75
301	76	75	75	75
302	76	75	76	75
303	76	76	76	75
304	76	76	76	76
305	77	76	76	76
306	77	76	77	76
307	77	77	77	76
308	77	77	77	77
309	78	77	77	77
310	78	77	78	77
311	78	78	78	77
312	78	78	78	78
313	79	78	78	78
314	79	78	79	78
315	79	79	79	78
316	79	79	79	79
317	80	79	79	79
318	80	79	80	79
319	80	80	80	79
320	80	80	80	80
321	81	80	80	80
322	81	80	81	80
323	81	81	81	80
324	81	81	81	81
325	82	81	81	81
326	82	81	82	81
327	82	82	82	81
328	82	82	82	82
329	83	82	82	82
330	83	82	83	82
331	83	83	83	82

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
332	83	166	249	332
333	83.25	166.5	249.75	333
334	83.5	167	250.5	334
335	83.75	167.5	251.25	335
336	84	168	252	336
337	84.25	168.5	252.75	337
338	84.5	169	253.5	338
339	84.75	169.5	254.25	339
340	85	170	255	340
341	85.25	170.5	255.75	341
342	85.5	171	256.5	342
343	85.75	171.5	257.25	343
344	86	172	258	344
345	86.25	172.5	258.75	345
346	86.5	173	259.5	346
347	86.75	173.5	260.25	347
348	87	174	261	348
349	87.25	174.5	261.75	349
350	87.5	175	262.5	350
351	87.75	175.5	263.25	351
352	88	176	264	352
353	88.25	176.5	264.75	353
354	88.5	177	265.5	354
355	88.75	177.5	266.25	355
356	89	178	267	356
357	89.25	178.5	267.75	357
358	89.5	179	268.5	358
359	89.75	179.5	269.25	359
360	90	180	270	360
361	90.25	180.5	270.75	361
362	90.5	181	271.5	362
363	90.75	181.5	272.25	363
364	91	182	273	364
365	91.25	182.5	273.75	365
366	91.5	183	274.5	366
367	91.75	183.5	275.25	367
368	92	184	276	368
369	92.25	184.5	276.75	369
370	92.5	185	277.5	370

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
332	83	166	249	332
333	84	167	250	333
334	84	167	251	334
335	84	168	252	335
336	84	168	252	336
337	85	169	253	337
338	85	169	254	338
339	85	170	255	339
340	85	170	255	340
341	86	171	256	341
342	86	171	257	342
343	86	172	258	343
344	86	172	258	344
345	87	173	259	345
346	87	173	260	346
347	87	174	261	347
348	87	174	261	348
349	88	175	262	349
350	88	175	263	350
351	88	176	264	351
352	88	176	264	352
353	89	177	265	353
354	89	177	266	354
355	89	178	267	355
356	89	178	267	356
357	90	179	268	357
358	90	179	269	358
359	90	180	270	359
360	90	180	270	360
361	91	181	271	361
362	91	181	272	362
363	91	182	273	363
364	91	182	273	364
365	92	183	274	365
366	92	183	275	366
367	92	184	276	367
368	92	184	276	368
369	93	185	277	369
370	93	185	278	370

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
332	83	83	83	83
333	84	83	83	83
334	84	83	84	83
335	84	84	84	83
336	84	84	84	84
337	85	84	84	84
338	85	84	85	84
339	85	85	85	84
340	85	85	85	85
341	86	85	85	85
342	86	85	86	85
343	86	86	86	85
344	86	86	86	86
345	87	86	86	86
346	87	86	87	86
347	87	87	87	86
348	87	87	87	87
349	88	87	87	87
350	88	87	88	87
351	88	88	88	87
352	88	88	88	88
353	89	88	88	88
354	89	88	89	88
355	89	89	89	88
356	89	89	89	89
357	90	89	89	89
358	90	89	90	89
359	90	90	90	89
360	90	90	90	90
361	91	90	90	90
362	91	90	91	90
363	91	91	91	90
364	91	91	91	91
365	92	91	91	91
366	92	91	92	91
367	92	92	92	91
368	92	92	92	92
369	93	92	92	92
370	93	92	93	92

Step 1				
	Positions			
	1	2	3	4
Size	25	50	75	100
371	92.75	185.5	278.25	371
372	93	186	279	372
373	93.25	186.5	279.75	373
374	93.5	187	280.5	374
375	93.75	187.5	281.25	375
376	94	188	282	376
377	94.25	188.5	282.75	377
378	94.5	189	283.5	378
379	94.75	189.5	284.25	379
380	95	190	285	380
381	95.25	190.5	285.75	381
382	95.5	191	286.5	382
383	95.75	191.5	287.25	383
384	96	192	288	384
385	96.25	192.5	288.75	385
386	96.5	193	289.5	386
387	96.75	193.5	290.25	387
388	97	194	291	388
389	97.25	194.5	291.75	389
390	97.5	195	292.5	390
391	97.75	195.5	293.25	391
392	98	196	294	392
393	98.25	196.5	294.75	393
394	98.5	197	295.5	394
395	98.75	197.5	296.25	395
396	99	198	297	396
397	99.25	198.5	297.75	397
398	99.5	199	298.5	398
399	99.75	199.5	299.25	399
400	100	200	300	400
401	100.25	200.5	300.75	401
402	100.5	201	301.5	402
403	100.75	201.5	302.25	403
404	101	202	303	404
405	101.25	202.5	303.75	405
406	101.5	203	304.5	406
407	101.75	203.5	305.25	407
408	102	204	306	408
409	102.25	204.5	306.75	409

Step 2				
	Distributed Positions			
	1	2	3	4
Size	25	50	75	100
371	93	186	279	371
372	93	186	279	372
373	94	187	280	373
374	94	187	281	374
375	94	188	282	375
376	94	188	282	376
377	95	189	283	377
378	95	189	284	378
379	95	190	285	379
380	95	190	285	380
381	96	191	286	381
382	96	191	287	382
383	96	192	288	383
384	96	192	288	384
385	97	193	289	385
386	97	193	290	386
387	97	194	291	387
388	97	194	291	388
389	98	195	292	389
390	98	195	293	390
391	98	196	294	391
392	98	196	294	392
393	99	197	295	393
394	99	197	296	394
395	99	198	297	395
396	99	198	297	396
397	100	199	298	397
398	100	199	299	398
399	100	200	300	399
400	100	200	300	400
401	101	201	301	401
402	101	201	302	402
403	101	202	303	403
404	101	202	303	404
405	102	203	304	405
406	102	203	305	406
407	102	204	306	407
408	102	204	306	408
409	103	205	307	409

Step 3				
	Observations per Group			
	1	2	3	4
Size	25	50	75	100
371	93	93	93	92
372	93	93	93	93
373	94	93	93	93
374	94	93	94	93
375	94	94	94	93
376	94	94	94	94
377	95	94	94	94
378	95	94	95	94
379	95	95	95	94
380	95	95	95	95
381	96	95	95	95
382	96	95	96	95
383	96	96	96	95
384	96	96	96	96
385	97	96	96	96
386	97	96	97	96
387	97	97	97	96
388	97	97	97	97
389	98	97	97	97
390	98	97	98	97
391	98	98	98	97
392	98	98	98	98
393	99	98	98	98
394	99	98	99	98
395	99	99	99	98
396	99	99	99	99
397	100	99	99	99
398	100	99	100	99
399	100	100	100	99
400	100	100	100	100
401	101	100	100	100
402	101	100	101	100
403	101	101	101	100
404	101	101	101	101
405	102	101	101	101
406	102	101	102	101
407	102	102	102	101
408	102	102	102	102
409	103	102	102	102

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
410	102.5	205	307.5	410	410	103	205	308	410	410	103	102	103	102
411	102.75	205.5	308.25	411	411	103	206	309	411	411	103	103	103	102
412	103	206	309	412	412	103	206	309	412	412	103	103	103	103
413	103.25	206.5	309.75	413	413	104	207	310	413	413	104	103	103	103
414	103.5	207	310.5	414	414	104	207	311	414	414	104	103	104	103
415	103.75	207.5	311.25	415	415	104	208	312	415	415	104	104	104	103
416	104	208	312	416	416	104	208	312	416	416	104	104	104	104
417	104.25	208.5	312.75	417	417	105	209	313	417	417	105	104	104	104
418	104.5	209	313.5	418	418	105	209	314	418	418	105	104	105	104
419	104.75	209.5	314.25	419	419	105	210	315	419	419	105	105	105	104
420	105	210	315	420	420	105	210	315	420	420	105	105	105	105
421	105.25	210.5	315.75	421	421	106	211	316	421	421	106	105	105	105
422	105.5	211	316.5	422	422	106	211	317	422	422	106	105	106	105
423	105.75	211.5	317.25	423	423	106	212	318	423	423	106	106	106	105
424	106	212	318	424	424	106	212	318	424	424	106	106	106	106
425	106.25	212.5	318.75	425	425	107	213	319	425	425	107	106	106	106
426	106.5	213	319.5	426	426	107	213	320	426	426	107	106	107	106
427	106.75	213.5	320.25	427	427	107	214	321	427	427	107	107	107	106
428	107	214	321	428	428	107	214	321	428	428	107	107	107	107
429	107.25	214.5	321.75	429	429	108	215	322	429	429	108	107	107	107
430	107.5	215	322.5	430	430	108	215	323	430	430	108	107	108	107
431	107.75	215.5	323.25	431	431	108	216	324	431	431	108	108	108	107
432	108	216	324	432	432	108	216	324	432	432	108	108	108	108
433	108.25	216.5	324.75	433	433	109	217	325	433	433	109	108	108	108
434	108.5	217	325.5	434	434	109	217	326	434	434	109	108	109	108
435	108.75	217.5	326.25	435	435	109	218	327	435	435	109	109	109	108
436	109	218	327	436	436	109	218	327	436	436	109	109	109	109
437	109.25	218.5	327.75	437	437	110	219	328	437	437	110	109	109	109
438	109.5	219	328.5	438	438	110	219	329	438	438	110	109	110	109
439	109.75	219.5	329.25	439	439	110	220	330	439	439	110	110	110	109
440	110	220	330	440	440	110	220	330	440	440	110	110	110	110
441	110.25	220.5	330.75	441	441	111	221	331	441	441	111	110	110	110
442	110.5	221	331.5	442	442	111	221	332	442	442	111	110	111	110
443	110.75	221.5	332.25	443	443	111	222	333	443	443	111	111	111	110
444	111	222	333	444	444	111	222	333	444	444	111	111	111	111
445	111.25	222.5	333.75	445	445	112	223	334	445	445	112	111	111	111
446	111.5	223	334.5	446	446	112	223	335	446	446	112	111	112	111
447	111.75	223.5	335.25	447	447	112	224	336	447	447	112	112	112	111
448	112	224	336	448	448	112	224	336	448	448	112	112	112	112

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
449	112.25	224.5	336.75	449	449	113	225	337	449	449	113	112	112	112
450	112.5	225	337.5	450	450	113	225	338	450	450	113	112	113	112
451	112.75	225.5	338.25	451	451	113	226	339	451	451	113	113	113	112
452	113	226	339	452	452	113	226	339	452	452	113	113	113	113
453	113.25	226.5	339.75	453	453	114	227	340	453	453	114	113	113	113
454	113.5	227	340.5	454	454	114	227	341	454	454	114	113	114	113
455	113.75	227.5	341.25	455	455	114	228	342	455	455	114	114	114	113
456	114	228	342	456	456	114	228	342	456	456	114	114	114	114
457	114.25	228.5	342.75	457	457	115	229	343	457	457	115	114	114	114
458	114.5	229	343.5	458	458	115	229	344	458	458	115	114	115	114
459	114.75	229.5	344.25	459	459	115	230	345	459	459	115	115	115	114
460	115	230	345	460	460	115	230	345	460	460	115	115	115	115
461	115.25	230.5	345.75	461	461	116	231	346	461	461	116	115	115	115
462	115.5	231	346.5	462	462	116	231	347	462	462	116	115	116	115
463	115.75	231.5	347.25	463	463	116	232	348	463	463	116	116	116	115
464	116	232	348	464	464	116	232	348	464	464	116	116	116	116
465	116.25	232.5	348.75	465	465	117	233	349	465	465	117	116	116	116
466	116.5	233	349.5	466	466	117	233	350	466	466	117	116	117	116
467	116.75	233.5	350.25	467	467	117	234	351	467	467	117	117	117	116
468	117	234	351	468	468	117	234	351	468	468	117	117	117	117
469	117.25	234.5	351.75	469	469	118	235	352	469	469	118	117	117	117
470	117.5	235	352.5	470	470	118	235	353	470	470	118	117	118	117
471	117.75	235.5	353.25	471	471	118	236	354	471	471	118	118	118	117
472	118	236	354	472	472	118	236	354	472	472	118	118	118	118
473	118.25	236.5	354.75	473	473	119	237	355	473	473	119	118	118	118
474	118.5	237	355.5	474	474	119	237	356	474	474	119	118	119	118
475	118.75	237.5	356.25	475	475	119	238	357	475	475	119	119	119	118
476	119	238	357	476	476	119	238	357	476	476	119	119	119	119
477	119.25	238.5	357.75	477	477	120	239	358	477	477	120	119	119	119
478	119.5	239	358.5	478	478	120	239	359	478	478	120	119	120	119
479	119.75	239.5	359.25	479	479	120	240	360	479	479	120	120	120	119
480	120	240	360	480	480	120	240	360	480	480	120	120	120	120
481	120.25	240.5	360.75	481	481	121	241	361	481	481	121	120	120	120
482	120.5	241	361.5	482	482	121	241	362	482	482	121	120	121	120
483	120.75	241.5	362.25	483	483	121	242	363	483	483	121	121	121	120
484	121	242	363	484	484	121	242	363	484	484	121	121	121	121
485	121.25	242.5	363.75	485	485	122	243	364	485	485	122	121	121	121
486	121.5	243	364.5	486	486	122	243	365	486	486	122	121	122	121
487	121.75	243.5	365.25	487	487	122	244	366	487	487	122	122	122	121

Step 1					Step 2					Step 3				
	Positions					Distributed Positions					Observations per Group			
	1	2	3	4		1	2	3	4		1	2	3	4
Size	25	50	75	100	Size	25	50	75	100	Size	25	50	75	100
488	122	244	366	488	488	122	244	366	488	488	122	122	122	122
489	122.25	244.5	366.75	489	489	123	245	367	489	489	123	122	122	122
490	122.5	245	367.5	490	490	123	245	368	490	490	123	122	123	122
491	122.75	245.5	368.25	491	491	123	246	369	491	491	123	123	123	122
492	123	246	369	492	492	123	246	369	492	492	123	123	123	123
493	123.25	246.5	369.75	493	493	124	247	370	493	493	124	123	123	123
494	123.5	247	370.5	494	494	124	247	371	494	494	124	123	124	123
495	123.75	247.5	371.25	495	495	124	248	372	495	495	124	124	124	123
496	124	248	372	496	496	124	248	372	496	496	124	124	124	124
497	124.25	248.5	372.75	497	497	125	249	373	497	497	125	124	124	124
498	124.5	249	373.5	498	498	125	249	374	498	498	125	124	125	124
499	124.75	249.5	374.25	499	499	125	250	375	499	499	125	125	125	124
500	125	250	375	500	500	125	250	375	500	500	125	125	125	125

F.4. Ten Groups

Step 1										
	Positions									
	1	2	3	4	5	6	7	8	9	10
Size	10	20	30	40	50	60	70	80	90	100
501	50.1	100.2	150.3	200.4	250.5	300.6	350.7	400.8	450.9	501
502	50.2	100.4	150.6	200.8	251	301.2	351.4	401.6	451.8	502
503	50.3	100.6	150.9	201.2	251.5	301.8	352.1	402.4	452.7	503
504	50.4	100.8	151.2	201.6	252	302.4	352.8	403.2	453.6	504
505	50.5	101	151.5	202	252.5	303	353.5	404	454.5	505
506	50.6	101.2	151.8	202.4	253	303.6	354.2	404.8	455.4	506
507	50.7	101.4	152.1	202.8	253.5	304.2	354.9	405.6	456.3	507
508	50.8	101.6	152.4	203.2	254	304.8	355.6	406.4	457.2	508
509	50.9	101.8	152.7	203.6	254.5	305.4	356.3	407.2	458.1	509
510	51	102	153	204	255	306	357	408	459	510
511	51.1	102.2	153.3	204.4	255.5	306.6	357.7	408.8	459.9	511
512	51.2	102.4	153.6	204.8	256	307.2	358.4	409.6	460.8	512
513	51.3	102.6	153.9	205.2	256.5	307.8	359.1	410.4	461.7	513
514	51.4	102.8	154.2	205.6	257	308.4	359.8	411.2	462.6	514
515	51.5	103	154.5	206	257.5	309	360.5	412	463.5	515
516	51.6	103.2	154.8	206.4	258	309.6	361.2	412.8	464.4	516
517	51.7	103.4	155.1	206.8	258.5	310.2	361.9	413.6	465.3	517
518	51.8	103.6	155.4	207.2	259	310.8	362.6	414.4	466.2	518
519	51.9	103.8	155.7	207.6	259.5	311.4	363.3	415.2	467.1	519

Step 1										
	Positions									
	1	2	3	4	5	6	7	8	9	10
Size	10	20	30	40	50	60	70	80	90	100
520	52	104	156	208	260	312	364	416	468	520
521	52.1	104.2	156.3	208.4	260.5	312.6	364.7	416.8	468.9	521
522	52.2	104.4	156.6	208.8	261	313.2	365.4	417.6	469.8	522
523	52.3	104.6	156.9	209.2	261.5	313.8	366.1	418.4	470.7	523
524	52.4	104.8	157.2	209.6	262	314.4	366.8	419.2	471.6	524
525	52.5	105	157.5	210	262.5	315	367.5	420	472.5	525
526	52.6	105.2	157.8	210.4	263	315.6	368.2	420.8	473.4	526
527	52.7	105.4	158.1	210.8	263.5	316.2	368.9	421.6	474.3	527
528	52.8	105.6	158.4	211.2	264	316.8	369.6	422.4	475.2	528
529	52.9	105.8	158.7	211.6	264.5	317.4	370.3	423.2	476.1	529
530	53	106	159	212	265	318	371	424	477	530
531	53.1	106.2	159.3	212.4	265.5	318.6	371.7	424.8	477.9	531
532	53.2	106.4	159.6	212.8	266	319.2	372.4	425.6	478.8	532
533	53.3	106.6	159.9	213.2	266.5	319.8	373.1	426.4	479.7	533
534	53.4	106.8	160.2	213.6	267	320.4	373.8	427.2	480.6	534
535	53.5	107	160.5	214	267.5	321	374.5	428	481.5	535
536	53.6	107.2	160.8	214.4	268	321.6	375.2	428.8	482.4	536
537	53.7	107.4	161.1	214.8	268.5	322.2	375.9	429.6	483.3	537
538	53.8	107.6	161.4	215.2	269	322.8	376.6	430.4	484.2	538
539	53.9	107.8	161.7	215.6	269.5	323.4	377.3	431.2	485.1	539
540	54	108	162	216	270	324	378	432	486	540
541	54.1	108.2	162.3	216.4	270.5	324.6	378.7	432.8	486.9	541
542	54.2	108.4	162.6	216.8	271	325.2	379.4	433.6	487.8	542
543	54.3	108.6	162.9	217.2	271.5	325.8	380.1	434.4	488.7	543
544	54.4	108.8	163.2	217.6	272	326.4	380.8	435.2	489.6	544
545	54.5	109	163.5	218	272.5	327	381.5	436	490.5	545
546	54.6	109.2	163.8	218.4	273	327.6	382.2	436.8	491.4	546
547	54.7	109.4	164.1	218.8	273.5	328.2	382.9	437.6	492.3	547
548	54.8	109.6	164.4	219.2	274	328.8	383.6	438.4	493.2	548
549	54.9	109.8	164.7	219.6	274.5	329.4	384.3	439.2	494.1	549
550	55	110	165	220	275	330	385	440	495	550

Step 2										
	Distributed Positions									
	1	2	3	4	5	6	7	8	9	10
Size	10	20	30	40	50	60	70	80	90	100
501	51	101	151	201	251	301	351	401	451	501
502	51	101	151	201	251	302	352	402	452	502

Step 2										
	Distributed Positions									
	1	2	3	4	5	6	7	8	9	10
503	51	101	151	202	252	302	353	403	453	503
504	51	101	152	202	252	303	353	404	454	504
505	51	101	152	202	253	303	354	404	455	505
506	51	102	152	203	253	304	355	405	456	506
507	51	102	153	203	254	305	355	406	457	507
508	51	102	153	204	254	305	356	407	458	508
509	51	102	153	204	255	306	357	408	459	509
510	51	102	153	204	255	306	357	408	459	510
511	52	103	154	205	256	307	358	409	460	511
512	52	103	154	205	256	308	359	410	461	512
513	52	103	154	206	257	308	360	411	462	513
514	52	103	155	206	257	309	360	412	463	514
515	52	103	155	206	258	309	361	412	464	515
516	52	104	155	207	258	310	362	413	465	516
517	52	104	156	207	259	311	362	414	466	517
518	52	104	156	208	259	311	363	415	467	518
519	52	104	156	208	260	312	364	416	468	519
520	52	104	156	208	260	312	364	416	468	520
521	53	105	157	209	261	313	365	417	469	521
522	53	105	157	209	261	314	366	418	470	522
523	53	105	157	210	262	314	367	419	471	523
524	53	105	158	210	262	315	367	420	472	524
525	53	105	158	210	263	315	368	420	473	525
526	53	106	158	211	263	316	369	421	474	526
527	53	106	159	211	264	317	369	422	475	527
528	53	106	159	212	264	317	370	423	476	528
529	53	106	159	212	265	318	371	424	477	529
530	53	106	159	212	265	318	371	424	477	530
531	54	107	160	213	266	319	372	425	478	531
532	54	107	160	213	266	320	373	426	479	532
533	54	107	160	214	267	320	374	427	480	533
534	54	107	161	214	267	321	374	428	481	534
535	54	107	161	214	268	321	375	428	482	535
536	54	108	161	215	268	322	376	429	483	536
537	54	108	162	215	269	323	376	430	484	537
538	54	108	162	216	269	323	377	431	485	538
539	54	108	162	216	270	324	378	432	486	539
540	54	108	162	216	270	324	378	432	486	540
541	55	109	163	217	271	325	379	433	487	541
542	55	109	163	217	271	326	380	434	488	542

Step 2										
	Distributed Positions									
	1	2	3	4	5	6	7	8	9	10
543	55	109	163	218	272	326	381	435	489	543
544	55	109	164	218	272	327	381	436	490	544
545	55	109	164	218	273	327	382	436	491	545
546	55	110	164	219	273	328	383	437	492	546
547	55	110	165	219	274	329	383	438	493	547
548	55	110	165	220	274	329	384	439	494	548
549	55	110	165	220	275	330	385	440	495	549
550	55	110	165	220	275	330	385	440	495	550

Step 3										
	Observations per Group									
	1	2	3	4	5	6	7	8	9	10
Size	10	20	30	40	50	60	70	80	90	100
501	51	50	50	50	50	50	50	50	50	50
502	51	50	50	50	50	51	50	50	50	50
503	51	50	50	51	50	50	51	50	50	50
504	51	50	51	50	50	51	50	51	50	50
505	51	50	51	50	51	50	51	50	51	50
506	51	51	50	51	50	51	51	50	51	50
507	51	51	51	50	51	51	50	51	51	50
508	51	51	51	51	50	51	51	51	51	50
509	51	51	51	51	51	51	51	51	51	50
510	51	51	51	51	51	51	51	51	51	51
511	52	51	51	51	51	51	51	51	51	51
512	52	51	51	51	51	52	51	51	51	51
513	52	51	51	52	51	51	52	51	51	51
514	52	51	52	51	51	52	51	52	51	51
515	52	51	52	51	52	51	52	51	52	51
516	52	52	51	52	51	52	52	51	52	51
517	52	52	52	51	52	52	51	52	52	51
518	52	52	52	52	51	52	52	52	52	51
519	52	52	52	52	52	52	52	52	52	51
520	52	52	52	52	52	52	52	52	52	52
521	53	52	52	52	52	52	52	52	52	52
522	53	52	52	52	52	53	52	52	52	52
523	53	52	52	53	52	52	53	52	52	52
524	53	52	53	52	52	53	52	53	52	52
525	53	52	53	52	53	52	53	52	53	52
526	53	53	52	53	52	53	53	52	53	52

Step 3										
	Observations per Group									
	1	2	3	4	5	6	7	8	9	10
Size	10	20	30	40	50	60	70	80	90	100
527	53	53	53	52	53	53	52	53	53	52
528	53	53	53	53	52	53	53	53	53	52
529	53	53	53	53	53	53	53	53	53	52
530	53	53	53	53	53	53	53	53	53	53
531	54	53	53	53	53	53	53	53	53	53
532	54	53	53	53	53	54	53	53	53	53
533	54	53	53	54	53	53	54	53	53	53
534	54	53	54	53	53	54	53	54	53	53
535	54	53	54	53	54	53	54	53	54	53
536	54	54	53	54	53	54	54	53	54	53
537	54	54	54	53	54	54	53	54	54	53
538	54	54	54	54	53	54	54	54	54	53
539	54	54	54	54	54	54	54	54	54	53
540	54	54	54	54	54	54	54	54	54	54
541	55	54	54	54	54	54	54	54	54	54
542	55	54	54	54	54	55	54	54	54	54
543	55	54	54	55	54	54	55	54	54	54
544	55	54	55	54	54	55	54	55	54	54
545	55	54	55	54	55	54	55	54	55	54
546	55	55	54	55	54	55	55	54	55	54
547	55	55	55	54	55	55	54	55	55	54
548	55	55	55	55	54	55	55	55	55	54
549	55	55	55	55	55	55	55	55	55	54
550	55	55	55	55	55	55	55	55	55	55

G. LEGAL ASPECTS OF RATIO STUDIES

Property taxation is governed by federal, state, and provincial constitutions, statutes, and administrative rules or regulations, many of which require uniform treatment of property taxpayers. Ratio studies play an important role in judging whether uniformity requirements are met. Relevant Canadian Federal statutes based on the Constitution Acts of 1867-1975 provide that municipal councils cannot discriminate between taxpayers of the same class within municipalities.

Relevant United States federal provisions include the Bill of Rights, the commerce clause of the United States Constitution, the Fourteenth Amendment, and the Tax Injunction Act (28 U.S.C. § 1341). Together they guarantee basic protections and due process while still granting states the authority to classify property and grant reasonable exemptions. Many constitutions have clauses that require uniformity in the assessment and taxation of property, although some jurisdictions, either by constitution or statute, permit certain differences between classes. State courts often weigh in regarding these issues and, in some cases, may also issue reassessment orders. Ratio studies provide a gauge of whether excessive differences exist, or uniformity requirements are being met, and whether compliance with corrective measures has been achieved.

A key U.S. federal statute relating to ratio studies is the U.S. Railroad Revitalization and Regulatory Reform Act ("4-R Act") of 1976 (49 U.S.C. § 11501). The 4-R Act requires that rail transportation property be assessed for tax purposes at no more than 105 percent of the assessment level of other commercial and industrial property in the same taxing jurisdiction.

A key U.S. federal statute relating to ratio studies is the U.S. Railroad Revitalization and Regulatory Reform Act ("4-R Act") of 1976. The 4-R Act requires states to use ratio studies to test whether commercial and industrial property has been assessed at a level that is more than five percent below the ratio of market value at which railroads were assessed and to grant relief if commercial and industrial property is found to be below 95%. In such cases, as in any ratio study, the purpose of the study must be clearly defined, and the study must be conducted so that it accurately evaluates the issues at hand. Important issues in ratio studies conducted pursuant to the 4-R Act include the proper definition of "other" commercial and industrial property, screening and adjustments to sales data, proper measures of the level of appraisal, statistical significance of results, and the combining and weighting of centrally valued and locally assessed properties.

Title 49 U.S.C. § 11501 provides for remediation for acts that unreasonably burden and discriminate against interstate commerce. Section 11501(b) prohibits States and their

subdivisions (1) from assessing rail transportation property at values with a higher ratio of assessed value to true market value than the ratio of assessed value to market value of other commercial and industrial property in the same assessment jurisdiction; (2) from levying or collecting a tax on an assessment that violates (1) above; (3) from levying or collecting a tax on railroad property at a rate that exceeds the rate on commercial and industrial property in the same jurisdiction; and (4) from imposing another tax that discriminates against a rail carrier providing transportation services. Section 11501(c) provides that relief may be granted under this subsection only if the ratio of assessed value to true market value of rail transportation property exceeds by at least 5 percent the ratio of assessed value to true market value of other commercial and industrial property in the same assessment jurisdiction. Notably, once the 5 percent threshold is breached remediation typically requires the level of assessment of rail transportation property to be lowered to match that of the other commercial and industrial property.

The 4-R Act provides that ratio studies be used to measure assessment level differences sufficient to be considered discrimination. In such cases, as in any ratio study, the purpose of the study must be clearly defined, and the study must be conducted so that it accurately evaluates the issues at hand. Important issues in ratio studies conducted pursuant to the 4-R Act include the proper definition of "other" commercial and industrial property, screening and adjustments to sales data, proper measures of the level of appraisal, statistical significance of results, and the combining and weighting of centrally valued and locally assessed properties.

Federal statutes, applicable to air transportation property, motor carriers, and bus lines are outlined in 49 U.S.C. §§14502 and 40116.

DEFINITIONS

Absolute value. The value of a number (or variable) regardless of its sign. For example, 3 and -3 (minus 3) both have an absolute value of 3. The mathematical symbol for absolute value is one vertical bar on each side of the number in question, for example, $|3|$.

Accuracy. The closeness of a measurement, computation, or estimate to the true, exact, or accepted value. Accuracy also can be expressed as a range about the true value. *See also precision and statistical accuracy.*

Adjusted sale price. The sale price that results from adjustments made to the stated sale price to account for the effects of time, personal property, financing, etc.

Appraisal. The act or process of developing an opinion of value; an opinion of value.

Appraisal date. In ad valorem taxation, the date as defined by law to estimate a property's value. *See also assessment date.*

Appraisal ratio. (1) The ratio of the appraised value to an indicator of market value. (2) By extension, an estimated fractional relationship between the appraisals and market values of a group of properties. *See also level of appraisal.*

Appraisal ratio study. A ratio study using independent — expert single — property appraisals, and/or sales based on market value as indicators of market value. *See also Ratio Study.*

Appraisal-sale price ratio. The ratio of the appraised value to the sale price or adjusted sale price of a property; a simple indication of appraisal accuracy.

Appraised value. The estimate of the value of a property.

Arithmetic mean. A measure of central tendency. The result of adding all the values of a variable and dividing by the number of values. For example, the arithmetic mean of 3, 5, and 10 is 18 divided by 3 or 6. Also called **mean**.

Array. An ordered arrangement of data, such as a listing of sales ratios, in order of magnitude.

Assess. Determining the value of property for ad valorem taxation. *See also ad valorem tax and value.*

Assessed value. The value placed on property subject to taxation at market value or some legally authorized fraction thereof. *See also Assess, Market Value, and Value.*

Assessment. (1) In general, the official acts of determining the amount of the tax base. (2) As applied to property taxes, the official act of discovering, listing, and appraising property, whether performed by an assessor, a board of review, or a court. (3) The value placed on property in the course of such act.

Assessment-appraisal ratio. The ratio of the assessed value of a property to an independent appraisal.

Assessment date. The status date for tax purposes. Appraised values reflect the status of the property and any partially completed construction as of this date.

Assessment progressivity (regressivity). An appraisal bias such that high-value properties are appraised higher (or lower) than low-value properties in relation to market values. *See also price-related differential (PRD) and coefficient of price-related bias (PRB).*

Assessment ratio. (1) The fractional relationship of an assessed value to the market value of the property in question. (2) By extension, the fractional relationship of the total of the assessment roll to the total market value of all taxable property in a jurisdiction. *See also level of assessment.*

Assessment-sale price ratio. The ratio of the assessed value to the sale price (or adjusted sale price) of a property.

Assessor. Any property tax official with professional responsibilities.

Average absolute deviation. The arithmetic mean of the absolute deviations of a set of numbers from a measure of central tendency such as the median. The average deviation of the numbers 4, 6, and 10 about their median (6) is $(2 + 0 + 4) \div 3 = 2$. The average deviation is used in computing the coefficient of dispersion (COD).

Bias. The tendency of a statistic to overestimate or underestimate a parameter. Statistics describe a sample. A parameter describes an entire population.

Bootstrap. A computer-intensive method of statistical inference that is based on a repeated resampling of data to provide more information about the population characteristics. The bootstrap is a data-driven procedure that is particularly useful for confidence interval approximation when no traditional formulas are available or the sample has been drawn from a population that does not conform to the normal distribution.

CAMA. *See computer-assisted mass appraisal.*

Central tendency. (1) The tendency of most kinds of data to cluster around some typical or central value, such as the mean or median. (2) By extension, any or all such statistics. Some kinds of data, however, such as the weights of cars and trucks, may cluster about two or more values, and in such circumstances the meaning of central tendency becomes unclear. This may happen in ratio studies in which two or more classes of property are combined.

Class. A set of items defined by common characteristics. (1) In property taxation, property classes such as residential, agricultural, and industrial may be defined. (2) In assessment, building classification systems based on type of building design, quality of construction, or structural type are common. (3) In statistics, a predefined category into which data may be put

for further analysis. For example, ratios may be grouped into the following classes: less than 0.500, 0.500 to 0.599, 0.600 to 0.699, and so forth. (4) Class use may be subject to regulation and/or law. (5) May have differing tax classes and tax (millage) rates.

COD. *See coefficient of dispersion.*

Coefficient of concentration. The percentage of observations within a specified percentage (ie, 15 percent) of a measure of central tendency. Typically used in assessment ratio studies.

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. The COD is used throughout the property assessment field as a measure of appraisal uniformity.

Coefficient of price-related bias (PRB). An index of price-related bias obtained by regressing percentage deviations from the median ratio on percentage changes in a value proxy, which is obtained by giving equal weight to assessments and sales prices to minimize measurement biases. Indicates the percentage by which assessment ratios change whenever values are doubled or halved. For example, a PRB of -0.03 means assessment levels decrease by 3 percent when value doubles. The PRB should range between -0.05 and $+0.05$. PRBs outside the range of -0.10 to $+0.10$ are considered unacceptable.

Coefficient of variation (COV). A measure of relative variability. It is the ratio of the standard deviation to the mean. The COV is particularly useful when comparing results from two groups. For example, in an assessment ratio study, when comparing jurisdictions with widely varying levels of assessment, the COV provides a common basis for reviewing the relative level of assessment equity among the different jurisdictions.

Computer-assisted mass appraisal (CAMA). A software package used by governmental agencies and assessing offices to establish real and personal property valuations for property tax purposes. It is composed of several applications that systemically value property. Often includes statistical analysis such as multiple regression analysis to assist the appraiser in determining the value of property for property taxation purposes.

Confidence interval. A range of values, calculated from the sample observations, are believed, with a particular probability, to contain the true population parameter (mean, median, COD). The confidence interval is not a measure of precision for the sample statistic or point estimate, but a measure of the precision of the sampling process (*see reliability*).

Confidence level. The degree of probability associated with a statistical test or confidence interval, commonly 90, 95, or 99 percent. For example, a 95 percent confidence interval implies that were the estimation process repeated again and again, then 95 percent of the calculated intervals would be expected to contain the true population measure (such as the median, mean, or COD).

Contributory value. The amount a component of a property contributes to the total market value. For improvements, contributory value must be distinguished from costs.

COV. *See* **coefficient of variation.**

Date of sale (date of transfer). The date on which the sale was consummated. This is considered to be the date the deed, or other instrument of transfer, is signed. The date of recording can be used as a proxy if it is not unduly delayed as it would be in a land contract.

Direct equalization. The process of converting ratio study results into adjustment factors (trends) and changing locally determined appraised or assessed values to more nearly reflect market value or the legally required level of assessment. *See also* **equalization and indirect equalization.**

Dispersion. The degree to which data are distributed either tightly or loosely around a measure of central tendency. Measures of dispersion include the range, average deviation, standard deviation, coefficient of dispersion, and coefficient of variation.

Distribution-free statistics. A set of robust nonparametric methods whose interpretation or reliability does not depend on stringent assumptions about the distribution of the underlying population from which the sample has been drawn. *See also* **parametric statistics.**

Equalization. The process by which an appropriate governmental body attempts to ensure that property under its jurisdiction is assessed at the same assessment ratio or at the ratio or ratios required by law. Equalization can be undertaken at many different levels. Equalization among use classes (such as agricultural and industrial property) can be undertaken at the local level, among properties in a school district and a transportation district; equalization among counties is usually undertaken by the state to ensure that its aid payments are distributed fairly. *See also* **direct equalization and indirect equalization.**

Exploratory data analysis. That part of statistical practice concerned with reviewing the data set to isolate structures, uncover patterns, or reveal features that may improve the confirmatory analysis.

Fixture. An article of personal property installed or attached to real property in such a manner that it is considered to be a part of the real property. The three tests to determine whether an article is a fixture are typically: 1) Extent of annexation to the real property (cannot be removed without substantial damage to the real property; 2) Extent to which the article is a logical contribution to and enhancement of the real property; and 3) Intention of the parties that the article is part of the real property.

Fractional assessments. A percentage of a full value as prescribed by law.

Frequency distribution. A table or chart showing the number or percentage of observations falling in the boundaries of a given set of classes. Used in ratio studies to summarize the distribution of the individual ratios. *See also class and histogram.*

Histogram. A bar chart or graph of a frequency distribution in which the frequencies of the various classes are indicated by horizontal or vertical bars whose lengths are proportional to the number or percentage of observations in each class.

Hypothesis. A statement in inferential statistics, the truth of which the analyst is interested in determining.

Independent appraisal. An estimate of value using a model different from that used for assessment purposes. Independent appraisals are often used to supplement sales in sales ratio studies or in appraisal ratio studies.

Indirect equalization. The process of computing hypothetical values that represent the oversight agency's best estimate of taxable value, given the legally required level of assessment or market value. Indirect equalization allows proper distribution of intergovernmental transfer payments between state or provincial and local governments despite different levels of appraisal between jurisdictions or property classes. *See also equalization and direct equalization.*

Interquartile range (IQR). The result obtained by subtracting the first quartile from the third quartile. By definition 50 percent of the observations fall within the IQR.

Land contract. A contract for the sale of a property in which the seller retains title until the buyer completes the contracted payments for the property. The contract may be recorded; however, the conveyance of the property is not complete until all contractual obligations are fulfilled, at which time the deed for transfer of ownership may be recorded.

Level of appraisal. The common, or overall, ratio of appraised values to market values. Three concepts are usually of interest: 1) the level required by law; 2) the true or actual level; and 3) the computed level based on a ratio study.

Level of assessment. The common or overall ratio of assessed values to market values. *See also level of appraisal.* *Note:* The two terms are sometimes distinguished, but there is no convention determining their meanings when they are. Three concepts are commonly of interest: what the assessment ratio is legally required to be, what the assessment ratio for the population actually is, and what the assessment ratio for the population seems to be, on the basis of a sample and application of inferential statistics. When level of assessment is distinguished from assessment ratio, *level of assessment* usually means either the legal requirement or the true ratio, and *assessment ratio* usually means the true ratio or the sample statistic.

Margin of error. A measure of the uncertainty associated with statistical estimates of a parameter. It is typically linked to consumer surveys or political poll questions. A margin of error is a key component of a confidence interval. It reports a "plus or minus" percentage or proportion

quantity in a confidence interval at a specified level of probability (typically 95 percent). *See also confidence interval.*

Market value. A value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.

Market value proxy. A property value estimate that is used as a stand-in (proxy) for the unknown true market value of the property.

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 (see *USPAP*).

Mean. *See arithmetic mean.*

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.

Median absolute deviation. The median of the absolute deviations from the median. In a symmetrical distribution, the measure approximates one-half the interquartile range (IQR).

Median percent deviation. The median of the absolute percent deviations from the median; calculated by dividing the median absolute deviation by one-hundredth of the median.

Nonparametric statistics. *See distribution-free statistics.*

Non-sampling error. The error reflected in ratio study statistics from all sources other than sampling error. While non-sampling error is unavoidable due to the inefficiencies inherent in real property markets, the imperfections of the appraisal process, and the imperfections of conducting ratio studies, all practicable steps must be taken to minimize non-sampling error in ratio studies.

Normal distribution. A theoretical distribution often approximated in real world situations. It is symmetrical and bell-shaped; 68 percent of the observations occur within one standard deviation of the mean and 95 percent within two standard deviations of the mean, and 99 percent are three standard deviations of the mean.

Observation. One recording or occurrence of the value of a variable, for example, one sale ratio among a sample of sales ratios.

Outliers. Observations that have unusual values, that is, differ markedly from a measure of central tendency. Some outliers occur naturally; others are due to data errors.

Overfitting. Where a statistical model or machine learning algorithm becomes too complex for the degree of representativeness in the data, capturing noise or random variations rather than relevant underlying patterns. This leads to poor performance on new data. Factors that reduce sample representativeness (e.g., outliers, measurement errors), small sample sizes, and feature

correlation can affect the achievable model complexity and generalizability, and thus the point at which overfitting begins. In mass appraisal, overfitting may occur when sample representativeness is compromised, such as when sold properties are treated differently from unsold properties.

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.

Parametric statistics. A statistic that assumes the sample data come from a population with a normal distribution. *See also* **distribution-free statistics**.

Percentile. The values that divide a set of data into specified percentages when the data are arrayed in ascending order. The tenth percentile includes the lowest 10 percent of the values, the twentieth percentile includes the lowest 20 percent of the values, and so forth.

Personal property. All property not defined as real property. Generally, includes four categories: inventories, fixed assets, leasehold improvements, and intangibles). Tangible property includes most movable items, but can include sales tax, freight, installation costs, and all other costs required to place the item into service. Intangible property is evidence of ownership. Personal property is assessable unless specifically exempted by statute for each state. *Also see* **property**.

Plottage value. The incremental value increase that results when two or more sites are combined to form one larger site with greater utility.

Point estimate. A single numerical value used to estimate a population parameter from a sample. Point estimates are generally constructed to provide the best unbiased estimate of the population parameter consistent with the sample data. However, the point estimate is only an estimate, and is unlikely to have the same value as the population parameter. (*See* **Confidence interval** and **Reliability** for discussion of precision of the sampling process.)

Points. Prepaid interest on a loan; one point is equal to 1 percent of the amount of the loan. It is common to deduct points in advance of the loan, so that an individual pays interest on 100 percent of the loan but gets cash on, say, only 99 percent.

Population. All the items of interest, for example, all the properties in a jurisdiction or neighborhood; all the observations in a data set from which a sample may be drawn.

Precision. The level of detail in which a quantity or value is expressed or represented. It can be characterized as the number of digits used to record a measurement. A high level of represented precision may be used to imply a greater level of accuracy; however, this relationship may not be true. Precision also relates to the quality of an operation or degree of refinement by which results are obtained. A method of measurement is considered precise if repeated measurements yield the same or nearly the same numeric value. *See also* **accuracy and statistical precision**.

PRB. *See coefficient of price-related bias.*

PRD. *See price-related differential.*

Price. The amount asked, offered, or paid for a property.

Price-related differential. A statistical measure of vertical property tax equity. The PRD is calculated by dividing the mean ratio by the weighted mean ratio. Price-related differentials above 1.03 tend to indicate assessment regressivity; price-related differentials below 0.98 tend to indicate assessment progressivity.

Primary Valuation Office. The unit of government having initial responsibility for determining the assessed value against which general property taxes are levied by local government and, where applicable, by state government.

Progressivity. *See assessment progressivity (regressivity).*

Property. An aggregate of things or rights to things. These rights are protected by law. There are two basic types of property: real and personal. Real property consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. To the extent that "real estate" commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning. Also called *realty*. Personal property is defined as those items that generally are movable or all items not specifically defined as real property. Many states include as personal property the costs associated with placing personal property in service, such as sales tax, freight, and installation. Installation items include, but are not limited to, wiring, foundations, hookups, and attachments. Two commonly used tests for distinguishing real and personal property are (1) the intent of the parties and (2) whether the item may be removed from the real estate without damage to either.

Qualified sale. A property transfer that satisfies the conditions of a valid sale and meets all other technical criteria for inclusion in a ratio study sample. If a property has undergone significant changes in physical characteristics, use, or condition in the period between the assessment date and sale date, it would not technically qualify for use in ratio study.

Quartiles. The values that divide a set of data into four equal parts when the data are arrayed in ascending order. The first quartile includes the lowest quarter of the data, the second quartile, the second lowest quarter, and so forth.

Random sample. A sample of n items selected from a population in such a way that each sample of the same size is equally likely. This also includes the case in which each element in the sample has an equal chance of being selected.

Range. (1) The maximum value of a sample minus the minimum value. (2) The difference between the maximum and minimum values that a variable may assume.

Ratio study. A statistical study of the relationship between appraised or assessed values and market values; based on an analysis of the ratio derived by dividing the appraised or assessed values of property by the market values of such property. Sale prices or independent appraisals are used as proxies for market values. Of common interest in ratio studies are the level and uniformity of the appraisals or assessments. *See also level of appraisal and level of assessment.*

Real property. Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. To the extent that “real estate” commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning. Also called Realty. *See property.*

Regressivity. *See assessment progressivity (regressivity).*

Regressivity index. *See price-related differential.*

Reliability. In a sampling process, the extent to which the process yields consistent population estimates. Ratio studies typically are based on samples. Statistics derived from these samples may be more or less likely to reflect the true condition in the population depending on the reliability of the sample. Representativeness, sample size, and sample uniformity all contribute to reliability. Formally, reliability is measured by sampling error or the width of the confidence interval at a specific confidence level relative to the central tendency measure.

Representative sample. A sample of observations from a larger population of observations, such that statistics calculated from the sample can be expected to represent the characteristics of the population being studied.

Sale price. (1) The actual amount of money exchanged for a unit of goods or services, whether or not established in a free and open market. An indicator of market value. (2) Loosely used synonymously with "offering" or "asking price."

Sale ratio. The ratio of an appraisal (or assessed) value to the sale price or adjusted sale price of a property.

Sales chasing. (1) The practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. If sales with such appraisal adjustments are used in a ratio study, the practice causes invalid uniformity results and causes invalid appraisal level results, unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties. (2) By extension, any practice that causes the analyzed sample to misrepresent the assessment performance for the entire population as a result of acts by the assessor's office. A subtle, possibly in- advertent, variety of sales chasing occurs when the recorded property characteristics of sold properties are differentially changed relative to unsold properties. Then the application of a uniform valuation

model to all properties results in the recently sold properties being more accurately appraised than the unsold ones.

Sales ratio study. A ratio study that uses sales prices as benchmarks for market values. A relationship between sales prices and value (market value, assessed value, equalized value), that is used to measure the level of appraisal. Used to evaluate the effectiveness of assessment practices, reappraisals, or revaluations.

Sample. A subset containing the characteristics of a larger population. A sample should represent the population as a whole and not reflect any bias toward a specific attribute. In order to achieve an unbiased sample, the selection must be random so each item from the population has an equal chance of inclusion in the sample group.

Sampling error. A statistical error from a sample that does not represent the population.

Scatter diagram or scatter plot. A graphic means of depicting the relationship or correlation between two variables by plotting one variable on the horizontal axis and one variable on the vertical axis. Often in ratio studies it is informative to determine how ratios are related to other variables. A variable of interest is plotted on the horizontal axis and ratios are plotted on the vertical axis.

Significance level. A measure of the probability that an event is attributable to a relationship rather than merely the result of chance.

Skewed. The quality of a frequency distribution that makes it asymmetrical. Distributions with longer tails on the right than on the left are said to be skewed to the right or to be positively skewed. Distributions with longer tails to the left are said to be skewed to the left or to be negatively skewed.

Standard deviation. The statistic calculated from a set of numbers by subtracting the mean from each value and squaring the remainders, adding together all the squares, dividing by the size of the sample less one, and taking the square root of the result. When the data are normally distributed, the percentage of observations can be calculated within any number of standard deviations of the mean from normal probability tables. When the data are not normally distributed, the standard deviation is less meaningful, and the analyst should proceed cautiously.

Standard error. A measure of the precision of a measure of central tendency; the smaller the standard error, the more reliable the measure of central tendency. Standard errors are used in calculating a confidence interval about the arithmetic mean and the weighted mean. The standard error of the sample mean is the standard deviation divided by the square root of the sample size and can only be estimated, unless the real population parameter is known. A common measure of sampling error. The difference between a population parameter and a sample statistic. The standard error of the mean is an estimate of the precision of the sample mean. While the standard error of the mean is the most common type of standard error, standard errors are calculated for

other statistics as well. The standard deviation is a descriptive statistic that can be calculated from sample data. In contrast, the standard error is an inferential statistic that can only be estimated, unless the real population parameter is known.

Statistical accuracy. The closeness between the statistical estimate and the true (but unknown) population parameter value it was designed to measure. It is usually characterized in terms of error or the potential significance of error and can be decomposed into sampling error and non-sampling error components. Accuracy can be specified by the level of confidence selected for a statistical test. *See also accuracy.*

Statistical precision. How close estimates from different samples are to each other. For example, the standard error is a measure of precision. When the standard error is small, estimates from different samples will be close in value. Precision is inversely related to standard error. When the standard error is small, sample estimates are more precise; when the standard error is large, sample estimates are less precise. *See also precision.*

Statistics. Numerical descriptive data calculated from a sample, for example, the median, mean, or COD. Statistics are used to estimate corresponding measures, termed parameters, for the population.

Stratify. To divide, for purposes of analysis, a sample of observations into two or more subsets according to some criterion or set of criteria.

Stratum, strata (pl.). A class or subset that results from stratification.

Time-adjusted sale price. The price 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.

Trimmed mean. The arithmetic mean of a data set identified by the proportion of the sample that is trimmed from each end of the ordered array. For example, a 10 percent trimmed mean of a sample of size ten is the average of the eight observations remaining after the largest and smallest observations have been removed.

Value. (1) The relationship between an object desired and a potential owner; the characteristics of scarcity, utility, desirability, and transferability must be present for value to exist. (2) Value may also be described as the present worth of future benefits arising from the ownership of real or personal property. (3) The estimate sought in a valuation. (4) Any number between positive infinity and negative infinity. *See market value.*

Variable. An item of observation that can assume various values, for example, square feet, sales prices, or sales ratios. Variables are commonly described by using measures of central tendency and dispersion.

Weighted mean; weighted average. An average in which each value is adjusted by a factor reflecting its relative importance in the whole before the values are summed and divided by their number.

Weighted mean ratio. Sum of the appraised values divided by the sum of the sales prices (or independent estimates of market value), which weights each ratio in proportion to the sale price (or independent estimate of market value).

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Additional readings on ratio studies can be found within the IAAO Library which can be found at <http://www.iaao.org>. Many websites offer good information on statistics. Because website addresses change frequently, they are not listed here.