

**NEBRASKA ADMINISTRATIVE CODE**

**Title 350 – Nebraska Department of Revenue, Property Assessment Division**  
**Chapter 50 – Assessment Process Regulations**  
**Effective Date – 07.05.2017**

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**Title 350 – Nebraska Department of Revenue, Property Assessment Division**  
**Chapter 50 – Reporting Requirements and Appraisal Process**

REG-50-001 DEFINITIONS

001.01 Actual value means the market value of real property in the ordinary course of trade. It is the typical amount the property will sell for, either when on sale in the open market or in an arm's-length transaction between a willing seller and a willing buyer, both of whom are knowledgeable about the property and its current and possible uses. Actual value may be determined using professionally accepted mass appraisal methods, including, but not limited, to the (1) sales comparison approach, (2) income approach, and (3) cost approach.

001.02 Appraisal means a written opinion of value of real property based on an adequate description of the property, on a specified date, and supported by relevant data analysis. While appraisal, reappraisal, and mass appraisal are interchangeable terms for property taxation purposes, reappraisal may also mean performing an additional appraisal to correct an error in an earlier appraisal. For this regulation, the term appraisal is used, unless the context requires otherwise. All appraisals must meet the standards as promulgated by the Appraisal Standards Board of the Appraisal Foundation in the *Uniform Standards of Professional Appraisal Practice*, effective as currently updated, including Standard 6, Mass Appraisal and Reporting in conjunction with existing "Statements on Appraisal Standards" and "Advisory Opinions". A copy of the *Uniform Standards of Professional Appraisal Practice* is on file at the office of the Tax Commissioner.

001.03 Appraisal firm means any individual or company that contracts with a county to do an appraisal, an appraisal update, or an appraisal maintenance project. Any firm that submits a proposal to provide appraisal services must comply with the requirements in this regulation.

001.04 Appraisal or assessed value adjustment means an action taken by the county assessor, Tax Equalization and Review Commission, or other lawful body that changes the valuation of a class or subclass of property by a percentage. The adjustment is based primarily on an assessment sales ratio study analysis.

001.05 Appraisal process means a systematic analysis and documentation of the factors that affect the value of real property. It defines the problem creates a plan to solve the problem, and gathers, classifies, analyzes, and interprets the necessary data into a written opinion of value. It must group similar properties so that all properties in a class or subclass are examined and valued together.

001.06 Appraisal maintenance, or pick-up work, is the collection of specific data related to new construction, remodeling, additions, alterations, and removals of existing buildings or structures. Pick-up work may also include: changes in zoning, use, or annexation; the addition, deletion, or change in characteristics of encumbrances such as leases, easements, or special programs (for example, the Conservation Reserve Program); and the addition, deletion, or change in characteristics external to the property, including, but not limited to, amenities such as paving, utilities and proximity to favorable or unfavorable influences, such as schools, libraries, city dumps, sewage treatment facilities, or meatpacking plants. The data must be gathered in a systematic process so that all properties are treated uniformly. The value of property analyzed in an appraisal maintenance project must be equalized with comparable properties.

001.07 Appraisal update or limited appraisal means an appraisal in which all or part of the data collection process is not necessary for an appraisal, but is needed for making adjustments on property values in a defined class or subclass. This includes, but is not limited to, recalibrating a market or cost model to implement current cost data, or adjusting value by a percentage, and then applying it uniformly to all property in a defined class or subclass.

001.08 Appraiser means a person who has the necessary qualifications, ability, and experience to estimate the value of real property. An appraiser is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

001.08A Appraisers employed by a county assessor are exempt from the Real Property Appraiser Act under Neb. Rev. Stat. § 76-2221.

001.09 Assessment process for real property means the act of listing the description of all real property, determining its taxability, taxable value, and placing it on the assessment roll.

001.10 Comparative data means data used to compare unit values of similar or competing properties such as: replacement cost estimates; local or historic costs; sales information; and rental and expense data.

001.11 Cost approach is the approach to value based on the principle of substitution, where an informed purchaser would pay no more for a property than what a substitute property with the same utility would cost to produce.

001.12 Data analysis is a process which organizes, develops, and displays the data in such a manner that derived values are supported, illustrated, and defended.

001.13 Data collection is a process to gather data relevant to the appraisal and assessment of property.

001.14 Division means the Nebraska Department of Revenue, Property Assessment Division.

001.15 Depreciation means the loss of value from deterioration and/or obsolescence. Deterioration, or physical depreciation, is evidenced by wear and tear, decay, dry rot, cracks, encrustations, or structural defects. There are two types of obsolescence: functional obsolescence, which is shown by conditions within the property due to poor interior design, mechanical inadequacy or overadequacy, and inadequacy or overadequacy due to size, design, etc; and locational obsolescence which is a component of economic obsolescence due to a suboptimal siting of an improvement and is shown by changes external to the property, such as neighborhood changes, environmental or use changes, legislation, and the like.

001.16 Digital imagery technology tools include current high-resolution street-view images, orthophoto images, and low-level oblique images. Geographic Information System (GIS) is an additional technological tool that may be used in certain circumstances to review property as specified in this regulation. This technology may incorporate change detection techniques that compare building dimension data and identify potential sketch discrepancies for further investigation.

001.16A Orthophoto images must be collected at a minimum of 6 inch pixel resolution in urban areas. Rural areas must be collected at a minimum of 12 inch pixel resolution.

001.16B Digital images must be no older than three years to be used in lieu of a field review or on-site inspection for assessment purposes.

001.16C Each review using digital imagery technology must be detailed in the property record card and incorporated into the county assessor's six-year inspection and review cycle. As new technology becomes available in the appraisal and assessment field it must be approved by the Property Tax Administrator prior to use in the six-year inspection and review cycle.

001.17 Field review means any inspection and review conducted at a property location. This review includes on-site inspections, interior inspections, listing, measuring, and taking updated photographs of the property.

001.18 Income approach means the approach to value which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.

001.19 Inspection means the in-person review or examination of property.

012.19A Systematic inspection and review means the orderly, methodical, and planned process of inspecting and reviewing all parcels prioritized by neighborhood, market area, or assessor location. The planned process must include all sold and unsold property within the area identified for inspection.

001.19B Interior inspection means the on-site inspection and review that includes entering the buildings to inspect the interior details and condition of the interior components.

001.20 Listing means an on-site data gathering process that involves gathering all of the specific data necessary for the appraisal of each individual parcel.

001.21 Market area means an area with defined characteristics within which similar properties are equally competitive in the minds of buyers and sellers.

001.22 Market analysis is a study of general real estate market conditions that affect the competitive supply, demand, and prices for particular types of facilities or properties.

001.23 Office review means any review conducted in the office without physical inspection of a property. This review may include a review of data collected regarding the property, digital imagery technology, and information obtained from the owner, lessee, or a third party knowledgeable about the property.

001.24 Referee means an impartial credentialed appraiser or county assessor or deputy county assessor certificate holder who conducts protest hearings as the representative of, and under the direction of, the county board of equalization.

001.25 Sales comparison approach means a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. Market approach, market data approach, and direct sales comparison approach are synonymous terms.

001.26 Specific data means data which relates only to the specific parcel being appraised. This can include measurements, perimeter sketches, age determination, site plans, photos, building elevation sketches, the presence or absence of utilities, street and sidewalk improvements, floor plans, room counts, physical and functional condition observations, and any descriptive information necessary to develop a replacement cost new utilizing the prescribed cost manuals.

001.27 Tax Commissioner means the Tax Commissioner of the Nebraska Department of Revenue.

001.28 Valuation methodology means a formal written document which clearly communicates the elements, results, opinions, and value conclusions of the review. This report contains: the date of the review; the certification and signature of the reviewer; the purpose of the review; the qualifying conditions; information which defines the various neighborhoods, towns, or property groups which will be considered during the review process; a summary of market and income data; analysis, interpretation, and explanation of conclusions drawn from the data; explanation of the processing of the data; and, any maps, plans, charts, or other data which was used to support the review.

Neb. Rev. Stat. §§77-112, 77-702, 77-1301.01, 77-1311, 77-1311.03, 77-1327, 77-1501, and 77-5027.

## REG-50-002 THE APPRAISAL PROCESS

The appraisal process must contain the following steps: definition of the project; preliminary survey and planning; data collection; data analysis; application of the data; and final value estimates.

002.01 The county assessor must conduct an annual review of the quality of appraisal within the county through the use of assessment/sales ratios, coefficients of dispersion, price related differentials, confidence intervals, and on-going cost, income, and market analyses,

002.01A After completing the appraisal quality review, the county assessor must determine the appraisal needs of the county for the following year and inform the county board and the Division by developing a Plan of Assessment.

002.01B The county assessor must design, document, and initiate a process to systematically inspect and review each parcel of real property at least once every six years. Classes and subclasses that are not subject to inspection in a given year, must be analyzed and if necessary, adjusted based on market analysis and indicators of the level of value to arrive at assessments that reflect market value.

002.02 The county assessor must identify and document the resources necessary to complete the appraisal project. Planning documents can include the following: the development of appraisal specifications; obtaining the necessary materials; and hiring, training, or contracting for any personnel necessary to accomplish the needed appraisal. All appraisal contracts must comply with this regulation.

002.03 Methods of data collection can include items A-F below.

002.03A Interviews or questionnaires about replacement cost, age of the property, sale price, circumstances and financing of sold properties, and income or expense data for properties which are rented.

002.03B Field visit and inspection of the actual property amenities. The inspection process must take place within view of the property being inspected. The degree of the inspection is determined primarily by the county assessor and described in the plan of assessment, or at the discretion of the inspector during the course of the inspection.

002.03C Digital imagery technology. Any changes discovered with these technological tools must be followed up with an on-site inspection. Each digital review must be noted on the property record card and incorporated into the county assessor's six-year inspection and review cycle. As new technology becomes available in the appraisal and assessment field it must be approved by the Property Tax Administrator prior to use in the six-year inspection and review cycle.

002.03D Federal, state, or local government entity data including the Farm Service Agency's current land use maps, the Natural Resources Conservation Service's soil information, Nebraska Department of Natural Resource's well registration information, and local Natural Resource District's water and irrigation information.

002.03E Existing property record files including appraisal maintenance and pick-up work. The data must be accurate, current, and relevant to the date of the appraisal.

002.03F Any forms filed with the County.

002.04 Data Analysis must be included in the valuation methodology to show how the county assessor arrived at value.

002.04A To analyze a property's uses and restrictions, the analysis must consider the full description of the physical characteristics of the property and the property rights being valued. Actual

value may be determined using professionally accepted mass appraisal methods, including the (1) sales comparison approach, (2) income approach, and (3) cost approach.

002.04B The ultimate selection of a predominant approach for use in a mass appraisal should be discussed and defended in the valuation methodology and any deviations from the predominant narrative conclusions should be noted and briefly discussed on an individual basis.

002.05 Application of the data must include processing, review, and starting value phases for each parcel. The processing phase consists of displaying all relevant data in an organized fashion for each individual parcel on appropriate worksheets and record files. The review phase consists of examining each parcel and the data relevant to that parcel to prepare an estimate of value. The starting value is prepared for each individual parcel.

002.05A Land must be valued as though vacant and available to develop to its highest and best use. Land valuation must be conducted in the manner described in the sales comparison approach. When insufficient market data is available, an income approach such as a land residual technique can be used.

002.05B The application of the sales comparison approach includes the comparison and valuation on a unit basis to properties that have not sold but are otherwise physically, functionally, and economically similar. Any necessary adjustments to that base value must be made for dissimilarities

002.05C The application of the cost approach includes the development of a replacement cost new using the prescribed manuals and applying all applicable forms of depreciation developed in the data analysis portion of the appraisal.

002.05D The application of the income approach includes comparing all or portions of properties with known rental levels, expenses, and lease terms, to properties which are physically, functionally, and economically similar but are not presently rented or at economic rent. An estimate of economic rent is made, using appropriate rates, multipliers, and adjustments developed in the data analysis portion of the appraisal.

002.05E. Whether applying the sales comparison, cost, or income approach, an inspection of the property must be completed to assure that all variables and adjustments have been property considered and that equalization with similar properties has been accomplished by using the chosen approach. The final step is the calculation of the value indicated by the application of the chosen approach.

002.06 In correlating and reconciling the final values the county assessor or appraiser must examine the preliminary value for every parcel and select the most logical, best supported, and most defensible indication of value based upon the following:

002.06A The amount and reliability of the data collected in each approach to value;

002.06B The inherent strengths and weaknesses of each approach to value; and

002.06C The relevancy of each approach to the appraisal subject.

002.07 The county assessor or appraiser must present a final value estimate at the end of the correlation and reconciliation process. The final value estimate indicates land value, improvement value, a leasehold value if applicable, and the total value.

002.08 Informal hearing process. Between January 15 and March 1 counties with a population of at least 150,000 inhabitants, must conduct informal hearings to solicit any undiscovered data relevant to the valuation of the individual property being appraised or to the appraisal in general. To facilitate the informal hearing process a county assessor may choose to employ a referee or referees to act on behalf of the county assessor and/or appraiser.

002.08A The county assessor must send a notice of the estimate of final value or post to the county assessor website the estimate of final value notifying the owner or lessee who is responsible for paying property taxes.

002.08B The county assessor or appraiser must analyze the impact of any recommended adjustments resulting from informal hearings and extend the adjustments to similar properties to ensure equalization. A supplemental valuation methodology amending the original valuation methodology must be added to the report. The supplemental valuation methodology must describe the changes made as a result of the hearings and further describe general changes made to maintain equalization.

002.08C For counties with less than 150,000 inhabitants, the county assessor may conduct informational hearings to solicit any undiscovered data relevant to the valuation of the individual property being appraised or to the appraisal in general.

002.09 The county assessor is responsible for implementing these regulations regardless of whether the appraiser is the county assessor, a member of the county assessor's staff, a contracted or shared employee, or an independent contractor.

Neb. Rev. Stat. §§ 77-202.11, 77-702, 77-1301.01, 77-1311, and 77-1311.03.

## REG-50-003 REQUIREMENTS FOR APPRAISAL CONTRACTS

003.01 Appraisal contracts entered into between counties and appraisal firms must meet certain standards. Those standards are set forth in this section.

003.01A Appraisal specifications are required prior to undertaking or contracting for an appraisal or appraisal update project of all real property, by an entire class or subclass, in any county.

003.01B An appraisal contract must be awarded to an appraisal firm that has knowledge and experience in ad valorem appraisals.

003.01C All proposals by appraisal firms for appraisal contracts must be submitted in writing and approved by the county board. Once the county board has approved, the signed appraisal contract must be forwarded to the Tax Commissioner for approval. No appraisal contract is valid unless approved in writing by the Tax Commissioner. A copy of the final appraisal specifications and signed appraisal contract shall be on file with the Tax Commissioner.

003.01D The appraisal firm must be an equal opportunity employer.

003.01E The appraisal firm, or its duly authorized representative, must certify in writing to the county board that they have read, understood, and are able and willing to comply with all State regulatory requirements prior to submitting any bid proposal to the county board.

003.01F The appraisal firm must include the resumes of the employee or employees supervising the project. The proposal must show and the resume confirm that:

003.01F(1) The full time and exclusive control of the project is under the jurisdiction of a supervisor who shall have not less than five years of practical appraisal experience involving extensive appraisals of the types of property to be appraised. The supervisor must be a member in good standing of a recognized professional appraisal organization which requires educational standards, passage of a comprehensive examination, and a demonstration of ability to perform an appraisal as qualifications for membership, or, in lieu of these designations, comparable education and practical appraisal experience to enable him or her to perform at that level of competence.

003.01G The appraisal firm will defend the resulting changes that affected values if protest are filed with the county board of equalization or appeals are filed with the Tax Equalization and Review Commission.

003.01H The appraisal firm will supply as many copies of the appraiser report to the county as agreed upon, which, together with all appraisal files, records, maps, or other data used in the appraisal becomes and remains the property of the county.

003.02 The content of an appraisal contract must contain the following provisions:

003.02A A completion date. This date must not be more than 24 months after the date of execution of the contract.

003.02B Assumption of liability. The appraisal firm assumes liability connected with performance of its contract. The amount of the general liability insurance must be at least \$50,000.00 for each person, \$100,000.00 each accident for bodily injury, and \$25,000.00 each property damage accident.

003.02C Identification of the insurer.

003.02D An agreement to comply with all state and federal statutes and regulations related to taxation, workmen's compensation insurance, and unemployment insurance.

003.02E A statement that the appraiser will not be liable for damages by reason of strike, explosion, war, fire, act of God, or any act or failure to act by county or state officials which might delay or stop progress of the work. Provisions must be made for the renegotiation of the completion date on the happening of any of the above contingencies.

003.02F A statement that the appraisal firm will not assign or transfer its contract nor any interest therein without first obtaining written approval from the county and the Tax Commissioner.

003.02G A statement that no change in the contract will be permitted except by written agreement of the appraisal firm, the county, and the Tax Commissioner.

003.02H A statement that all manuals and guides prescribed by the Tax Commissioner must be followed by the appraisal firm.

003.02I A statement that the appraisal firm will be required to issue proposed appraisal changes and be available to hold informal meetings with property owners or lessees responsible for paying the property taxes on parcels with the proposed appraisal changes.

003.03 The content of an appraisal contract may contain the following provisions:

003.03A Performance bond. The county board may require a performance bond in favor of the county in an amount determined by the county board. If submitted, the performance bond must be approved by the county attorney.

003.03B Liquidated damages. The county board may require liquidated damages for each day of noncompletion at a rate to be determined by the contracting parties and may be incorporated as part of the contract.

Neb. Rev. Stat. §§ 77-202.11, 77-702, 77-1301.01, 77-1311, 77-1311.03, 77-1502, 77-1502.01, 77-1504, 77-1504.01, and 77-5013