# ASSOCIATION OF INDIANA COUNTIES

## Assessment Terminology Overview

A sales ratio study evaluates whether real property assessments reflect market value-in-use and whether similar properties are assessed consistently. It evaluates groups of properties rather than individual parcels. Agricultural land is valued under a separate statutory method.

### HOW THE SALES RATIO PROCESS WORKS

**1. Verify sales.** Review sale conditions, property records, and changes since the sale. Document exclusions and use representative, qualifying transactions. **2. Align dates.** Adjust prices for market changes when supported. **3. Calculate ratios.** Divide assessed value before deductions and exemptions by the study sale price. **4. Review groups.** Examine results by property class, location, and value range. **5. Adjust and validate.** Investigate differences, apply supported changes consistently to sold and unsold properties, and submit results for DLGF review.

**Example:** $190,000 assessed value / $200,000 study sale price = **0.95, or 95%**. A ratio below 1.00 indicates assessment below the study price; above 1.00 indicates assessment above it.

### KEY STATISTICAL MEASURES

| Measure | Meaning |
|---|---|
| **Median ratio** | Middle ratio after sorting (average of the two middle ratios when the number of ratios is even). Measures overall assessment level; it does not measure uniformity. |
| **Mean and weighted mean** | Mean: average of individual ratios. Weighted mean: total assessed value divided by total study sale prices; higher-value sales carry greater weight. |
| **Coefficient of dispersion (COD)** | Average absolute distance of ratios from the median, expressed as a percentage of the median. Measures uniformity; lower generally indicates less dispersion. |
| **Price-related differential (PRD)** | Mean ratio divided by weighted mean. Values above 1.00 suggest regressivity; below 1.00 suggest progressivity. Consider sample quality and statistical significance. |
| **Price-related bias (PRB)** | Supplemental regression measure of how assessment levels change as property values increase. Negative suggests regressivity; positive suggests progressivity. |
| **Sample size and confidence interval** | Sample size (N) counts usable observations. A confidence interval expresses uncertainty around an estimate; small or unrepresentative samples limit conclusions. |

**Overall assessment target: 100% of market value-in-us. Indiana reference ranges:** Median ratio 0.90-1.10; COD 15 or less for improved residential property and 20 or less for other classes covered by the rule; PRD 0.98-1.03. Subject to sample-size and reliability requirements, 50 IAC 27-4-5(d) relies on the Spearman Rank test for vertical equity when a township or property class has fewer than 20 sales. Agricultural land has separate treatment. These group-level standards do not guarantee that every assessment is correct. Individual assessment appeal rights remain available.

### OTHER TERMS TO KNOW

**Market value-in-use:** Value for a property's current use, reflected by the utility received by its owner or a similar user.

**Arm's-length sale:** An independent buyer and seller transact without unusual pressure.

**Stratification:** Grouping comparable properties for analysis.

**Outlier:** An unusually high or low ratio requiring investigation, not automatic exclusion.

**Regressivity:** Lower-value properties assessed at higher relative levels.

**Progressivity:** Higher-value properties assessed at higher relative levels.

**Horizontal equity:** Similar properties are assessed at similar percentages of market value-in-use. COD helps evaluate this consistency.

**Vertical equity:** Properties at different value levels are assessed at similar percentages of market value-in-use. PRD and PRB help identify whether lower or higher-value properties are assessed disproportionately.

**Trending:** Annual assessment adjustments supported by market evidence.

**Mass appraisal:** Valuing groups as of a common date using common methods, data, and statistical testing; **AVM:** an automated valuation model uses data and statistical relationships to estimate value.

**Sales chasing:** Adjusting sold properties to their prices without comparable treatment of unsold properties; this can distort study results.

**Gross assessed value (GAV):** Value before deductions.

**Net assessed value (NAV):** Taxable value after applicable deductions, exemptions, and adjustments. Assessment determines value; levies, rates, deductions, exemptions, credits, and caps determine tax liability.

Sources: DLGF Ratio Study; 50 IAC 27; 50 IAC 2.4; DLGF Assessment Overview; 2021 Real Property Assessment Manual and applicable Guidelines/Glossary; IAAO Standard on Ratio Studies (April 2013, incorporated by 50 IAC 27-1-4). | October 2026

## PROPERTY RECORD CARD – EXAMPLE

| General Information | |
|---|---|
| Occupancy | Single-Family |
| Description | Single-Family R 01 |
| Story Height | 1 |
| Style | 41 - Township Group 1 |
| Finished Area | 2250 sqft |
| Make | |

**Floor Finish**

- [ ] Earth
- [x] Tile
- [ ] Slab
- [x] Carpet
- [x] Sub & Joist
- [ ] Unfinished
- [ ] Wood
- [ ] Other
- [ ] Parquet

**Wall Finish**

- [x] Plaster/Drywall
- [ ] Unfinished
- [ ] Paneling
- [ ] Other
- [ ] Fiberboard

| Plumbing | # | TF |
|---|---|---|
| Full Bath | 2 | 6 |
| Half Bath | 0 | 0 |
| Kitchen Sinks | 1 | 1 |
| Water Heaters | 1 | 1 |
| Add Fixtures | 1 | 1 |
| Total | 5 | 9 |

| Accommodations | |
|---|---|
| Bedrooms | 3 |
| Living Rooms | 0 |
| Dining Rooms | 0 |
| Family Rooms | 1 |
| Total Rooms | 6 |

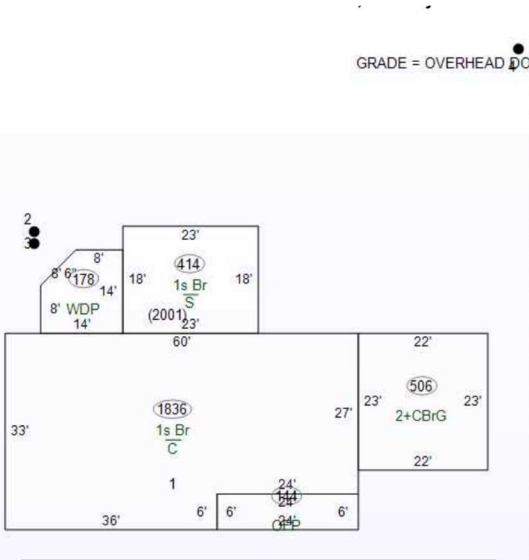
**Heat Type**

Central Warm Air

**Roofing**

- [ ] Built-Up
- [ ] Metal
- [x] Asphalt
- [ ] Slate
- [ ] Tile
- [ ] Wood Shingle
- [ ] Other

| Exterior Features | | |
|---|---|---|
| Description | Area | Value |
| Porch, Open Frame | 144 | $7,600 |
| Patio, Treated Pine | 178 | $1,700 |




| Specialty Plumbing | | |
|---|---|---|
| Description | Count | Value |

| Cost Ladder | | | | | |
|---|---|---|---|---|---|
| Floor | Constr | Base | Finish | Value | Totals |
| 1 | 7 | 2250 | 2250 | $249,700 | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 1/4 | | | | | |
| 1/2 | | | | | |
| 3/4 | | | | | |
| Attic | | | | | |
| Bsmt | | | | | |
| Crawl | | 1836 | 0 | $10,200 | |
| Slab | | 414 | 0 | $0 | |
| | | | | Total Base | $259,900 |
| Adjustments | | | 1 Row Type Adj. x 1.00 | | $259,900 |
| Unfin Int (-) | | | | | $0 |
| Ex Liv Units (+) | | | | | $0 |
| Rec Room (+) | | | | | $0 |
| Loft (+) | | | | | $0 |
| Fireplace (+) | | | | PS:1 PO:1 | $6,400 |
| No Heating (-) | | | | | $0 |
| A/C (+) | | | | 1:2250 | $5,200 |
| No Elec (-) | | | | | $0 |
| Plumbing (+ / -) | | | 9 – 5 = 4 x $1,400 | | $5,600 |
| Spec Plumb (+) | | | | | $0 |
| Elevator (+) | | | | | $0 |
| | | | | Sub-Total, One Unit | $277,100 |
| | | | | Sub-Total, 1 Units | |
| Exterior Features (+) | | | | $9,300 | $286,400 |
| Garages (+) 506 sqft | | | | $28,700 | $315,100 |
| | | | | Quality and Design Factor (Grade) | 1.05 |
| | | | | Location Multiplier | 0.91 |
| | | | | Replacement Cost | $301,078 |

**Summary of Improvements**

| Description | Story Height | Constr Type | Grade | Year Built | Eff Year | Eff Age | Co nd | Base Rate | LCM | Adj Rate | Size | RCN | Norm Dep | Remain. Value | Abn Obs | PC | Nbhd | Mrkt | Cap 1 | Cap 2 | Cap 3 | Improv Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1: Single-Family R 01 | 1 | Brick | C+1 | 1998 | 1998 | 28 | A | | 0.91 | | 2,250 sqft | $301,078 | 24% | $228,820 | 0% | 100% | 1.000 | 1.170 | 100.00 | 0.00 | 0.00 | $267,700 |
| 2: Canopy (free standing) | 1 | | C | 2014 | 2014 | 12 | A | | 0.91 | | 14'x14' | $3,094 | 11% | $2,750 | 0% | 100% | 1.000 | 1.000 | 100.00 | 0.00 | 0.00 | $2,800 |
| 3: Patio (free standing) | 1 | | C | 2014 | 2014 | 12 | A | | 0.91 | | 16'x18' | $2,275 | 11% | $2,020 | 0% | 100% | 1.000 | 1.000 | 100.00 | 0.00 | 0.00 | $2,000 |
| 4: SHED | 1 | | D+2 | 2001 | 2001 | 25 | A | $25.97 | 0.91 | $21.27 | 12'x16' | $4,084 | 55% | $1,840 | 0% | 100% | 1.000 | 1.000 | 100.00 | 0.00 | 0.00 | $1,800 |

*Illustrative improvement excerpt: land value and total parcel assessment are not shown. Factors vary by property, location, and assessment year.*
*Source: Beacon Howard County, IN. Assessment Year: 2026*

## PRC TERMS TO KNOW

**Grade:** A rating of the home's construction quality, including materials, workmanship, and design.

**Location cost modifier (LCM):** A factor that adjusts the statewide assessment cost schedules for differences in construction costs by location.

**Replacement cost new (RCN):** The estimated cost to construct a new building with equivalent usefulness, using the applicable assessment cost schedules and adjustments. RCN is before depreciation and is not the final assessed value.

**Effective age:** The age the home reflects through its maintenance, modernization, condition, and usefulness compared with similar homes.

**Condition:** A rating of the home's physical state and functional usefulness, considering maintenance and needed repairs.

**Depreciation:** Loss in building value from physical deterioration, functional problems, or outside influences.

**Obsolescence:** Loss in value caused by reduced usefulness or desirability.

**Functional obsolescence** comes from problems within the property, such as inefficient layout.

**External obsolescence** comes from outside influences, such as nearby adverse land uses.

**Neighborhood factor:** A factor developed from neighborhood sales to align calculated improvement values with the local market.