



2022 Mass Appraisal Report

Prepared September 23, 2022, by Danny Jones, Chief Appraiser

Mission Statement

We consider it a privilege to provide the taxpayers and the taxing units with the highest quality of customer service and appraisal data.

We strive to maintain continued excellence in our performance, continued growth in education, and fiscal responsibilities. We will administer the Texas Property Tax Code in a fair and uniform manner.

We will promote the ideals of government transparency.

Purpose

The purpose of this report is to better inform the property owners within the boundaries of the Deaf Smith County Appraisal District (CAD) and to comply with Standards Rule 6-7 of Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2019 – December 31, 2019. Standards Rule 6-7 addresses a written summary report of a mass appraisal for ad valorem taxation. Mass appraisal is the process of valuing a group of properties as of a given date, using standard methods, and employing common data, which allows for statistical testing. The intended use of the appraised values is to establish a tax base upon which a property tax will be levied. Each taxing unit within Deaf Smith County Appraisal District boundaries will use the appraised values for ad valorem tax purposes only.

The purpose of the appraisals performed by CAD is to estimate market value on January 1 of each year as defined by the Texas Property Tax Code (Sec. 1.04) on all taxable property within the boundaries of Deaf Smith County Appraisal District. "Market Value" is defined by Sec. 1.04 as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- (A) exposed for sale in the open market with a reasonable time for the seller to find a purchaser.
- (B) both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- (C) both the seller and the purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Responsibilities

The Deaf Smith County Appraisal District is responsible for local property tax appraisal and exemption administration for nine (9) taxing units. The taxing units within the boundaries of the Deaf Smith County Appraisal District are:

- Deaf Smith County
- Hereford ISD
- City of Hereford
- Hereford Regional Medical Center
- Amarillo College
- Walcott ISD
- High Plains Water District
- Deaf Smith County Noxious Weed District

- Adrian ISD
- Friona ISD
- Vega ISD
- Wildorado ISD
- Llano Estacado Water District

The Deaf Smith County Appraisal District certified totals included 12,254 parcels with a total market value of \$3,552,414,674 for 2022. The pages located at the end are those parcels and values by property type.

Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden based on each taxable property's January 1st market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec.23.23), productivity (Sec.23.41), and real property inventory (Sec.23.12), dealer inventory (Sec.23.121, 23.124, 23.1241. and 23.127), and nominal (Sec.23.18) or restricted use properties (Sec.23.83). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the tax year to which the appraisal applies by filing an application with the Chief Appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real and personal property at least once every three years. The district's current policy is to conduct an onsite inspection of real estate on a three-year cycle. However, appraised values are reviewed annually and are subject to change for purposes of equalization. Personal property, business personal property, industrial property, complex commercial property, and utility property values are reviewed or reappraised every year. (See Reappraisal Plan)

The appraisal value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

Personnel Resources

The office of the chief appraiser is primarily responsible for overall planning, organizing, staffing, coordinating and controlling of district operations. The Administration Department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal and industrial. The Appraisal Department is also responsible for the following support groups: review appraisal, productivity valuation and special audit. The district's appraisers are subject to the provision of the Property Taxation Professional Certification Act and must be duly registered with Texas Department of Licensing and Regulations. Support functions including records maintenance, information and assistance to property owners and hearings support are coordinated by support service department.

The appraisal district staff consists of six (6) full-time employees.

- 1 Chief Appraiser
- 1 Fulltime Appraiser
- 1 Office Manager/Bookkeeper
- 1 Bookkeeper
- 2 Tax Clerks

All appraisers are required to be registered with the Texas Department of Licensing and Regulation (TDLR). TDLR registration requires that each appraiser must successfully complete a five-year educational program and pass a required number of course hours within a specified time. Additionally, all appraisers must pass review exams at levels three and four of the certification program. After successfully completing the required curriculum and approval of a demonstration appraisal, and appraiser is awarded the designation of Registered Professional Appraiser (RPA). There is also a requirement of at least 30 hours of continuing education unites every 2 years in order to recertify the RPA and RTA designations. The Deaf Smith County Appraisal District staff stays abreast of current trends affecting property through review of published materials, attendance at conferences, course work and continuing education.

The Board of Directors of the Deaf Smith County Appraisal District has contracted with Morgan Ad Valorem, an appraisal firm to appraise some Commercial, Industrial, Manufacturing, Industrial Personal Property and Miscellaneous improvement schedules, Utility Companies within the boundaries of the appraisal district and conduct ratio studies.

Information Systems

Deaf Smith County Appraisal District implements many technologies as part of the information system. A centralized server is utilized to house all institutional data. This server runs the most

current version of Windows Server 2019. This file/application server runs as a virtual machine, utilizing Microsoft Hyper-V virtualization technology, for disaster recovery purposes. A SQL Server database is used for the core application. Client workstations consist of Windows systems running Windows 10. All patches are updated and installed automatically. Antivirus software is installed on each computer on the network. Antivirus updates and scans are scheduled to run automatically. Network, hardware and software support is outsourced to Harris Govern and BIS Consulting.

Shared Appraisal District Boundaries

Due to passing of House Bill 1010, the appraisal of property ends at the county line.

Deaf Smith CAD has overlapping properties with Castro and Parmer Counties. By agreement, Deaf Smith CAD honors the appraised values from Castro and Parmer for the overlapping properties within their Appraisal Districts, and by agreement, Deaf Smith CAD provides values to Parmer County for the overlapping properties within their Appraisal District.

Philosophy Statement

The Deaf Smith County Appraisal District believes that the most important asset of the district is its people. Every employee is important and deserves to be treated fairly with consideration and respect. Deaf Smith County Appraisal District believes in providing good working conditions and a safe, clean and friendly workplace to help each employee do his or her job effectively. We also believe that every employee has an obligation to develop his or her talents to the fullest.

The Deaf Smith County Appraisal District exists for the purpose of providing services to the property owners and taxing units within our jurisdiction. It is important we recognize our responsibility to provide quality services on a cost-effective basis. Every property owner should be approached in a respectful, positive and friendly manner. Property owners should be assisted in a timely and courteous fashion. Deaf Smith County Appraisal District employees have an obligation as public servants to promote goodwill toward all property owners, not only in a manner but also by example.

Because of the nature of our work, not every property owner will be pleased with the outcome of his or her contact with Deaf Smith County Appraisal District. What is important is that everyone who comes in contact with our office should have a reason to feel that a knowledgeable and qualified person handled his or her matter in a fair and equitable manner.

Assumptions and Limiting Conditions

1. Title to the property is assumed to be good and marketable and the legal description correct.

2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by and provided legal counsel by the Deaf Smith County Appraisal District.
4. All properties are appraised in fee simple interest in accordance with Texas Property Tax Code Section 25.06. (Jurisdictional Exception to Standards Rule 6-4 (c) and 6-5 (c) of USPAP.
5. All sketches in the appraisal records are intended to be visual aids with rounded measurements and should not be construed as surveys or engineering reports, etc.
6. Members of the appraisal district's staff, or other reliable sources, have obtained all information in the appraisal records.
7. The appraisal staff or Morgan Ad Valorem staff have inspected, as permitted, by observation, the land, and the improvements thereon, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters, unless specifically considered in an individual appraisal.
8. All interior inspections are performed at the property owner's request by appointment. All other inspections performed are external and assume the quality. Condition and desirability of the interior are approximately equal to that of the exterior, unless otherwise known.
9. Agricultural land is appraised at market value using a market data model based on market sales information. However, it may also be subject to appraisal using an income model specified in Section 23, Sub-chapters C, D and E of the Property Tax Code. (Jurisdictional Exception to 6-4 (b) of USPAP)
10. Subsurface rights (oil, gas, and other minerals) are not considered in making these appraisals.
11. Due to the lack of zoning, the highest and best use for property is normally considered to be its current use.

The following summary reports are presented to be more specific about the appraisal of various property types withing Deaf Smith County Appraisal District.

Single-Family Residences 2022 Summary Report

Overview

Single-family residences consist of all land and real property improvements, which by the nature of their design and/or construction are suitable for single-family use only. This includes manufactured homes, which are classified as real property when the owner of the land is also the owner of the manufactured home and personal property when the owner of the manufactured home does not own the land.

Assumptions and Limiting Conditions

The appraisals completed by Deaf Smith County Appraisal District for single-family residences are subject to the following assumptions and limiting conditions:

1. The Deaf Smith County Appraisal District's staff has physically inspected all single-family residences within its jurisdiction and normally re-inspects and/or conducts statistical studies on these properties annually. Interior inspections have not been done on many of the properties in the jurisdiction because (1) most residential owners are not at their residence during regular business hours, (2) permission to inspect is not always granted, (3) the safety of the appraiser may be in question, and (4) respect for privacy rights of the property owner should be exercised.
2. The opinion of value for each single-family property applies to land and improvements only. The value of personal property of an owner has not been included with the value of the real estate. The only personal property that is valued as an improvement is a manufactured home where the owner of the home does not own the land. See Sec 11.14 (a) of the Texas Property Tax Code.
3. Residential real property inventory as defined by the Texas Property Tax code in Section 23.12 shall be considered as inventory and the market value shall be the price for which it would sell as a unit to a purchaser who would continue the business. (Jurisdictional Exception to Standard Rule 6-4 (b) of USPAP)
4. Single-family qualified properties used to provide affordable housing are appraised in compliance with Section 23.22 of the Texas Property Tax Code. (Jurisdiction Exception to Standards Rule 6-4 (b) of USPAP)

Data Collection and Validation

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class of property that has been predefined by Deaf Smith County Appraisal District.

Property-specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. Data on individual properties is verified through previously existing records, published reports, building permits, analysis of comparable properties and through submission by the property owner. Appraisal cards are available for review at the appraisal district office.

Data pertaining to a class of properties is grouped together according to the differing quality levels, and then used to develop valuation models for each property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, local contractors, new construction permits, mechanic's liens, reliable sources of new property sales, and from renditions submitted by owners. All local information is used to verify, supplement, or modify costs from these published sources. New models and cost tables are currently under construction and are being used in test areas. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy. A comprehensive appraisal manual for residential property is currently maintained by Deaf Smith County Appraisal District.

Market sales information is collected from a variety of sources including surveys of buyers and sellers, deed records and from local real estate professionals.

Valuation Approach and Analysis

Improvements are appraised using replacement cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if diminished utility and comparable sales are found to justify such. The following equation is the model used by the district:

$$MV = (RCN LD) MA + LV$$

In the formula above, the replacement cost new less depreciation (RCNLD) of the improvements is multiplied by the appropriate neighborhood market adjustment factor (MA) to arrive at a current improvement value. The current improvement value is added to the land value (LV) to arrive at and estimate of market value (MV). Market adjustments will be applied uniformly within neighborhoods to account for market preferences affecting value in each location throughout the district. A market data model based on typical selling prices per unit of area is also used when appropriate sales information is available. Deaf Smith County Appraisal

District recognizes 2 market areas in its jurisdiction: Deaf Smith Rural & Commercial and City of Hereford.

Land values are based on selling prices for the appropriate highest and best use of the site and as though it was vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of the highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

Review and Testing

Field review of appraisal is performed through the regular inspection of subject properties. Ratio studies are performed and are the preferred method for measuring performance. The results of the performance measures used indicate the validity of the appraisal models used. Deaf Smith County Appraisal District's appraisers perform ratio studies for their assigned areas.

Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Appraisal results are also tested bi-annually by the Property Tax Assistance Division (PTAD) of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the PTAD with the MAP review.

Ratio Studies Procedures

- I. Collect and Post Sales Data
 - A. Solicit sales information from all new property owners through sales letters and/or personal contact.
 - B. Collect sales information from outside appraisers and from fee appraisals presented.
 - C. Utilize sales information from Comptroller's office.
 - D. Post sales information to the sales database.
 1. Record actual sale price
 2. Note unusual financing
 3. Note non-arm length participants
 4. Adjust sales price for inclusion of personal property or intangible value

5. Initiate frozen characteristics/partial sale codes if necessary
 - a) Imminent construction/renovation can bias any later analysis by including values not part of the original transaction
 - b) Sale including only a portion of the property described can also produce skewed results

II. Preliminary Analysis

1. Run sales analysis (by type, group, or class) which includes any and all sales collected to date
2. Note median result and COD
3. Examine each sale included
 1. Compare sale ratio to median result
 2. Ratios substantially higher or lower than the median result (outliers) are singled out for further, in-depth analysis
 - a. Note seller-financial institutions, known real estate opportunists, probates, known persons who finance their own transactions
 - b. Note buyer-financial institutions, known real estate opportunists, and relocation companies
 - c. Examine deed records to confirm “arm's length” violations not evident from examination of buyer and seller
 - i. contract for deed
 - ii. assumption of previous note
 - iii. a typical financing
 - d. Re-inspect properties to rule out any physical differences from the current property records
 - e. Outlier sales that cannot be excluded or adjusted due to the reasons given above are nonetheless included in the subsequent analysis

4. Adjust original data set
 1. Omit sales that are not arm's length
 2. Adjust sales values for time or financing if necessary and possible
 3. Adjust appraisal values for physical differences if applicable
- III. Secondary Analysis
- A. Run sales analysis (by type, group, or class) utilizing information from preliminary analysis
 - B. Note median result and COD
 1. Median value may or may not change significantly
 2. COD value should improve
 - C. Note sample size
 1. Compare number of sales within the class to the perceived number of total properties within the class
 2. From experience and discussion among the appraisal staff, determine whether any median result different from 1.00 is significant
 - D. Attempt to increase sample size—if necessary
 1. Utilize time adjustments if determinable
 2. Keep in mind marketing time for local market and any trends
 3. Be careful to not include more sales just for sales sake
 4. Changing markets and trends cannot be reflected in sales that are too old without accurate time adjustments
 - E. Apply results of analysis to current records
 1. Any class whose median value is NOT SIGNIFICANTLY different from 1.00 does not require adjustment.

2. Any class whose median value indicates that an adjustment is necessary should be analyzed.
 - a) Look at typical depreciation (age/condition) for that class as reflected in the sales analysis
 - b) Calculate increase necessary to raise the individual ratios to produce a median result of 1.00 (keeping in mind that because of depreciation, the percentage increase required is going to be necessarily larger than the difference in percentage points needed to reach a 1.00 result)
 - c) Apply the calculated increase to the database

3. Repeat procedure for all classes determined to need adjustment

F. Run analysis again to test results

IV. Examine results to identify neighborhoods that need adjustment

- A. As individual sales are examined, note any areas/neighborhoods/sub-divisions that consistently show ratios significantly different from the median result
- B. Run analysis excluding the area in question
- C. Run analysis including only the neighborhood in question
- D. Check for significant variance between the two results
- E. Apply neighborhood factor to correct variance

Multi-Family Properties 2022 Summary Report

Overview

Multi-family properties with situs in this district are appraised at market value as previously defined.

Assumptions and Limiting Conditions

The appraisal value derived is subject to the following assumptions and limiting conditions:

1. For multi-family properties only, the market value stated is for land, improvements and the personal property common to the classification and economic area. The business personal property value is insignificant to the overall value.
2. The Deaf Smith County Appraisal District's field appraiser has physically inspected all apartment complexes and duplex properties within its jurisdiction.
3. For a multi-family property that is used to provide affordable housing, the property is appraised to comply with the Texas Property Tax Code Section 23.22. (Jurisdictional Exception to Standard 6-2(d) of USPAP)

Data Collection and Validation

Two basic types of data collected: data which is specific to each property and data which is indicative of a particular property class that has been predefined by Deaf Smith County Appraisal District.

The property appraised has multi-family use. This classification of properties includes apartment complexes and duplex properties. Properties of this classification are discovered, and their characteristics recorded during field inspections, investigation of building permits issued through political entities and investigation of mechanic's liens recorded with the county clerk. Geographically, these properties are located throughout the county.

Specific property data is collected at the time of inspection or re-inspection and through submissions by property owners. Characteristics of a specific property's physical improvements and amenities are recorded and stored electronically and may be printed on an appraisal card(s). Appraisal cards are available for review at the appraisal district office.

Sales data is taken from deed records, local real estate professionals, written appraisal reports and telephone contact with principles. Sales are validated with the principles when possible. Sales data from properties is account-specific and retained electronically.

General market data is gathered from multiple sources. Environmental, economic, political, and social influences vary geographically and by property use. Neighborhoods have been delineated to reflect competing properties within a use and the influences on that use. Apartment properties were assigned a comparative classification in the inspection process. Duplexes are classed in compliance with predefined classing criteria.

Valuation Approach and Analysis

Based on the principle of substitution, land values are determined by selling prices for similarly positioned functional tracts. Sites are analyzed for highest and best use as though they were vacant. Highest and best use of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of the highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

A value per unit is charted and stratified by neighborhood and comparative class. A sales value per unit is also charted by neighborhood and comparative class for recent sales. Acceptable ranges of value are established for these comparative units. Preliminary property values are adjusted to meet with agreed ranges and then unique property considerations are addressed.

Review and Testing

Field reviewer of appraisals, performed through the regular inspection of subject properties. Ratio studies are reviewed for level of appraisal (measurements of ventral tendency and dispersion), bias and appropriateness of neighborhood boundaries. Results of the performance measures used indicate the validity of the appraisal models.

Preliminary values are reviewed in consideration of classification and neighborhood. Value indications are compared to renditions and valid single property appraisals submitted for staff review. The appraiser reviews the submitted appraisal report to confirm and verify data as would be done with a sale. Final value recommendations are tested for reasonableness by performing a sales ratio study and individually during the appeal process. During the appeal process, property specific income and expenses are reviewed for reasonableness and values are adjusted as necessary.

Appraisal results are tested bi-annually by the PTAD of the Comptroller of Public Accounts for the State of Texas. Appraisal methods and procedures are also reviewed by the PTAD through the MAP review.

Commercial Property 2022 Summary Report

Overview

This type of property consists of all land and improvements in Deaf Smith County that are classed “commercial” according to the properties highest and best use.

Assumptions and Limiting Conditions

The appraisals completed by Deaf Smith County Appraisal District are subject to the following assumptions and limiting conditions:

1. The opinion of value for each property applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
2. The Deaf Smith County Appraisal District’s staff and Morgan Ad Valorem field appraisers have physically inspected all properties within its jurisdiction and normally re-inspects and/or conducts statistical studies on these properties annually. Complete interior inspections have not been done on many of the properties.

Data Collection and Validation

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class of property that has been predefined by Deaf Smith County Appraisal District.

Property-specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. Properties are classified according to construction type and quality. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. The data includes legal description, situs, owner address, parcel number and property-specific information such as class, quality, measurements, condition, etc. Data on individual properties is verified through previously existing records, published articles and reports, building permits, mechanic’s liens, analysis of comparable properties and through information obtained from the property owner. Appraisal cards are available for review at the appraisal office.

Data pertaining to a class of properties is used to develop valuation models for that property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, as well as from new construction permits, mechanic’s liens, local

contractors, reliable sources of sales on new property and renditions submitted by the property owners. Cost information on newly constructed improvements is also used to verify and/or modify costs from published sources. A comprehensive appraisal manual for commercial property is currently under construction for the Deaf Smith County Appraisal District. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy. Market sales information is collected through surveys of buyers and sellers in addition to public records.

Valuation Approach and Analysis

Land values are based on selling prices for the appropriate highest and best use of the site analyzed as though vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of the highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

Improvements are valued using replacement/reproduction cost new less depreciation. Cost tables are drawn using published sources as a guide and adjustments are applied using local market information. Adjustments are also applied for functional and economic obsolescence if utilization, sales, and income information warrant. An income approach is also used when economic and/or subject property income information is available. A market data model based on typical selling prices per unit of similar properties is used when sufficient information is available.

The cost approach to value is most accurate and reliable when appraising new construction. In older areas or areas of transition, cost is calculated and considered. However, due to the difficulty of measuring accrued depreciation, more weight is applied to the market and income approaches.

Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. A computer-generated statistical review is also conducted. The statistical report includes appraisal to sales ratio, coefficient of dispersion and other statistical measures. The performance measures used validate the results of the appraisal model.

Although the ratio study is the preferred method of measuring performance, single property appraisals submitted to the appraisal staff are also reviewed for appraisal accuracy. Appraisal results are tested by the Property Tax Division of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the Property Tax Division. Deaf Smith County Appraisal District contracts with Morgan Ad Valorem for Annual reappraisal of some real property in the commercial and industrial property types.

Business Personal Property 2022 Summary Report

Overview

Business personal property is the tangible personal property owned by a business or by an individual for the purpose of producing income. Other tangible personal property is exempt according to Sec. 11.14 (a) of the Texas Property Tax Code.

Assumptions and Limiting Conditions

The appraisals completed by the Deaf Smith County Appraisal District are subject to the following assumptions and limiting conditions:

The Deaf Smith County Appraisal District's staff and Morgan Ad Valorem field appraisers have physically inspected all properties within its jurisdiction and normally inspects and/or compares renditions and the Comptroller's list of active businesses report on these properties annually.

Data Collections and Validation

Data on new and existing businesses is collected through personal inspection, newspaper articles, government reports, comparisons to like businesses, renditions and other confidential information supplied by the owner. Due to the multitude of personal property types, there is no standard data collections form or manual.

Valuation Approach and Analysis

Personal property as defined by the Uniform Standards of Professional Appraisal Practice is "identifiable, portable and tangible objects which are considered by the general public to be 'personal', e.g., furnishings, artwork, antiques, gems, jewelry, collectibles, machinery and equipment: all property that is not classified as real estate" ...personal property that can be seen, weighed, measured, felt or otherwise perceived by the senses, but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim or right and has negligible or no intrinsic value." The Texas Property Tax Code Section 1.04(4) defines personal property as "...property that is not real property."

The purpose of the appraisals of business personal property is to estimate market value on January 1 of each year as previously defined in the introduction. A separate definition of market value for inventory is found in the Texas Property Tax Code Sec. 23.12(a), "...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business." The Texas Property Tax Code sets forth three ways in which inventory may be valued if the requirements are met:

1. Sec. 23.12(f) allows some inventories to qualify for appraisal as of September 1 of the year before January 1 of the taxable year.
2. Sec. 23.121, 23.127, 23.1241 and 23.12D dictate that dealers in new and used vehicles, vessels, outboard motors and trailers, manufactured housing and heavy equipment be valued differently. (Jurisdictional Exception to Standard Rule 6-3 (b) & (c))
3. Sec. 23.12(a) covers the inventories of remaining businesses.

Personal property is appraised using original cost less depreciation models. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization for the subject property justifies such. In the case of some personal property types such as licensed vehicles and aircraft, market data from published pricing guides is used to construct a market value model. In other cases, models are based on quality and density information available through published sources or through private sources. These models are cost based.

Review and Testing

Field review of appraisals is performed through the inspection of subject properties.

Sales for most types of personal property are infrequent. Furthermore, many market transactions occur for multiple sites and include real and personal property, tangible, and intangible, thereby making analysis difficult, subjective, and inadequate to develop a statistical analysis. Performance is measured through comparison of like businesses as well as applying quality and density models to units of comparison. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. The appraiser considers the submitted appraisal report by confirming and verifying data as would be done with a sale. Deaf Smith County Appraisal District's appraisal methods and procedures and values are subject to review by the Property Tax Division of the Texas Comptroller's Office. The results of this review indicate the validity of the models and calibration techniques employed by Deaf Smith County Appraisal District.

Deaf Smith County Appraisal District contracts with Morgan Ad Valorem for the appraisal of industrial business personal property. Morgan Ad Valorem uses Marshall Swift valuation information for most personal property values. Their appraisals are reviewed by Deaf Smith County Appraisal District.

Agricultural Valuation Process

Introduction

Appraisal Responsibility

This mass appraisal assignment includes all the agricultural classed real property & land which falls within the boundaries of the Deaf Smith County taxing jurisdiction.

Appraisal Resources

Data Collection – The data used by the ag appraiser includes verified sales of vacant land, improved properties and the pertinent data obtained from each.

Methods:

1. Market Value
2. Ag Value (rural property may be appraised by its productivity if it qualifies)

1. Market Value is derived by using sales comparable land. (Sales Approach)
2. Ag Value (income approach) is based on the land's capacity to produce agricultural products. "Sec. 23.41. The value of land is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year." – *Texas Property Tax Code*. Income capitalization is figured by dividing the net income by the capitalization rate.

The capitalization rate is 10% or the interest rate specified by the Farm Credit Bank of Texas or its successor on December 31 of the preceding year plus 2.5 percentage points, whichever is greater.

Net income or net to land is calculated by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical for the area, and all expenses directly attributable to the agricultural use of the land subtracted from the owner income.

Income of all crops typical to this area is calculated including dryland and irrigated crops. Types of income considered include production, government payments and insurance proceeds. Sources for this information are the Texas Agricultural Extension Service, Farm Service Agency, and Texas Agricultural Statistics Service.

Expenses are taken from budgets compiled by the Texas Agricultural Extension Service. The actual expenses provided by local landowners can be used if proper documentation is provided.

Industrial Valuation Process

INTRODUCTION

Appraisal Responsibility

The contract appraiser of the Morgan Ad Valorem Services, Inc. appraisal firm is responsible for developing fair, uniform market values for improved industrial properties. James is in Deaf Smith County.

Appraisal Resources

- Personnel – Deaf Smith CAD contracts with the Morgan Ad Valorem Services, Inc. Appraisal Firm to value properties for which the district does not have the available personnel or resources.
- Data – The contract appraisal staff inspect their assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property. In addition, appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factors that drive the appraised value.

Data Collection/Validation

Data Collection Procedures

The district and contract appraisal personnel annually or periodically visit assigned plants. The frequency of the visit is determined by the nature of the business conducted at each facility.

The appraisers take with them the historical data on the buildings and site improvements and the previous listing of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

The nature of the business and whether the district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the district's appraisal staff. New district appraisers are trained by accompanying appraisers who have performed field visits and appraisals.

Attached is a copy of Morgan Ad Valorem Services Inc.'s contract with the appraisal district.

Certification

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is the appraisal staff's personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, save and except the ownership of my personal residence and personal auto. I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on the reporting of a predetermined value, or direction in value, that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Personal inspections are made by me, my staff and outside appraisal firms.
- Persons providing significant professional assistance to the person signing this report are listed below:

Danny Jones, Chief Appraiser
Mark Powers, Deputy Chief Appraiser
Anthony Soto, Office Manager
Jeanette Browning, Bookkeeper
Daniel Rico, Collection Clerk/Data Entry
Miranda Barrientos, Collection Clerk/Data Entry
James Morgan, Morgan Ad Valorem

Danny Jones, RPA, RTA
Chief Appraiser

Assumptions and Limiting Conditions

Unless otherwise stated, all appraisal reports are subject to the following assumptions and limiting conditions:

- The appraiser does not render any opinion as to the title of the appraised property and assumes no responsibility for matters of a legal nature affecting the property. It is assumed that the title is good and marketable.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report. It is assumed that all required licenses, certificates of occupancy, consents or other legislature or administrative authority from any local, state, national government, private entity, or organization have been or can be obtained or received for any use on which the value estimate contained in this report is based.
- It is assumed there is full compliance with all requirements of Title III, of the American with Disabilities Act (ADA), which became effective January 26, 1992, unless non-compliance is stated, defined, and considered in the appraisal report. The appraiser for any such conditions, or for any expertise assumes no responsibility or architectural design knowledge and cost required to identify such noncompliance. Although the appraiser may have observed some items of possible noncompliance, a comprehensive list with related cost has not been developed. The value estimate is predicated on the assumption that there is not curable or incurable functional obsolescence, or related cost-to-cure imposed by the regulations of this law unless otherwise stated in the report.
- The property is appraised as though operated under competent and responsible ownership and management.
- Value of the subject property is predicated upon an all-cash basis of the effective appraisal date.
- The value is estimated under the assumption that there will be no intentional, nor domestic, political, economic, or military actions that will seriously affect real estate values throughout the country.
- Certain information concerning market and operating data, as well as data pertaining to the property appraised was obtained from other and/or based on observation. This information is verified and checked, where possible, and is used in the appraisal, only if it is believed to be reasonably correct and accurate. However, such information is not guaranteed, and no liability is assumed resulting from possible inaccuracies or errors regarding such information or estimates.
- Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the subject property will sell for such amounts.

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

<u>NAME</u>	<u>TITLE</u>	<u>TDLR NUMBER</u>
Danny Jones	Chief Appraiser	63174
Mark Powers	Assistant Chief Appraiser	64842
James Morgan	Morgan Ad Valorem Inc. (MASI)	69494