



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-use. 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.

PROPERTY RECORD CARD – EXAMPLE

General Information				Plumbing				Cost Ladder															
Occupancy	Single-Family			#	TF			1	7	2250	2250	\$249,700				Totals							
Description	Single-Family R 01			Full Bath	2	6																	
Story Height	1			Half Bath	0	0																	
Style	41 - Township Group 1			Kitchen Sinks	1	1																	
Finished Area	2250 sqft			Water Heaters	1	1																	
Make				Add Fixtures	1	1																	
Floor Finish				Total	5	9																	
☐ Earth	☒ Tile																						
☐ Slab	☒ Carpet																						
☒ Sub & Joist	☐ Unfinished																						
☐ Wood	☐ Other																						
☐ Parquet																							
Wall Finish																							
☒ Plaster/Drywall	☐ Unfinished																						
☐ Paneling	☐ Other																						
☐ Fiberboard																							
Roofing																							
☐ Built-Up	☐ Metal	☒ 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																					
Summary of Improvements																							
Description	Story Height	Constr Type	Grade	Year Built	Eff Year	Eff Age	Co Age	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.