

August 11, 2011

**USABILITY CODES FOR QUALIFICATION OF SALES  
IN THE STATE SALES FILE**

**Purpose.** To advise county assessors of the usability coding necessary for qualification of sales in the state sales file.

**Procedure and Implementation.** The following usability codes must be used by the county assessor for classifying sales as qualified or non-qualified for the state sales file and the annual ratio study.

*Usability Code (1)* is used for arm's length transactions (sales) between two or more parties, both of whom sought to maximize their position from the sale. These sales are qualified for use in the ratio study.

*Examples:* Property sold after receiving competing offers in an open market environment; and private sales in which both the buyer and seller were knowledgeable about the conditions of the sale and acting in their own best interest.

*Usability Code (2)* is used for arm's length transactions in which sale price adjustments are necessary to reflect the actual value paid for the real property. The reason for the adjustment must be noted in the assessor comments section of the sales file. These sales, as adjusted, are qualified for use in the ratio study. Caution should be exercised to ensure the amount adjusted for personal property reflects its value contribution to the sale.

*Example:* Transactions in which the price paid for personal property was reflected in the price paid for the real property on line 24 of the Real Estate Transfer Statement, [Form 521](#).

*Usability Code (3)* is used for arm's length transactions of parcels that have changed physically, legally, or economically after the sale. This change substantially affects the market value of the parcel, so the parcel as assessed no longer represents the characteristics of the parcel when it sold. A description of the change to the parcel must be noted in the assessor comments section of the state sales file. Substantially changed sales will not be used in the ratio study unless an insufficient sample exists and a value can be developed from the valuation model to represent the parcel as it existed when sold.

*Examples:* Sales of property in which the improvement on the parcel at the time of sale is removed and a new improvement is built in its place; sales of property in which the improvements have been remodeled after the sale, adding significant market value to the parcel; and sales of agricultural land in which trees are removed from the grass land, a pivot is installed, and the land becomes irrigated.

**Usability Code (4)** is used for non-arm's length transactions. The reason for the sale being considered a non-arm's length transaction and excluded from the ratio study must be noted in the assessor comments section of the state sales file. These sales are non-qualified and will not be used in the ratio study, unless the Department of Revenue, Property Assessment Division (Division), or the county assessor has determined that these kinds of sales are representative of the current market.

*Examples:* Distressed sales; transactions involving partial interests; sales between family members; and sales to religious or charitable organizations in which an element of philanthropy is involved.

**Usability Code (5)** is used for arm's length transactions that are not reliable for use as a comparison to similarly classified parcels. A description of the parcel sufficient to identify the reason for the coding must be noted in the assessor comments section of the state sales file. These sales are non-qualified and will not be used in the ratio study.

*Examples:* Sales of agricultural or horticultural land receiving special value; sales of unique property that do not have a constituency in the population of parcels; and sales of real property in which the value attributable to the going business or personal property is an excessive portion of the total sale price or cannot be reliably determined through verification.

All sales are considered qualified sales unless sufficient information is available to prove otherwise. Non-qualified sales and adjustments to sales may not be recorded unless the sale has been verified pursuant to professionally-accepted mass appraisal techniques and determined to be non-qualified or necessary to adjust. *The Standard on Verification and Adjustment of Sales* (2010), published by the International Association of Assessing Officers, is a professional standard that may be used as a resource in conducting sales verifications.

The Division will make sure usability codes are properly assigned to ensure the ratio studies are based upon an unbiased sample of the real estate market. Additionally, the Division will examine unique sales in the Usability Code (5) classification to ensure the sales are truly unique and do not represent a subclass of the population of parcels. Periodic inspection of verification practices and inquiries regarding specific sales may be conducted by the Division to ensure compliance with this Directive.

APPROVED:

/s

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August 11, 2011

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/s

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August 11, 2011