

**State of Florida**

**REFERENCE MATERIALS  
INCLUDING GUIDELINES**

**For Consideration By  
Value Adjustment Boards  
In Conjunction With  
The Uniform Policies and Procedures Manual and  
Other Legal Resources Including Statutory Criteria**

**Florida Department of Revenue  
Revised May 2010**

## **Introduction**

The set of documents titled “Reference Materials Including Guidelines,” contains the following items:

1. Taxpayer brochure
2. General description and internet links to the Department’s training for value adjustment boards and special magistrates;
3. Recommended worksheets for lawful decisions;
4. The Florida Real Property Appraisal Guidelines;
5. The Florida Tangible Personal Property Appraisal Guidelines;
6. The Florida Classified Use Valuation Guidelines for Agricultural Property; and
7. Internet links to Florida Attorney General Opinions, Government in the Sunshine Manual, PTO Bulletins and Advisements, and other reference materials.

These reference materials are for consideration, where appropriate, by value adjustment boards and special magistrates in conjunction with the Uniform Policies and Procedures Manual and with the Other Legal Resources Including Statutory Criteria. The items listed above do not have the force or effect of law as do provisions of the constitution, statutes, and duly adopted administrative rules.

Along with the Uniform Policies and Procedures Manual, this set of documents will be made available on the existing website of the value adjustment board clerk in each of the 67 counties and on the website of the Florida Department of Revenue. The Department requests that value adjustment board clerks retain and use the title “Reference Materials Including Guidelines” when placing this set of documents on their websites.

The Department’s guidelines are intended by law as aid and assistance for the production of original assessment rolls by property appraisers. While value adjustment boards and special magistrates are not authorized to produce original assessments, they are authorized to conduct administrative reviews of assessments that include establishing revised assessments when required by law. Therefore, within the scope of their authority, value adjustment boards and special magistrates may consider these guidelines, where appropriate, in the administrative review of assessments produced by property appraisers. These guidelines must be used in conjunction with the Uniform Policies and Procedures Manual and with the Other Legal Resources Including Statutory Criteria.

### **Statutory Provisions Describing the Department’s Guidelines for Property Appraisers**

Section 195.032, Florida Statutes, states the following: *“In furtherance of the requirement set out in section 195.002, the Department of Revenue shall establish and promulgate standard measures of value not inconsistent with those standards provided by law, to be used by property appraisers in all counties, including taxing districts, to aid and assist them in arriving at assessments of all property. The standard measures of value shall provide guidelines for the valuation of property and methods for property appraisers to employ in arriving at the just valuation of particular types of property consistent with sections 193.011 and 193.461. The*

**Reference Materials Including Guidelines for Consideration by Value Adjustment Boards  
In Conjunction With the Uniform Policies and Procedures Manual: Rev. May 2010**

*standard measures of value shall assist the property appraiser in the valuation of property and be deemed prima facie correct, but shall not be deemed to establish the just value of any property. However, the presumption of correctness accorded an assessment made by a property appraiser shall not be impugned merely because the standard measures of value do not establish the just value of any property.”*

Section 195.062(1), Florida Statutes, states the following: “*Consistent with section 195.032, the standard measures of value shall be adopted in general conformity with the procedures set forth in section 120.54, but shall not have the force or effect of such rules and shall be used only to assist tax officers in the assessment of property as provided by section 195.002.*”

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**For Use by Value Adjustment Boards  
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**TRAINING FOR VALUE ADJUSTMENT  
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**RECOMMENDED WORKSHEETS FOR WRITTEN DECISIONS:**

**GUIDELINES:**

**Florida Real Property Appraisal Guidelines (FRPAG), 2002, 12D-51.003**

**Tangible Personal Property Appraisal Guidelines, 1997, 12D-51.002**

**Classified Use Real Property Guidelines, Standard Assessment Procedures  
and Standard Measures of Value, Agricultural Guidelines, 1982, 12D-51.001**

**OTHER REFERENCE MATERIALS:**

**See Last Page With Internet Links**

## **TAXPAYER BROCHURE:**

This document is currently under review and revision to make sure the information is up-to-date.

**TRAINING FOR  
VALUE ADJUSTMENT BOARDS  
AND SPECIAL MAGISTRATES:**

The statutory training for value adjustment boards and special magistrates is located on the Internet at the address below. **NOTE: This training is currently under revision for 2010.**

<http://dor.myflorida.com/dor/property/vab/>

Questions regarding this training should be sent to the following email address:

[VABTraining@dor.state.fl.us](mailto:VABTraining@dor.state.fl.us)

**RECOMMENDED WORKSHEETS  
FOR WRITTEN DECISIONS:**

These documents are under development.

**RULES OF THE  
STATE OF FLORIDA  
DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION  
PROGRAM**

**CHAPTER 12D-51**

**STANDARD ASSESSMENT PROCEDURES  
AND STANDARD MEASURES OF VALUE;  
GUIDELINES**

**12D-51.003 Florida Real Property Appraisal  
Guidelines.**

**12D-51.003 Florida Real Property  
Appraisal Guidelines.** Pursuant to section  
195.062, F.S., this rule shall give notice that these  
guidelines are available from the address given  
below. These guidelines do not have the force and  
effect of rules. These guidelines are entitled:

Florida Real Property Appraisal Guidelines  
Rev. 11/26/02

Copies of these guidelines may be obtained from  
the Department of Revenue, Property Tax  
Administration Program, P.O. Box 3000,  
Tallahassee, Florida 32315-3000 and may be found  
on the Internet at

<http://www.myflorida.com/dor/property/>.

Specific Authority 195.027(1), 195.032, 213.06(1)  
FS. Law Implemented 195.032, 195.062, 213.05  
FS. History--New 12-30-02.



# The Florida Real Property Appraisal Guidelines

Adopted  
November 26, 2002

FLORIDA DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION PROGRAM

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## 1.0 INTRODUCTION

**1.1 Overview and Specific Authority.** Section 4, Article VII, of the Florida Constitution, requires a just valuation of all real property for ad valorem taxation, with certain exceptions. Section 1(d), Article VIII, of the Florida Constitution, provides for the voters of each county to elect a Property Appraiser every four years. Florida Property Appraisers have the statutory responsibility to list and appraise all real property in each county each year for purposes of ad valorem taxation. The Florida Department of Revenue is a state administrative agency with the statutory responsibility of general supervision of the assessment and valuation of real property for purposes of ad valorem taxation. The functions of Property Appraisers and the Department of Revenue are distinct and separate. Sections 195.062(1), 195.002(1), and 195.032, Florida Statutes, contain a requirement for the Department of Revenue to develop and promulgate real property appraisal guidelines to aid and assist Florida Property Appraisers in the performance of their valuation responsibilities. These statutes describe the specific authority and legislative intent for the development and promulgation of these real property appraisal guidelines, as well as the scope of their legislatively intended use.

Section 195.062(1), Florida Statutes, states the following: *“The department shall prepare and maintain a current manual of instructions for property appraisers and other officials connected with the administration of property taxes. This manual shall contain all:*

- (a) Rules and regulations.*
- (b) Standard measures of value.*
- (c) Forms and instructions relating to the use of forms and maps.*

*Consistent with section 195.032, the standard measures of value shall be adopted in general conformity with the procedures set forth in section 120.54, but shall not have the force or effect of such rules and shall be used only to assist tax officers in the assessment of property as provided by section 195.002.”*

Section 195.002(1), Florida Statutes, states the following: *“The Department of Revenue shall have general supervision of the assessment and valuation of property so that all property will be placed on the tax rolls and shall be valued according to its just valuation, as required by the constitution. It shall also have supervision over tax collection and all other aspects of the administration of such taxes. The supervision of the department shall consist primarily of aiding and assisting county officers in the assessing and collection functions, with particular emphasis on the more technical aspects. In this regard, the department shall conduct schools to upgrade assessment skills of both state and local assessment personnel.”*

Section 195.032, Florida Statutes, states the following: *“In furtherance of the requirement set out in section 195.002, the Department of Revenue shall establish and promulgate standard measures of value not inconsistent with those standards*



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*provided by law, to be used by property appraisers in all counties, including taxing districts, to aid and assist them in arriving at assessments of all property. The standard measures of value shall provide guidelines for the valuation of property and methods for property appraisers to employ in arriving at the just valuation of particular types of property consistent with sections 193.011 and 193.461. The standard measures of value shall assist the property appraiser in the valuation of property and be deemed prima facie correct, but shall not be deemed to establish the just value of any property. However, the presumption of correctness accorded an assessment made by a property appraiser shall not be impugned merely because the standard measures of value do not establish the just value of any property.”*

Section 193.011, Florida Statutes, contains the eight factors (see section 2.1.2) that Property Appraisers shall consider in arriving at just valuation as required by the Florida Constitution, and Section 193.461, Florida Statutes, pertains to classified use of agricultural property. In the standard measures of value section of the manual of instructions referenced above, there are four components: 1) the tangible personal property appraisal guidelines; 2) the classified use guidelines for agricultural property; 3) the real property appraisal guidelines; and 4) the real property market area guidelines. The first two of these four documents have been recently updated by the Department of Revenue, and this document is the real property appraisal guidelines. The last of these four documents, the real property market area guidelines, is planned for development after promulgation of the real property appraisal guidelines.

**1.2 Statutory Focus on the Mass Appraisal Process.** Section 193.023(3), Florida Statutes, states the following: *“In revaluating property in accordance with constitutional and statutory requirements, the property appraiser may adjust the assessed value placed on any parcel or group of parcels based on mass data collected, on ratio studies prepared by an agency authorized by law, or pursuant to regulations of the Department of Revenue.”* Section 195.095(2), Florida Statutes, refers to *“mass data reappraisals”* in the context of Property Appraisers contracting with persons or firms for assessment services. These statutory references to *“mass data collected,” “ratio studies,”* and *“mass data reappraisals”* reflect legislative recognition that the valuation activities of Florida Property Appraisers should be focused on the mass appraisal process. See sections 2.2 and 2.3 for additional information on the applicability of mass appraisal.

**1.3 Description of Guidelines.** The term “guideline” is defined as an indication or outline of policy or conduct. Section 195.062(1), Florida Statutes, states that these real property appraisal guidelines shall not have the force or effect of administrative rules. Therefore, these guidelines are not rules as defined by the Florida Administrative Code, and it is not the intent of the Department of Revenue for these guidelines to be interpreted as rules. Other than the applicable provisions of Florida law, manual of instructions, and regulatory requirements, the use of these guidelines is left to the discretion of Property Appraisers.

There is considerable latitude for implementing these real property appraisal guidelines. They are not meant to infringe on the administrative processes necessary to perform the annual real property appraisal process in substantial compliance with

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Florida law, administrative rules, and regulatory requirements. There are different ways to achieve valid just valuations of real property without violating generally accepted appraisal methods. The required scope of the components of the appraisal process will vary among the diverse real property markets within Florida's 67 counties. It is recognized that resources (e.g., availability of information, equipment, and personnel) differ among Florida counties and may affect how the appraisal process is specifically applied. However, other factors being equal, general application of these guidelines in Florida counties having different market situations and different resources should yield substantially similar results.

**1.4 Purposes of These Guidelines.** There are three purposes of these real property appraisal guidelines: 1) to aid and assist Florida Property Appraisers in determining just valuations of real property for ad valorem tax purposes; 2) to promote and help facilitate the accuracy and equity of just valuations of real property for ad valorem tax purposes, both within and between counties; and 3) to meet the Florida Department of Revenue's statutory obligation to aid and assist Florida Property Appraisers by promulgating appraisal guidelines as referenced in Sections 195.062(1), 195.002(1), and 195.032, Florida Statutes.

**1.5 Intended Users of These Guidelines.** Based on the provisions in Sections 195.062(1), 195.002(1), and 195.032, Florida Statutes, the primary intended users of these real property appraisal guidelines are Florida Property Appraisers and their staff. Secondary users of these guidelines may include taxpayers, other government agencies, and other interested parties. See sections 1.6, 1.7, and 1.8 below.

**1.6 Intended Uses of These Guidelines.** The primary intended use of these real property appraisal guidelines is for Florida Property Appraisers and their staff to use them as a training document and as aid and assistance to enhance the accuracy and equity of just valuations of real property, both within and between counties, for ad valorem tax purposes. Subject to the provisions and limitations specified in sections 1.7 and 1.8, the secondary intended use is for both primary and secondary users to consider these guidelines as a source of basic knowledge and understanding of real property appraisal for ad valorem tax purposes in the State of Florida.

**1.7 Uses For Which These Guidelines Are Not Intended.** These real property appraisal guidelines were not developed and are not intended to be used as the complete reference source on any of the following or similar subjects: valuation theory, approaches, methods, or procedures; assessment administration; or applicable provisions of Florida law, manual of instructions, or regulatory requirements. Further, these guidelines were not developed and must not be used as the basis for the legal rights and responsibilities of participants in the real property appraisal process for ad valorem tax purposes in the State of Florida.

**1.8 Organization and Content of These Guidelines.** In order to facilitate relevance and understandability, much of this document is organized around the annual real property mass appraisal process as influenced by the applicable provisions of Florida law, manual of instructions, and regulatory requirements. This document is organized into 16 sections addressing the background knowledge and

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steps for producing just valuations of real property in substantial compliance with Florida law, administrative rules, and regulatory requirements. These guidelines are not intended to replicate existing textbooks on real property appraisal and, therefore, do not contain all of the knowledge required by the primary intended users. This document should be used in conjunction with other applicable sources of professional knowledge.

**1.9 Sources of Information and Expertise for These Guidelines.** The footnotes and addendum to this document reference the primary sources of published information, from both the appraisal and legal perspectives, used to develop these guidelines. The reference to information from a particular source does not imply that all information from such source is applicable to the appraisal of real property for ad valorem tax purposes in the State of Florida. Other sources of information considered in the development of these guidelines include the following: 1) professional consultants hired by the Department of Revenue; 2) the Property Tax Administration Task Force (included representatives of a wide variety of Florida stakeholders); 3) Florida taxpayers and their representatives; 4) Florida Property Appraisers and their representatives; and 5) Department of Revenue appraisal staff and legal staff.

**1.10 Other Sources of Appraisal Guidance.** Florida Property Appraisers may use other sources of appraisal guidance such as Standard 6 on Mass Appraisal of the Uniform Standards of Professional Appraisal Practice (USPAP), published by the Appraisal Foundation, but only to the extent that such other sources do not conflict with Florida law, manual of instructions, and regulatory activities. Users of USPAP Standard 6 are cautioned that parts of that standard apply only to the mass appraisal of personal property or only to the mass appraisal of real property for purposes other than ad valorem taxation. The distinction between the mass appraisal of real property for ad valorem purposes and for other purposes is relevant because the USPAP Jurisdictional Exception may apply to several sections of Standard 6 and because the mass appraisal reporting provisions within Standard 6 are different for mass appraisals done for ad valorem tax purposes.<sup>1</sup>

## **2.0 FOUNDATIONS OF MASS APPRAISAL IN FLORIDA**

**2.1 Legal and Regulatory Foundations.** Since the annual real property appraisal process in the State of Florida for ad valorem tax purposes is necessarily a governmental function, this process has foundations in Florida law, administrative rules, and regulatory activities.

**2.1.1 Florida Constitution.** The Florida Constitution is an organized system of fundamental principles for the government of the state; it is of a permanent and general nature and originates from the people rather than from the Legislature. Section 1(d), Article VIII, of the Florida Constitution, provides for the voters of each county to elect a Property Appraiser every four years. Section 4, Article VII, of the

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<sup>1</sup> Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington, DC: The Appraisal Foundation, 2002), pages 45 and 52.

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Florida Constitution, requires a just valuation of all real property for ad valorem taxation.

**2.1.2 Florida Statutes.** The Florida Statutes are a permanent collection of state laws organized by subject area into a code made up of titles, chapters, parts, and sections. Chapters 192, 193, and 195, Florida Statutes, contain provisions relevant to the development and use of these real property appraisal guidelines. As described in section 1.1 of this document, Sections 195.062(1), 195.002(1), and 195.032, Florida Statutes, provide the specific authority and legislative intent for the development and use of these guidelines. Section 193.011, Florida Statutes, provides direction to Florida Property Appraisers for the just valuation of real property for ad valorem tax purposes; this section is presented below in its entirety.<sup>2</sup>

***“Factors to consider in deriving just valuation.--In arriving at just valuation as required under s. 4, Art. VII of the State Constitution, the property appraiser shall take into consideration the following factors:***

*(1) The present cash value of the property, which is the amount a willing purchaser would pay a willing seller, exclusive of reasonable fees and costs of purchase, in cash or the immediate equivalent thereof in a transaction at arm's length;*

*(2) The highest and best use to which the property can be expected to be put in the immediate future and the present use of the property, taking into consideration any applicable judicial limitation, local or state land use regulation, or historic preservation ordinance, and considering any moratorium imposed by executive order, law, ordinance, regulation, resolution, or proclamation adopted by any governmental body or agency or the Governor when the moratorium or judicial limitation prohibits or restricts the development or improvement of property as otherwise authorized by applicable law. The applicable governmental body or agency or the Governor shall notify the property appraiser in writing of any executive order, ordinance, regulation, resolution, or proclamation it adopts imposing any such limitation, regulation, or moratorium;*

*(3) The location of said property;*

*(4) The quantity or size of said property;*

*(5) The cost of said property and the present replacement value of any improvements thereon;*

*(6) The condition of said property;*

*(7) The income from said property; and*

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<sup>2</sup> This statute requires the Property Appraiser to consider each of these eight criteria, but it does not necessarily require the Property Appraiser to use any particular criteria. These criteria are to be *considered*, but need not be *used*, by the Property Appraiser in just valuations of real property. See Bystrom v. Whitman, 488 So.2d 520, 521 (Fla. 1986).

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*(8) The net proceeds of the sale of the property, as received by the seller, after deduction of all of the usual and reasonable fees and costs of the sale, including the costs and expenses of financing, and allowance for unconventional or atypical terms of financing arrangements. When the net proceeds of the sale of any property are utilized, directly or indirectly, in the determination of just valuation of realty of the sold parcel or any other parcel under the provisions of this section, the property appraiser, for the purposes of such determination, shall exclude any portion of such net proceeds attributable to payments for household furnishings or other items of personal property.”*

The weight given to each of these factors is left to the discretion of Property Appraisers.<sup>3</sup> The addendum to this document contains descriptions of Florida case law applicable to each of the eight factors listed above. Other relevant statutes are presented elsewhere in this document where appropriate.

**2.1.3 Florida Administrative Code.** The Florida Administrative Code is a compilation of the rules and regulations of state agencies that have been filed with the Department of State pursuant to the provisions of Chapter 120, Florida Statutes. Section 195.027(1), Florida Statutes, requires the Department of Revenue to prescribe rules and regulations for Property Appraisers, who must substantially comply with these rules and regulations. Chapter 12D, Florida Administrative Code, pertains to the administration of the ad valorem property tax.

**2.1.4 Florida Case Law.** Florida lawsuits over the issue of property valuation for ad valorem tax purposes sometimes result in legal decisions known as case law. Florida case law may offer useful guidance for the just valuation of real property for ad valorem tax purposes in the State of Florida. Applicable Florida case law is addressed and footnoted where appropriate within this document. Additionally, the addendum to this document contains descriptions of Florida case law applicable to each of the eight factors which Property Appraisers must consider in the just valuation of real property. These case law discussions are summaries of court rulings. Care should be taken to consult the actual cases, along with legal advice where necessary, in their application.

**2.1.5 The Florida Real Property Appraisal Guidelines.** These guidelines supersede previous real property appraisal guidelines other than classified use real property guidelines. This document is intended by statute to provide aid and assistance to Florida Property Appraisers for producing annual just valuations of real property in substantial compliance with Florida law, administrative rules, and regulatory requirements. Also, see sections 1.5, 1.6, 1.7, and 1.8. These guidelines are advisory. By Florida law they are not intended to be binding or determinative, nor should they be so interpreted. Other than the applicable provisions of Florida law, manual of instructions, and regulatory requirements, the use of these guidelines is left to the discretion of Property Appraisers.

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<sup>3</sup> See Valencia Center Inc. v. Bystrom, 543 So.2d 214 (Fla. 1989). Also, see Bystrom v. Bal Harbour 101 Condominium Association, Inc., 502 So.2d 1312 (Fla. 3d DCA 1987).

**2.2 Comparison of Single-Property Appraisal and Mass Appraisal.** Single-property appraisal is the valuation of an individual property as of a specified date. Mass appraisal is the valuation of groups of properties as of a specified date, using standardized procedures and statistical testing.<sup>4</sup> Single-property appraisal and mass appraisal are similar and follow a similar process; they differ primarily in scope and quality control. *“Both mass and single-property appraisal are exercises in applied economic analysis. They represent logical, systematic methods for collecting, analyzing, and processing data to produce intelligent, well-reasoned value estimates.”*<sup>5</sup> Through the use of computers, many single-property appraisal techniques may be used effectively within the mass appraisal process and vice versa.

Mass appraisal has an organizational context since teams of people are generally required to complete a mass appraisal project. Mass appraisal for ad valorem tax purposes is concerned with equity of values and systematically considers the just values of other property within groups for equity reasons, subject to variation in property characteristics within such groups. Since the just valuations of real property for ad valorem tax purposes in the State of Florida are generally performed using the mass appraisal process, these guidelines are focused on the real property mass appraisal process. Also, see the discussion on legislative recognition in section 1.2. However, at their discretion and depending upon the circumstances and available resources, Florida Property Appraisers may use single-property appraisal techniques for individual properties. The methods and procedures in these guidelines are also generally applicable to single-property appraisal of real property for ad valorem tax purposes in the State of Florida. The references to single-property appraisal in this document are for informational purposes only and do not imply and must not be interpreted as the Department’s specific recommendation for the use of single-property appraisal for purposes of ad valorem taxation.

**2.3 History and Evolution of Mass Appraisal.** Mass appraisal started in the United States in the 1920s, and continues to evolve.<sup>6</sup> The following excerpts from a recent mass appraisal handbook provide a useful perspective on the current state of mass appraisal as viewed from both within and outside the ad valorem appraisal profession.

*“There has long existed a dichotomy within the appraisal profession: essentially the partitioning of the appraisal worldview between mass appraisal and single-property appraisal. Both disciplines, to some extent, have been myopic with respect to the techniques and perspectives of the other. In many ways, this partitioning inhibits the transference of knowledge between the two. Assessment practitioners, charged with the simultaneous valuation of thousands of commercial and residential properties, have had to develop perspectives and techniques that enable them to process myriad data points into a reasonable and defensible framework. Conversely, fee appraisers have traditionally focused on fewer data points to develop their estimates of value.*

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<sup>4</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), page 12.

<sup>5</sup> *Ibid*, page 13.

<sup>6</sup> *Ibid*, pages 24-27.

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*There is clear evidence that the roles of the two disciplines are rapidly converging with the integration of statistical techniques and data availability.”*

*“Assessment practitioners were among the very first to realize the benefits and potentials of technology, and the first to embrace it, as much out of necessity as desire. Technology became the bridging mechanism, allowing for the timely and accurate valuation of the assessment database, often totaling hundreds of thousands of properties. Assessment practitioners made significant advances in computer-assisted mass appraisal (CAMA) in the 1970s and 1980s, technologies that are now referred to in the field as automated valuation models, and they continue to be leaders in the field through innovative and ever more accurate valuation methodologies. In addition, they have also made significant advances in other related areas such as public databases and cadastral mapping/GIS.”*

*“The need for mass appraisal techniques in the private sector has never been more prevalent. Current uses range from instantaneous property valuations for lending purposes to portfolio valuations for asset management.”<sup>7</sup>*

**2.4 The Four Forces That Influence Real Property Value.** There are four interactive forces that generally influence real property value. These are legal/regulatory, physical/environmental, economic, and social forces. These four forces provide a useful analytical framework for data collection and analysis, highest and best use considerations, valuation applications, and quality assurance. The combined influence of these four forces is reflected in real property market activities such as land sales, improved sales, rentals, new subdivisions of land, new construction, renovation, maintenance, demolition, annexations, and changes in zoning or future land use classifications.

**2.4.1 Legal/Regulatory Forces.** These forces include items such as zoning codes, future land use classifications, and building codes.

**2.4.2 Physical/Environmental Forces.** These forces include significant natural or man-made features that characterize a geographic area. Examples of these forces include the following: land uses; bodies of water; public improvements such as roads; building type and quality; and building age and condition.

**2.4.3 Economic Forces.** Economic forces include items such as employment, personal income trends, and business revenue and earnings. Economic influences on real property value are revealed in the costs, prices, rents, and expenses paid for real property.

**2.4.4 Social Forces.** Social forces are reflected in market transactions through the perceptions, expectations, and preferences of market participants. Social influences on real property value are revealed in the costs, prices, and rents paid for real property.

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<sup>7</sup> Appraisal Institute, *A Guide to Automated Valuation Modeling* (Chicago: Appraisal Institute, 2000), Preface.

**2.5 Education and Training of Assessment Personnel.** The proper education and training of personnel involved in the real property mass appraisal process is essential to a reliable mass appraisal system. Ideally, training programs would be tailored to the needs of each function within the process. Within each local jurisdiction, it is desirable to have widespread knowledge of Florida law, manual of instructions, and real property mass appraisal processes and procedures. *“Each appraiser must continuously improve his or her skills to remain proficient in mass appraisal.”*<sup>8</sup>

### **3.0 IMPORTANT DEFINITIONS AND CONCEPTS**

**3.1 Important Definitions.** This section is not intended to represent a complete glossary of related terms, but rather is intended to include those most applicable.

**3.1.1 Ad Valorem Tax.** An ad valorem tax is one based on the value of property. Ad valorem is a Latin term meaning “according to value.”

**3.1.2 Assessment Roll.** For purposes of these guidelines, an assessment roll is a systematic listing of information pertaining to the just valuation of all real property within each county in the State of Florida for purposes of ad valorem taxation.

**3.1.3 Real Property.** Section 192.001(12), Florida Statutes, defines real property as: *“land, buildings, fixtures, and all other improvements to land.”* See section 5.1.

**3.1.4 Personal Property.** Section 192.001(11), Florida Statutes, defines personal property as being divided into the following four categories: 1) household goods, 2) intangible personal property, 3) inventory, and 4) tangible personal property. Generally, personal property is property other than real property. See section 5.1.

**3.1.5 Just Value.** Rule 12D-1.002(2), Florida Administrative Code, defines just value as: *“The price at which a property, if offered for sale in the open market, with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent, under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other.”*

**3.1.6 Fair Market Value.** The Florida Supreme Court has ruled that just value and fair market value are legally synonymous, and that fair market value is defined as: *“The amount a purchaser willing but not obliged to buy, would pay to one willing but not obliged to sell.”*<sup>9</sup>

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<sup>8</sup> Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington, DC: The Appraisal Foundation, 2002), page 45.

<sup>9</sup> See *Walter v. Schuler*, 176 So.2d 81 (Fla. 1965). In situations where value definition is an issue, this definition prevails over any other definition, including that in section 3.1.5 above.



**3.1.7 Market Value.** The two preceding sections contain legal definitions specific to Florida. Included here for informational purposes only, the following is a current economic definition of market value used by federally regulated financial institutions: *“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised, and acting in what they consider their best interests;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”<sup>10</sup>*

**3.1.8 Arm’s-Length Transaction.** This means a sale or lease transaction for real property where the parties involved are not affected by undue stimuli from family, business, financial, or personal factors.

**3.1.9 Distinctions Between Cost, Price, and Value.** Cost, price, and value are different economic concepts. Cost is the total dollar amount required to create an improved parcel of real property. Cost may be an actual historical amount or may be a determination by an appraiser. To exist, the cost of real property requires the action of only a single person or entity. Price is the actual total amount of consideration paid from one party to another in exchange for real property in an actual transaction. Price is a historical fact that can exist only after the specific interaction of two persons or entities. Value is not a fact; it is the present worth, as of a specified date, of the collective market expectations of the future benefits of owning a specified interest in real property. See section 3.1.10. Such anticipated future benefits may include personal use, business use, or investment income and resale.

**3.1.10 Market Participants.** Market participants are persons who directly participate in the decision-making process for developing, buying, selling, leasing, renovating, demolishing, or financing real property. This group includes developers, buyers, sellers, owners, tenants, lenders, and those who directly and substantially advise these persons in their decision-making on the stated activities. Real property value is heavily influenced by the collective perceptions, expectations, and preferences of market participants.

**3.1.11 Stratification.** Stratification is the division of real property populations or samples into two or more groups based on some defined criteria. The main criteria for

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<sup>10</sup> Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington, DC: The Appraisal Foundation, 2002), page 219.

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stratification are property use code, location, and property characteristics. Stratification results in property groups with one or more shared characteristics. These groups, or strata, are useful for data collection and management, appraisal analysis, and quality assurance. The appropriate level of stratification may range from general with only one criterion to detailed with several criteria. In mass appraisal, the term “stratum” means one group, and the term “strata” means more than one group. For regulatory analysis by the Department of Revenue, Section 195.096(3)(a), Florida Statutes, specifies seven real property classes, or strata. See section 16.7.6.

**3.1.12 Quality Assurance.** Quality assurance denotes systems, processes, and procedures for ensuring the accuracy, equity, consistency, and reliability of mass appraisal data and just valuations of real property, both within and between counties, for ad valorem tax purposes in the State of Florida.

**3.2 Relevant Concepts.** This section is not intended to represent a complete listing of related concepts, but rather is intended to include those most applicable.

**3.2.1 Concept of Fairness in Real Property Ad Valorem Taxation.** The best assurance for fairness in real property ad valorem taxation in the State of Florida is to facilitate accurate and equitable just valuations, both within and between counties.

**3.2.2 Concept of Anticipation.** The concept of anticipation means that real property value is heavily influenced by the collective expectations of market participants of receiving future benefits of owning real property. Such future benefits may include personal use, business use, or investment income and resale. The concept of anticipation is embodied within all arm’s-length activities, and some non-arm’s-length activities, involving real property.

**3.2.3 Concept of Substitution.** The concept of substitution means that real property value may be influenced by the cost of developing a substitute parcel of real property, less accrued depreciation, or by the price of acquiring existing substitute real property of similar personal, business, or economic utility. The concept of substitution may be reflected in real property cost and depreciation, arm’s-length transactions involving real property, and investment decisions regarding real property.

**3.2.4 Concept of Change.** The concept of change means that real property markets are constantly responding to the forces of change. Change may occur at a rate anywhere on the spectrum between relatively fast and very slowly and, at times, may be practically imperceptible. The rates of change in real property markets generally are much slower than in other economic markets such as the stock or commodities markets. The four major stages of change in real property markets are growth, stability, decline, and revitalization. Different real property markets experience different degrees of the four stages of change. The Florida annual mass appraisal cycle facilitates frequent response to the forces of change.

**3.2.5 Concept of Real Property Markets.** Economic markets may be efficient, inefficient, or somewhere in between. An efficient market is one with the following general characteristics: all assets are very similar; information relating to the legal,

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physical, and economic characteristics of the assets is available quickly and inexpensively; such information is quickly reflected in the market prices paid for the assets; there are few regulations; assets are bought and sold easily, quickly, and inexpensively; assets are easily and quickly mobile; buyers and sellers are brought together by an organized market such as the New York stock exchange; and, there are a large number of buyers and sellers for a given asset class at a particular point in time.

In contrast to efficient economic markets, real property markets are inefficient economic markets.<sup>11</sup> Real property markets reflect the following general characteristics: each asset is unique; information relating to the legal, physical, and economic characteristics of the assets generally may not be available quickly and inexpensively; such information is not quickly reflected in the market prices paid for the assets; there are many regulations affecting the development and use of real property; assets are not bought and sold easily, quickly, or inexpensively; assets are not mobile because each real property parcel has a unique location; there is no central, organized market to bring buyers and sellers together; and, typically, there is a limited number of buyers and sellers for a given real property type in a given location at a particular point in time.

The relevance of real property market inefficiencies to both single-property appraisal and mass appraisal is that neither can be an exact science because the market processes of determining real property cost and price are inefficient and inexact. These factors may contribute to inefficiencies in the decision-making behavior of market participants. The following excerpts describe market price and some of the inefficiencies of market participants that may be reflected in market prices.

*“Market price is the amount actually paid in a particular transaction.”*<sup>12</sup>

*“Market price can, and often does, result from caprice, carelessness, desperation, egotism, ignorance, pressure, sentiment, social ambition, whim, and many other factors.”*<sup>13</sup>

However, any unusual transactions do not prevent the market as a whole from being good evidence of value.<sup>14</sup> See sections 6.12, 6.12.1, and 6.12.2. The process of determining whether particular real property market prices are indicative of just value involves appraisal judgment.

**3.2.6 Concept of Appraisal Judgment.** The Florida Supreme Court has ruled that appraisal is an art, not a science, and that appraisal involves the exercise of

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<sup>11</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 99.

<sup>12</sup> International Association of Assessing Officers, *Property Appraisal and Assessment Administration* (Chicago: International Association of Assessing Officers, 1990), page 53.

<sup>13</sup> *Ibid*, page 53.

<sup>14</sup> See Southern Bell Telephone and Telegraph Company v. County of Dade, 275 So.2d 4 (Fla. 1973).

judgment.<sup>15</sup> This concept is also widely recognized in the appraisal profession. Appraisal judgment is defined as the process, using imperfect information, of reaching a reasoned conclusion within a reasonable range of alternatives by differentiating between and comparing alternatives. Even quantitative appraisal analysis requires the use of appraisal judgment.<sup>16</sup> Appraisal judgment is essential for quality assurance throughout the mass appraisal process. The following excerpt describes the need for appraisal judgment in the context of sale ratio studies, one of the most important mass appraisal tools.

*“Judgment is essential when conducting a ratio study or when evaluating or using the results. Ratio studies reduce uncertainty about appraisal accuracy by providing an objective basis for evaluating appraisal level and uniformity. Nevertheless, real estate markets consist of many individual properties, each unique in some way, and market participants who are imperfectly informed and not always rational. This, together with the statistical errors inherent in any sampling process, makes judgment essential when evaluating a ratio study and acting on the results.”<sup>17</sup>*

The application of appraisal judgment is generally preceded by diligence in the two areas of data collection and management and exploratory data analysis, although both may also involve the use of appraisal judgment.

## **4.0 THE MASS APPRAISAL PROCESS IN FLORIDA**

**4.1 Overview.** Sections 5.0 through 16.0 below address the steps for an effective mass appraisal process for just valuations of real property within the State of Florida. The steps in the mass appraisal process are not necessarily done in the sequence listed below since many of these steps are ongoing and may be performed not only sequentially, but also concurrently and interactively.

**4.2 Mass Appraisal Systems.** As used in the phrase “mass appraisal system,” the term “system” does not represent a computer system; rather it represents a system of processes and procedures organized according to functional groups. For purposes of these guidelines, the mass appraisal system is considered in place and operational. Otherwise, the implicit time required to design and implement the mass appraisal system and produce the annual just valuations would exceed the Florida one-year revaluation cycle.

**4.3 Computer-Assisted Mass Appraisal Systems.** Computer-assisted mass appraisal is a term developed around the United States a few decades ago when computerized mass appraisal systems became useful and affordable, and received widespread acceptance. Computer-assisted mass appraisal systems are widely

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<sup>15</sup> See Powell v. Kelly 223 So.2d 305 (Fla. 1969).

<sup>16</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 441.

<sup>17</sup> International Association of Assessing Officers, *Standard on Ratio Studies* (Chicago: International Association of Assessing Officers, 1990), page 11.

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referred to as CAMA systems, a term denoting a computer system as distinguished from the mass appraisal system described in section 4.2. CAMA systems are used in all 67 Florida counties. The CAMA systems currently employed vary in their capability to store, retrieve, analyze, and report mass appraisal data. However, all Florida CAMA systems must be capable of storing and maintaining the data necessary to produce the reports and files required by the Department of Revenue.

**4.4 Market Variation Between Counties.** These guidelines must be flexible to allow for Florida's variation from county to county regarding factors such as: local economic conditions; local governmental regulation; local market standards and practices; number of real property parcels; mix of real property types; local land use patterns; and quantity and quality of available data. These guidelines are intended to avoid unwarranted degrees of specificity that would be inconsistent with the well-documented inefficiencies inherent in real property markets.

**4.5 The Annual Just Valuation Cycle for Florida Property Appraisers.** There are many deadlines and significant dates in the annual operations of Florida Property Appraisers, several of which apply to operations other than the just valuation of real property. The items described in this section are limited to those involving just valuation. This is a limited description provided only as a brief overview, and should not be relied upon for regulatory compliance. Real property appraisal for ad valorem tax purposes in the State of Florida is a repetitive annual process. Consequently, the scope of the mass appraisal in any given year includes the activities necessary to update the just values of the previous year, and to produce just values for newly platted land, new construction, parcels with changes in land use regulations, new parcels resulting from splits and combinations, and the like.

Florida Property Appraisers respond to inquiries from taxpayers on a daily basis throughout the year. The effective date of the annual real property appraisal is January 1<sup>st</sup>. Unless an extension is granted, all counties under in-depth review are required to submit to the Department of Revenue, by January 31<sup>st</sup>, a file containing real property transfer data current to December 31<sup>st</sup>. Unless an extension is granted, Property Appraisers are required to substantially complete just valuations and submit preliminary assessment rolls to the Department of Revenue by July 1<sup>st</sup> each year. Truth in millage (TRIM) notices typically are mailed to taxpayers in mid to late August. TRIM notices notify taxpayers of preliminary just values as determined by the Property Appraiser, and also list the names and addresses of taxing authorities for taxpayer reference. Property Appraisers are not involved in the determination of property taxes. During the approximate one month period after taxpayers receive TRIM notices, Property Appraisers respond to typically very high volumes of taxpayer inquiries regarding just values, both over the telephone and in person. This is an opportunity for taxpayers to ask questions, express concerns, and provide verifiable information regarding the preliminary just valuation of real property. Value Adjustment Board hearings typically begin a few weeks after TRIM notices are mailed. These hearings are another opportunity for taxpayers to express concerns and provide verifiable evidence in support of changes to preliminary just values.

## **5.0 DEFINING THE MASS APPRAISAL PROCESS**

**5.1 Identification of Real Property.** The first step in the appraisal process is to identify the real property that is to be appraised. Only real property, as defined in section 3.1.3, should be included in just valuations of real property. Any personal property, as defined in section 3.1.4, should be excluded from just valuations of real property. See section 2.1.2. There are different purposes for identifying real property for ad valorem taxation in the State of Florida, including regulatory, administrative, and mass appraisal purposes. Some identifiers may be required for more than one purpose in the annual assessment roll production cycle.

**5.1.1 Regulatory Identification of Real Property.** Rule 12D-8.008(2)(a), Florida Administrative Code, requires Property Appraisers to classify each parcel of real property to indicate its use as determined for valuation purposes. According to Rule 12D-8.008(2)(c), Florida Administrative Code, this use must be reflected in property use codes applied to each real property parcel on assessment rolls.

**5.1.2 Administrative Identification of Real Property.** For administrative purposes within each county, the following identifying items should be maintained for each real property parcel: parcel identification number; property address; property owner's name and address; legal description; and parcel map.

**5.1.3 Identification of Real Property Groups for Mass Appraisal.** For mass appraisal purposes, the most important identifiers of real property include the following: property use code as described in section 5.1.1; parcel identification number; parcel map; geographic unit; and other property characteristics.

**5.2 Real Property Rights to be Appraised.** For ad valorem tax purposes in the State of Florida, the real property rights to be appraised are the unencumbered fee simple estate, unless specified otherwise.<sup>18</sup> The fee simple estate in real property is the unencumbered ownership limited only by the four powers of government: taxation, police power, eminent domain, and escheat.

**5.3 Purpose and Intended Use of the Appraisal.** The purpose of the annual real property appraisal is to produce just valuations of the unencumbered fee simple estate in real property, as of the date of appraisal. The intended use of the annual real property appraisal is to provide a basis for ad valorem taxation of real property according to Florida law, administrative rules, and regulatory activities. This annual appraisal of real property is not intended and should not be used for any other purpose.

**5.4 Intended Users of the Appraisal.** The intended users of the annual real property appraisal performed by Florida Property Appraisers include the following: the real property taxpayers of each county; the Tax Collectors and taxing authorities; the Department of Revenue; and the Auditor General.

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<sup>18</sup> See Schultz v. TM Florida-Ohio Realty Ltd Partnership, 577 So.2d 573 (Fla. 1991). Also, see Valencia Center, Inc. v. Bystrom, 543 So.2d 214 (Fla. 1989).

**5.5 Date of Appraisal.** Section 192.042(1), Florida Statutes, requires that all real property be assessed according to its just value as of January 1<sup>st</sup> of each year. Each year's assessment stands on its own, unconnected with the assessment for any prior year.<sup>19</sup>

## **6.0 COLLECTING AND MANAGING MASS APPRAISAL DATA**

**6.1 The Importance of Data Completeness and Accuracy.** All data used in the mass appraisal process must be as complete, accurate, and consistent as possible. The following four excerpts emphasize both the relative and absolute importance of data quality in the mass appraisal process.

*“The quality of the available data will, more than anything else, determine valuation accuracy.”<sup>20</sup>*

*“The data management system is the heart of the mass appraisal system and should be carefully planned and designed.”<sup>21</sup>*

*“Because the quality of the data, more than anything else, will determine the reliability of values generated in the reappraisal, the data collection program requires organization, planning, and close supervision. In-office preparation, selection and training of staff, entry and validation of collected data, and quality control should all be carefully planned.”<sup>22</sup>*

*“The findings of a ratio study can only be as accurate as the data used in the study. No matter what the purpose of the study, the data must be as accurate as possible.”<sup>23</sup>*

Assuring data completeness and accuracy should be an ongoing task in the mass appraisal process. It is the responsibility of all participants in the annual mass appraisal process to take all reasonable steps to verify and assure the completeness and accuracy of all applicable legal, physical, and economic data.

**6.2 Legal, Physical, and Economic Data.** Awareness and understanding of the basic categories of mass appraisal data facilitates clear thinking, consistency, and quality assurance in the mass appraisal process. The three basic and interactive categories of mass appraisal data are legal, physical, and economic. Examples of legal data include zoning information, deeds, subdivision plats, and building permits.

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<sup>19</sup> See Keith Investments, Inc. v. James, 220 So.2d 695 (Fla. 4th DCA 1969).

<sup>20</sup> International Association of Assessing Officers, *Property Appraisal and Assessment Administration* (Chicago: International Association of Assessing Officers, 1990), page 309.

<sup>21</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), page 32.

<sup>22</sup> *Ibid*, page 41.

<sup>23</sup> International Association of Assessing Officers, *Standard on Ratio Studies* (Chicago: International Association of Assessing Officers, 1999), page 9.

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Examples of physical data include property characteristics such as building type, building size, or neighborhood. Examples of economic data include costs, sale prices, rents, and operating expenses.

**6.3 Considerations for the Scope of Data Collection.** Data collection and management is the most expensive and time-consuming part of the mass appraisal process. Decisions on what data to collect and how to manage these data should be carefully weighed. The considerations for making these decisions may include the following:

- 1) the number and type of real property parcels involved,
- 2) the quality and quantity of available data,
- 3) the quality and quantity of available resources,
- 4) the requirements of the valuation approach(s) used,
- 5) the capabilities of the computer-assisted mass appraisal (CAMA) system used, and
- 6) Florida law, manual of instructions, and regulatory activities.

The appropriate decisions on data collection will vary both within and between counties, depending on the situation. See sections 1.3, 4.3, 4.4, 8.2, and 11.2.

**6.4 General Data.** General data useful for the real property mass appraisal process may include the following: articles from local news publications; economic reports; planning information; and real property market reports. Local news articles may contain information such as the following: proposed developments; proposed changes in zoning or land uses; demolitions of real property; real property rentals, vacancies, listings, and sales; information on real property expenses; market and neighborhood trends; and the perceptions, expectations, and preferences of market participants. Some of these data may not be applied directly in the appraisal process, but it is helpful to be aware of them. Other of these data may be applied directly in the appraisal process. News articles may sometimes be incomplete or inaccurate for appraisal purposes, but still provide useful leads for additional research.

**6.5 Specific Categories of Real Property Appraisal Data.** The specific categories of real property appraisal data include: title transfer documents; cadastral mapping data; aerial photography; regulatory data; physical characteristics; cost and depreciation data; sale data; and income capitalization data. One or more categories of data may not apply to a particular group of property. Sources and methods for collecting and managing the specific types of real property appraisal data are described below.

**6.6 Collecting and Managing Title Transfer Documents.** In order to maintain accurate ownership and other basic information on real property parcels such as



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addresses, legal descriptions, and assessment maps, Property Appraisers must continually collect source documents transferring title to real property. These documents may also provide information on sales of real property. Title transfer documents primarily include deeds, but also may include other types of documents such as articles of agreement, judgments, and certificates of title. The primary source for these documents is the clerk's office in each county, which is responsible for recording and maintaining public records. Florida Property Appraisers should facilitate the timely receipt of all recorded documents pertaining to real property transfers, as well as all orders of taking from public agencies. The information from title transfer documents should be processed completely, accurately, and timely.

**6.7 Collecting and Managing Cadastral Mapping Data.** Rule 12D-1.009, Florida Administrative Code, requires each Property Appraiser to maintain property ownership maps (cadastral maps). Cadastral maps are scale maps showing the legal description boundary, parcel identifier, and related information on each parcel of real property in each county for assessment purposes. These maps also should show items such as roads, streets, and major bodies of water. Cadastral maps allow the location and size of each real property parcel to be determined for assessment purposes. The primary sources of information used to produce cadastral maps are title transfer documents, survey books, and subdivision plats recorded in the public records of each county. The cadastral mapping process should be designed to meet the needs of end-users such as field staff and appraisal analysts. The following excerpt illustrates an important consideration in the mapping process for users of sale ratio studies. *"Parcels that have been split or combined should have new identifiers assigned; otherwise they may be matched against the previous sale of a physically different parcel."*<sup>24</sup> Property Appraisers should facilitate the timely receipt and processing of all documents and information required to maintain complete, accurate, and neat cadastral maps in accordance with the Florida Cadastral Mapping Guidelines and with Rule 12D-1.009, Florida Administrative Code. There should be an established and continuous quality assurance process to effectively resolve errors, omissions, and other problems that may arise during the ongoing maintenance of cadastral maps.

**6.8 Collecting and Managing Aerial Photographs.** Rule 12D-1.009, Florida Administrative Code, requires each Property Appraiser to maintain aerial photography suitable for appraisal needs. Section 195.022, Florida Statutes, requires the Florida Department of Revenue to furnish aerial photographs of each county to Property Appraisers at least once every three years to help assure that all real property is listed on assessment rolls. Some counties have opted to obtain aerial photography from private vendors, often by agreement with other local governmental entities. Aerial photography is useful for locating and analyzing real property, especially vacant land, and can be used to identify previously undiscovered improved property by comparing recent photographs with those of a prior period. For field inspections and appraisal research, it is very helpful to have aerial photographs accurately overlaid with cadastral maps.

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<sup>24</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers), page 222.

**6.9 Collecting and Managing Regulatory Data.** Regulatory data relevant to mass appraisal includes the following: building permits (new construction and renovation); demolition permits; zoning ordinances, maps, and any changes; future land use elements, maps, and any changes; annexations; and the like. All of these data should be available from county or municipal agencies. Property Appraisers should work with local governmental agencies to assure the establishment of continuous processes for the timely receipt of all regulatory data required by law, regulations, and the annual real property appraisal process. All relevant regulatory data should be processed completely, accurately, and timely.

**6.10 Collecting and Managing Data on Physical Characteristics.** In order to substantially comply with Florida statutory and administrative requirements, Property Appraisers must collect and maintain appraisal data on certain physical characteristics of real property within each county. The starting point for the collection of these data is the activities described above in sections 6.6, 6.7, 6.8, and 6.9. Rule 12D-8.008(2)(a), Florida Administrative Code, requires Property Appraisers to classify each parcel of real property to indicate its use as determined for valuation purposes. According to Rule 12D-8.008(2)(c), Florida Administrative Code, this use must be reflected in property use codes applied to each real property parcel on the assessment roll. See section 9.0. Physical data collection sources may include field inspections, building plans, cadastral maps, aerial photographs, multiple listing services, and property owner records.

The basic land information required on assessment rolls is listed and described in Rule 12D-8.011(1)(f), Florida Administrative Code. This required land information includes the following: the property use code; a code indicating the unit of measurement (per acre, per square foot, etc.) used as the basis for valuing the land; and the number of units of land (acres, square feet, front feet, etc.). Based on consideration of the factors listed in section 6.3, Property Appraisers may collect and consider additional land characteristics in the mass appraisal process.

The basic building information required on assessment rolls is listed and described in Rule 12D-8.011(1)(g), Florida Administrative Code. This information generally includes year built or effective year built, construction type, and size as measured by square footage. Section 193.023(2), Florida Statutes, requires inspection of real property by Property Appraisers every three years. Based on consideration of the factors listed in section 6.3, Property Appraisers may collect and consider additional building characteristics in the mass appraisal process.

**6.11 Collecting and Managing Cost and Depreciation Data.** Cost and depreciation data for improved real property are direct inputs to the cost less depreciation approach to valuation. The collection of cost and depreciation data has two components: those data collected by field inspection of the property, described above in section 6.10, and those data collected from other sources, described below.

Cost data should be current and include all direct and indirect costs of construction, including reasonable contractor's profit and developer's profit. Sources for cost data on real property may include published cost manuals, market-adjusted base rates and

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other costs developed from sale ratio studies, and recent, actual, and verified cost data. Available cost data should be collected, analyzed, and considered anew each year as applicable. Within CAMA systems, replacement costs for real property are directly impacted by the physical characteristics collected by field staff since applied costs vary with the real property type and construction grade recorded by field staff.

Depreciation data for mass appraisal may be in the form of depreciation tables applicable to a property group, or may be specific to individual property. However, any depreciation separately applied to individual property should be justified by verified and documented evidence. Sources for depreciation data may include published manuals and market-based depreciation developed from sale ratio studies or other appraisal analyses. Depreciation tables from published manuals may be tested for reasonableness using any available local market data. Within CAMA systems, depreciation rates applied to real property are directly impacted by the property characteristics collected by field staff, since applied depreciation varies with the effective age or effective year built recorded by field staff.

**6.12 Collecting and Managing Sale Data.** Sale data are the legal, physical, and economic characteristics of real property parcels that have been sold and of the corresponding sale transactions, all as of the date of sale. The primary source of sale data for Florida Property Appraisers is the title transfer documents recorded in the public records in each county (see section 6.6).<sup>25</sup> A supplementary source of real property sale information is the Department of Revenue Form DR-219, Return Transfers of Interest in Real Property. These forms are provided to the county clerk's office at the time of recording the title transfer document, but are not recorded since the DR-219 is not legislatively intended to be a part of the public record. Property Appraisers may conduct additional sale data collection activities such as the following: physical inspections of properties that have been sold; researching multiple listing services; interviewing market participants by telephone or in person; and sending sale verification forms to buyers and/or sellers and processing such forms upon their return.

**6.12.1 Arm's-Length Transactions.** An arm's-length transaction is a sale or lease transaction for real property where the parties involved are not affected by undue stimuli from family, business, financial, or personal factors. An informed determination should be made of whether each sale was an arm's-length transaction and whether the sale was for vacant land or improved property; this process is called sale qualification. Section 195.0995, Florida Statutes, requires Property Appraisers to properly qualify or disqualify sale transactions and to document the reason for any disqualification in a manner prescribed by the Department of Revenue. The Department of Revenue rule implementing this statute is described in section 6.12.2 below.

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<sup>25</sup> Unless a sale is found to be not arm's length, Property Appraisers may presume that the sale prices indicated by documentary stamps on deeds are prima facie evidence of the just value of the sold property. See Southern Bell Telephone and Telegraph Company v. County of Dade, 275 So.2d 4 (Fla. 1973). Also, Property Appraisers may presume there are no unusual terms of sale if the form provided for in Section 195.027(6) is not presented to the county recorder at the time the instrument is recorded.

**6.12.2 Sale Coding and Reporting Requirements.** Rule 12D-8.011(1)(m), Florida Administrative Code, requires Property Appraisers each year to post certain information on the two most recent transfers of real property to the records of each parcel. This required information includes items such as the following: the date of sale; a transfer code for each sale; the sale price as indicated by documentary stamps paid on the transfer document; and a one-digit code indicating whether the sale was for a vacant (V) or an improved (I) parcel. The transfer code must be one of the following when the annual assessment roll is submitted to the Department of Revenue: (00) sales which are qualified; (01) sales which are disqualified as a result of examination of the deed; (02) deeds which include more than one parcel; or, (03) other disqualified sales. These codes are minimum requirements. The rule also states that Property Appraisers may use other coding schemes, provided these are translated to the prescribed coding system on the assessment roll submitted to the Department of Revenue. This rule also provides certain criteria for considering whether a sale should be disqualified.

**6.12.3 Additional Sale Coding.** During the processing and qualification of sale data, additional coding may be applied to each sale transaction to denote information such as the following: 1) the document type used to transfer title; 2) whether the sale was an arm's-length transaction; 3) the reason for disqualifying a sale, if applicable; and, 4) the source of information used to disqualify a sale, if applicable. This coding system may be useful for accountability and quality assurance in sale data management.

**6.12.4 Using Sale Data.** The uses of sale data are twofold: one is for sale ratio studies and reporting to the Department of Revenue, and the other is for appraisal and related uses. Sale data are used throughout the administrative and mass appraisal processes and systems within a Property Appraiser's office. Sale data may be used in the following: all three approaches to value; sale ratio studies for mass appraisal planning and quality assurance; explaining real property values to taxpayers; and defending values in quasi-judicial and judicial proceedings. Complete, accurate, and timely sale data are part of assessment administration and the mass appraisal process. Sale data are also an integral part of the assessment roll evaluation function of the Department of Revenue.

**6.12.5 Separate Maintenance of Sale Characteristics.** For each qualified sale transaction, it may be appropriate to have a separate sale file, preferably computerized, that preserves a snapshot, as of the date of sale, of the relevant legal, physical, and economic characteristics of both the sold property and the sale transaction.<sup>26</sup> This may help to assure that such characteristics are accurately maintained for appraisal analysis.

**6.12.6 Special Considerations in Sale Data Management.** Special considerations in sale data management may include the following: sales of improved property with improvements demolished after the sale; sales of vacant land with improvements

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<sup>26</sup> Appraisal Standards Board, *The Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington D.C.: The Appraisal Foundation), page 50.

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constructed after the sale; sales involving multiple parcels; sales involving splits; sales involving combinations; and sales of land tracts subsequently developed with subdivisions or condominiums. See section 12.7.2.

After the date of sale, real property improvements are occasionally demolished to make way for new construction. These sales may represent land sales. Since these sold properties typically will have improved property use codes at the time of sale, special care should be taken to identify them and apply proper coding for use in valuation activities and sale ratio studies. Field inspections and review of demolition permits are helpful in identifying these sales, which may be very useful in highly developed areas where land sales are scarce.

A common real property market scenario is the purchase of a vacant land parcel and the subsequent construction of a building on the site. This frequently results in a mismatch between property characteristics at the time of sale (vacant land) and those on the date of appraisal (improved property). These sales of vacant land may be arm's-length transactions and as such should be preserved for appraisal purposes, but should be removed from sale ratio studies of improved property. Sales must be accurately coded as either vacant land or improved property.

Sales involving multiple parcels are typically excluded from sale ratio studies due to the technical difficulty in matching the relevant legal, physical, and economic characteristics of all sold parcels with those of the assessed parcels. For these reasons, the Department of Revenue excludes all multiple parcel sales from sale ratio studies. However, such sales may be arm's-length transactions and useful to Property Appraisers for appraisal purposes and for explaining just values, and these sales should be preserved for such uses.

Splits typically occur when the title to a portion of an existing parcel is transferred, creating new physical parcels for both the split-out parcel and for the remainder portion of the original parent parcel. If a separate sale file is not a part of a mass appraisal system, special consideration is required for accurately maintaining any prior sales of the original parent parcel. Any such prior sales should be assigned a special disqualification code indicating a change in property characteristics since the date of sale. This prevents mismatching data on sold property as of the date of sale and as of the date of appraisal, and any resulting errors in appraisals or sale ratio studies. Also, consideration should be given to saving the relevant data, as of the date of sale, on any such prior sales of the original parent parcel.

Combinations typically occur when title to all or part of more than one parcel is transferred on a single transfer document, creating at least one new physical parcel. Combinations may have the characteristics of both splits and subdivisions regarding parcel and sale data maintenance. Appropriate steps should be taken to prevent inaccurate sale data and to maintain accurate sale data. The accurate maintenance of both property data and sale data is much easier if the affected parcels are assigned new parcel identification numbers during the processing of splits and combinations.

Relevant data on sales of land tracts subsequently developed with subdivisions or condominiums should be preserved in a separate file since, typically, the tract parcel identification numbers become inactive when the newly developed parcels are placed on the assessment roll. These sale data may be scarce and should be preserved for appraisal purposes and for explaining just values.

**6.13 Collecting and Managing Income Capitalization Data.** Income capitalization data are necessary for the application of the income capitalization approach to value. When available, these data may include market rent, vacancy and collection loss, operating expenses, capitalization rates, and income multipliers. Methods of collecting the first three items from property owners and managers include conducting surveys in person or by telephone using rent survey forms, or mailing rent survey forms and processing them upon return. In some cases, the collection of capitalization rates and income multipliers from market participants requires sales of income-producing property.

Other useful sources of income capitalization data may include the following: locally published surveys; investor surveys such as the Korpacz Real Estate Investor Survey®; and market reports published by various professional organizations such as the Building Owner's and Manager's Association (BOMA), the Institute of Real Estate Management (IREM), the Urban Land Institute (ULI), and the International Council of Shopping Centers (ICSC).

When sufficient income capitalization data are available, a computerized database for these data may be created and organized into similar property groups for reference. These income capitalization data should be reviewed for completeness, accuracy, and consistency, and then reconciled within and between property groups. The reconciliation process is necessary since the information received from the various sources may be unclear, incomplete, inaccurate, inapplicable, or unreasonable. The relative comparison process and good appraisal judgment are part of effectively managing income capitalization data. Available income capitalization data should be reviewed and updated each year as applicable.

**6.13.1 Accessibility and Confidentiality of Financial Records.** Rule 12D-1.005(1), Florida Administrative Code, states the following: *“The property appraiser of each county, duly authorized representatives of the Department, and duly authorized representatives of the Auditor General shall have the right to inspect and copy financial records relating to non-homestead property which are reasonably necessary to determine the property assessment of the property in question.”* Rule 12D-1.005(3) states the following: *“All records produced by the taxpayer under this rule shall be deemed to be confidential in the hands of the property appraiser, the Department, and the Auditor General and shall not be divulged to any person, firm, or corporation.”*

**6.14 The Role of Property Owners in Data Collection.** Section 6.1 explains the relative importance of data quality to the mass appraisal process. Owners of real property have an important societal role in the Property Appraiser's collection of complete, accurate, and consistent appraisal data. Providing complete and accurate

information in response to interviews and surveys regarding property, sale, cost, and income capitalization data fulfills this role. Such cooperative responses from property owners and their agents are essential to the equitable and fair administration of the Florida ad valorem property tax for all taxpayers, both within and between counties. Property Appraisers and the Department of Revenue are required to keep confidential certain types of information received from property owners. See section 6.13.1.

**6.15 The Coding of Mass Appraisal Data.** Accurate coding of mass appraisal data is part of effective stratification of real property within a county. Coding means to assign a unique identifier to major characteristics of real property such as property use, geographic unit, quality grade, effective age, and the like. Coding schemes should be both exhaustive and mutually exclusive. As described in section 6.10, the coding of real property begins with inspecting, classifying, and coding the use of real property for valuation purposes. See sections 6.12.2 and 6.12.3 for information on coding of sale data.

**6.16 Quality Assurance for Data Collection and Management.** There should be constant attention to data completeness, accuracy, and consistency at all levels of the mass appraisal organization. There should be continuous, two-way feedback mechanisms between departments, teams, individuals, and management and staff addressing problems discovered and implementing steps to correct the root causes of the problems, not simply treating the symptoms. Specific items that may be used to assure the quality of mass appraisal data include those listed and described below.

**6.16.1 Data Collection Manuals.** A data collection manual is a well-documented manual describing in detail all aspects of collecting and coding data on physical characteristics of improved real property. It is a useful tool that provides a readily-available reference for staff on items such as: field conduct; collection and measurement methods; how to apply sound judgment to qualitative determinations such as construction grade, effective year built, and effective age; and how to apply accurate and consistent coding of property characteristics. The manual should explain available codes for various property types and building features and how to properly choose amongst them. Data collection manuals should be current, complete, clearly written, and well illustrated with examples and photographs of construction grades and building features for each property type.

**6.16.2 Education and Training for Management and Staff.** Given the relative importance of complete, accurate, and consistent data for producing accurate and equitable just valuations of real property, a primary focus of these guidelines is to describe the components of an effective data collection and management program. Effective education and training for management and staff are part of such a program. Effective means that the education and training are appropriate and used throughout the data collection and management process. Management and staff should understand how the data are used in the mass appraisal process and why the data should be collected and maintained in a certain way. The data collection manual may be the primary training tool for management and staff involved in field data collection. Training for field data collection should include training in the classroom, in the field, and on-the-job.

**6.16.3 Internal Procedural Reviews.** It may be helpful to implement quality teams selected from management and staff to review cross-functional processes and procedures to help assure the complete, accurate, and consistent collection and management of mass appraisal data. Quality assurance is a never-ending task and should be a part of all considerations and communications relating to mass appraisal data.

**6.16.4 Internal Quality Audits.** Internal quality audits should be a part of every mass appraisal system, especially for field data collection. The procedures specified in a data collection manual and any other documentation should be used in the audit. If performed consistently, supervisory review may also accomplish this function. Recurring opportunities for improvement identified by the audits may be addressed in training programs.

**6.16.5 Data Entry Edits Within CAMA Systems.** Programmed data entry edits within CAMA systems may help to prevent the entry of erroneous data. The entry of invalid data into CAMA systems should be disallowed by the programmed edits. The entry of unusual data should be questioned and not accepted on the first entry attempt, and should require manual override by the person entering the data. Examples of programmed data entry edits within CAMA systems may include the following: hard edits; soft edits; exception edits; range edits; consistency edits; data-type edits; value or table edits; cross edits; and check digits.<sup>27</sup>

**6.16.6 Data Edit Reports From CAMA Systems.** After mass appraisal data are entered into the CAMA system, programmed edit reports may be produced to identify and list any missing, unusual, inaccurate, or inconsistent data, which should be corrected. These reports may be useful tools for assuring the accuracy and consistency of a mass appraisal database.

**6.16.7 Exploratory Data Analysis.** Exploratory data analysis may be useful for discovering potential problems in a mass appraisal database. Exploratory data analysis is described in section 8.0.

## **7.0 GEOGRAPHIC STRATIFICATION FOR MASS APPRAISAL**

**7.1 Description and Importance.** Geographic stratification means to divide, or stratify, the real property parcels within a county into groups, or strata, based on geographic influences. Terms used to describe these influences may include market areas, sub-market areas, neighborhoods, and corridors. Terms such as these may be referred to collectively as geographic units. Geographic stratification is useful as part of a mass appraisal system. Additionally, market area codes are required items on assessment rolls. See section 7.3.

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<sup>27</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 66-67.



**7.2 Geographic Stratification for Mass Appraisal.** In this document, geographic stratification is discussed in the context of mass appraisal, which may be somewhat different from the discussions of market areas and neighborhoods found in the single-property appraisal literature. Single property appraisers are concerned with the time-distance relationships, or linkages, between different types of real property. Mass appraisers are more concerned with geographically stratifying groups of real property to allow more detailed analysis of specific property groups.

**7.3 Market Areas.** Section 193.114(2)(a), Florida Statutes, requires that Property Appraisers have a market area code on each real property parcel on the assessment roll. Since the Florida Department of Revenue is required to promulgate market area guidelines, the discussion of geographic stratification within these real property appraisal guidelines is limited.

**7.4 Other Levels of Geographic Stratification.** Market areas are generally considered to be the first level of geographic stratification. Other levels may include sub-market areas and neighborhoods. A corridor is a geographic unit that may be applied to situations such as all commercial property located along a major street.

**7.5 Types of Geographic Units.** The question of whether geographic units should be comprised of different types or similar types of real property will be addressed in the market area guidelines.

**7.6 Boundaries for Geographic Units.** Depending on the situation, geographic unit boundaries may be based on natural features, man-made features, or legal boundaries. Examples of natural boundaries may include rivers and oceans. Examples of man-made boundaries may include the following: major streets; expressways; subdivisions; canals; changes in real property type; changes in real property construction quality; and changes in the quality of real property maintenance. Examples of legal boundaries may include future land use classifications, zoning classifications, city limits, and county lines. The considerations for determining geographic unit boundaries may vary by the property types within the geographic unit.

**7.7 Uses of Geographic Stratification in the Mass Appraisal Process.** There may be different uses for geographic stratification in the mass appraisal process. These uses may include the following:

- 1) to create modeling areas, independent locational variables, or analysis units for mass appraisal applications,
- 2) to create specific property groups for quality assurance activities such as sale ratio studies and evaluating assessment performance for unsold properties,
- 3) to provide a useful criterion for appraisal research, and
- 4) to serve as a work allocation tool for mass appraisal field operations.

## **8.0 EXPLORATORY ANALYSIS OF MASS APPRAISAL DATA**

**8.1 Description and Importance.** Exploratory data analysis means to analyze the mass appraisal data, which have already been collected, coded, and computerized, in order to identify and understand the following: the number, type, and classifications of parcels within real property groups; the legal, physical, and economic characteristics within real property groups; and the tendencies and relationships within and between real property groups. The following excerpt describes the importance of data analysis for ratio studies, one of the most important mass appraisal tools.

*“It is essential to know the type of properties, market conditions, and composition of the population in terms of age, size, value range, and so forth. Such information is needed to make informed decisions in designing the study and interpreting the results.”<sup>28</sup>*

The analysis of mass appraisal data may help to facilitate sound appraisal judgment and effective decision-making during the mass appraisal process.

**8.2 Variation in Applicability.** The application of the analysis techniques presented in this section may vary significantly, both within and between counties, based on factors such as the number of real property parcels of each type, the availability of market data, and the availability of resources. The efficient application of these analytical tools requires adequate technical resources, adequate computer skills, and basic mass appraisal knowledge. These analyses may be programmed and performed within CAMA systems, or the mass appraisal data may be downloaded from CAMA systems and analyzed using spreadsheet or statistical software. Not all of the analytical methods presented here will apply in a particular situation. The application of these techniques should result in a useful level of knowledge regarding real property inventory and market tendencies. Such a useful level of knowledge may also be achieved through the diligent work experience of county management and staff.

**8.3 The Importance of Coding and Stratification.** The complete, accurate, and consistent coding of the factors having the most influence on the value of real property allows useful stratification, which is required for effective exploratory data analysis. Stratification is the division of real property populations or samples into two or more groups based on some defined criteria. Stratification results in property groups with one or more shared characteristics that are useful for data analysis.

**8.4 Data Analysis Techniques.** The tools available for analyzing mass appraisal data within properly stratified real property groups may include the items listed and described below.

**8.4.1 Measures of Central Tendency.** Measures of central tendency are descriptive statistics that reflect the average or typical item within a data set. Measures of central tendency may be calculated for items such as building size,

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<sup>28</sup> International Association of Assessing Officers, *Standard on Ratio Studies* (Chicago: International Association of Assessing Officers, 1999), page 11.

building age or year built, quality grade, land size, price per square foot, price per acre, price per lot, rent per square foot, and operating expenses per square foot. The three common measures of central tendency are the mean, median, and mode.<sup>29</sup> Measures of central tendency may be compared among real property strata to help develop an understanding of market tendencies.

**8.4.2 Measures of Dispersion.** Measures of dispersion, also called measures of spread, are descriptive statistics that generally reflect the degree of dispersion or variation within a data set. These indicators may be calculated for the same items listed in section 8.4.1. Measures of dispersion for mass appraisal may include ranges, quartiles, percentiles, average deviations, coefficients of dispersion, standard deviations, and coefficients of variation.<sup>30</sup> Measures of dispersion may be compared among real property strata to help develop an understanding of market tendencies.

**8.4.3 One-Variable Profiles, Charts, and Graphs.** These analytical tools include arrays, frequency distributions, bar charts, pie charts, and histograms.<sup>31</sup> They may be used to visually depict the data set for a single variable such as building size or price per square foot. For some, these tools may provide a more understandable picture of the distribution of a data set than relying solely on measures of central tendency and dispersion.

**8.4.4 Two-Variable Profiles, Charts, and Graphs.** These analytical tools include cross tabulations, box plots, scatter plots, and line charts.<sup>32</sup> They may be useful for analyzing the relationship between two variables.

**8.5 Uses of Exploratory Data Analysis.** Exploratory data analysis may be helpful for a variety of uses within the mass appraisal process. Some of these uses may include the following:

- 1) to help facilitate the accurate and efficient design and interpretation of sale ratio studies,
- 2) to develop indicators for items such as property type, quality grade, size, age, unit rents, unit expenses, unit prices, and unit values within real property strata for use as training and research references by management and staff involved in data collection, sale analysis, valuation analysis, and quality assurance activities,
- 3) to determine typical combinations of property characteristics within strata to use as references for training, research, and data cleaning,

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<sup>29</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), page 85-87.

<sup>30</sup> Ibid, pages 90-96.

<sup>31</sup> Ibid, pages 96-101.

<sup>32</sup> Ibid, pages 101-104.

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- 4) to reveal characteristics of a property population against which to compare a sample's (such as sold properties) characteristics to help determine the degree of representativeness for appraisal analysis, and
- 5) to facilitate good understanding of local real property inventory and market tendencies, and provide a basis for sound appraisal judgment in the mass appraisal process.

### **9.0 CONSIDERATION OF HIGHEST AND BEST USE**

**9.1 Overview of Highest and Best Use.** As specified in Section 193.011(2), Florida Statutes, the highest and best use and the present use of real property comprise the second of the eight factors that Florida Property Appraisers must consider in arriving at just valuation of real property. Specifically, this statute describes: *"The highest and best use to which the property can be expected to be put in the immediate future and the present use of the property,..."*. See section 2.1.2. Also, refer to the second page of the Addendum to this document and see the case law under the second factor regarding highest and best use. A common definition of highest and best use is: *"The reasonably probable and legal use of property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value."*<sup>33</sup> Standard 6 of the Uniform Standards of Professional Appraisal Practice states that mass appraisers must consider existing land use regulations and reasonably probable modifications to such land use regulations.<sup>34</sup>

The Florida case law referenced above provides guidance for considering uses that are not allowed by current land use regulations. In valuation matters where highest and best use is an issue, care should be taken to consult the actual cases, along with legal advice where necessary, in their application. Generally, Florida case law allows Property Appraisers to consider expected uses that are not allowed under current land use regulations when such regulations are not expected to be permanent, but only to the extent that such expected uses would influence the just value of the property as of the date of appraisal. In the event of any conflict, the law, administrative rules, and public policy within the State of Florida prevail over any external standard such as Standard 6.

**9.2 The Two Components of Highest and Best Use.** The two components of highest and best use analysis are: highest and best use of land as though vacant, and highest and best use of property as improved. Land is appraised as though vacant and available for development to its highest and best use, and improvements are appraised based on their actual contribution to the site. The principle of consistent use requires that land value not be based on one use while improvement value is based on another use.

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<sup>33</sup> Appraisal Standards Board, *The Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington D.C.: The Appraisal Foundation), page 218.

<sup>34</sup> Ibid, page 48.

**9.3 The Tests of Highest and Best Use.** Florida law and administrative rules influence the scope of highest and best use analysis in the just valuation of real property for ad valorem tax purposes. See sections 2.1.2, 9.1, 9.4, 9.5, and the Addendum to this document. There are four sequential tests for highest and best use considerations. These tests involve consideration of the legally permissible uses, physically possible uses, financially feasible uses, and maximally productive uses within real property groups. Consideration of these four tests is reflected in the annual real property mass appraisal activities performed by Florida Property Appraisers. These activities may include data collection and management, geographic stratification, exploratory data analysis, application of appraisal judgment, highest and best use considerations, and substantial compliance with Florida law and administrative rules. See sections 6.6, 6.7, 6.8, 6.9, 6.10, 6.12, 7.0, 8.0, and 9.0.

When applied to appraisals performed for some private sector purposes, the third and fourth tests may involve in-depth market and/or feasibility studies. Such studies are beyond the scope of highest and best use considerations required by Florida law.

**9.4 Market Activity and Highest and Best Use.** Market activity refers to items such as changes in zoning and future land use classifications, new subdivisions, improvements to infrastructure, new construction, substantial renovation, demolition, sales, and rentals. Market activity may be observed directly through field inspection of real property, or indirectly by reviewing permits, ordinances, and market transactions and tendencies. Depending on the situation, it may be helpful to map such market activity to enhance research and analysis. Along with exploratory data analysis (see section 8.0), this type of research may reveal market trends reflecting the perceptions, expectations, and preferences of market participants as to the highest and best use of real property groups. Since this type of research and analysis is directly focused on the observed behavior of market participants, it is a useful method for considering the highest and best use “*in the immediate future*” as required by Florida law.

**9.5 Present Use and Highest and Best Use.** For just valuation purposes in the State of Florida, present use means the existing use of real property as of the date of appraisal. The data collection and management activities described in sections 6.6, 6.7, 6.8, 6.9, 6.10, and 6.12 are the primary mechanisms by which the present use of real property is considered. Rule 12D-8.008(2)(a), Florida Administrative Code, requires Property Appraisers to classify each parcel of real property to indicate its use as determined for valuation purposes. According to Rule 12D-8.008(2)(c), Florida Administrative Code, this use must be reflected in property use codes applied to each real property parcel on the assessment roll. Unless a change in highest and best use is reasonably probable within the immediate future, the present use may represent the highest and best use of real property.<sup>35</sup> In such cases, the highest and best use consideration may be obvious and require no further research or analysis. There may be cases where the present use is not the highest and best use. For example, if a

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<sup>35</sup> See Lanier v. Overstreet, 175 So.2d 521 (Fla. 1965).

property is subject to a below-market lease, the present use should be disregarded since it is not the highest and best use of the unencumbered fee simple estate.<sup>36</sup>

**9.6 Changes in Highest and Best Use.** Within real property groups, there may be changes in highest and best use. The activities referenced in sections 9.4 and 9.5 are useful ways of detecting any changes in highest and best use. Changes occurring in one area may influence the just value or highest and best use of real property in nearby areas. It is typical for many changes in just value to occur without resulting changes in highest and best use. Changes in the highest and best use of real property may be revealed by changes in the legal or actual use.

## 10.0 VALUATION PLANNING

**10.1 Description and Importance.** Valuation planning is part of quality assurance for the annual real property mass appraisal process. It helps to determine the scope of the required appraisal activities for the annual appraisal cycle. Valuation planning also helps to determine the resources needed, and to prioritize and maximize the use of limited resources. Property Appraisers must have the resources necessary for substantial compliance with Florida law, administrative rules, and regulatory requirements, and should plan accordingly. Valuation planning is useful as a way of meeting regulatory deadlines and other time sensitive requirements for the annual production of real property assessment rolls. Project management tools and methods may be useful for valuation planning.

**10.2 Internal Communication.** Effective internal communication systems between departments or functional units in a Property Appraiser's office may reveal specific data or appraisal items requiring attention. Especially important is effective communication between valuation staff and CAMA system staff.

**10.3 Sale Ratio Studies.** Sales ratio studies are useful planning tools for the mass appraisal process. However, they may not provide complete information on the appropriate scope of appraisal activities in a given year; additional market research and analysis may be required. Selective reappraisal must be avoided. See section 16.7.2. In sale ratio studies, just value-to-sale price ratios are adjusted upward by dividing by one minus any aggregate percentage adjustment for the first and eighth criteria, resulting in adjusted sale ratios. Any adjustments for the first and eighth criteria apply in the aggregate to specified strata of real property and to real property assessment rolls as a whole.<sup>37</sup> Sale ratios may be expressed as percentages. Sale ratio studies may be programmed and performed within CAMA systems, or the mass appraisal data may be downloaded from CAMA systems and the sale ratio studies performed using spreadsheet or statistical software. There are two primary

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<sup>36</sup> See *Valencia Center, Inc. v. Bystrom*, 543 So.2d 214 (Fla. 1989). Also, see *Bystrom v. Valencia Center, Inc.*, 432 So.2d 108 (Fla. 3d DCA 1983) review denied 444 So.2d 418 (Fla. 1984).

<sup>37</sup> *Technical Opinion OPN 95-0018*, July 10, 1995, Property Tax Administration, Florida Department of Revenue. Also, see *Technical Opinion OPN 90-0039*, August 20, 1990, Property Tax Administration, Florida Department of Revenue.

considerations for designing sale ratio studies for mass appraisal planning purposes. The first is to determine the criteria for selecting the sales to appear on the report, and the other is to select the data fields to appear on the report.

**10.3.1 Matching Property Data on Sale Date and Appraisal Date.** The relevant legal and physical characteristics of the sold property, as of the date of sale, should be accurately matched with the same characteristics as of the date of appraisal. This may be accomplished by excluding from the ratio study all sales where any of the following changes were made to the sold parcels between the date of sale and the date of appraisal: new construction; significant renovation or demolition; changes in zoning or future land use classification significantly affecting value; combinations; and splits.

**10.3.2 The Importance of Stratification.** The usefulness of sale ratio studies is greatly enhanced by proper stratification of sold properties into groups with one or more characteristics in common. Ratio studies are first stratified using general criteria and then may be further stratified depending on the data available and the indications reflected in the initial study.

**10.3.3 Statistical Indicators in Sale Ratio Studies.** Measures of central tendency and dispersion are calculated for the sale ratios to evaluate the accuracy and equity of appraised values as reflected by the sales. The most important statistics for sale ratio studies for planning purposes are the mean, weighted mean, median, coefficient of dispersion, and price-related differential. If these indicators do not fall within the ranges of acceptability, then additional research, and perhaps reappraisal, is required.

**10.3.4 Sale Ratio Study Applications.** Sale ratio studies for planning purposes may begin with using sales that occurred during the 12-month period immediately preceding the January 1<sup>st</sup> date of appraisal. Initially, sale ratio studies may be run by groups of real property use codes, sorted by sale ratio, and then analyzed to identify any correlation between high or low ratios and other major property characteristics such as property use code, geographic unit, or size. In order to obtain more information on the required scope of the appraisal project, more detailed studies may be conducted based on any specific trends identified. To increase sample size for a particular analysis, these detailed studies may include sales that occurred more than 12 months prior to the date of appraisal. In cases where no specific trends are identified between high or low sale ratios and property characteristics, more detailed research and analysis of each sale and the corresponding sold property may be required. Also, in addition to sale ratio studies, other market research and analysis may be required to determine the appropriate scope of appraisal for properly stratified real property groups. Once such scope is determined, value changes should be made to all property affected by the factor causing need for the change, not just to individual properties that may appear on a sale ratio study.

## 11.0 CONSIDERATION OF VALUATION APPROACHES

**11.1 Overview of Valuation Approaches.** There are three basic approaches to the valuation of real property: the cost less depreciation approach, the sales comparison approach, and the income capitalization approach. Each of these three basic approaches has variants, depending in part on whether the subject property is vacant land or improved property, and depending on the considerations listed in section 11.2. The methods available for appraising vacant land are variants of these three approaches, as described in section 12.0. The approaches available for appraising improved real property have variants and are described in sections 13.0, 14.0, and 15.0. There may be acceptable variants of these approaches that are not addressed in this document and that may be used to produce just valuations of real property in substantial compliance with Florida law, administrative rules, and regulatory requirements. See section 1.3.

**11.2 Considerations for Selecting a Valuation Approach.** The particular method of valuation is left to the discretion of Property Appraisers.<sup>38</sup> The considerations for selecting a valuation approach may include the following:

- 1) the number and type of real property parcels involved,
- 2) the applicability of each approach to the property type involved,
- 3) the quality and quantity of available data,
- 4) the quality and quantity of available valuation resources,
- 5) the capabilities of the computer-assisted mass appraisal (CAMA) system used,
- 6) the approach that gives the best measures of appraisal level and appraisal uniformity, and the most consistency and reasonableness within and between properly stratified real property groups, and
- 7) Florida law, manual of instructions, and regulatory activities.

The selection of a valuation approach will vary both within and between counties, depending on the situation. See sections 1.3, 4.3, 4.4, 6.3, and 8.2. The core issue in the just valuation of real property for ad valorem tax purposes is the amount of the valuation, not the method of valuation.<sup>39</sup>

**11.3 Mass Appraisal Model Structure, Specification, and Calibration.** In the mass appraisal courses and publications produced by the International Association of Assessing Officers, the terms model structure, model specification, and model calibration are used to denote academic and highly quantitative perspectives on mass

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<sup>38</sup> See Valencia Center Inc. v. Bystrom, 543 So.2d 214 (Fla. 1989). Also, see Bystrom v. Bal Harbour 101 Condominium Association, Inc., 502 So.2d 1312 (Fla. 3d DCA 1987).

<sup>39</sup> See Bystrom v. Whitman, 488 So.2d 520 (Fla. 1986).



appraisal. These terms are technical alternatives for describing the application of one or more of the three approaches to real property valuation. These three approaches are generally accepted and understood within the appraisal and non-appraisal sectors in the State of Florida. The three approaches to value are discussed in Standard 6 on Mass Appraisal of the Uniform Standards of Professional Appraisal Practice.<sup>40</sup> In this document, the three approaches to value and their variants are described in sections 12.0, 13.0, 14.0, and 15.0.

## **12.0 LAND VALUATION**

**12.1 Land Valuation Overview.** All land parcels, both vacant and improved, must be valued each year for ad valorem tax purposes in the State of Florida. Rule 12D-8.011(1)(h), Florida Administrative Code, requires separate land values on assessment rolls submitted to the Department of Revenue. Accurate and equitable land values are part of a reliable mass appraisal system.

**12.2 Stratification for Land Valuation.** Land valuation relies upon proper stratification of land parcels, which, in turn, relies upon accurate coding of the primary influences on land value. Land data should be stratified into groups based on three key factors: property use code, location, and size. Stratification of land data into groups based on these three factors allows useful land market analysis. Additional stratification may be appropriate depending upon the complexity of the appraisal situation and the amount of market data available.

**12.3 Units of Comparison for Land Valuation.** As applied to land valuation, units of comparison are the economic units into which the prices or value indications of land may be divided for appraisal analysis. There are two primary criteria for selecting the appropriate land unit of comparison for mass appraisal purposes. One is that unit of comparison most frequently used by market participants in their decision-making for the land type under analysis, and the other is that unit of comparison resulting in the lowest measures of dispersion within land sale data sets. Before valuation analysis, all land sale data should be reduced to the appropriate unit of comparison.

**12.4 Land Market Analysis.** After land market data have been appropriately stratified and reduced to units of comparison, analysis of these data may reveal relationships affecting land value. Useful land market analysis techniques may include the following: plotting and reviewing land sale data on maps; calculating and considering measures of central tendency and measures of dispersion; and performing graphic analyses.<sup>41</sup>

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<sup>40</sup> Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington, DC: The Appraisal Foundation, 2002), pages 45 and 50.

<sup>41</sup> International Association of Assessing Officers, *Property Appraisal and Assessment Administration* (Chicago: International Association of Assessing Officers, 1990), pages 184-186.

**12.5 Factors to Consider in Just Valuations.** Section 193.011, Florida Statutes, lists the factors that Florida Property Appraisers must consider in the just valuation of real property for ad valorem tax purposes. See section 2.1.2.

**12.6 Land Valuation Methods.** Acceptable land valuation methods may include the following: the sales comparison approach; the abstraction or extraction method (including sale ratio studies); the allocation method; the capitalization of ground rent method; and the land residual technique.<sup>42</sup>

**12.6.1 The Sales Comparison Approach to Land Valuation.** The sale comparison approach is a set of procedures where the results of arm's length transactions within properly stratified land groups are analyzed for just value indications, which then may be applied to all properties within such groups. This approach has variants, the most common of which are the base lot method, the comparative unit method, and the relative comparison method.

The base lot method begins with the results of land market analyses as described in section 12.4. It involves establishing the value of a typical, or base, lot within properly stratified land groups using single property applications of the sales comparison approach, and then using this base lot value as a benchmark to determine values for other parcels within these land groups.

After performing the land market analyses described in section 12.4, the comparative unit method involves determining an appropriate unit value, or comparative unit, for properly stratified land groups. The selected comparative unit values for land groups may be based on measures of central tendency, and should be tested for reasonableness and consistency using relative comparison analysis.

Reliable land valuation involves both quantitative and qualitative analyses. Certain quantitative analyses are part of land market analysis as described in section 12.4. Other quantitative techniques such as paired data set analysis and regression analysis may be used to derive quantitative adjustments within the sales comparison approach, but these tools have specific data requirements that often are not met within available land market data sets. Therefore, these types of quantitative techniques are rarely used in land valuation. Market participants may not follow a quantitative adjustment process in their decision-making. Quantitative appraisal analysis requires the use of appraisal judgment.<sup>43</sup> Any quantitative adjustments or conclusions should be reviewed for reasonableness, consistency, and stability and, if necessary, overridden by relative comparison analysis. Qualitative analysis is useful for land valuation, and may be used to consider the overall significant differences within and between land groups. Relative comparison analysis, a common application of qualitative analysis, is described as:

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<sup>42</sup> Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2002 Edition* (Washington, DC: The Appraisal Foundation, 2002), page 50.

<sup>43</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 441.

*“Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets.”<sup>44</sup>*

Ranking analysis, a variant of relative comparison analysis, is useful in mass appraisal.<sup>45</sup> As applied in the mass appraisal of land, relative comparison analysis may involve stratifying, sorting, ranking, and bracketing land sale data in order to arrive at reasonable and explainable conclusions. It requires good market knowledge and sound appraisal judgment. In applying relative comparison analysis, the data may first be stratified, sorted, and considered based on the overall significant differences and then ranked based on overall relative desirability. From this, reasonable ranges (brackets) and point indicators may be developed for the unit values of land groups. Then, these ranges and point indicators may be compared with each other to determine relative reasonableness within and between land groups. Finally, reasonable and supportable conclusions may be made regarding the unit values for the properties within each group. There may be several useful variants of this method.

**12.6.2 The Abstraction or Extraction Method.** The first step is to collect and analyze sales of improved property within the subject or similar areas. These improved sold properties should have land use regulations similar to those of the subject land group. The next step is to estimate the contributory value of the improvements to each of the improved sale prices, and then subtract this indicated improvement value from the improved sale prices for an indication of the price paid for the land. The last step is to use these extracted land prices in the sales comparison approach to land valuation. A useful variant of this method is to employ sale ratio studies of improved property. This variant involves assuring the reasonableness of the other value determinants of improved property included in the study, and then making market changes to the land values of all affected parcels within a group (including both sold and unsold property) to obtain reasonable just valuation results as indicated by the improved sale ratio analysis.

**12.6.3 The Allocation Method.** The first step is to research and develop typical ratios of land value to total value for an improved property group with land use regulations similar to those of the subject land group. Then, these ratios may be applied to the improved sales in the subject area for an indication of the prices paid for the land. The last step is to use these extracted land prices in the sales comparison approach to land valuation.

**12.6.4 The Capitalization of Ground Rent Method.** This method of land valuation requires market rental rates for a land group similar to that under appraisal. These comparable rented properties are compared to the subject land group, and an indication of the net market ground rent for the subject land group is developed. The last step is to divide the net market ground rent for the subject land group by a land capitalization rate for an indication of land value for the subject group.

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<sup>44</sup> Ibid, page 445. Also, this type of methodology is listed and described as “*per unit value analysis*” in the student reference manual of the IAAO Course 300 (Fundamentals of Mass Appraisal).

<sup>45</sup> Ibid, pages 445-446.

**12.6.5 The Land Residual Technique.** The first step is to determine the highest and best use of the subject land groups as though vacant. From this, the market net operating income for the hypothetical improved property may be estimated and then divided by an overall capitalization rate, resulting in a value indication for the improved property. The replacement cost new of the hypothetical improvements is then subtracted from the estimated value of the improved property, resulting in an indication of value for the subject land group. There may be variants of this method.

**12.7 Special Considerations in Land Valuation.** Some situations in land valuation vary from normal reappraisal activities involving existing parcels and may require special attention. Each year, some land parcels may undergo economic change resulting from changes in legal and physical characteristics.

**12.7.1 Legal Changes to Land.** The most common examples of legal changes to land include changes to zoning and future land use classifications. When these legal changes occur, the just value of the affected land parcels may be impacted. The just value of each affected parcel should be reviewed and any required just value changes made for the effective and subsequent years.

**12.7.2 Physical Changes to Land.** The most common examples of physical changes to land include splits, combinations, and new subdivisions. See section 6.12.6. Splits typically occur when the title to a portion of an existing parcel is transferred, creating new physical parcels for both the split-out parcel and for the remainder portion of the original parent parcel. Combinations typically occur when title to all or part of more than one parcel is transferred on a single transfer document, creating at least one new physical parcel. When splits and combinations occur, the just values of the affected land parcels may be impacted. The just value of each affected parcel should be reviewed and any required just value changes made for the effective and subsequent years. New subdivisions of land typically create at least several new parcels physically different from the original parcel. The just values of the subdivided parcels should be reviewed and appropriate just values applied for the effective and subsequent years.

## **13.0 THE COST LESS DEPRECIATION APPROACH**

**13.1 Description of the Approach.** The collection and management of cost and depreciation data is described in section 6.11. In its basic applications, the cost less depreciation approach is a set of procedures where the replacement cost new of the improvements is determined, the accrued depreciation within these improvements is determined and subtracted, and the land value is determined and added, for an indication of the just value for the real property.

**13.2 The Importance of Stratification.** The cost less depreciation approach relies upon proper stratification of real property into strata, or groups, with similar characteristics. Stratification criteria may include property type, construction grade,

structural type, or number of stories. The appropriate level of stratification may vary based on the property type involved.

**13.3 Units of Cost.** As applied in the cost less depreciation approach, units of cost are the economic units into which the costs of real property may be divided for appraisal analysis. The most common unit of cost is cost per square foot, although other units of cost such as lineal feet or cubic feet may apply in some cases.

**13.4 Factors to Consider in Just Valuations.** Section 193.011, Florida Statutes, lists the factors that Florida Property Appraisers must consider in the just valuation of real property for ad valorem tax purposes. See section 2.1.2.

**13.5 Replacement Cost New.** *“Costs used in mass appraisal are usually replacement costs, which represent the cost of constructing a substitute structure of equal utility based on current construction standards and materials. Replacement costs should include all direct and indirect costs, including materials, labor, supervision, architect’s and legal fees, administrative expenses, overhead, and reasonable profit.”*<sup>46</sup> The two components of profit in replacement cost new are contractor’s profit and developer’s profit. Developer’s profit is sometimes referred to as entrepreneurial incentive. Contractor’s profit may be included in the cost data from published cost manuals, but developer’s profit typically is not. However, both should be included in all determinations of replacement cost new of real property. The two methods of deriving replacement cost new that are commonly applied in mass appraisal are the comparative unit method and the unit-in-place method.

**13.5.1 The Comparative Unit Method.** The following excerpts describe the comparative unit method for deriving replacement cost new within the mass appraisal process.

*“Comparative unit costs are typical costs for benchmark structures expressed on a per-unit basis, usually per square foot.”*<sup>47</sup>

*“Mass appraisal uses the comparative unit method of cost estimation, with comparative unit or unit-in-place adjustments to account for differences from base specifications.”*<sup>48</sup>

**13.5.2 The Unit-in-Place Method.** *“Unit-in-place costs represent total costs of structural components, such as the foundation, roof, walls, heating and cooling systems, and fireplaces.”*<sup>49</sup>

**13.6 Published Cost Manuals.** These are cost manuals that may be purchased from various vendors specializing in tracking real property construction costs and

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<sup>46</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), page 144.

<sup>47</sup> Ibid, page 145.

<sup>48</sup> Ibid, page 145.

<sup>49</sup> Ibid, page 145.

maintaining databases of cost information. Such cost manuals are useful for mass appraisal because they provide standardized and flexible cost systems that reflect relative costs between items such as property types, construction grades, and building components. The relative costs of such items may be useful for deriving cost adjustments.

**13.7 Application of Replacement Cost New.** There may be many types of replacement cost models applied within mass appraisal systems. One that is commonly used is an adjusted base rate model where the replacement cost new of real property improvements is determined primarily by multiplying the adjusted base rate times the adjusted building area. This model type begins with an unadjusted base rate, which is defined as the base cost per unit for the effective building area of a main improvement structure. The unadjusted base rate may be adjusted to account for different construction grades within a building type. The base rate grade adjustment factor may be based on sources such as a relative comparison of construction grade costs from a published cost manual, or an index calculated from a point system for building structural elements within a CAMA system. Additional adjustments to a base rate may be made for characteristics such as building size, perimeter shape, number of stories, and floor height. After all applicable adjustments, the result is the adjusted base rate. Since the adjusted base rate is largely determined by the construction grade of a building, effective training and diligence are required to assure the accurate and consistent determination of construction grade. This determination is typically made during field inspections.

The adjusted building area may be measured in square feet and begins with the base area of the building, which represents the major area for the building type. Percentage factors may be applied to the square footages of other building areas such as attached garages, attached carports, porches, utility rooms, and offices. Such percentage factors may be less than or greater than one, depending on the unit cost of the other area relative to that of the base area. For example, the percentage factor for a garage attached to a single family home typically would be less than one, while the percentage factor for an enclosed office area in a warehouse typically would be greater than one. After percentage factors are applied to the square footages of all other attached building areas, the results are summed and added to the square footage of the base area to obtain the adjusted building area. Multiplying the adjusted building area times the adjusted base rate yields the replacement cost new for the main building.

The replacement costs new for extra features such as pools, detached garages, detached buildings, and fireplaces are typically determined by multiplying the number of measurement units by the unit cost for each extra feature. The results are added to the replacement cost new of the main building to obtain the total replacement cost new of the improvements.

**13.8 Market Adjustments to Replacement Cost New.** Any available local market data may be used to test the accuracy of published cost data. One example of such testing is to compare replacement costs from a published manual to any known, reliable, and current local costs and either validating or adjusting the published costs

as appropriate. If adequate sale data are available, sale ratio studies may be useful for adjusting cost data to the local market. Sale ratio studies with a property type stratified by quality grade may reveal needed adjustments to base rates or problems with the determination of the quality grade, or may validate the rates and data applied. Such studies with a property type stratified by size may reveal needed cost adjustments for economies of scale, or may validate the costs used.

**13.9 Description of Accrued Depreciation.** Accrued, or total, depreciation represents the difference between the replacement cost new and the just value of real property improvements. Accrued depreciation may result from physical deterioration, functional obsolescence, or external obsolescence.

**13.9.1 Actual Age and Effective Age.** Actual age is the chronological age of real property improvements. Effective age is the age indicated by the physical condition of real property improvements. Effective age is determined by consideration of the actual age of the property, the quality of maintenance, any renovation, and any observed deferred maintenance. Deferred maintenance means any significant items that market participants would likely perceive as requiring repair. As applied in mass appraisal, effective age may, but does not typically, consider other forms of depreciation such as any functional obsolescence or any external obsolescence.

**13.9.2 Physical Deterioration.** This is a loss in value resulting from normal wear and tear and any deferred maintenance. Physical deterioration resulting from normal wear and tear exists in all real property except newly constructed property. Normal wear and tear and any deferred maintenance should be reflected in the determination of effective age made during field inspections and, thus, also should be reflected in the normal depreciation applied from the depreciation tables within the CAMA system. Any unusual physical deterioration such as fire or storm damage typically is not reflected in the effective age. It may be useful to have a separate line within a CAMA system with data fields to record any unusual physical deterioration along with a reason code. This feature would allow the periodic production of reports from the CAMA system to help manage the application of any unusual physical deterioration. Any unusual and separately applied physical deterioration should be justified by verified and documented evidence.

**13.9.3 Functional Obsolescence.** This is a loss in value resulting from a decrease in the functional utility of real property. Functional obsolescence may be caused by a deficiency or a superadequacy. Generally, the use of replacement cost excludes functional obsolescence from appraisal models. It may be useful to have a separate line within a CAMA system with data fields to record any additional functional obsolescence along with a reason code. This feature would allow the periodic production of reports from the CAMA system to help manage the application of any additional functional obsolescence. Any additional functional obsolescence applied should be justified by verified and documented evidence.

**13.9.4 External Obsolescence.** This is a loss in value resulting from factors outside the real property. External obsolescence may be caused by economic or locational factors, and may be temporary or permanent. It may be necessary to

allocate external obsolescence between land and improvements. It may be useful to have a separate line within a CAMA system with data fields to record any external obsolescence along with a reason code. This feature would allow the periodic production of reports from the CAMA system to help manage the application of any external obsolescence. Any applied external obsolescence should be justified by verified and documented evidence.

**13.10 Application of Accrued Depreciation.** In mass appraisal, accrued depreciation is applied primarily through the use of depreciation tables or their complement, percent good tables. Depreciation tables may be obtained from published cost manuals. To the extent possible, these depreciation tables should be tested for reasonableness as described in section 13.11. The effective age determined by field appraisal staff is the link between each improved parcel and the appropriate field in the depreciation table. Effective training and diligence are required for the accurate and consistent determination of effective age necessary for depreciation calculations. Before application of any other types of depreciation not reflected in the effective age or depreciation table, such depreciation should be justified by verified and documented evidence, as described in sections 13.9.2, 13.9.3, and 13.9.4.

**13.11 Market Adjustments to Depreciation Tables.** Assuming availability of adequate sale data, sale ratio studies may be useful for adjusting published depreciation schedules to the local market. Sale ratio studies with a property type stratified by age of improvements may reveal needed adjustments to depreciation rates or problems with the determination of effective age, or may validate the rates and data applied.

**13.12 Land Valuation.** The just value of land is required for the cost less depreciation approach to value. Land valuation is described in section 12.0.

**13.13 Just Valuation From the Cost Less Depreciation Approach.** The just valuation of real property by the cost less depreciation approach is calculated by subtracting accrued depreciation from replacement cost new and then adding the just value of the land.

**13.14 Quality Assurance in the Cost Less Depreciation Approach.** If this approach is used, its effectiveness may depend in part on the following: reliable data collection and management; effective exploratory data analysis; good market knowledge; sound appraisal judgment; and application of mass appraisal quality assurance tools.



## 14.0 THE SALES COMPARISON APPROACH

**14.1 Description of the Approach.** The collection and management of sale data is described in section 6.12. The sales comparison approach is a set of procedures where the results of arm's length sale transactions within properly stratified real property groups are analyzed for just value indications, which then may be applied to all properties within such groups. If a Property Appraiser uses the sales comparison approach to value property, the eight criteria inherently have been considered.<sup>50</sup>

**14.2 The Importance of Stratification.** The sales comparison approach relies upon proper stratification of real property. Stratification criteria may include property use code, location, quality grade, effective age, or size. The appropriate level of stratification may vary based on the number and type of real property parcels involved and the amount of market data available.

**14.3 Units of Comparison.** As applied in the sales comparison approach, units of comparison are the economic units into which the prices or value indications of real property may be divided for analysis. An example of a unit of comparison would be price per square foot. There are two primary criteria for selecting the appropriate unit of comparison for mass appraisal purposes. One is that unit of comparison most frequently used by market participants in their decision-making for the property type under analysis, and the other is that unit of comparison resulting in the lowest measures of dispersion within sale data sets. In most cases, sale data should be reduced to the appropriate unit of comparison before valuation analysis. However, some quantitative valuation models may directly employ total sale prices and produce total just value indications.

**14.4 Factors to Consider in Just Valuations.** Section 193.011, Florida Statutes, lists the factors that Florida Property Appraisers must consider in the just valuation of real property for ad valorem tax purposes. See section 2.1.2.

**14.5 Applications of the Sales Comparison Approach.** Sales comparison analysis may involve both quantitative and qualitative analyses. After sale data have been appropriately stratified and reduced to units of comparison, analysis of these groups may reveal relationships affecting just value. Useful quantitative analyses may include calculating and considering measures of central tendency and measures of dispersion for unit prices, and conducting other exploratory data analyses as described in section 8.0.

Other quantitative techniques such as multiple regression analysis and adaptive estimation procedure may be useful for deriving quantitative adjustments within the sales comparison approach. However, since these tools have specific data requirements that may not be met within available sale data sets, their use may be

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<sup>50</sup> See Bystrom v. Bal Harbour 101 Condominium Association, Inc., 502 So.2d 1312 (Fla. 3d DCA 1987) which states that where an appraisal is based on sales of comparable properties the appraiser "*necessarily considers all, and uses some, of the factors set forth in section 193.011.*" Also, see Vero Beach Shores, Inc. v. Nolte, 467 So.2d 1041, 1044 (Fla. 4th DCA 1985).

somewhat limited. Market participants may not follow a quantitative adjustment process in their decision-making. Quantitative appraisal analysis requires the use of appraisal judgment.<sup>51</sup> Any quantitative adjustments or conclusions should be reviewed for reasonableness, consistency, and stability and, if necessary, overridden by relative comparison analysis. Qualitative analysis is useful in the mass appraisal process, and may be used to consider the overall significant differences within and between real property groups.

**14.5.1 Relative Comparison Analysis.** Relative comparison analysis, a common application of qualitative analysis, is described as:

*“Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets.”*<sup>52</sup>

Ranking analysis, a variant of relative comparison analysis, is useful in mass appraisal.<sup>53</sup> As applied in mass appraisal, relative comparison analysis may involve stratifying, sorting, ranking, and bracketing sale data in order to arrive at reasonable and explainable conclusions. It requires good market knowledge and sound appraisal judgment. In applying relative comparison analysis, the data may first be stratified, sorted, and considered based on overall significant differences and then ranked based on overall relative desirability. From this, reasonable ranges (brackets) and point indicators may be developed for the unit values of appraised property groups. Then, these ranges and point indicators may be compared with each other to determine relative reasonableness within and between the appraised groups. Finally, reasonable and supportable conclusions may be made regarding the unit values for the properties within each group. There may be several useful variants of this method.

Relative comparison analysis may be especially useful for mass appraisal of property groups with a limited number of sales or parcels. It may also be useful for evaluating the reasonableness of value indications from other applications of the sales comparison approach, and for mass appraisal quality assurance as described in sections 16.5, 16.6, and 16.7.

**14.5.2 Multiple Regression Analysis.** Multiple regression analysis is a useful mass appraisal tool that may be applied in the sales comparison approach.<sup>54</sup> This is a highly complex statistical procedure that analyzes the relationships between the property characteristics and sale prices of sold property to develop a mathematical equation that may be used to determine the just valuations of groups of real property. The effective implementation of this method requires relatively large quantities of

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<sup>51</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 441.

<sup>52</sup> Ibid, page 445. Also, this type of methodology is listed and described as “*per unit value analysis*” in the student reference manual of the IAAO Course 300 (Fundamentals of Mass Appraisal).

<sup>53</sup> Ibid, pages 445-446.

<sup>54</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 164-193.

market data, highly sophisticated statistical software, highly skilled staff, and usually the hiring of external consultants. The feasibility of using multiple regression analysis in the State of Florida may be limited to counties with larger resource bases and the required quantities of market data. Separate multiple regression models may be developed for residential market areas and other real property groups. Multiple regression models produce useful diagnostics indicating the predictive ability of individual property characteristics within models, and the overall accuracy and reliability of the models. When applying this technique, specific diligence is required to assure the reasonableness of regression coefficients and the stability of regression coefficients and just valuations from year to year. The effective implementation of multiple regression analysis carries several assumptions, the most important of which are complete, accurate, and representative mass appraisal data.

**14.5.3 Adaptive Estimation Procedure.** Adaptive estimation procedure, also referred to as “feedback,” is another useful mass appraisal tool that may be applied in the sales comparison approach.<sup>55</sup> Like multiple regression analysis, this is a highly complex statistical procedure that analyzes the relationships between the property characteristics and sale prices of sold property to develop a mathematical equation that may be used to determine the just valuations of groups of real property. Separate feedback models may be developed for residential market areas and other real property groups. The adaptive estimation procedure has requirements, possible limitations, and assumptions similar to those of multiple regression analysis.

**14.6 Quality Assurance in the Sales Comparison Approach.** If this approach is used, its effectiveness may depend in part on the following: reliable data collection and management; effective exploratory data analysis; good market knowledge; sound appraisal judgment; and application of mass appraisal quality assurance tools.

## **15.0 THE INCOME CAPITALIZATION APPROACH**

**15.1 Description of the Approach.** The collection and management of income capitalization data is described in section 6.13. In its basic applications, the income capitalization approach is a set of procedures where stabilized income from income-producing real property is capitalized into a just value indication by dividing stabilized net operating income by an overall capitalization rate, or by multiplying stabilized gross income by a gross income multiplier. A buyer of income-producing property exchanges current dollars for the expectation of receiving future dollars.

**15.2 The Importance of Stratification.** The income capitalization approach relies upon proper stratification of real property. Stratification criteria may include property use code, location, quality grade, effective age, or size. The appropriate level of stratification may vary based on the number and type of real property parcels involved and the amount of market data available.

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<sup>55</sup> Ibid, pages 196-201.

**15.3 Units of Comparison for Income and Operating Expenses.** As applied in the income capitalization approach, units of comparison are the economic units into which the income, operating expenses, or value indications of real property may be divided for analyses. Examples of units of comparison would be rent per square foot or expenses per square foot. There are two primary criteria for selecting the appropriate unit of comparison for income and expenses. One is that unit of comparison most frequently used by market participants in their decision-making for the property type under analysis, and the other is that unit of comparison resulting in the lowest measures of dispersion within income and operating expense data sets. Before valuation analysis, all income and operating expense data should be reduced to the appropriate unit of comparison.

**15.4 Factors to Consider in Just Valuations.** Section 193.011, Florida Statutes, lists the factors that Florida Property Appraisers must consider in the just valuation of real property for ad valorem tax purposes. See section 2.1.2.

**15.5 Market Rent and Fee Simple Estate.** Market rent, which is distinct from contract rent, is the most likely rent that an income-producing property would command if offered for lease on the open market, as of the date of appraisal. Fee simple estate is the unencumbered ownership of real property limited only by the four powers of government: taxation, police power, eminent domain, and escheat. Unless specified otherwise, fee simple estate is the interest in real property to be appraised for ad valorem tax purposes in the State of Florida.<sup>56</sup> Market rent corresponds to the fee simple estate. Contract rent is the rent due under the terms of an existing lease agreement for real property, and contract rent corresponds to the leased fee estate. Therefore, contract rent is irrelevant to real property appraisal for ad valorem tax purposes in the State of Florida, unless independent support is available indicating that contract rent is equal to market rent. Market rent may be less than, equal to, or greater than contract rent.

**15.6 Market Rent and Expense Analysis.** Reliable market rent and expense analysis involves both quantitative and qualitative analyses. After market rent and expense data have been appropriately stratified and reduced to units of comparison, analysis of these groups may reveal relationships affecting these data. Useful quantitative analyses may include calculating and considering measures of central tendency and dispersion for unit rent and expenses, and conducting other exploratory data analyses as described in section 8.0.

Other quantitative techniques such as paired data set analysis and regression analysis may be used to derive quantitative adjustments for significant differences within market rent and expense data groups, but these tools have specific data requirements that often are not met within available data sets. Therefore, these types of quantitative techniques are rarely used in rent and expense analysis. Market participants may not follow such a quantitative adjustment process in their decision-making. Quantitative

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<sup>56</sup> See Schultz v. TM Florida-Ohio Realty Ltd Partnership, 577 So.2d 573 (Fla. 1991). Also, see Valencia Center, Inc. v. Bystrom, 543 So.2d 214 (Fla. 1989).

appraisal analysis requires the use of appraisal judgment.<sup>57</sup> Any quantitative adjustments and conclusions should be reviewed for reasonableness, consistency, and stability and, if necessary, overridden by relative comparison analysis. Qualitative analysis is useful as a method of considering overall significant differences within and between real property groups. Relative comparison analysis, a common application of qualitative analysis, is described as:

*“Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets.”*<sup>58</sup>

Ranking analysis, a variant of relative comparison analysis, is useful in mass appraisal.<sup>59</sup> As applied in mass appraisal, relative comparison analysis may involve stratifying, sorting, ranking, and bracketing market rent and expense data in order to arrive at reasonable and explainable conclusions. It requires good market knowledge and sound appraisal judgment. In applying relative comparison analysis, the data may first be stratified, sorted, and considered based on overall significant differences within data sets and then ranked based on overall relative desirability. From this, reasonable ranges (brackets) and point indicators may be developed for the market rent and expenses of appraised property groups. Then, these ranges and point indicators may be compared with each other to determine relative reasonableness within and between the appraised groups. Finally, reasonable and supportable conclusions may be made regarding the market rent and expenses for the properties within each group. There may be several useful variants of this method.

**15.7 Income and Operating Expenses.** Income and expenses may be determined after consideration of the relevant market factors pertaining to the property type under appraisal. The market factors that may be considered include the following:

- 1) the recent income and expense histories of properly stratified real property groups,
- 2) the current trends for income and expenses of properly stratified real property groups,
- 3) the market expectations for income and expenses of properly stratified real property groups,
- 4) the recent history, current trends, and market expectations for income and expenses of individual properties within properly stratified real property groups, and

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<sup>57</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 441.

<sup>58</sup> Ibid, page 445. Also, as applied within the income capitalization approach, this type of methodology is listed and described as the “stratification” method in the student reference manual of the IAAO Course 300 (Fundamentals of Mass Appraisal).

<sup>59</sup> Ibid, 445-446.

- 5) commercially available and published reports on the recent history, current trends, and market expectations for income and expenses of property that may be compared to the properly stratified real property groups.

**15.8 Potential Gross Income.** Potential gross income is generally comprised of potential gross rent and miscellaneous income. Potential gross rent is the total market rent a property could generate assuming no vacancy or collection loss. Miscellaneous income is other income from sources such as parking fees and storage fees.

**15.9 Vacancy and Collection Loss.** Vacancy is a loss in potential gross income due to vacant rentable space and tenant turnover. Collection loss is a loss in potential gross income attributable to nonpayment of rent due. Vacancy and collection loss is subtracted from potential gross income.

**15.10 Effective Gross Income.** Effective gross income is the result of subtracting vacancy and collection loss from potential gross income.

**15.11 Operating Expenses.** These are the annual operating expenditures required to continue the production of effective gross income. In addition to the units of comparison for operating expenses mentioned in section 15.3, it may be appropriate to consider operating expense ratios. Operating expenses include only those expenditures directly related to the operation of real property, and specifically exclude any expenses attributable to individuals or entities that may own the real property. Operating expenses for real property may include items such as ad valorem taxes on real property, any special assessments, insurance payments, typical management fees, and maintenance expenses. Items not allowable in operating expenses include items such as the following: income tax or other expenses attributable to individuals or entities that may own real property; depreciation; capital improvement expenditures; and debt service payments.

Since the intended use of the mass appraisal is for ad valorem taxation, it is typical to exclude ad valorem real property taxes from operating expenses and to add, or load, the effective tax rate to the overall capitalization rate to derive a loaded overall capitalization rate for appraisal purposes. An alternative method of handling the interdependency between just value indications and ad valorem taxes on real property is a circular reference feature in spreadsheet software or that may be available within advanced CAMA systems. The circular reference is a programmed feature that simultaneously calculates two interdependent variables.

**15.12 Reserves for Replacement of Short-Lived Items.** Short-lived items are those building components with remaining economic lives shorter than that of the main structure. Examples may be roof coverings, floor coverings, and air-conditioning units. Reserves for replacement are annual amounts that may be set aside to provide for the replacement of short-lived items at the end of their economic lives. Market participants vary in whether and how they apply this practice.

**15.13 Net Operating Income, Before and After Reserves.** Net operating income may be calculated in one of two ways: one is by subtracting only operating expenses from effective gross income, and the other is by subtracting both operating expenses and reserves for replacement from effective gross income. The appropriate method may depend upon factors such as market practices for the property type under appraisal, the availability of market data, and whether reserves were considered in the derivation of the overall capitalization rate.

**15.14 Direct Capitalization.** Direct capitalization is defined as a method used to convert a single year's income expectancy into an indication of value in one direct step, either by dividing the net operating income by an appropriate overall capitalization rate or by multiplying the gross income by an appropriate factor or multiplier.<sup>60</sup>

**15.15 Overall Capitalization Rates.** An overall capitalization rate, or overall rate, is a number in decimal form that may be divided into net operating income to produce an indication of just value by the income capitalization approach. Methods for deriving overall rates may include the following: comparable sales; gross income multiplier methods; band-of-investment using mortgage and equity; and the debt coverage ratio method.<sup>61</sup> Also, investor surveys may be useful in the determination of overall capitalization rates. Indicated overall rates from such analyses may be reconciled using relative comparison analysis. Overall rates may be derived before or after reserves for replacement. It is important to assure consistency between derivations of net operating income and overall rates within income capitalization models. If an income capitalization model initially excludes reserves, and then later reserves are subtracted from net operating income, it is essential to appropriately lower the overall capitalization rate for consistency. See the second paragraph in section 15.11.

**15.16 Gross Income Multiplier Method.** In this variant of direct capitalization, a value indication may be formed in two ways. One way is to multiply potential gross income by a market-extracted potential gross income multiplier, and the other is to multiply effective gross income by a market-extracted effective gross income multiplier. Gross income multipliers may be extracted from sales by dividing the sale price by potential gross income or effective gross income. Gross income multipliers should be applied the same way they were extracted. Various indicators of gross income multipliers may be reconciled using relative comparison analysis. Because the gross income multiplier method does not explicitly consider operating expenses, there should be reasonable consistency between the operating expense ratios of sold properties from which multipliers may be extracted and those of the property groups to which multipliers may be applied.

**15.17 Yield Capitalization.** Yield capitalization has variants. Discounted cash flow analysis is a common variant of yield capitalization, when appropriate. Discounted cash flow analysis is a set of procedures where a value indication is produced by

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<sup>60</sup> Appraisal Institute, *The Appraisal of Real Estate, Twelfth Edition* (Chicago: Appraisal Institute, 2001), page 529.

<sup>61</sup> *Ibid*, pages 530-538.

projecting the future annual net operating income over a typical investment holding period, along with the net proceeds of resale at the end of the holding period, and then discounting these future economic benefits back to the present using an appropriate discount rate. In some cases, Florida courts have rejected property valuations for ad valorem taxation that involved projecting and discounting future economic benefits.<sup>62</sup> After consideration of applicable case law, Property Appraisers have the discretion to determine whether this valuation method is appropriate in particular situations.

**15.18 Quality Assurance in the Income Capitalization Approach.** If this approach is used, its effectiveness may depend in part on the following: reliable data collection and management; effective exploratory data analysis; good market knowledge; sound appraisal judgment; and application of mass appraisal quality assurance tools.

## **16.0 QUALITY ASSURANCE FOR FLORIDA MASS APPRAISAL**

**16.1 The Quality Assurance Process.** The mass appraisal quality assurance process may include the following: planning; organization; legal framework; good staff selection procedures; effective education and training for management and staff; reliable data collection and management; internal communication; appraisal edits and reviews; sale ratio studies; corrective actions; value reconciliation; evaluating assessment performance for unsold property; and taxpayer feedback. Appraisal judgment is required throughout the quality assurance process. See section 3.2.6.

**16.2 Florida Law, Administrative Rules, and Regulatory Requirements.** These items provide the legal framework for the mass appraisal process for ad valorem taxation of real property in the State of Florida. The quality assurance component of mass appraisal should ensure substantial compliance with applicable provisions of Florida law, administrative rules, and regulatory requirements.

**16.3 Effective Education and Training.** Effective education and training for county management and staff are essential to an accurate and equitable mass appraisal process. Effective means that the education and training are appropriate and that the resulting knowledge and skills are used throughout the mass appraisal process. Education is accomplished primarily through courses offered by professional organizations. Training may be accomplished through seminars, in-house training, and on-the-job training. These guidelines may be used as part of an education and training program for county management and staff.

**16.4 Mass Appraisal Data and the Mass Appraisal Process.** Section 6.0 describes systems and processes for collecting and managing complete, accurate,

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<sup>62</sup> See Palm Beach Development and Sales Corp. v. Walker, 478 So.2d 1122 (Fla. 4th DCA 1985); St. Joe Paper Co. v. Adkinson, 400 So.2d 983 (Fla. 1st DCA 1981); Muckenfuss v. Miller, 421 So.2d 170 (Fla. 5th DCA 1982); Spanish River Resort Corporation v. Walker, 497 So.2d 1299 (Fla. 4th DCA 1986) affirmed 526 So.2d 677 (Fla. 1988); and Mastroianni v. Barnett Banks, Inc., 664 So.2d 284 (Fla. 1st DCA 1995) review denied 673 So.2d 29 (Fla. 1996).



and consistent data essential to the Florida mass appraisal process. Such data is the most important component of an effective mass appraisal system. Evaluating mass appraisal data collection and management is the first of two steps in evaluating whether a mass appraisal process is effective. The other step is evaluating whether the just valuations of real property substantially comply with Florida law, administrative rules, and regulatory requirements.

**16.5 Just Valuation Edits Within CAMA Systems.** Valuation edits are programmed reports that may be produced within CAMA systems. There are two primary considerations for designing just valuation edits. The first is to determine the criteria for selecting the properties to appear on the report, and the other is to select the data fields and calculations to appear on the report. Such reports may be designed to reflect just value changes from the prior year to the current year for specified groups of real property or for individual properties. Also, valuation edits may show just values and unit just values for real property. These reports allow the user to identify any unusual just value indications such as extremely high or low values, extremely high or low unit values, or unusually high or low changes in value, both in dollar terms and percentage terms. Any parcels with such unusual indications may be reviewed further for valuation accuracy and reasonableness, and either validated or corrected.

**16.6 Desk Reviews and Field Reviews.** Desk reviews may include the activities described in the previous paragraph. As tests of reasonableness, other desk review activities may include calculating measures of central tendency and dispersion for just values and unit just values within properly stratified real property groups, and then comparing these to the same measures for the prices and unit prices of the sold properties within the corresponding real property groups. These measures may be compared for reasonableness and consistency using relative comparison analysis. Field review may involve physically inspecting individual properties or samples within real property groups with any unusual just value indications, and then validating or changing the just values accordingly. Value changes should be made to all property affected by the factor causing need for the change, not just to individual properties that may appear on a sale ratio study.

**16.7 Sale Ratio Studies.** Sale ratio studies are commonly used quality assurance tools for the mass appraisal process. In sale ratio studies, just value-to-sale price ratios are adjusted upward by dividing by one minus any aggregate percentage adjustment for the first and eighth criteria, resulting in adjusted sale ratios. Any adjustments for the first and eighth criteria apply in the aggregate to specified strata of real property and to real property assessment rolls as a whole.<sup>63</sup> Sale ratios may be expressed as percentages. Sale ratio studies may be programmed and performed within CAMA systems, or the mass appraisal data may be downloaded from CAMA systems and the sale ratio studies performed using spreadsheet or statistical software. There are two primary considerations for designing sale ratio studies for mass

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<sup>63</sup> *Technical Opinion OPN 95-0018*, July 10, 1995, Property Tax Administration, Florida Department of Revenue. Also, see *Technical Opinion OPN 90-0039*, August 20, 1990, Property Tax Administration, Florida Department of Revenue.

appraisal quality assurance purposes. The first is to determine the criteria for selecting the sales to appear on the report, and the other is to select the data fields to appear on the report.

**16.7.1 Uses of Sale Ratio Studies.** Sale ratio studies may be useful for the following quality assurance aspects of the mass appraisal process: monitoring the appraisal work of teams or individuals; evaluating appraisal level and uniformity; and proactively evaluating regulatory compliance.

**16.7.2 Inappropriateness of Selective Reappraisal.** The following excerpt explains selective reappraisal: *“The reliability of sales ratio statistics depends on unsold parcels being appraised in the same manner as sold parcels. Selective reappraisal of sold parcels distorts sales ratio results, possibly rendering them useless. Equally important, selective reappraisal of sold parcels (“sales chasing”) is a serious violation of basic appraisal uniformity and is highly unprofessional.”*<sup>64</sup> Additionally, the U.S. Supreme Court has disapproved selective reappraisal.<sup>65</sup>

**16.7.3 Matching Property Data on Sale Date and Appraisal Date.** The relevant legal and physical characteristics of the sold property, as of the date of sale, should be accurately matched with the same characteristics as of the date of appraisal. This may be accomplished by excluding from the ratio study all sales where any of the following changes were made to the sold parcels between the date of sale and the date of appraisal: new construction; significant renovation or demolition; changes in zoning or future land use classification significantly affecting value; combinations; and splits.

**16.7.4 The Importance of Stratification.** Sale ratio studies rely upon proper stratification of sold properties into groups with one or more significant characteristics in common. Appropriate stratification criteria may include the following: the seven statutory real property strata, property use code, geographic unit, site code, effective age, size, quality grade, or value range.

**16.7.5 Graphic Displays of Sale Ratio Study Results.** The effectiveness and understandability of the results of sale ratio studies may be enhanced by the use of graphic displays. Useful tools for displaying sale ratio study results may include arrays, frequency distributions, histograms, scatter plots, and box plots.<sup>66</sup> Scatter plots, or scatter diagrams, are especially useful for displaying the relationship between sale ratios and a single continuous variable such as size, age, price, or value. Box plots are especially useful for displaying the relationship between sale ratios and a single discrete variable such as market area, neighborhood, quality grade, age range, size range, price range, or value range. Diligence is required when interpreting and

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<sup>64</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), page 315.

<sup>65</sup> See *Allegheny Pittsburgh Coal Co. v. County Commissioner*, 488 U.S. 336, 109 S.Ct. 633, 102 L.Ed.2d. 688 (1989).

<sup>66</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 224-226, 243-245.

acting upon the apparent relationship between sale ratios and a single variable such as value range, because there could be a correlation between value range and another variable such as market area. This could cause a mistaken conclusion that a valuation inaccuracy is attributable to factors within a value range, when in fact the valuation inaccuracy is attributable to factors within a market area. Another useful tool for displaying and analyzing sale ratio data is the contingency table, which simultaneously reflects the relationships between sale ratios and two discrete variables such as market area and value range, or neighborhood and age range.<sup>67</sup>

**16.7.6 Statutory Real Property Strata.** Section 195.096(3)(a), Florida Statutes, requires the Department of Revenue to compute statistical and analytical measures on the following seven real property classes, or strata, when the classes constituted 5 percent or more of the total assessed value of real property in a county on the previous tax roll.

1. *Residential property that consists of one primary living unit, including, but not limited to, single-family residences, condominiums, cooperatives, and mobile homes.*
2. *Residential property that consists of two or more primary living units.*
3. *Agricultural, high-water recharge, historic property used for commercial or certain non-profit purposes, and other use-valued property.*
4. *Vacant lots.*
5. *Nonagricultural acreage and other undeveloped parcels.*
6. *Improved commercial and industrial property.*
7. *Taxable institutional or governmental, utility, locally assessed railroad, oil, gas, and mineral land, subsurface rights, and other real property.*

Florida Property Appraisers may also perform statistical analyses on these seven strata for quality assurance and to proactively evaluate regulatory compliance.

**16.7.7 Measures of Appraisal Level in Sale Ratio Studies.** In sale ratio studies, measures of appraisal level are generally reflected by measures of central tendency. The three common measures of appraisal level for sale ratio studies are the median, mean, and weighted mean.<sup>68</sup> These three items are required inputs for calculating measures of appraisal uniformity (see section 6.7.10). Also, measures of appraisal level are useful for evaluating horizontal equity and vertical equity (see sections 16.7.13 and 16.7.14).

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<sup>67</sup> International Association of Assessing Officers, *Property Appraisal and Assessment Administration* (Chicago: International Association of Assessing Officers, 1990), pages 524-525.

<sup>68</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 229-233.

**16.7.8 Adjustment for the First and Eighth Criteria.** Section 2.1.2 contains the statutorily mandated eight factors, or criteria, that Florida Property Appraisers must consider in the annual just valuations of real property. Aggregate adjustments to the just value-to-sale price ratios within real property strata may be applied to account for the first and eighth criteria. Each year with the submittal of the preliminary assessment rolls, Property Appraisers are required to report on Department of Revenue Form DR-493 any percentage adjustments applied within real property use code groups to reflect consideration of the first and eighth criteria. The Department of Revenue uses these reported percentage adjustments in the statutory level of assessment calculations for evaluation of assessment rolls. Since Property Appraisers have the discretion to determine any appropriate percentage adjustments, the Department of Revenue does not determine any adjustments for the first and eighth criteria. However, Rule 12D-8.002(4), Florida Administrative Code, specifies that if any reported percentage adjustments exceed 15 percent, documentation supporting these percentage adjustments must be provided to the Department of Revenue. Any adjustments for the first and eighth criteria apply in the aggregate to specified strata of real property and to real property assessment rolls as a whole.<sup>69</sup>

**16.7.9 Level of Assessment.** The measure of appraisal level used by the Florida Department of Revenue to evaluate assessment rolls and to certify assessment rolls to the Department of Education is called the level of assessment. In Florida, the level of assessment is based on the adjusted weighted mean ratio for specified strata of real property and for real property assessment rolls as a whole. For proactively evaluating regulatory compliance, Property Appraisers may calculate the level of assessment by dividing the unadjusted weighted mean sale ratio by one minus any aggregate percentage adjustment for the first and eighth criteria.

**16.7.10 Measures of Appraisal Uniformity In Sale Ratio Studies.** Appraisal uniformity may be evaluated both between and within real property groups. Appraisal uniformity between groups may be evaluated by comparing measures of appraisal level for real property groups. Common indicators of appraisal uniformity within groups are the array, range, coefficient of dispersion, and price-related differential.<sup>70</sup> Arranging the sales in ascending ratio order creates an array, and the lowest and highest ratios reflect the range. These two indicators are simple, directly observable, and useful for small groups of sales. However, the coefficient of dispersion and the price-related differential are generally applied as indicators of appraisal uniformity within real property groups.

**16.7.11 Coefficient of Dispersion.** The coefficient of dispersion is the most commonly used indicator of appraisal uniformity in sale ratio studies. It measures the variation of sale ratios within a group of sold properties. Since the coefficient of

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<sup>69</sup> *Technical Opinion OPN 95-0018*, July 10, 1995, Property Tax Administration, Florida Department of Revenue. Also, see *Technical Opinion OPN 90-0039*, August 20, 1990, Property Tax Administration, Florida Department of Revenue.

<sup>70</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 233-237, 239-242.

dispersion is based on the median, it is not influenced by extreme sale ratios, as are measures of appraisal uniformity based on the mean.

**16.7.12 Price-Related Differential.** The price-related differential (PRD) measures appraisal uniformity between low- and high-value properties within real property groups. A PRD below the acceptable range may indicate that high-value properties are overappraised relative to low-value properties, and the mass appraisal may be considered “progressive.” A PRD above the acceptable range may indicate that high-value properties are underappraised relative to low-value properties, and the mass appraisal may be considered “regressive.”

**16.7.13 Horizontal Equity.** Horizontal equity relates to equity in appraisal level between real property groups stratified by criteria other than value range. Horizontal equity may be evaluated by comparing measures of appraisal level for real property groups stratified by items such as geographic units, site codes, age groups, and size groups. Graphic analysis may also be useful for evaluating horizontal equity. See section 16.7.5. If any significant horizontal inequity is apparent, additional analysis, and possibly appraisal level changes, may be required.

**16.7.14 Vertical Equity.** Vertical equity pertains to equity in appraisal level related to the value of real property. Vertical equity may be evaluated by calculating the price-related differential for real property groups stratified by items such as geographic units, site codes, age groups, and size groups, and by comparing measures of appraisal level for value range groups. Graphic analysis may also be useful for evaluating vertical equity. See section 16.7.5. If any significant vertical inequity is apparent, additional analysis, and possibly appraisal level changes, may be required.

**16.7.15 Statistical Indicators for Regulatory Purposes.** During the assessment roll evaluation process, the Department of Revenue performs certain statistical analyses on applicable statutory real property strata as described in section 16.7.6. Relevant to these guidelines are three statistical indicators calculated by the Department of Revenue: the level of assessment, the coefficient of dispersion, and the price-related differential. The level of assessment is equivalent to the adjusted weighted mean as described above. For quality assurance and to proactively evaluate regulatory compliance, Florida Property Appraisers may also perform such statistical analyses. The Department of Revenue may also utilize other statistical indicators in the assessment roll evaluation process.

**16.8 Reconciliation of the Mass Appraisal.** The process of reaching just value conclusions for real property is an application of administrative discretion by Florida Property Appraisers.<sup>71</sup> If a single valuation approach is used for a real property type, the value indications by this approach may be reviewed for quality assurance before reaching final conclusions of just value. If more than one valuation approach is used for a real property type, the just value indications by each approach may be reviewed for quality assurance and reconciled to final conclusions of just value. It is not

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<sup>71</sup> See Powell v. Kelly, 223 So.2d 305 (Fla. 1969). Also, see Spanish River Resort Corporation v. Walker, 497 So.2d 1299 (Fla. 4th DCA 1986) affirmed 526 So.2d 677 (Fla. 1988).

necessary to base final conclusions of just value on a single approach.<sup>72</sup> Final conclusions of just value may be based on the value indications from one of the approaches, or may be based on a weighted average of the value indications from the approaches used. In reaching a final conclusion of just value, the factors for consideration may include the following: the quality and quantity of the data used in each approach; the applicability of each approach used; and the approach or reconciliation that produces the best indicators of appraisal performance.

**16.9 Evaluating Appraisal Performance for Unsold Property.** Sale ratio studies evaluate appraisal performance for sold property. For quality assurance purposes, it is helpful to evaluate appraisal performance for unsold property. Two practical types of analysis for this evaluation are percent change in just value methods and the unit just value method.

**16.9.1 Percent Change in Just Value Methods.** There may be variants of the percent change in value method for evaluating appraisal performance for unsold properties. One variant involves listing all real property parcels within a properly stratified group, including just values for the current and prior years for all parcels and sale prices for any sold parcels, and calculating the percent change in just value for each parcel. These just value percent change indicators may be reviewed for consistency, reasonableness, and validity. These data sets may be analyzed for significant differences in value changes between sold and unsold property. Any such differences or any extreme changes in value may require further research to validate or correct. Another variant of this method involves comparing the average percent change in just value between the sold and unsold subgroups of properly stratified real property groups. Any significant differences in the percent changes in value between the sold and unsold subgroups may require further research to validate or correct.

**16.9.2 Unit Just Value Method.** This method requires use of the appropriate just value unit of comparison for the property type under analysis. It involves comparing the average unit just values for unsold parcels within properly stratified property groups with those of sold parcels within the same groups. If sold and unsold properties are appraised equitably, their average unit values should be similar, other factors held constant. Any significant differences between the average unit just values of sold property and those of unsold property may require further research to validate or correct.

**16.10 Taxpayer Feedback.** Taxpayer feedback is part of the mass appraisal quality assurance process. Such feedback may be reflected in informal inquiries, petitions filed with the county value adjustment board, and litigation. Depending on the time of year, informal inquiries may be the preferred form of receiving and responding to taxpayer feedback.

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<sup>72</sup> International Association of Assessing Officers, *Mass Appraisal of Real Property* (Chicago: International Association of Assessing Officers, 1999), pages 20-21.

## ADDENDUM

Listed below in bold italics are the eight factors that Florida Property Appraisers are required to consider in the just valuation of real property as stated in Section 193.011, Florida Statutes. Following each factor is a discussion of the applicable Florida case law as provided by the Office of the General Counsel, Florida Department of Revenue. These case law discussions are summaries of court rulings. Care should be taken to consult the actual cases, along with legal advice where necessary, in their application.

***Factors to consider in deriving just valuation.--In arriving at just valuation as required under s. 4, Art. VII of the State Constitution, the property appraiser shall take into consideration the following factors:***

***(1) The present cash value of the property, which is the amount a willing purchaser would pay a willing seller, exclusive of reasonable fees and costs of purchase, in cash or the immediate equivalent thereof in a transaction at arm's length;***

See Bystrom v. Bal Harbour 101 Condominium Association, Inc., 502 So.2d 1312 (Fla. 3d DCA 1987) which states that where an appraisal is based on sales of comparable properties the appraiser "necessarily considers all, and uses some, of the factors set forth in section 193.011." Also see Vero Beach Shores, Inc. v. Nolte, 467 So.2d 1041, 1044 (Fla. 4th DCA 1985). The sale price may be outweighed by the condition or size; the former is not necessarily the sole determinant of value where no established market exists. Walker v. Trump, 549 So.2d 1098 (Fla. 4th DCA 1989). In this regard, no individual sale can be or should be assumed to represent just or fair market value. See Oyster Pointe Condo. Assoc., Inc. v. Nolte, 524 So.2d 415 (Fla. 1988), which stated the Legislature intended "to include only those fees and costs typically associated with the closing of the sale of real property such as reasonable attorney's fees, broker's commissions, appraisal fees, documentary stamp costs, survey costs and title insurance costs."

***(2) The highest and best use to which the property can be expected to be put in the immediate future and the present use of the property, taking into consideration any applicable judicial limitation, local or state land use regulation, or historic preservation ordinance, and considering any moratorium imposed by executive order, law, ordinance, regulation, resolution, or proclamation adopted by any governmental body or agency or the Governor when the moratorium or judicial limitation prohibits or restricts the development or improvement of property as otherwise authorized by applicable law. The applicable governmental body or agency or the Governor shall notify the property appraiser in writing of any executive order, ordinance, regulation, resolution, or proclamation it adopts imposing any such limitation, regulation, or moratorium;***

The appraiser can consider the potential, future use of property for a 13-story building, although a current lease may prohibit development of 13-story building. Valencia Center Inc. v. Bystrom, 543 So.2d 214 (Fla. 1989). Uses of property barred under zoning, but permitted by comprehensive plan that had priority over zoning restrictions, and for which there was present

## The Florida Real Property Appraisal Guidelines, 2002

market demand, could be considered by the appraiser in assessing the highest and best use to which property could be expected to be put in the immediate future. Holland v. Walker, 492 So.2d 1093 (Fla. 4th DCA 1986), review denied 504 So.2d 767 (Fla. 1987). The temporary existence of a moratorium or delayed development should not be the sole consideration in determining the value of land. Atlantic Intern. Inv. Corp. v. Turner, 383 So.2d 919 (Fla. 5th DCA 1980). Speculative investment should be considered as the highest and best use, and if there is no present demand, that would affect the value the appraiser attaches to the property. Vero Beach Shores, Inc. v. Nolte, 467 So.2d 1041 (Fla. 4<sup>th</sup> DCA 1985). Building density restrictions are applicable for consideration. Walker v. Hoffman, 464 So.2d 710 (Fla. 4th DCA 1985). The appraiser is not bound by the fact that the property cannot presently be used for purposes permitted by the zoning. Florida Rock Industries v. Bystrom, 485 So.2d 442 (Fla. 3d DCA 1986). But see Security Management Corp. v. Markham, 516 So.2d 959 (Fla. 4th DCA 1987), which holds that property zoned for 234 apartments but for which a Court had ordered the City of Hallandale to process plans for 1,500 units should still be assessed on the basis of the underlying zoning. Further, the appraiser should not consider future or potential uses unless they are to be expected immediately and not at a vague or uncertain time in the future. Lanier v. Overstreet, 175 So.2d 521 (Fla. 1965). Future uses based in the possibility of rezoning should not be based on speculation and conjecture. Bal Harbour Club, Inc., v. Dade County, 222 So.2d 428 (Fla. 3d DCA 1969).

### ***(3) The location of said property;***

Location is a factor that the appraiser must at least consider in valuing property, though the appraiser need not to give equal weight to each factor. Roden v. Estech, Inc., 508 So.2d 728 (Fla. 2d DCA 1987), review denied 518 So.2d 1277 (Fla. 1987).

### ***(4) The quantity or size of said property;***

The size of a parcel may have little effect on its value per acre, when other factors so indicate. Palm Beach Development and Sales Corp. v. Walker, 478 So.2d 1122 (Fla. 4th DCA 1985) review denied 488 So.2d 831 (Fla. 1986) involving vacant unplatted lots in a subdivision being developed. However the size of a parcel may become a extremely relevant factor in the absence of other relevant factors and information. Walker v. Trump, 549 So.2d 1098 (Fla. 4th DCA 1989). The courts have recognized that this may be a dilemma for the appraiser. Muckenfuss v. Miller, 421 So.2d 170 (Fla. 5th DCA 1982).

### ***(5) The cost of said property and the present replacement value of any improvements thereon;***

The appraiser should consider and recognize differences between old and new properties under the cost approach. Ozier v. Seminole Co. Property Appraiser, 585 So.2d 357 (Fla. 5th DCA 1991). The cost approach may be warranted where property is a "special purpose" property, if there are complications caused by attempting to accurately predict any stability in the "income approach". Daniel v. Canterbury Towers, Inc., 462 So.2d 497 (Fla. 2d DCA 1984); Havill v. Lake Port Properties, Inc., 729 So.2d 467 (Fla. 5th DCA 1999).

### ***(6) The condition of said property;***

The appraiser should consider and recognize differences in condition between old and new properties under the cost approach. Ozier v. Seminole Co. Property Appraiser, 585 So.2d 357 (Fla. 5th DCA 1991). Contaminated condition may affect the market value. Gulf Coast



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Recycling v. Turner, 753 So.2d 712 (Fla. 2d DCA 2000). The appraiser's weight afforded to condition may outweigh the sale price; the latter is not necessarily the sole determinant of value where no established market exists. Walker v. Trump, 549 So.2d 1098 (Fla. 4th DCA 1989); Muckenfuss v. Miller, 421 So.2d 170 (Fla. 5th DCA 1982).

### ***(7) The income from said property; and***

Though different income approaches can be used, they need not be the only criteria used in setting an assessment but can be used in conjunction with other criteria. Whitman v. Overstreet, 230 So.2d 46 (Fla. 3d DCA 1969) cert. denied 237 So.2d 764 (Fla. 1978). The appraiser when using income can use average occupancy rates for downtown office buildings, and need not use the property's actual occupancy figures, as long as these figures are considered. Mastroianni v. Barnett Banks, Inc., 664 So.2d 284 (Fla. 1st DCA 1995) review denied 673 So.2d 29 (Fla. 1996).

***(8) The net proceeds of the sale of the property, as received by the seller, after deduction of all of the usual and reasonable fees and costs of the sale, including the costs and expenses of financing, and allowance for unconventional or atypical terms of financing arrangements. When the net proceeds of the sale of any property are utilized, directly or indirectly, in the determination of just valuation of realty of the sold parcel or any other parcel under the provisions of this section, the property appraiser, for the purposes of such determination, shall exclude any portion of such net proceeds attributable to payments for household furnishings or other items of personal property.***

See Bystrom v. Bal Harbour 101 Condominium Association, Inc., 502 So.2d 1312 (Fla. 3d DCA 1987) which states that where an appraisal is based on sales of comparable properties the appraiser "necessarily considers all, and uses some, of the factors set forth in section 193.011." Also see Vero Beach Shores, Inc. v. Nolte, 467 So.2d 1041, 1044 (Fla. 4th DCA 1985). The sale price may be outweighed by the condition or size; the former is not necessarily the sole determinant of value where no established market exists. Walker v. Trump, 549 So.2d 1098 (Fla. 4th DCA 1989). In this regard, no individual sale can be or should be assumed to represent just or fair market value. See Oyster Pointe Condo. Assoc., Inc. v. Nolte, 524 So.2d 415 (Fla. 1988), which stated the Legislature intended "to include only those fees and costs typically associated with the closing of the sale of real property such as reasonable attorney's fees, broker's commissions, appraisal fees, documentary stamp costs, survey costs and title insurance costs."

**RULES OF THE  
STATE OF FLORIDA  
DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION  
PROGRAM**

**CHAPTER 12D-51**

**STANDARD ASSESSMENT PROCEDURES  
AND STANDARD MEASURES OF VALUE;  
GUIDELINES**

**12D-51.002 Standard Measures of Value:  
Tangible Personal Property  
Appraisal Guidelines.**

**12D-51.002 Standard Measures of Value:  
Tangible Personal Property Appraisal  
Guidelines.** Pursuant to Section 195.062, F.S., these guidelines are adopted in general conformity with the procedures set forth in section 120.54, F.S., but shall not have the force and effect of rules. These guidelines are to be used only to assist property appraisers in the assessment of tangible personal property as provided by Section 195.002, F.S. These Guidelines supersede any previous tangible personal property appraisal guidelines and are entitled:

Standard Measures of Value:

Tangible Personal Property Appraisal  
Guidelines Rev. 12/97

Copies of these guidelines may be obtained from the Department of Revenue, Property Tax Administration Program, P.O. Box 3000, Tallahassee, Florida 32315-3000 and may be found on the Internet at

<http://www.myflorida.com/dor/property/>.

Specific Authority 195.027(1), 195.032, 213.06(1)  
FS. Law Implemented 195.032, 195.062, 213.05  
FS. History--New 12-30-97.

**STANDARD MEASURES OF VALUE:  
TANGIBLE PERSONAL PROPERTY  
APPRAISAL GUIDELINES**

**FLORIDA  
DEPARTMENT OF REVENUE**

**STATE OF FLORIDA  
DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION PROGRAM  
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**STANDARD MEASURES OF VALUE:  
TANGIBLE PERSONAL PROPERTY APPRAISAL GUIDELINES**

Introduction

These guidelines have been prepared by the Florida Department of Revenue's Property Tax Administration Program to help achieve equity in the mass appraisal of tangible personal property through uniform application of valuation guidelines. The Florida Constitution mandates that general law regulations be prescribed to secure a just valuation of all property for ad valorem taxation. This will ensure equity within and between all classes of property among the taxing jurisdictions in Florida.

The content of these guidelines is intended to assist property owners and appraisal officials in their legal obligation to respectively report and assess tangible personal property. Appraisal officials must use sound judgment when applying the recommended guidelines, procedures, and schedules to determine the validity of property values reported by owners. Some of the suggested methodologies are intended only to provide an approximation of value for the personalty of a business typical for that class. Other job aids, such as the depreciation schedules, are recommended to determine just value based on adjustments to information obtained from property owners. Although the standard measures of value provided in these guidelines are considered valid tools, the property appraiser's statutory presumption of correctness is not refuted merely because the guidelines may not establish just value. [Sections 195.032 and 195.062, Florida Statutes]

The practitioner is discouraged from relying on these guidelines without a thorough knowledge of generally accepted appraisal procedures. Instead, one should review all statements set forth within the context of this entire document and consult with jurisdictional authorities. The appraisal official is required to consider the cost, market and income approaches, and use one of these approaches or a combination of these approaches in arriving at just value. The eight factors in Section 193.011, F.S., must be considered in deriving just value.

These guidelines are not intended to limit or restrict the property appraisers or the Department in the use of generally accepted valuation techniques.

The Property Tax Administration Program strives to provide taxpayers and taxing authorities with current information regarding changes in the tax laws of the State of Florida and its political subdivisions. Please direct any questions regarding this edition or suggestions for future updates and publications of these guidelines to the Florida Department of Revenue.

[ Sections 195.032 and 195.062, F.S.]

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**FLORIDA DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION PROGRAM  
TANGIBLE PERSONAL PROPERTY APPRAISAL GUIDELINES**

**I. PURPOSE**

These guidelines are published for the purpose of implementing the procedures, requirements, programs and policies of the Department of Revenue relative to its general supervision of the assessment and valuation of tangible personal property tax rolls in the State of Florida. [Sections 193.011, 195.0012, and 195.002, F.S.]

**II. AUTHORITY**

Sections 195.032 and 195.062(1), F.S., authorize the Department of Revenue to prepare and maintain guidelines to assist the property appraisers. They are intended to assist in the assessment of property and are not construed to be the final authority or all inclusive in nature.

**III. DEFINITIONS AND OCCURRENCES OF USE IN TEXT**

1. **ACTUAL AGE**, pages 10, 13, and 35
2. **ASSEMBLAGE**, page 10
3. **COMPUTER AND RELATED EQUIPMENT**, pages 10, 11, 45, and 52
4. **CONSTRUCTION WORK IN PROGRESS**, pages 11, 25, and 26
5. **DEPRECIATION**, pages 3, 11, 12, 13, 15, 18, 35, 37, 38, 40, 41, 43, 48, and 49
6. **ECONOMIC LIFE**, pages 12, 13, 19, 20, 35, 36, 42, 43, 44, 45, 46, and 47
7. **ECONOMIC OBSOLESCENCE**, pages 13 and 41
8. **EFFECTIVE AGE**, pages 13, 35, 38, 43, and 46
9. **FLOATING STRUCTURE**, pages 13 and 14
10. **FUNCTIONAL OBSOLESCENCE**, pages 12, 14, 36, 40, and 41
11. **HISTORICAL COST**, pages 14, 15, 36, 37, 38, and 43
12. **HOUSEHOLD GOODS**, pages 15, 26, and 29
13. **INTANGIBLE PERSONAL PROPERTY**, pages 15 and 44
14. **INVENTORY**, pages 16, 25, 26, 29, 30, and 45

15. **JUST VALUE**, pages 3, 16, 17, 34, 35, 43, 44, and 47
16. **LEASEHOLD**, pages 17 and 33
17. **LEASEHOLD IMPROVEMENTS**, pages 17 and 33
18. **MARKET VALUE**, pages 12, 17, 37, 38, 40, 41, 42, 43, 45, and 48
19. **ORIGINAL COST**, pages 12, 15, 18, 33, 36, 38, and 40
20. **PERCENT GOOD**, pages 18, 41, and 43
21. **POOLING OF INTERESTS METHOD OF ACCOUNTING**, pages 18, 36 and 37
22. **PURCHASE METHOD OF ACCOUNTING**, pages 19 and 36
23. **REMAINING ECONOMIC LIFE**, pages 19, 20, and 43
24. **REPLACEMENT COST**, pages 12, 18, 20, 21, 40, 41, 42, and 43
25. **REPLACEMENT COST NEW**, pages 18, 21, 40, 41, 42, and 43
26. **REPRODUCTION COST**, pages 12, 21, and 22
27. **REPRODUCTION COST NEW**, page 22
28. **SALVAGE VALUE**, pages 22 and 43
29. **SITUS**, pages 22, 24, and 32
30. **SUPPLIES**, pages 16, 25, and 55
31. **TANGIBLE PERSONAL PROPERTY**, pages 3, 7, 10, 11, 14, 15, 22, 23, 25, 29, 30, 31, 32, 33, 34, 35, 36, 38, 43, 44, 45, 47, and 49
32. **TRADE FIXTURES**, pages 26 and 55
33. **UNIT METHOD OF VALUATION**, pages 27 and 44
34. **VALUE**, pages 3, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 22, 25, 26, 27, 28, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, and 48
35. **VALUE IN EXCHANGE**, pages 27 and 28

## **PUBLICATIONS USED WITH PERMISSION AS REFERENCES FOR DEFINITIONS**

Appraising Machinery and Equipment, American Society of Appraisers (ASA), McGraw Hill, 1989.

Assessment of Personal Property, Course 5, International Association of Assessing Officers, 130 E. Randolph Street, Suite 850, Chicago, Il 60601, 1996.

Black's Law Dictionary, 6th Ed., West Publishing Co., 50 W. Kellogg Blvd., P.O. Box 64526, St. Paul, Mn 55164-0526, 1990.

Florida Administrative Code.

Florida Statutes.

IBM Dictionary of Computing, McGraw-Hill, Inc., 1994.

Introduction to Machinery & Technical Specialties Valuation, Principles of Valuation, MTS201, American Society of Appraisers (ASA), 1991.

Opinions of the Accounting Principles Board, Opinion No. 16 on Business Combinations issued by the Accounting Principles Board (APB16) of the American Institute of Certified Public Accountants, 1970.

Property Appraisal and Assessment Administration, The International Association of Assessing Officers (IAAO), 130 E. Randolph Street, Suite 850, Chicago, Il 60601, 1990.

Standard on Valuation of Personal Property, International Association of Assessing Officers (IAAO), 130 E. Randolph Street, Suite 850, Chicago, Il 60601, 1996.

The Appraisal of Real Estate, 10th Edition, Appraisal Institute, 1992.

The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, 1993.

Uniform Standards of Professional Appraisal Practice (USPAP), The Appraisal Foundation, 1029 Vermont Avenue, NW, Suite 900. Washington, DC 20005-3517, 1996.

NOTE: More current editions of these publications or new case law may require revision or will supersede the current definitions.

NOTE: Many of the following definitions apply to real estate but are, in fact, also applicable to tangible personal property. In some cases, more than one definition is given for a term; these guidelines do not establish preference of one definition to another. Where more than one definition is given, the intent is to broaden the reader's knowledge.

## 1. ACTUAL AGE

REFERENCE	DESCRIPTION
THE DICTIONARY OF REAL ESTATE APPRAISAL, Third Edition, Appraisal Institute, 1993, p. 5.	<b>ACTUAL AGE.</b> The number of years that have elapsed since the construction of an improvement was completed; also called historical or chronological age.

## 2. ASSEMBLAGE

REFERENCE	DESCRIPTION
USPAP, 1996 Edition, The Appraisal Foundation, p. 136.	<b>ASSEMBLAGE.</b> In appraising personal property: the combining of properties (e.g.: items, components, or the like) into units, sets, or groups.

## 3. COMPUTER AND RELATED EQUIPMENT

REFERENCE	DESCRIPTION
IBM DICTIONARY OF COMPUTING, McGraw Hill, Inc., 1994, pp. 129, 432.	<b>COMPUTER.</b> A functional unit that can perform substantial computations, including numerous arithmetic operations and logic operations without human intervention during a run. In information processing, the term computer usually describes a digital computer. A computer may consist of a stand-alone unit or may consist of several interconnected units.  In terms of size and processing power, the hierarchy of computers consists of supercomputers, mainframes, (usually called processing units or processors), superminis, minicomputers, and microcomputers. As the computing power and storage capability of microcomputers grows and size of minicomputers decreases to table-top dimensions, the distinctions

between micros and minis will become less distinct and may eventually disappear.

Note: **Computer related equipment** includes monitors, printers, scanners, disk drives, cables, and other electronic peripherals commonly used as part of a non-production computer system.

For purposes of these guidelines, the term "computer equipment" specifically excludes production computers which are embedded in machinery; nor does it include equipment or computers specifically designed for use in any application directly related to manufacturing. For example, equipment used for the manufacture of computers, semiconductors, or other components are production components.

#### 4. CONSTRUCTION WORK IN PROGRESS

REFERENCE	DESCRIPTION
SECTION 192.001 (11) (d), FLORIDA STATUTES	<b>CONSTRUCTION WORK IN PROGRESS.</b> Consists of those items of tangible personal property commonly known as fixtures, machinery, and equipment when in the process of being installed in new or expanded improvements to real property and whose value is materially enhanced upon connection or use with a preexisting, taxable, operational system or facility. Construction work in progress shall be deemed substantially completed when connected with the preexisting, taxable, operational system or facility.

#### 5. DEPRECIATION

REFERENCE	DESCRIPTION
ASSESSMENT OF PERSONAL PROPERTY, International Association of Assessing Officers, 130 E. Randolph St., Suite 850, Chicago, Il 60601, 1996, p. A-2.	<b>DEPRECIATION IN ACCOUNTING.</b> A method providing for systematic allocation of recovery of cost over an asset life.

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-2.

**DEPRECIATION IN APPRAISAL.** A loss of market value of an asset relative to its cost. It may stem from any cause that results in actual loss.

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 641.

**DEPRECIATION.** Loss in value of an object, relative to its replacement cost, reproduction cost, or original cost, whatever the cause of the loss in value. Depreciation is sometimes subdivided into three types: physical deterioration (wear and tear), functional obsolescence (suboptimal design in light of current technologies or taste), and economic obsolescence (poor location or radically diminished demand for the product).

THE DICTIONARY OF  
REAL ESTATE  
APPRAISAL, Third  
Edition, Appraisal  
Institute, 1993, p. 96.

**DEPRECIATION.** (1.) In appraising, a loss in property value from any cause; the difference between the reproduction or replacement cost of an improvement on the effective date of the appraisal and the market value on the same date. (2.) In regard to improvement, depreciation encompasses both deterioration and obsolescence. (3.) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

NOTE: Two definitions for the application of depreciation are recognized: one as applied in appraising and one as applied in accounting. The reader should be aware of the differences.

## 6. ECONOMIC LIFE

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-2.

**ECONOMIC LIFE.** The period of time over which an asset's operation is economically feasible. The economic life may or may not be equivalent to physical life of the asset.

BLACK'S LAW  
DICTIONARY,  
6th Edition, West  
Publishing Co., 1990,  
p. 513.

**ECONOMIC LIFE.** Useful or profitable  
life of property, which may be shorter  
than the physical life. See  
also Economic Obsolescence.

## 7. ECONOMIC OBSOLESCENCE

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1006, p. A-2.

**ECONOMIC OBSOLESCENCE [EXTERNAL  
OBSOLESCENCE].** The loss in value  
(relative to the cost of replacing it with  
a property of equal utility) resulting from  
causes outside the property suffering the  
loss. Usually locational in nature in  
depreciation of real estate; it is more  
commonly market wide in personal property  
and is generally considered to be  
economically unfeasible to cure.

## 8. EFFECTIVE AGE

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-2.

**EFFECTIVE AGE.** An age assigned to an asset  
based on a combination of its actual age  
and condition.

## 9. FLOATING STRUCTURE

### REFERENCE

### DESCRIPTION

SECTION 192.001(17),  
barge  
FLORIDA STATUTES

**FLOATING STRUCTURE.** Means a floating  
-like entity, with or without  
accommodations built thereon, which is not  
primarily used as a means of transportation  
on water but which serves purposes or  
provides services typically associated with  
a structure or other improvement to real  
property. The term "floating structure"  
includes, but is not limited to, each  
entity used as a residence, place of  
business, office, hotel or motel,  
restaurant or lounge, clubhouse, meeting

facility, storage or parking facility, mining platform, dredge, dragline, or similar facility or entity represented as such. Floating structures are expressly excluded from the definition of the term "vessel" provided in s. 327.02, F.S. Incidental movement upon water shall not, in and of itself, preclude an entity from classification as a floating structure. A floating structure is expressly included as a type of tangible personal property.

## 10. FUNCTIONAL OBSOLESCENCE

### REFERENCE

### DESCRIPTION

ASSESSMENT OF PERSONAL PROPERTY, International Association of Assessing Officers, 130 E. Randolph St., Suite 850, Chicago, IL 60601, 1996, p. A-3.

**FUNCTIONAL OBSOLESCENCE.** A loss in value of an asset stemming from some cause within the asset yet not attributable to physical deterioration. In personal property, the primary cause of functional obsolescence is technological innovation. Other causes are changes in tastes, preferences, or market standards.

INTRODUCTION TO MACHINERY & TECHNICAL SPECIALTIES VALUATION, Principles of Valuation, MTS201, American Society of Appraisers, 1991, p. A-4.

**FUNCTIONAL OBSOLESCENCE.** Loss in value due to factors inherent in the property itself and changes in design, materials, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, use of materials, or excess operating costs.

## 11. HISTORICAL COST

### REFERENCE

### DESCRIPTION

INTRODUCTION TO MACHINERY & TECHNICAL SPECIALTIES VALUATION, Principles of Valuation, MTS201, American Society of Appraisers, 1991, p. A-5.

**HISTORICAL COST.** The initial capitalized cost of an asset at the time it was first put into service.



BLACK'S LAW  
DICTIONARY,  
6th Edition,  
West Publishing  
Co., 1990, p. 730.

**HISTORICAL COST.** In accounting,  
acquisition or original cost; e.g. original  
construction cost of building.

THE DICTIONARY OF  
REAL ESTATE  
APPRAISAL,  
Third Edition,  
Appraisal Institute,  
1993, p. 172.

**HISTORICAL COST.** The cost of a  
property when it was originally  
constructed.

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-3.

**HISTORIC COST.** The cost of an asset not  
adjusted for inflation since the date of  
purchase. Usually the basis for  
depreciation in accounting which has a  
requirement that all information on  
financial statements be presented in terms  
of the item's original cost to the entity.

## 12. HOUSEHOLD GOODS

### REFERENCE

### DESCRIPTION

SECTION 192.001  
(11) (a), FLORIDA  
STATUTES

**HOUSEHOLD GOODS.** Means wearing apparel,  
furniture, appliances, and other items  
ordinarily found in the home and used for  
the comfort of the owner and his or her  
family. Household goods are not held for  
commercial purposes or resale.

## 13. INTANGIBLE PERSONAL PROPERTY

### REFERENCE

### DESCRIPTION

SECTION 192.001  
(11) (b), FLORIDA  
STATUTES

**INTANGIBLE PERSONAL PROPERTY.** Means money,  
all evidences of debt owed to the taxpayer,  
all evidences of ownership in a corporation  
or other business organization having  
multiple owners, and all other forms of  
property where value is based upon that  
which the property represents rather than  
its own intrinsic value.

## 14. INVENTORY

### REFERENCE

SECTION 192.001  
(11) (c), FLORIDA  
STATUTES

### DESCRIPTION

**INVENTORY.** Means only those chattels consisting of items commonly referred to as goods, wares, and merchandise (as well as inventory) which are held for sale or lease to customers in the ordinary course of business. Supplies and raw materials shall be considered to be inventory only to the extent that they are acquired for sale or lease to customers in the ordinary course of business or will physically become a part of merchandise intended for sale or lease to customers in the ordinary course of business. Partially finished products which when completed will be held for sale or lease to customers in the ordinary course of business shall be deemed items of inventory. All livestock shall be considered inventory. Items of inventory held for lease to customers in the ordinary course of business, rather than for sale, shall be deemed inventory only prior to the initial lease of such items. For the purposes of this section, fuels used in the production of electricity shall be considered inventory.

## 15. JUST VALUE

### REFERENCE

FLORIDA ADMINISTRATIVE  
CODE (12D-1.002(2),  
F.A.C.)

### DESCRIPTION

**JUST VALUE - JUST VALUATION,** Actual Value and Value. The price at which a property, if offered for sale in the open market, with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent, under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other.

SUPREME COURT OF  
FLORIDA, *WALTER v.*  
*SCHULER*, 176 So.2d 81,  
85-6 (Fla. 1965)

"that 'fair market value' and '**just valuation**' should be declared 'legally synonymous'...in turn, may be established by the classic formula that this is the amount a 'purchaser willing but not obliged to buy, would pay to one willing but not obliged to sell.'"

## 16. LEASEHOLD

### REFERENCE

### DESCRIPTION

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 649.

**LEASEHOLD.** The interests in a property that are associated with the lessee (the tenant) as opposed to the lessor (the property owner).

## 17. LEASEHOLD IMPROVEMENTS

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-4.

**LEASEHOLD IMPROVEMENTS.** Items of personal property such as furniture and fixtures associated with a lessee (the tenant) that have been affixed to the real property owned by the lessor.

BLACK'S LAW  
DICTIONARY,  
6th Edition,  
West Publishing  
Co., 1990, p. 890.

**LEASEHOLD IMPROVEMENTS.** Improvements made by lessee to leased property such as a parking lot or driveway. The term is used in condemnation proceedings to determine the portion of the award to which the lessee is entitled.

## 18. MARKET VALUE

See **JUST VALUE**, page 16.

## 19. ORIGINAL COST

### REFERENCE

INTRODUCTION TO  
MACHINERY & TECHNICAL  
SPECIALTIES VALUATION,  
Principles of  
Valuation, MTS201,  
American Society  
of Appraisers, 1991,  
p. A-5.

### DESCRIPTION

**ORIGINAL COST.** The initial capitalized cost of the asset in the hands of its present owner.

## 20. PERCENT GOOD

### REFERENCE

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-4.

### DESCRIPTION

**PERCENT GOOD.** The percentage of replacement cost new that results in market value, percent good represents the value remaining after allowing for depreciation.

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 656.

**PERCENT GOOD.** An estimate of the value of a property, expressed as a percentage of its replacement cost, after depreciation of all kinds has been deducted.

## 21. POOLING OF INTERESTS METHOD OF ACCOUNTING

### REFERENCE

OPINION NO. 16 ON  
BUSINESS COMBINATIONS,  
ACCOUNTING PRINCIPLES  
BOARD, AMERICAN INSTI-  
TUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS,  
1970.

### DESCRIPTION

**POOLING OF INTERESTS METHOD OF ACCOUNTING.** This method accounts for a business combination as the uniting of the ownership interests of two or more companies by exchange of equity securities. No acquisition is recognized because the combination is accomplished without disbursing resources of the constituents. Ownership interests continue and the former bases of accounting are retained. The recorded assets and liabilities of the

constituents are carried forward to the combined corporation at their recorded amounts. Income of the combined corporation includes income of the constituents for the entire fiscal period in which the combination occurs. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation. This method of accounting is applied only to business combinations effected by an exchange of stock and not those involving primarily cash, other assets, or liabilities.

## 22. PURCHASE METHOD OF ACCOUNTING

REFERENCE	DESCRIPTION
<p>OPINION NO.16 ON BUSINESS COMBINATIONS, ACCOUNTING PRINCIPLES BOARD, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, 1970.</p>	<p><b>PURCHASE METHOD OF ACCOUNTING.</b> This method accounts for a business combination as the acquisition of one company by another. The acquiring corporation records as their cost the acquired assets less liabilities assumed. The difference between the cost of an acquired company and the sum of the fair values of tangible and identifiable intangible assets less liabilities is recorded as goodwill. The reported income of an acquiring corporation includes the operations of the acquired company after acquisition, based on the cost to the acquiring corporation.</p>

## 23. REMAINING ECONOMIC LIFE

REFERENCE	DESCRIPTION
<p>ASSESSMENT OF PERSONAL PROPERTY, International Association of Assessing Officers, 130 E. Randolph St., Suite 850, Chicago, IL 60601, 1996, p. A-5.</p>	<p><b>REMAINING ECONOMIC LIFE (REL).</b> The number of years in the future over which the operation of an asset is anticipated to be economically feasible, often expressed as a percentage of the total economic life (REL%).</p>

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 660.

**REMAINING ECONOMIC LIFE.** The number of years remaining in the economic life of a building or other improvement as of the date of the appraisal. This period is influenced by the attitudes of market participants and by market reactions to competitive properties on the market.

THE DICTIONARY OF  
OF REAL ESTATE  
APPRAISAL, Third  
Edition, Appraisal  
Institute, 1993,  
p. 301.

**REMAINING ECONOMIC LIFE.** The estimated period during which improvements will continue to contribute to property value; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal.

## 24. REPLACEMENT COST

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-5.

**REPLACEMENT COST.** The amount necessary in current dollars to replace an asset with one of equal utility.

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 660.

**REPLACEMENT COST.** The cost, including material, labor, and overhead, that would be incurred in constructing an improvement having the same utility to its owner as the improvement in question, without necessarily reproducing exactly any particular characteristic of the property.

BLACK'S LAW  
DICTIONARY,  
6th Edition,  
West Publishing  
Co., 1990, p. 1299.

**REPLACEMENT COST.** The present cost of replacing the improvement with one having the same utility. State Highway Commission v. Demarest, 263 Or. 590, 503 P. 2d 682, 690. Cost of replacing lost, stolen or destroyed property to its former use and value.

THE DICTIONARY  
OF REAL ESTATE  
APPRAISAL, Third  
Edition, Appraisal  
Institute, 1993,  
p. 303.

**REPLACEMENT COST.** The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.

## 25. REPLACEMENT COST NEW

### REFERENCE

### DESCRIPTION

INTRODUCTION TO  
MACHINERY & TECHNICAL  
SPECIALTIES VALUATION,  
Principles of  
Valuation, MTS201,  
American Society  
of Appraisers, 1991,  
p. A-1.

**REPLACEMENT COST NEW (RCN).** The current cost of a similar new property having the nearest equivalent utility as the property being appraised.

## 26. REPRODUCTION COST

### REFERENCE

### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il, 60601, 1996, p. A-5.

**REPRODUCTION COST.** The amount necessary in current dollars to replace an asset with exactly the same characteristics.

PROPERTY APPRAISAL  
AND ASSESSMENT  
ADMINISTRATION,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1990, p. 661.

**REPRODUCTION COST.** The cost, including material, labor, and overhead, that would be incurred in constructing an improvement having exactly the same characteristics as the improvement in question.

## 27. REPRODUCTION COST NEW

REFERENCE	DESCRIPTION
INTRODUCTION TO MACHINERY & TECHNICAL SPECIALTIES VALUATION, Principles of Valuation, MTS201, American Society of Appraisers, 1991, p. A-1.	<b>REPRODUCTION COST NEW.</b> The cost of reproducing a new replica of a property on the basis of current prices with the same or closely similar materials.

## 28. SALVAGE VALUE

REFERENCE	DESCRIPTION
INTRODUCTION TO MACHINERY & TECHNICAL SPECIALTIES VALUATION, Principles of Valuation, MTS201, American Society of Appraisers, 1991, p. A-3.	<b>SALVAGE VALUE.</b> The amount expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere. Salvage value can be distinguished from <b>scrap value</b> which is the amount expressed in terms of money that could be realized for the property if it were sold for its material content, not for a productive use.

## 29. SITUS

REFERENCE	DESCRIPTION
SECTION 192.032 (2), (3), AND (4), FLORIDA STATUTES	<b>SITUS.</b> (2) All tangible personal property which is not immune under the state or federal constitutions from ad valorem taxation, in that county and taxing jurisdiction in which it is physically present on January 1 of each year unless such property has been physically present in another county of this state at any time during the preceding 12-month period, in which case the provisions of subsection (3) apply. Additionally, tangible personal property brought into the state after January 1 and before April 1 of any year shall be taxable for that year if the property appraiser has reason to believe that such property will be removed from the state prior to January 1 of the next succeeding year. However, tangible personal property physically present in the



state on or after January 1 for temporary purposes only, which property is in the state for 30 days or less, shall not be subject to assessment. This subsection does not apply to goods in transit, as described in subsection (4) or supersede the provisions of s. 193.085(4).

(3) If more than one county of this state assesses the same tangible personal property in the same assessment year, resolution of such multicounty dispute shall be governed by the following provisions:

(a) Tangible personal property which was physically present in one county of this state on January 1, but present in another county of this state at any time during the preceding year, shall be assessed in the county and taxing jurisdiction where it was habitually located or typically present. All tangible personal property which is removed from one county in this state to another county after January 1 of any year shall be subject to taxation for that year in the county where located on January 1; except that this subsection does not apply to tangible personal property located in a county on January 1 on a temporary or transitory basis if such property is included in the tax return being filed in the county in this state where such tangible personal property is habitually located or typically present.

(b) For purposes of this subsection, an item of tangible personal property is "habitually located or typically present" in the county where it is generally kept for use or storage or where it is consistently returned for use or storage. For purposes of this subsection, an item of tangible personal property is located in a county on a "temporary or transitory basis" if it is located in that county for a short duration or limited utilization with an intention to remove it to another county where it is usually used or stored.

(4) (a) Personal property manufactured or produced outside this state and brought into this state only for transshipment out of the United States, or manufactured or produced outside the United States and brought into this state for transshipment out of this state, for sale in the ordinary course of trade or business is considered goods-in-transit and shall not be deemed to have acquired a taxable situs within a county even though the property is temporarily halted or stored within the state.

(b) The term "goods-in-transit" implies that the personal property manufactured or produced outside this state and brought into this state has not been diverted to domestic use and has not reached its final destination, which may be evidenced by the fact that the individual unit packaging device utilized in the shipping of the specific personal property has not been opened except for inspection, storage, or other process utilized in the transportation of the personal property.

(c) Personal property transshipped into this state and subjected in this state to a subsequent manufacturing process or used in this state in the production of other personal property is not goods-in-transit. Breaking in bulk, labeling, packaging, relabeling, or repacking of such property solely for its inspection, storage, or transportation to its final destination outside the state shall not be considered to be a manufacturing process or the production of other personal property within the meaning of this subsection. However, such storage shall not exceed 180 days.

[The actual location of a property for purposes of taxation.]

### 30. SUPPLIES

#### REFERENCE

#### DESCRIPTION

STANDARD ON  
VALUATION OF  
PERSONAL PROPERTY,  
International  
Association  
of Assessing  
Officers, 1996, p. 4.

**SUPPLIES.** Stocks of goods intended to be consumed during the production process but are not part of the raw materials inventory that is processed into the finished product. Examples of supplies include chemicals, clothing, pallets, paper, shipping materials, fuels, and repair parts. Unlike inventory, supplies are not held for resale. Supplies should be valued at their acquisition cost.

Commentary provided  
by Florida Chapter  
of International  
Association of  
Assessing Officers,  
Tangible Personal  
Property Steering  
Committee, 1996.

**SUPPLIES.** Common types of property that may be misclassified and unreported by taxpayers. They render a service to the business but are not embodied in the final product. They include, but are not limited to: office and professional supplies, wrapping materials, replacement and repair parts, clothing, lubricating oils, mail & shipping supplies, selling and advertising supplies, janitorial & cleaning supplies, chemicals, pallets, fuel and other consumable items. Under section 192.001(11)(c), F.S., supplies and raw materials shall be considered to be inventory only to the extent that they are acquired for sale or lease to customers in the ordinary course of business or will physically become a part of merchandise intended for sale or lease to customers in the ordinary course of business.

### 31. TANGIBLE PERSONAL PROPERTY

#### REFERENCE

#### DESCRIPTION

SECTION 192.001  
(11)(d), FLORIDA  
STATUTES

**TANGIBLE PERSONAL PROPERTY.** Means all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in s. 1(b), Art. VII of the State Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself. "Construction work in progress" consists of those items of tangible personal property commonly known as fixtures, machinery, and equipment when

in the process of being installed in new or expanded improvements to real property and whose value is materially enhanced upon connection or use with a preexisting, taxable, operational system or facility. Construction work in progress shall be deemed substantially completed when connected with the preexisting, taxable, operational system or facility. Inventory and household goods are expressly excluded from this definition.

## 32. TRADE FIXTURES

### REFERENCE

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-6.

BLACK'S LAW  
DICTIONARY,  
6th Edition,  
West Publishing  
Co., 1990, 1493.

THE APPRAISAL  
OF REAL ESTATE,  
10th Edition,  
Appraisal Institute,  
1992, p. 8-9.

### DESCRIPTION

**TRADE FIXTURES.** Property attached to a rented space or building by a tenant, used in conducting a business and owned by the tenant.

**TRADE FIXTURES.** Personal property used by tenants in carrying on business. Such fixtures retain the character of personal property; e.g. shelves used to display merchandise.

A trade fixture, also called a chattel fixture, is an article that is owned and attached to a rented space or building by a tenant and used in conducting a business. Thus, trade fixtures are not real estate endowed with the rights of real property ownership; they are personal property regardless of how they are affixed. Some examples of trade fixtures are restaurant booths and bars, gasoline station pumps and storage tanks, and body building equipment in a health club. In industrial real estate, the term can be used to refer to fixed building equipment installed for human comfort (e.g., plumbing, lighting, heating, air-conditioning) and to industrial equipment (e.g., air hoses, water pipelines, craneways, bus ducts). A trade fixture is to be removed by the tenant when the lease expires unless this

right has been surrendered in the lease. To decide whether an item is a trade fixture, and therefore personal property, or part of the real estate, courts use the following criteria: 1. The manner in which the item is affixed. Generally, an item is considered personal property if it can be removed without serious injury to the real estate or to itself. There are exceptions to this rule. 2. The character of the item and its adaptation to the real estate. Items that are specifically constructed for use in a particular building or installed to carry out the purpose for which the building was erected are generally considered permanent parts of the building. 3. The intention of the party who attached the item. Frequently, the terms of the lease reveal whether the item is permanent or to be removed at some future time.

### 33. UNIT METHOD OF VALUATION

REFERENCE	DESCRIPTION
	[ See discussion of Unit Method on page 44.]

### 34. VALUE

REFERENCE	DESCRIPTION
ASSESSMENT OF PERSONAL PROPERTY, International Association of Assessing Officers, 130 E. Randolph St., Suite 850, Chicago, Il 60601, 1996, p. A-6.	<b>VALUE.</b> The relationship between an object desired and a potential owner, the characteristics of scarcity, utility, desirability, and transferability must be present for value to exist. Value may also be described as the present worth of future benefits arising from the ownership of real or personal property.
BLACK'S LAW DICTIONARY, 6th Edition, West Publishing Co., 1990, p. 1551.	<b>VALUE.</b> The utility of an object in satisfying, directly or indirectly, the needs or desires of human beings, called by economist "value in use," or its worth consisting in the power of purchasing other objects, called "value in exchange."

### 35. VALUE IN EXCHANGE

#### REFERENCE

#### DESCRIPTION

ASSESSMENT OF  
PERSONAL PROPERTY,  
International  
Association of  
Assessing Officers,  
130 E. Randolph St.,  
Suite 850, Chicago,  
Il 60601, 1996, p. A-7.

**VALUE IN EXCHANGE.** The amount an informed purchaser would offer in exchange for property under given market conditions. The concept that states value is based on the ability of property to command another asset, such as money, in trade.

#### **IV. PROPERTY SUBJECT TO TAXATION**

Section 192.011, F.S., states in part that "The property appraiser shall assess all property located within the county, except inventory..." Tangible personal property is specifically defined in section 192.001(11)(d), F.S., and is hereby incorporated by reference. Note: See section 193.621, F.S. and chapter 62-8, F.A.C., for special rules concerning assessment of pollution control devices.

#### **V. EXEMPTIONS AND EXCLUSIONS**

Chapter 192, F.S., excludes certain items from taxation, while chapter 196, F.S., exempts certain items from the tax imposed on tangible personal property. Excluded property is not subject to tax return filing requirements. Exempt property is not subject to payment of taxes but may be subject to all the return filing requirements of property subject to ad valorem tax. A current listing of some of the excluded and exempted properties in accordance with the above referenced statutes follows:

1. Real and personal property of the United States, state, and counties, under section 196.199, F.S. (Exempt or immune) (No filing by federal entity required.)
2. Real and personal property of a municipality used exclusively by it for municipal or public purposes, under section 3(a), Article VII, Florida Constitution and section 196.199, F.S. (Exempt)
3. Real and personal property devoted exclusively to religious, charitable, scientific or literary purposes qualifying under section 196.196, F.S. (Exempt)
4. Household goods and personal effects in homestead property as provided by sections 196.181 and 192.001(11)(a), F.S. The Florida Supreme Court in *Colding v. Herzog*, 467 So. 2d 980 (Fla. 1985), determined that household goods in non-homesteaded property, owned and used by natural persons, are not subject to tax. However, goods used as furnishings in rented or leased property are subject to tax. (Exempt) (No filing requirement.)
5. Renewable energy sources, qualifying under section 196.175, F.S. (Exempt)

6. Real and tangible personal property of hospitals, nursing homes and homes for special services qualifying under section 196.197, F.S. (Exempt).
7. Real and tangible personal property of non-profit homes for the aged qualifying under section 196.1975, F.S. (Exempt).
8. Real and tangible personal property of educational institutions qualifying under section 196.198, F.S. (Exempt)
9. Real and tangible personal property of community centers qualifying under section 196.1986, F.S. (Exempt)
10. Certain property in economic development areas of enterprise zones qualifying and granted exemption by local government under section 196.1995, F.S. (Exempt)
11. Real and tangible personal property of certain not-for-profit sewer and water companies qualifying under section 196.2001, F.S. (Exempt)
12. Inventory qualifying under section 196.185, F.S. (Exempt) (No filing requirement.)
13. Licensed motor vehicles and vessels used to transport persons or property over roads or waterways, including items appropriate and necessary to perform the transportation function for which the vehicle or vessel is designed or equipped. Motor vehicles and vessels employed primarily as a "work platform" for equipment and in certain other uses are not exempt. See Article VII Section 1(b) of the Florida Constitution and *Crane Rental v. Hausman*, 532 So. 2d 1057 (Fla. 1988) (Excluded) (No filing requirement.)
14. Mobile homes and recreational vehicles properly licensed as provided in section 320.08(11), F.S., and as provided under section 193.075, F.S. Mobile homes without current decals or license plates properly displayed and visible shall be presumed to be tangible personal property. [Section 193.075, F.S.]

When the mobile home is tied down and hooked up to the normal and usual utilities, it is considered to be permanently affixed to the land. When the owner of the mobile home is also the owner of the land to which the mobile home is permanently affixed, the mobile home is considered and assessed as real property .

Mobile homes and travel trailers located in the state for at least six (6) consecutive months are not exempt from the



requirements for Florida registration and display of current decals or license plate. [Section 320.37, F.S.]

To obtain exemption classification, an application (Form DR-501, Department of Revenue, r. 7/95, and as subsequently amended) must be made and a return (Form DR-504, Department of Revenue, r. 6/88, and as subsequently amended, or Form DR-504S, Department of Revenue, r. 12/93, and as subsequently amended) must be filed; exemptions are not automatic. Tangible personal property is exempt only to the extent that its use meets requirements set forth in chapter 196, F.S. Please note the provision relating to taxpayer responsibilities contained in section 196.021, F.S.

## **VI. DISCOVERY**

- A. The efficiency and equity of the personal property taxing system is directly related to an effective discovery program. Basic sources for the discovery of personal property and ownership are as follows:
1. Previous assessment records;
  2. Physical inspections;
  3. Tangible personal property tax returns (Form DR-405 r. 7/93, and as subsequently amended or approved substitute, see Attachment F and page 44);
  4. Real property field appraiser reports and records;
  5. Audits;
  6. State and local sales tax permits;
  7. State, city, and county business licenses;
  8. Chamber of commerce membership;
  9. New business listings from news media;
  10. Public records (e.g., trade name records, chattel mortgage records, corporation charters, financing statements, and fictitious name notices);
  11. Property transfer documents;
  12. Classified advertisements;

13. Telephone directories;
  14. City directories;
  15. Accounting records;
  16. Tax returns - federal and state;
  17. State agencies; and
  18. Canvassing (commercial address listing).
- B. A tangible personal property tax return along with the previous year's assessment record is typically the primary source of discovery. When this is insufficient or unavailable, other sources should be used. Sources such as financial statements, physical inspection, accounting records, federal tax returns, etc., also help to verify whether a property is listed on the tangible personal property tax return.
- C. Once the property has been discovered and the owner identified, the appraiser should systematically inspect the property and establish an account or record for the owner or business. The appraiser should speak to the owner or manager of the property, explain the purpose of the visit, and obtain the necessary data from the appropriate person(s).
- D. Information that should be obtained in detail includes the following:
1. Name (doing business as or also known as);
  2. Type of business;
  3. Type of ownership;
  4. Situs of the personal property and mailing address of the business;
  5. Name and address of the owner(s);
  6. Telephone number of the business;
  7. Name and title of the person supplying the information;
  8. Name, address, and telephone number of the party keeping records for the business;

9. Beginning date for the business and business fiscal year;
10. A listing of tangible personal property belonging to the owner including description, manufacturer, model number, age and general condition;
11. For leased equipment: the name and address of the owner/lessor, a description of the equipment including name of manufacturer, date of manufacture, model number, serial number, list price, and original cost if available, [lease number, terms of the lease and whether it's a capital lease (a purchase) or operating lease (rental agreement). If possible, a copy of the lease agreement should be obtained] ;
12. Leasehold improvements may be assessed as real property. Care should be taken to avoid double assessment. A copy of the lease agreement should be obtained to determine whether the improvement should be assessed as real estate or personal property;
13. For loaned or consigned items (e.g. vending and amusement machines and jukeboxes, etc.): the name and address of the owner(s), a brief description of the equipment including name of manufacturer, date of manufacture, model number, serial number, list price, and cost if available;
14. A list of tangible personal property owned by the business but located at another site within the county, including a detailed description and the location.

## **VII. STEPS IN THE INITIAL VALUATION PROCESS**

Procedures should be used by the county property appraisers and their appraisal staffs to insure equity and uniformity when valuing the many types of tangible personal property. These guidelines were prepared in an effort to simplify the complex problems encountered when appraising tangible personal property.

- A. Identify the tangible personal property using discovery techniques as described in Section VI, of this manual.
  1. Begin with the preparation of a worksheet. (See sample property worksheet, Attachment E)

2. Perform a field review to verify the business exists, to determine use codes (See Rule 12D-8.009, F.A.C.) and length of time the business has operated within the county, and to determine the date assets were brought into your county.
  3. Mail tangible personal property tax returns to taxpayers. The forms will contain instructions on completion requirements and filing deadlines.
  4. A second notice is recommended for all accounts failing to respond by the due date (April 1). This mailing should be completed as soon as practicable after April 2nd.
  5. Penalties should be assessed, when applicable, in accordance with sections 193.062 and 193.072, F.S.
- B. Upon receiving a tangible personal property tax return from the taxpayer, calculate the just value.
1. Review the tangible personal property tax return for completeness and resolve any discrepancies with the property owner or their agent, if possible. Use information on and/or attached to the return to calculate the personal property's just value.

Examples:

- a. For an established account, compare the current and prior year tax returns to insure that property has not been deleted without justification or replaced with other property. You may also want to compare the return with the returns of other similar businesses. Contact the property owner when there are questions and discrepancies.
  - b. For a new account, compare the tax return with other returns filed by similar businesses and other discovery sources, such as equipment list(s) obtained during initial discovery. Contact the property owner to clarify questions and discrepancies.
2. If applicable, use the "back-assessment" provisions contained within section 193.092, F.S.
  3. When no tax return is filed for a newly discovered taxpayer (business) and it has been determined that equipment was in place on the lien date (January 1), the value should be determined using the best information available. This information might be

obtained by a field inspection, the use of cost manuals, a review of comparable businesses, or any other appropriate procedures. Values are determined on the best information available when no return is filed and are considered *prima facie* correct. [Sections 193.073 and 195.032, F.S. and Rules 12D-8.005(1) and 12D-10.003(3), F.A.C.]

- C. Make assessments based on the just value as determined in Section B above.
- D. Notification of assessment to the taxpayer is required by section 194.011, F.S. Taxpayers may request informal conferences with the property appraiser prior to administrative or judicial review in order to resolve any objections to just value.

## **VIII. COMPONENTS USED IN THE VALUATION PROCESS**

### **A. Appreciated Property**

Some tangible personal property may not suffer any depreciation and could actually appreciate in value (e.g., objects of art).

### **B. Depreciation**

As with all appraisals, depreciation based on effective age, not actual age, is critical to the final estimate of value. To achieve statewide standardization of procedures, all appraisers in Florida should use the appropriate Equipment Index Factors Table (Equipment Index Table, Department of Revenue, 1997, and as subsequently amended, see Attachment B) and Untrended Depreciation Schedule (Untrended Depreciation Schedule, Department of Revenue, 1997, and as subsequently amended, see Attachment C) or comparable tables which ensure equity in just values.

The property appraiser should make additional adjustments for unusual physical depreciation of property, when justified. Some of the conditions for which adjustments may be necessary are: unusual exposure to the elements; prolonged exposure to corrosive materials; poor maintenance of the property; the competency of the operator; and excessive or unusual use. Such adjustments should be made on an individual basis and only after physical inspection of the equipment and examination of maintenance records.

### **C. Economic Life and Useful or Physical Life**

The physical life of tangible personal property is the period extending from the time a piece of equipment or other personal

property is new until it is physically no longer usable. The economic life of tangible personal property is the estimated period of time measured from the date the item is new until it loses its capacity to produce a yield greater than its maintenance expense. Physical life may be greater than, or equal to, the economic life of a specific item. In the absence of economic and functional obsolescence, economic and physical life may be identical.

The appraiser should estimate a reasonable economic life for each type of property by item or determine the aggregate economic life for a category of similar equipment as a whole.

The Life Expectancy Guidelines (Life Expectancy Guidelines, Department of Revenue, 1997, and as subsequently amended, see Attachment D) may be used for this purpose. Note: These economic life guidelines are subject to revision as verifiable and authoritative information becomes available.

#### **D. Historical or Original Cost (Acquisition Cost)**

The costs as shown in accounting records generally reflect the amount paid for an asset. The property may have been acquired by cash purchase, by contract on a deferred payment plan, by exchange or trade, by issuance of securities or other property, by self-construction, by gift or discovery, or by other means.

Accounting records are generally based on the price established at the time the property was acquired. The terms "historical cost" and "original cost" are typically used for this cost basis for accounting purposes. (These terms may not be synonymous for appraisal purposes. See definitions.) The cost of assets, as recorded on the books and records, seldom departs from the purchase price or rarely reflects an appreciated value of the assets. Some exceptions to this are:

- (1) Statement of Financial Accounting Standards No. 121- This statement provides for the writeoff of long-lived assets in the event that the carrying amount of the asset may not be recoverable. This statement generally requires that long-lived assets be reported at the lower of the carrying amount or fair value less cost to sell.
- (2) Under APB16 (Accounting Principles Board Opinion 16) and Section B50 (Current Text of Volume I, General Standards - Section B50) published by the FASB (Financial Accounting Standards Board), a business combination such as a merger or acquisition, can be recorded as either a "purchase" or a "pooling of interests". (See definitions on pages 18 and 19.)

Under the "purchase method", the total price paid for the business is allocated to the acquired assets less

liabilities assumed based on the fair market value of the assets and liabilities. Any excess is recorded as goodwill. Care should be taken to ensure that the assets are actually recorded at their fair market value. Both the buyer and the seller have a vested interest in how the price is allocated to the assets.

The buyer and the seller will usually have adverse opinions as to how the price is allocated to the assets. The buyer wants as much of the price allocated to the depreciable assets so as to obtain depreciation writeoffs, whereas the seller is concerned about the gain/loss to be reported on the assets. Accountants and CPAs will also allocate the price according to the assets' book values. They will assume that the book values approximate fair market values.

If the price paid for the business is lower than the fair market value of the assets, the noncurrent assets, except for long-term investments, receive a lower allocation than their fair market value and could actually be recorded at a zero cost.

Under the "pooling of interests method", the recorded assets and liabilities of the separate enterprises generally become the recorded assets and liabilities of the combined enterprise. The combined enterprise combines and records the historical cost-based amounts of the assets and liabilities of the separate enterprises.

- (3) Section 179 of the Internal Revenue Code allows taxpayers the election to expense certain tangible property used in a trade or business. This is commonly referred to as "Section 179". This election enables the taxpayer to expense an asset in the year of purchase, rather than depreciating that asset over its depreciable life. These assets may not be shown on the depreciation schedule, similar to fully depreciated assets. Also, some taxpayers may delete the expensed assets, as well as fully depreciated assets from their books and records, even though these assets are still in use and may have value.
- (4) Investment credits consist of the reforestation credit, the rehabilitation credit, and the energy credit. The taxpayer generally reduces the depreciable basis of assets to reflect the investment credit taken, consequently, the asset's full cost is not reflected on the company's federal tax depreciation schedule. (See Federal Form 3468 of the Internal Revenue Code for more information.)
- (5) Fully depreciated assets are assets that have been fully depreciated by the business. Their book value (cost less accumulated depreciation) equals zero once fully depreciated. These assets might not be shown on a

company's depreciation schedule nor books and records once fully depreciated, even though the assets are still in use.

A determination of costs must be made after review of the accounting records. This cost basis should reflect the total cash outlay necessary for the acquisition of the property, including the invoice cost, freight and installation cost, sales and/or use tax, extra foundations necessary to support the equipment, and any other costs incurred for the use of the property. The appraiser must then determine if the cost basis represents market value at the time of acquisition. This may or may not be the purchase price. On occasion, particularly with asset transfers, prior book values are reported as acquisition costs and such book values are not indicative of market value and should not be used.

The historical or original cost may be the only reliable source data available for the appraisal of tangible personal property. The source data may reflect historical costs for new (original costs for used) property according to the date of acquisition. The appraiser may have to adjust the cost basis, listed in accounting records, to reflect current value at the time of acquisition. Note: It may be necessary to adjust historical costs to the trade level (i.e., manufactured cost to retail cost). A typical example is the case of a leasing company which manufactures the equipment it leases.

NOTE: If a business sells, and the reported costs of assets by the new owner vary from the costs of the same assets as reported by the previous owner, the property appraiser should use the costs, either historical or original, most indicative of market value. If it is determined that the original (used) costs are more indicative of market value, care should be taken to recognize the assets' effective ages at the time of the purchase to avoid allowing excessive depreciation.

#### **E. Just Valuation**

According to section 193.011, F.S., in arriving at just valuation as required under s. 4, Art. VII of the Florida Constitution, the property appraiser shall take into consideration the following factors:

- (1) The present cash value of the property, which is the amount a willing purchaser would pay a willing seller, exclusive of reasonable fees and costs of purchase, in cash or the immediate equivalent thereof in a transaction at arm's length;
- (2) The highest and best use to which the property can be expected to be put in the immediate future and the present use of the property, taking into consideration any applicable judicial limitation or local or state land use



regulation and considering any moratorium imposed by executive order, law, ordinance, regulation, resolution, or proclamation adopted by any governmental body or agency or the Governor when the moratorium or judicial limitation prohibits or restricts the development or improvement of property as otherwise authorized by applicable law. The applicable governmental body or agency or the Governor shall notify the property appraiser in writing of any executive order, ordinance, regulation, resolution, or proclamation it adopts imposing any such limitation, regulation, or moratorium;

- (3) The location of said property;
- (4) The quantity or size of the property;
- (5) The cost of said property and the present replacement value of any improvements thereon;
- (6) The condition of said property;
- (7) The income from said property; and
- (8) The net proceeds of the sale of the property, as received by the seller, after deduction of all of the usual and reasonable fees and costs of the sale, including the costs and expenses of financing, and allowance for unconventional or atypical terms of financing arrangements. When the net proceeds of the sale of any property are utilized, directly or indirectly, in the determination of just valuation of realty of the sold parcel or any other parcel under the provisions of this section, the property appraiser, for the purposes of such determination, shall exclude any portion of such net proceeds attributable to payments for household furnishings or other items of personal property.

In considering the above factors, the property appraiser should consider for use at least one of the following approaches to value as may be appropriate for the property being valued. Where reliable information is available for use of more than one of the approaches to value, the property appraiser should determine the value of the subject property after consideration of all such approaches.

- (1) The **Comparable Sales Approach** involves consideration of the price or prices at which the property or comparable properties have recently sold.

When utilizing the comparable sales approach, the appraiser must consider all factors the buyers and sellers of similar equipment consider. These factors will be reflected in the "market place" and will be indicated by the asking and/or

the selling price of similar units in arm's length transactions. Consideration should be given as to where the property is located, thereby ascertaining which freight and installation costs should be included in the appraisal. Adjustment of sales prices may be required to account for any special conditions, such as forced sales, lease cancellations, value attributed to trade names, goodwill, etc. Market data relating to personal property may be obtained from:

- \* Leasing companies
- \* Commercial bankers
- \* New and used equipment dealers
- \* Trade and sales journals
- \* Newspaper advertisements
- \* Auction sales.

(2) The **Cost Approach** to value involves consideration of:

(A) The reproduction or replacement cost is the cost of replacing reproducible property with new property of similar utility, or of reproducing the property at its present site and at present price level, less the extent to which the value has been reduced by deterioration and obsolescence.

(B) The historical or original cost is sometimes used as a starting point to the calculation of value. An appropriate appraisal depreciation rate reflecting economic, physical, and functional obsolescence must be determined and applied, as well as an appropriate trending factor to capture price changes from date of acquisition. (This approach may not apply to all assets. See Section G, Replacement Cost New Less Depreciation Calculation.)

(C) The appraiser should consider the cost of any asset at the appropriate level of trade-the manufacturing level, the wholesale level, and the retail level- and value the property according to the trade level for which it is utilized. Property normally increases in value as it progresses from the manufacturers' level (the lowest market value) to the retail level of trade (the highest level of trade). At each level a value is added to calculate a selling price which recovers for the current owner all direct costs to manufacture and install and indirect costs of overhead and profit. For example, the trade level concept must be considered when a manufacturer, who is operating at more than one trade level, transfers property to a subsidiary without the normal profit and costs. In order to maintain equity and uniformity in assessments of comparable property, the asset should be valued at a cost had the asset been acquired in an arm's length transaction from an outside supplier.

- (3) The **Income Approach** to value involves consideration of the amount that investors (in a free market) would be willing to pay for the right to receive the income that the property is expected to yield with the risks attendant upon its receipt.

#### **F. Obsolescence**

Obsolescence should be considered when appraising any type of property. It may be defined as a reduction in value due to technological changes or innovation, changes in demand for a product, or other causes.

When the loss in value is due to technological change or innovation, it is usually referred to as functional obsolescence. It can be recognized by a lack of utility in the property, the location of the property, or inadequate capacity in use. Functional obsolescence can sometimes be overcome by remodeling or reconditioning.

When the loss in value is due to change in product, demand, or location, it is customarily referred to as economic obsolescence. This type of obsolescence is brought about by external factors and cannot be overcome.

Obsolescence of personal property is not too difficult to recognize, but it is difficult to accurately measure. Adequate market data to measure obsolescence cannot always be found for all types of personal property.

The appraiser should look to the market for any evidence of a change in value when formulating an estimate of the market value using the cost approach. The appraiser should always consider what an informed purchaser would be willing to pay for the property as an installed operating unit when employed at its highest and best use. When valuing individual pieces of personal property using replacement cost new less depreciation, the residual percent good may be adjusted, if, in the appraiser's judgement, it is necessary to account for obsolescence.

#### **G. Replacement Cost New Less Depreciation Calculation**

The costs provided by the taxpayer to the property appraiser are generally accounting (historical or original) costs. These costs are adjusted to replacement cost new (RCN) by the use of equipment index factors. The equipment index factors include adjustments to base year prices and reflect the direction of cost movements. These equipment index factors are listed by year and reflect the national average of industrial, commercial, and manufacturing business costs.

The equipment index factors are compiled by the Department annually and are based on cost indexes as published by Marshall Valuation Service and Summary Data from the Producer Price Index News Release, as issued by the U.S. Department of Labor, Bureau of Labor Statistics. Typical industry costs are weighted with general business activity and status of the economy to derive cost indexes. These cost indexes are used by the Department to compile the Equipment Index Factors Table (Equipment Index Factors Table, Department of Revenue, 1997, and as subsequently amended, see Attachment B). See attachment for the factors used in the following example.

The following formula is used by the Department to derive the equipment index factors: [For further discussion, see section 98 from Marshall Valuation Service.]

$$\text{Equipment Index Factor} = \frac{\text{Present Cost Index}}{\text{Former Cost Index}}$$

Steps in determining replacement cost new (RCN) are as follows:

1. Estimate the appropriate cost basis from the taxpayer's books, records or returns filed with the property appraiser. If these records do not indicate a cost basis that is representative of market value then further research is necessary. The cost basis used in this analysis must be representative of market value at the time of acquisition. The cost basis should be multiplied by a factor based on the year of acquisition. (See page 36 for further discussion on "cost basis.")
2. Select the appropriate factor from the current year's schedule of Equipment Index Factors Table (Equipment Index Factors Table, Department of Revenue, 1997, and as subsequently amended, see Attachment B for 1997 example) based on the acquisition date, and type of business. (Note: The average of all industry index factors may be used.)
3. Multiply the cost basis by the equipment index factor.

The resulting calculation is an estimate of replacement cost new.

The following is an example of estimating replacement cost new (RCN) of office equipment purchased in 1990 with a 10-year economic life using the 1997 equipment index factors.

Cost Basis	= \$10,000
Acquisition Date	= 1990
7/97 Office Equipment Index Factor	= 1.11
Cost \$10,000 x 1.11	= \$11,100 (RCN)

Replacement Cost New (RCN) should be adjusted to reflect depreciation and establish Replacement Cost New Less Depreciation (RCNLD). Depreciation is estimated by use of a remaining value or untrended depreciation schedule. Normal depreciation allows for the decline of a property's value over its estimated remaining economic life. The appraiser must consider factors such as time, maintenance, repairs and replacement costs when estimating the appraisal depreciation for an item of personal property. The use of the property has an effect on the remaining economic life (percent good) and the current market value. Depreciation rates are based on an average condition for the age of the item.

The following example demonstrates an application of the Untrended Depreciation Schedule (Untrended Depreciation Schedule, Department of Revenue, 1997, and as subsequently amended, see Attachment C). To use this table, (1) determine the economic life in years of the property, (2) determine the effective age, and (3) use the appropriate untrended depreciation factor.

Replacement Cost New (RCN)	=	\$11,100
Economic life	=	10 years
Age of property	=	7 years
Untrended Depreciation Factor	=	39%

The replacement cost new (RCN) multiplied by the untrended depreciation factor provides an estimate of replacement cost new less depreciation (RCNLD) or an estimate of just value.

$$\$11,100 \times 39\% = \$4,329 \text{ (RCNLD or just value estimate)}$$

NOTES:

1. Under the concept of mass appraisal, indexing or trending tables are typically applied only over the item's economic life, after which no additional trending is appropriate.
2. Trending of historical costs may not be appropriate when assets' costs are decreasing due to emerging technologies.
3. Under the concept of mass appraisal, depreciation is typically applied only over the item's economic life.

**H. Salvage/Scrap Value**

The appraiser will occasionally encounter property which is worn out or no longer used but still in the possession of a business. Although this property may or may not remain on the books and records, it still has value which must be considered when valuing the business's tangible personal property. This value is typically referred to as scrap or salvage value (See definition on page 22) and should be determined on a case by case basis,

considering all the facts and circumstances presented.

**I. Tangible Personal Property Tax Returns**

It is recommended that the property appraiser's office mail a tangible personal property return form (Form DR-405, DOR, r. 7/93, and as subsequently amended, see Attachment F) or an approved substitute to all accounts on file as of January 1 of each year. Although Florida Statutes only require that the forms be made available in the property appraiser's office, this service will enhance voluntary compliance and improve public perception of the property appraiser. Information obtained from the tangible personal property tax returns will be used to assist the appraiser in arriving at the just value of all tangible personal property. The property appraiser may notify any taxpayer not filing a return by April 1 of each year that he has failed to file a tangible personal property tax return as required by section 193.062, F.S. Inspections of businesses for discovery of tangible personal property and on-site verifications shall be made when no tax return has been filed for two consecutive years as set forth in the Florida Administrative Code, Rule 12D-8.005(7).

**J. Unit Method**

The unit method of valuation is an appraising method used to value an entire group of operating properties. A unit may be properly valued by the cost, market, or income approaches, as appropriate. This valuation method includes the value resulting from the combination of assets used in the operation of the business. The use of such a valuation method may result in a value that includes intangible personal property, tangible personal property, and real property. The type of property included in the value resulting from the use of the unit method of valuation depends on the type of business and property to which it is applied. The items of property included in a unit value and the appropriateness of their inclusion for purposes of taxation must be determined by the facts and circumstances involved in specific applications of this method of valuation; non-taxable property should be deducted from the valuation.

**K. Valuation Procedures for Special Properties**

1. **Leased Equipment:** The economic life for a leasing company's equipment will vary, depending on the type of property being leased. The leasing equipment market includes almost every type of equipment now in existence. When valuing leased equipment, the economic life assigned should be similar to that of equipment purchased for ownership and use by a business.

Exceptions may be made for some types of equipment when it can be clearly documented that a greater than normal loss in value is suffered by the equipment being leased.

Items of inventory held for lease to customers in the ordinary course of business, rather than for sale, shall be deemed inventory only prior to the initial lease of such items. [Section 192.001(11)(c), F.S.]

2. **Mobile Home Attachments:** Attachments to mobile homes and recreational vehicle type units that have not been assessed as real property are subject to tax as tangible personal property. Attachments are considered tangible personal property when installed on leased or rented real property. Refer to the Tangible Personal Property Mobile Home Attachment Schedule distributed annually by the Department of Revenue for base rate information. [See Rules 12D-6.001, 12D-6.002, and 12D-6.003, F.A.C.]
3. **Furniture and Fixtures:** Furniture and fixtures should be distinguished from other equipment listed on a tax return and valued using the appropriate economic life. All other equipment on the tax return should be valued using the appropriate asset classification type.
4. **Personal Computers:** Personal computers should be distinguished from other equipment; computer equipment is depreciated using an appropriate economic life. Related equipment includes monitors, printers, scanners, disk drives, cables and other electronic peripherals commonly used as part of a non-production computer system. These items should be given an appropriate economic life. (See Life Expectancy Guidelines, DOR, 1997, and as subsequently amended, Attachment D.)
5. **Pollution Control Devices:** Procedures for assessment of pollution control devices by the property appraisers are contained in Section 193.621, F.S. and Rule 12D-6.005, F.A.C. The Department of Environmental Protection has adopted Chapter 62-8, F.A.C., which provides for the publication of rules for the consideration and guidance to the property appraisers in assisting them in making a determination as to what assessment should be made for ad valorem taxes with respect to pollution control devices. The Return of Pollution Control Devices for Ad Valorem Tax Purposes (Form DR-492, DOR, r. 8/83, and as subsequently amended, see Attachment H) must be timely filed with the property appraiser as set forth in Rule 12D-1.004(1)(b), F.A.C., and qualifying property should be assessed for no greater than its market value as salvage.

## **IX. FIELD INSPECTION PROCEDURES**

An on-site inspection may be made of each firm, partnership, co-partnership, association, society, corporation, or any other legal entity which owns, holds, controls, or uses personal property whether or not a personal property return is filed. However, on-site inspection/appraisals shall be made of all property owned, held, or used by taxpayers who have not filed a Form DR-405 for two consecutive years. The appraiser may follow additional provisions found in Rule 12D-8.005(7), F.A.C. A field inspection is separate and distinct from the audit process and should be routinely employed during the discovery process, both initially and during updates. All efforts at on-site inspections should be documented to provide an adequate audit trail. This documentation should include:

- A. Business name and location;
- B. Business telephone number;
- C. Mailing address (if different from the business address);
- D. Person contacted (at the business);
- E. Date the business opened;
- F. Date the equipment was delivered;
- G. Millage Code;
- H. Whether entry is refused and if so by whom;
- I. The business's owner, principal officer, or representative;
- J. Information pertaining to leased personal property such as, the name of the owner, a brief description of the property, and verification as to whether the property is assessed to the owner. Leased property should be assessed appropriately;
- K. Appropriate listing and description of personal property with the date of acquisition and cost, if known;
- L. Economic life by item or class of property;
- M. Effective age of the property;
- N. Square footage or area occupied by the personal property;
- O. The business type and the appropriate business class code;
- P. The quality and condition of property;



- Q. An estimate of the just value of the property;
- R. The name of appraiser or reviewer;
- S. The date of appraisal or inspection;
- T. A uniform parcel number where applicable; and
- U. Other comments relative to value conclusions.

For accuracy, the appraiser should compare the property discovered with information reported by the owner.

The appraiser may examine or audit business accounting and financial records as set forth in Section 195.027(3), F.S., and Rule 12D-1.005, F.A.C. Refer to other reliable sources for the conduct of audits.

When a tangible personal property return has not been filed, the appraiser should do the following:

- a. Tour the facility to list all personal property located on site and obtain information necessary to complete the sample property worksheet (Attachment E).
- b. Determine if there is any leased property located at the business. If so, obtain the name of the owner, a brief description of the property, terms, monthly lease payments, cost of equipment, and assess appropriately.
- c. Determine the cost, age and estimated economic life of the personal property. Record other relevant information and note the source.
- d. Record adequate information allowing a reasonable estimate of value to be placed on the personal property when the information is from other than the field inspection. Use appropriate pricing guides, returns from similar businesses, or other sources to develop a value for the property.

#### **X. GENERAL INFORMATION**

- A. The Department of Revenue will supply tangible personal property returns and TRIM notice forms on request. Each county may have their own tangible personal property returns printed, but any deviations from the Department's standard form must be approved in advance. [Section 195.022, F.S.]
- B. The sample property worksheet (Attachment E) was developed to assist in the valuation process. The worksheet contains

a blank space for account numbers. Account numbers will provide an additional means of identifying ownership of personal property.

- C. The Property Tax Administration Program of the Department of Revenue will provide an update to this manual as necessary. Replacement sheets will be furnished for any changes to written material, Equipment Index Factors Table, Untrended Depreciation Schedule and Life Expectancy Guidelines, as subsequently amended.
- D. The value adjustment board is bound by the same standards as the county property appraiser in determining values and granting exemptions; the Department may review the proceedings and findings of each value adjustment board as part of its in-depth study of the property appraiser's assessment roll. [Section 195.096, F.S.]
- E. These guidelines are to be used in the appraisal of personal property and are not all inclusive. The Department recommends the use of publications and services such as the Marshall & Swift Appraisal Service, Hunnicutt Personal Property Appraisal Guide, and Dataquest Green Guide for specific pieces of equipment not listed in these guidelines. Any other reputable guides or sources of information that assist in determining the market value of personal property may be considered in addition to these guidelines.

**XI. ATTACHMENTS AND OCCURRENCES OF USE IN TEXT**

- A. **REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES** (DOR, 1997, and as subsequently amended), pages 50 through 56
- B. **EQUIPMENT INDEX FACTORS TABLE**, (DOR, 1997, and as subsequently amended), pages 6, 35, 42, 48, and 57
- C. **UNTRENDED DEPRECIATION SCHEDULE** (DOR, 1997, and as subsequently amended), pages 6, 35, 43, 48, and 58
- D. **LIFE EXPECTANCY GUIDELINES** (DOR, 1997, and as subsequently amended), pages 6, 36, 45, 48, 59, and 60
- E. **SAMPLE PROPERTY WORKSHEET**, pages 6, 33, 47, and 61
- F. **TANGIBLE PERSONAL PROPERTY TAX RETURN** (Form DR-405 r. 7/93, and as subsequently amended), pages 5, 6, 31, 32, 34, 44, 62, and 63
- G. **RULE 12D-8.009, F.A.C., ADDITIONAL REQUIREMENTS FOR PREPARATION OF TANGIBLE PERSONAL PROPERTY ASSESSMENT ROLL [Personal Property Class Codes]** (r. 9/30/82, and as subsequently amended), pages 6, 34, and 64
- H. **RETURN OF POLLUTION CONTROL DEVICES FOR AD VALOREM Tax PURPOSES** (Form 492 r. 8/83, and as subsequently amended), pages 6, 29, 45, and 65

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

The use of any questionable unit of machinery, equipment or structure will help determine its classification as real or personal property. If the unit is directly used in a manufacturing process or is a function or extension of such equipment, it is to be considered personal property. If the unit is a land or building improvement, it is to be considered as real estate. **Special facts and circumstances may create exceptions to classifications as recommended.** The following guidelines may be of assistance when classifying property:

Air Conditioning, - window units and package units - Personal Property

Air Conditioning, - special purpose to maintain controlled temperature and humidity - Personal Property

Aluminum pot lines - Personal Property

Anhydrous ammonia tanks and equipment - Personal Property

Animals (show and performing) - Personal Property

Ash handling system, including pit and superstructure (see boilers) - Personal Property

Asphalt mixing plant and equipment (moveable) - Personal Property

Auto-call and telephone system - Personal Property

Bar and equipment (commercial use) - Personal Property

Billboards (wood, concrete or metal) - Personal Property

Bins, permanently affixed for storage - Real Property

Bins, used in manufacturing processes - Personal Property

Boilers, primarily used for manufacturing - Personal Property

Boilers, permanently affixed and primarily used for the building - Real Property

Booths for welding, painting or other specialty uses - Personal Property

Bowling alley lanes - Personal Property

Bucket elevators, open or enclosed (including casing) - Personal Property

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Buildings - Real Property

Examples:

Structural and other improvements to buildings such as: foundations, walls, floors, roofs, insulation, stairways, permanent partitions, loading and unloading platforms, canopies, areaways, central heating and air conditioning systems, ventilation and sanitation fixtures, installed fire protection equipment (not alarms), lighting, plumbing, drinking water equipment, building elevators, and escalators. Note: Building codes require fire protection elements.

Buildings, specially constructed storage, poultry, or livestock processing buildings (excluding machinery or equipment) - Real Property

Bulkheads - creating additional land area - Real Property

Cable Television Systems - Personal Property

Carpeting (when permanently affixed as the floor finish) - Real Property

Cistern - Real Property

Coal-handling system - See boilers

Cold storage building - Real Property

Cold storage refrigeration equipment - Personal Property

Control booth - Personal Property

Conveyor belt housing, structure or tunnels - Personal Property

Conveyor unit, including belt and drives - Personal Property

Cooling towers, primary use for manufacturing - Personal Property

Crane, mobile - Personal Property

Crane runways including supporting columns, structure, and foundation inside or outside of buildings - Personal Property

Crane runways, bolted to or hung on trusses - Personal Property

Decor Packages - (shopping malls) - Personal Property

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Dock levers - Personal Property

Drapes - Personal Property

Drying rooms structure - Real Property

Dust catchers - Personal Property

Electric Power Plants - Personal Property

Fence, security (exterior) - Real Property

Fire alarm system - Personal Property

Fire walls, masonry - Real Property

Floors (raised floors), computer room - Personal Property

Foundations for machinery and equipment - Personal Property

Gas lines for equipment or processing - Personal Property

Gasoline tanks - (see tanks)

Gates, security and parking control - Personal Property

Grain bins, portable - Personal Property

Grain drying equipment - Personal Property

Grain elevators (commercial, industrial), storage, workinghouse, headhouse, milling space - Real Property

Grain elevator machinery and equipment (commercial, industrial) including but not limited to legs (inside or outside), conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading and unloading systems, truck scales, all processing machinery and equipment - Personal Property

Gravel Plant, machinery and equipment - Personal Property

Greenhouses, benches and heating system - Personal Property

Hoist pits - (see pits)

Hydraulic Lines - Personal Property

Irrigation equipment - Personal Property

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Kilns, lumber-drying kiln structure - Real Property

Kilns, concrete block-drying kiln structure - Real Property

Kilns, circular down draft (Beehive) - Real Property

Kilns, heating or drying system - Personal Property

Land Improvement - Real property

Examples:

Retaining walls, piling and mats for general improvement of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, exterior fencing, reservoirs, dikes, dams, ditches, canals and drainage.

Fixed wharves and docks located on a river, lake or tidewater.  
Permanently built bridges and trestles.

Walls forming storage yards and fire protection dikes.

Laundry steam generating equipment - Personal Property

Leased equipment - Personal Property

Lighting, yard lighting - Personal Property

Lighting, service stations (except buildings) - Personal Property

Mixers and mixing houses - Personal Property

Mobile home attachments (shed, carport, a/c, etc.) on rental lot--  
Personal Property

Monorail crane runways - Personal Property

Ore bridge foundation - Real Property

Ovens, processing - Personal Property

Performing Animals - Personal Property

Piping, process piping (above or below ground) - Personal Property

Pits for equipment or processing - Personal Property

Pollution Control Devices - Personal Property

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Pools, swimming (not portable) - Real Property  
Portable Partition Walls - Personal Property  
Power lines and auxiliary equipment - Personal Property  
Pumps and Motors - Personal Property  
Pump house (including sub-structure)- Real Property  
Racks and shelving (portable or removable) - Personal Property  
Railroad siding (except belonging to railroad) - Real Property  
Ready-mix concrete batch plant and equipment - Personal Property  
Refrigeration equipment (see air conditioning) - Personal Property  
Rental Equipment - Personal Property  
Sanitary sewer system - Personal Property  
Sanitary system, buildings - Real Property  
Satellite dishes (commercial use) - Personal Property  
Scale houses - Real Property  
Septic system (priced with land) - Real Property  
Scales, truck or railroad (including pit) - Personal Property  
Scales, dormant - Personal Property  
Security monitoring systems - Personal Property  
Sewage Treatment Plants - Personal Property  
Sheds or buildings, portable or on skids - Personal Property  
Signs - Personal Property  
Silos (metal) - Personal Property  
Spare parts - Personal Property  
Spray pond piping and equipment - Primary Use Classification  
Sprinkler system (building) - Real Property



REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Stacks, mounted on boilers (see boilers)

Stacks, supported individually and servicing heating boilers - Real Property

Stacks, servicing personal property units or a process -Personal Property

Steam electric generating plant and equipment - Personal Property

Stone crushing plant - equipment - Personal Property

Storage bins, portable - Personal Property

Storage facilities, permanent of masonry or wood - Real Property

Storage vaults, including bank vaults (poured in place) - Real Property

Storage vaults, modular - Personal Property

Storage vault doors, including bank vault doors - Personal Property

Substation building - Real Property

Substation equipment - Personal Property

Supplies - Personal Property

Tanks, bulk storage (large capacity water & fuels) above or below ground - Personal Property

Tanks, welded steel pressure tanks, (propane, butane or natural gas storage) - Personal Property

Tanks, used as part of a manufacturing process - Personal Property

Tanks, fuel tanks at service station - Personal Property

Towers, TV or radio broadcasting - Personal Property

Trade Fixtures - Personal Property

Transformers - Personal Property

Travel trailer attachments (shed, carport, a/c, etc.) on rental lot - Personal Property

Tunnels - Real Property

REAL AND PERSONAL PROPERTY CLASSIFICATION GUIDELINES  
Florida Department of Revenue  
1997, and as subsequently amended.

Tunnels, waste heat or processing - Personal Property

Unit heaters, non-portable - Real Property

Unit heaters, portable - Personal Property

Unloaded runway - Real Property

Ventilating system for building - Real Property

Ventilating system for manufacturing equipment - Personal Property

Video tapes for rent - Personal Property

Walls, portable partitions - Personal Property

Waste water systems - Personal Property

Walk-in coolers or freezers - Personal Property

Water lines, for processes above or below ground - Personal Property

Water pumping station, building and structure - Real Property

Water pumps and motors - Personal Property

Water treating and softening plant building and structure - Real Property

Water treatments systems - Personal Property

Well pumps, motors and equipment - Personal Property

Well casings - Real Property

Wiring, power wiring - Personal Property

## EQUIPMENT INDEX FACTORS 2010

(NATIONAL AVERAGE)

FLORIDA DEPARTMENT OF REVENUE

This table is intended to assist the property appraiser in the assessment of tangible personal property and is not construed to be the final authority or all inclusive in nature.

INDUSTRY	7/09	7/08	7/07	7/06	7/05	7/04	7/03	7/02	7/01	7/00	7/99	7/98	7/97	7/96	7/95	7/94	7/93	7/92	7/91	7/90	7/89	7/87	7/85	7/83	7/81	7/79	12/77
Average of all	1.00	1.02	1.06	1.12	1.16	1.26	1.31	1.33	1.34	1.34	1.37	1.38	1.39	1.41	1.42	1.48	1.51	1.55	1.58	1.60	1.64	1.81	1.85	1.93	2.04	2.47	2.94
Airplane mfg.	1.00	1.02	1.06	1.12	1.17	1.27	1.33	1.35	1.36	1.36	1.39	1.39	1.40	1.42	1.43	1.49	1.53	1.56	1.57	1.59	1.62	1.79	1.82	1.89	1.99	2.42	2.90
Apartment	1.00	1.02	1.04	1.08	1.13	1.19	1.23	1.24	1.25	1.25	1.29	1.29	1.31	1.32	1.33	1.38	1.41	1.47	1.50	1.53	1.56	1.72	1.77	1.85	1.95	2.29	2.71
Bakery	1.00	1.02	1.05	1.13	1.18	1.27	1.33	1.35	1.36	1.37	1.40	1.41	1.42	1.44	1.45	1.52	1.56	1.60	1.62	1.66	1.69	1.88	1.94	2.03	2.13	2.60	3.11
Bank	1.00	1.02	1.05	1.09	1.13	1.20	1.25	1.26	1.28	1.28	1.30	1.31	1.31	1.34	1.34	1.38	1.41	1.46	1.49	1.51	1.53	1.68	1.73	1.80	1.90	2.22	2.64
Bottling	1.00	1.02	1.06	1.13	1.17	1.28	1.33	1.36	1.37	1.37	1.40	1.41	1.41	1.44	1.45	1.51	1.56	1.58	1.60	1.63	1.65	1.85	1.89	1.96	2.06	2.49	2.98
Brewery and distillery	1.00	1.02	1.06	1.13	1.18	1.28	1.33	1.35	1.36	1.37	1.40	1.41	1.42	1.45	1.46	1.52	1.56	1.59	1.61	1.64	1.67	1.87	1.91	1.98	2.09	2.55	3.02
Candy and confection	1.00	1.02	1.05	1.14	1.18	1.27	1.33	1.35	1.36	1.37	1.40	1.41	1.42	1.44	1.45	1.52	1.57	1.60	1.63	1.67	1.70	1.90	1.96	2.05	2.15	2.64	3.15
Cannery (fish)	1.00	1.02	1.06	1.14	1.18	1.27	1.33	1.36	1.37	1.37	1.41	1.41	1.42	1.45	1.46	1.53	1.57	1.61	1.64	1.67	1.71	1.90	1.96	2.05	2.16	2.62	3.16
Cannery (fruit)	1.00	1.01	1.05	1.12	1.16	1.25	1.30	1.32	1.34	1.34	1.38	1.38	1.39	1.42	1.43	1.48	1.53	1.57	1.61	1.65	1.68	1.87	1.93	2.01	2.12	2.56	3.09
Cement mfg.	1.00	1.04	1.08	1.14	1.19	1.30	1.36	1.39	1.40	1.40	1.43	1.44	1.45	1.47	1.49	1.55	1.58	1.61	1.63	1.65	1.69	1.85	1.88	1.95	2.07	2.53	3.01
Chemical	1.00	1.03	1.07	1.14	1.18	1.29	1.34	1.37	1.38	1.39	1.41	1.42	1.43	1.45	1.47	1.53	1.56	1.59	1.60	1.63	1.65	1.85	1.88	1.95	2.06	2.54	3.02
Church	1.00	1.02	1.04	1.08	1.11	1.18	1.23	1.24	1.26	1.26	1.29	1.30	1.31	1.34	1.35	1.38	1.42	1.49	1.54	1.56	1.60	1.76	1.83	1.90	2.03	2.34	2.88
Clay products	1.00	1.04	1.08	1.14	1.19	1.29	1.34	1.37	1.38	1.39	1.42	1.42	1.44	1.46	1.48	1.53	1.57	1.60	1.62	1.65	1.69	1.86	1.90	1.98	2.11	2.57	3.05
*Communication	1.00	1.01	1.02	1.03	1.03	1.03	1.01	0.99	0.97	0.96	0.94	0.93	0.92	0.94	0.94	0.95	0.97	0.98	0.98	0.99	1.00	1.03					
Contractor's equip.	1.00	1.03	1.05	1.09	1.14	1.22	1.26	1.28	1.29	1.29	1.32	1.33	1.34	1.37	1.39	1.42	1.45	1.50	1.54	1.57	1.61	1.76	1.80	1.85	1.98	2.44	2.92
Creamery and dairy	1.00	1.01	1.05	1.13	1.18	1.27	1.33	1.35	1.36	1.37	1.40	1.41	1.42	1.44	1.46	1.52	1.57	1.59	1.62	1.66	1.69	1.89	1.95	2.03	2.13	2.61	3.11
Dwelling	1.00	1.02	1.04	1.08	1.13	1.19	1.22	1.23	1.25	1.25	1.28	1.29	1.30	1.32	1.33	1.37	1.41	1.46	1.49	1.51	1.55	1.70	1.76	1.83	1.93	2.27	2.67
Elec. equip. mfg.	1.00	1.00	1.05	1.13	1.18	1.30	1.36	1.39	1.39	1.39	1.42	1.42	1.42	1.44	1.44	1.51	1.55	1.57	1.58	1.59	1.61	1.82	1.84	1.91	2.00	2.43	2.90
Elec. power equip.	1.00	0.99	1.04	1.13	1.20	1.32	1.39	1.42	1.41	1.41	1.45	1.44	1.44	1.45	1.45	1.53	1.57	1.58	1.58	1.59	1.59	1.83	1.85	1.90	1.98	2.41	2.86
*Farm and grove	1.00	1.04	1.09	1.12	1.15	1.21	1.25	1.27	1.29	1.31	1.32	1.34	1.35	1.37	1.40	1.47	1.50	1.56	1.60	1.65	1.70	1.83	1.84	1.91	2.17	2.70	3.16
Flour, cereal and feed	1.00	1.02	1.06	1.13	1.18	1.28	1.33	1.36	1.37	1.37	1.41	1.41	1.42	1.45	1.46	1.52	1.56	1.59	1.61	1.64	1.67	1.86	1.90	1.97	2.07	2.52	3.01
Garage	1.00	1.02	1.05	1.11	1.15	1.24	1.28	1.30	1.31	1.32	1.34	1.35	1.35	1.38	1.39	1.44	1.47	1.51	1.53	1.56	1.59	1.75	1.79	1.87	1.98	2.42	2.89
Glass mfg.	1.00	1.03	1.07	1.14	1.19	1.30	1.36	1.38	1.39	1.40	1.43	1.44	1.44	1.47	1.48	1.54	1.58	1.61	1.62	1.64	1.67	1.86	1.89	1.97	2.07	2.51	2.99
Hospital	1.00	1.02	1.05	1.12	1.16	1.25	1.29	1.31	1.32	1.33	1.36	1.36	1.37	1.40	1.41	1.47	1.51	1.54	1.57	1.60	1.63	1.82	1.88	1.96	2.09	2.51	2.99
Hotel	1.00	1.02	1.05	1.10	1.14	1.21	1.25	1.27	1.28	1.29	1.32	1.33	1.34	1.36	1.38	1.43	1.47	1.51	1.55	1.58	1.62	1.79	1.86	1.95	2.07	2.47	2.95
Laundry and cleaning	1.00	1.03	1.06	1.13	1.17	1.27	1.32	1.34	1.35	1.36	1.39	1.39	1.40	1.42	1.43	1.49	1.53	1.56	1.59	1.62	1.65	1.82	1.87	1.94	2.05	2.47	2.93
Library	1.00	1.02	1.05	1.11	1.15	1.25	1.29	1.32	1.33	1.33	1.36	1.36	1.37	1.40	1.40	1.45	1.49	1.54	1.57	1.59	1.62	1.79	1.84	1.92	2.03	2.41	2.89
Logging equip.	1.00	1.03	1.06	1.11	1.15	1.24	1.29	1.31	1.32	1.32	1.35	1.36	1.36	1.39	1.40	1.44	1.48	1.52	1.55	1.58	1.61	1.76	1.80	1.86	1.98	2.42	2.90
Metalworking	1.00	1.03	1.07	1.13	1.17	1.27	1.32	1.34	1.35	1.35	1.37	1.37	1.38	1.40	1.41	1.47	1.51	1.53	1.55	1.58	1.62	1.78	1.82	1.90	2.01	2.47	2.96
Mining and milling	1.00	1.04	1.08	1.13	1.18	1.28	1.34	1.37	1.39	1.39	1.42	1.42	1.44	1.46	1.48	1.52	1.56	1.60	1.63	1.67	1.71	1.87	1.90	1.96	2.09	2.55	3.06
Motion picture	1.00	1.01	1.04	1.10	1.14	1.23	1.28	1.30	1.31	1.31	1.34	1.34	1.34	1.37	1.38	1.42	1.46	1.51	1.54	1.56	1.58	1.76	1.81	1.87	1.97	2.37	2.83
Office equipment	1.00	1.02	1.05	1.10	1.13	1.21	1.24	1.25	1.26	1.27	1.29	1.29	1.30	1.32	1.33	1.37	1.40	1.43	1.45	1.47	1.50	1.64	1.69	1.76	1.85	2.18	2.55
Packing (fruit)	1.00	1.01	1.04	1.10	1.14	1.21	1.26	1.28	1.30	1.30	1.33	1.34	1.35	1.38	1.39	1.43	1.47	1.53	1.57	1.60	1.64	1.81	1.87	1.94	2.05	2.45	2.96
Packing (meat)	1.00	1.03	1.06	1.14	1.18	1.27	1.32	1.34	1.35	1.36	1.39	1.40	1.41	1.44	1.45	1.51	1.55	1.59	1.61	1.65	1.69	1.87	1.93	2.02	2.13	2.60	3.09
Paint mfg.	1.00	1.03	1.07	1.14	1.18	1.29	1.34	1.37	1.38	1.39	1.42	1.42	1.43	1.46	1.47	1.54	1.57	1.60	1.62	1.65	1.68	1.87	1.90	1.98	2.09	2.55	3.03
Paper mfg.	1.00	1.03	1.06	1.12	1.16	1.27	1.32	1.35	1.36	1.36	1.39	1.40	1.40	1.44	1.44	1.49	1.53	1.58	1.61	1.64	1.67	1.85	1.89	1.95	2.07	2.50	2.98
Petroleum	1.00	1.03	1.08	1.15	1.21	1.32	1.37	1.41	1.42	1.43	1.46	1.47	1.48	1.51	1.53	1.59	1.62	1.64	1.66	1.70	1.73	1.91	1.92	1.97	2.09	2.61	3.12
Printing	1.00	1.02	1.05	1.11	1.15	1.23	1.27	1.30	1.30	1.30	1.33	1.33	1.33	1.35	1.36	1.42	1.45	1.48	1.49	1.51	1.52	1.69	1.74	1.81	1.91	2.31	2.76
Refrigeration	1.00	1.03	1.07	1.13	1.18	1.28	1.33	1.36	1.37	1.38	1.41	1.42	1.43	1.45	1.47	1.53	1.56	1.60	1.62	1.66	1.69	1.87	1.91	1.99	2.12	2.58	3.05
Restaurant	1.00	1.02	1.05	1.11	1.15	1.23	1.27	1.29	1.30	1.31	1.34	1.35	1.36	1.39	1.40	1.45	1.50	1.54	1.57	1.61	1.65	1.82	1.89	1.99	2.12	2.54	3.05
Rubber	1.00	1.03	1.06	1.13	1.16	1.26	1.31	1.33	1.34	1.34	1.37	1.37	1.39	1.41	1.42	1.48	1.51	1.55	1.57	1.60	1.63	1.80	1.84	1.93	2.06	2.52	3.02
School	1.00	1.02	1.05	1.11	1.15	1.23	1.27	1.29	1.30	1.31	1.34	1.34	1.35	1.38	1.39	1.44	1.48	1.52	1.55	1.58	1.62	1.79	1.85	1.94	2.05	2.45	2.93
Shipbuilding	1.00	1.03	1.07	1.13	1.18	1.29	1.35	1.38	1.38	1.38	1.41	1.42	1.43	1.46	1.47	1.52	1.56	1.59	1.61	1.63	1.67	1.84	1.87	1.92	2.03	2.49	2.98
Steam power	1.00	1.03	1.07	1.15	1.20	1.31	1.37	1.40	1.40	1.41	1.44	1.44	1.44	1.46	1.47	1.54	1.57	1.59	1.60	1.63	1.66	1.86	1.89	1.97	2.07	2.53	2.98
Store	1.00	1.02	1.05	1.10	1.13	1.22	1.26	1.28	1.29	1.29	1.33	1.33	1.33	1.36	1.37	1.41	1.45	1.50	1.53	1.55	1.59	1.75	1.81	1.88	1.99	2.34	2.81
Textile	1.00	1.03	1.06	1.11	1.14	1.23	1.27	1.29	1.29	1.30	1.32	1.32	1.33	1.36	1.37												

# UNTRENDED DEPRECIATION SCHEDULE

(FOR USE ON REPLACEMENT COST NEW)

Effective Age in Years	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30	Effective Age in ears
1	83%	85%	87%	89%	90%	91%	92%	93%	94%	94%	95%	95%	96%	96%	96%	97%	97%	98%	98%	1
2	65%	69%	73%	76%	79%	82%	84%	86%	87%	88%	89%	90%	91%	91%	92%	93%	93%	95%	97%	2
3	43%	52%	57%	62%	67%	72%	76%	78%	80%	82%	84%	85%	86%	87%	88%	89%	90%	93%	95%	3
4	24%	34%	41%	48%	54%	61%	67%	70%	73%	75%	77%	79%	81%	82%	83%	85%	86%	90%	93%	4
5	18%	23%	30%	37%	43%	51%	58%	62%	66%	69%	71%	73%	75%	77%	79%	81%	82%	87%	91%	5
6		18%	23%	28%	33%	41%	49%	54%	58%	62%	65%	68%	71%	73%	75%	77%	78%	84%	89%	6
7			19%	23%	26%	33%	39%	45%	50%	54%	58%	62%	65%	68%	70%	72%	74%	81%	86%	7
8				20%	22%	26%	30%	37%	43%	47%	51%	55%	58%	62%	65%	68%	70%	78%	84%	8
9					20%	22%	24%	30%	36%	41%	45%	49%	53%	57%	60%	63%	65%	75%	82%	9
10						20%	21%	25%	29%	34%	39%	43%	47%	51%	54%	57%	60%	71%	79%	10
11							20%	22%	24%	29%	33%	37%	42%	46%	49%	52%	55%	68%	76%	11
12								20%	22%	25%	28%	31%	36%	40%	44%	47%	50%	64%	74%	12
13									20%	22%	24%	26%	31%	35%	39%	42%	45%	60%	71%	13
14										20%	22%	23%	27%	31%	34%	37%	40%	56%	68%	14
15											20%	21%	24%	28%	31%	33%	35%	52%	65%	15
16												20%	22%	25%	27%	29%	31%	48%	61%	16
17													20%	21%	23%	25%	27%	44%	58%	17
18														20%	22%	23%	24%	39%	54%	18
19															20%	21%	22%	34%	51%	19
20																20%	21%	30%	47%	20
22																	20%	26%	40%	22
24																		23%	34%	24
26																		21%	28%	26
28																			23%	28
30																			21%	30
32																			20%	32

These percentages should be applied to historical cost after it has been factored upward (trended) to the current year's Replacement Cost New (RCN).

Trending of historical cost may not be appropriate when assets' replacement costs are decreasing due to emerging technologies. See section VIII.G., for discussion.

Factors indicate the remaining percentage of economic life.

This table is based on equipment in average condition.

If the county property appraiser determines that the application of another comparable table, designed specifically for ad valorem tax purposes more accurately

reflects the just value of the personal property within the county they may utilize such table, on a county-wide basis, in lieu of the table above.

Source: 1997 Florida Department of Revenue, Property Tax Administration (Based on Marshall Valuation Service, Depreciation-Fixtures & Equipment", Normal Depreciation, Sec. 97, p. 18, January 1996)

# Florida Department of Revenue

## LIFE EXPECTANCY GUIDELINES

The asset life recommendations have been derived from various sources: Marshall Valuation Service, Florida Public Service Commission, and industry depreciation studies. As relevant information becomes available, the Department will update the tables.

INDUSTRY GROUP	ASSET LIFE IN YEARS	INDUSTRY GROUP	ASSET LIFE IN YEARS
Aerospace industry.....	10	transmission	39-41
Agriculture, machinery and equipment .....	10	distribution.....	29-33
cotton ginning.....	12	Electronic equipment manufacturing.....	6
Aircraft and all helicopters		Fabricated metal products .....	12
except commercial aircraft.....	6	special tools .....	3
commercial aircraft.....	12	Fishing equipment, excluding boats and barges.....	4
Amusement and theme parks.....	10	Food and beverage production.....	12
Apparel and fabricated textile manufacturing .....	9	special handling devices .....	4
Automobile repair shops.....	10	Fur processing.....	9
Bakeries and confectionery production.....	12	Gas distribution, total distribution equipment .....	35-40
Barber and beauty shops.....	10	Optional - for equipment by category:	
Billboards .....	20	mains and services, plastic.....	36-40
Brewery equipment.....	12	mains and services, steel.....	37-44
Cable television, headend facilities .....	11	meters, regulators, installations.....	25-30
microwave systems .....	9.5	other distribution equipment .....	30-35
program origination .....	9	Glass and glass products .....	14
service and test.....	8.5	special tools .....	2.5
subscriber connection and distribution.....	10	Grain and grain mill products manufacture.....	17
Canneries and frozen food production .....	12	Gypsum products .....	15
Cement manufacture.....	20	Hand tools .....	5
Chemical and allied production.....	9.5	Hospital furnishings and equipment .....	10
Clay products manufacturing.....	15	Hotel and motel furnishings and equipment .....	10
Clocks and watches, manufacturing.....	10	Jewelry products and pens.....	12
electronic instrumentation .....	6	Knitwear and knit products .....	7.5
Cold storage and ice-making equipment.....	18	Laundry equipment.....	10
Cold storage warehouse equipment .....	10	Leather and leather products.....	11
Computers, 'personal computers' ('PC') .....	4	Logging, timber cutting.....	6
mainframe.....	6	Machinery manufacturing, except. as otherwise listed ...	10
Peripherals.....	6	Meatpacking.....	12
Condiments, manufacturing and processing.....	10	Medical and dental supply production.....	9
Construction equipment, general construction .....	6	Metalworking machinery manufacturing.....	10
marine construction.....	6	Mining and quarrying.....	10
Dairy products manufacturing.....	12	Motion picture and television production.....	12
Data handling equipment, except computers .....	6	Motor vehicle and parts manufacturing.....	12
Distilling.....	12	special tools .....	3
Electrical equipment manufacturing.....	10	Office furniture and equipment .....	10
Electric companies, steam production.....	25-34	Optical lenses and instrument manufacturing.....	10
other production, combined cycle.....	16-21	Paints and varnishes.....	9.5
gas turbines .....	26-29	Paper and pulp manufacturing.....	13
nuclear production.....	26-28	converted paper, paperboard and pulp .....	10

# Florida Department of Revenue

## LIFE EXPECTANCY GUIDELINES

The asset life recommendations have been derived from various sources: Marshall Valuation Service, Florida Public Service Commission, and industry depreciation studies. As relevant information becomes available, the Department will update the tables.

INDUSTRY GROUP	ASSET LIFE IN YEARS	INDUSTRY GROUP	ASSET LIFE IN YEARS
		circuit, analog.....	8
Petroleum and natural gas, drilling, onshore.....	6	circuit, optic.....	8
drilling, offshore.....	7.5	other central office equipment.....	8
exploration and production.....	14	information/origination equipment.....	8
marketing.....	9	smart phones.....	6
petroleum refining.....	16	metallic cable.....	12
pipeline transportation.....	22	fiber cable.....	20
Plastics manufacturing.....	9.5	poles.....	20
Plastic products manufacturing.....	11	conduit.....	20
special tools.....	3.5	Telecommunications, interstate interexchange	
Primary metals production, nonferrous and foundry		analog switching.....	8
products.....	14	digital switching.....	8
special tools.....	6.5	metallic cable.....	12
Primary steel mill products.....	15	fiber cable.....	20
Printing and publishing.....	11	poles.....	20
Professional and scientific instruments.....	10	conduit.....	20
Radio and television, broadcasting.....	6	all other equipment.....	8
manufacturing.....	10	Telecommunications, cellular	
Railroad transportation equipment manufacturing.....	12	analog switching.....	8
locomotive manufacturing.....	11.5	digital switching.....	8
Recreation and amusement.....	10	radio frequency channel and control.....	8
Retail trades, fixtures and equipment.....	9	power equipment.....	12
Residential furniture.....	10	antennae.....	10
Restaurant and bar equipment.....	10	towers.....	20
Restaurant equipment, fast foods.....	7	transmission equipment.....	8
Rubber products manufacturing.....	14	cellular phones.....	5
special tools.....	4	Textile products, including finishing and dyeing.....	9
Sawmills, permanent.....	10	manufacture of nonwoven fabrics.....	10
portable.....	6	manufacture of yarn, thread and woven fabrics.....	11
Service establishments.....	9	manufacture of textured yarns.....	8
Ship and boat building machinery and equipment.....	12	Theater equipment.....	10
special tools.....	6.5	Tobacco and tobacco products.....	15
Soft drink manufacture and bottling.....	12	Vegetable oil products.....	18
Steam production and distribution.....	28	Waste reduction and resource recovery.....	10
Stone products manufacturing.....	15	Water transportation.....	20
Sugar and sugar products manufacturing.....	18	vessels, barges and tugs.....	18
Telecommunications, local exchange		Water utilities.....	50
analog switching.....	8	Wharves, docks and piers.....	20
digital switching.....	8	Wholesale trade fixtures and equipment.....	9
circuit, digital.....	8		

# Florida Department of Revenue

## LIFE EXPECTANCY GUIDELINES

The asset life recommendations have been derived from various sources: Marshall Valuation Service, Florida Public Service Commission, and industry depreciation studies. As relevant information becomes available, the Department will update the tables.

<b>INDUSTRY GROUP</b>	<b>ASSET LIFE IN YEARS</b>	<b>INDUSTRY GROUP</b>	<b>ASSET LIFE IN YEARS</b>
Wood products and furniture manufacturing.....	10		





**Tangible Personal Property Tax Return**  
**Confidential §§193.074 F.S.**  
**As Required by §§193.052 & 193.062 F.S. Return to**  
**County Property Appraiser By April 1 to Avoid Penalties**  
**State of Florida, County of**

Business Name (DBA - Doing Business As) and  
Mailing Address

Federal Employer Iden. No  
-  
 Social Security Number  
--  
 NAICS/SIC

**If name and address is incorrect make necessary corrections**

This return subject to audit with all records kept by you.  
 Incomplete entries are subject to penalties.

1. Please give name and telephone number of Owner or Person in charge of this Business.  
 Name \_\_\_\_\_ Telephone \_\_\_\_\_  
 Corporate Name \_\_\_\_\_

2. Actual Physical Location of Property for Which this Return is Filed (Street Address -Not P.O. Box)  
 \_\_\_\_\_

3. Is your business or farm located within the incorporated limits of a City? Yes \_\_\_ No \_\_\_  
 What City? \_\_\_\_\_

4. Do You File a Tangible Personal Property Tax Return Under Any Other Name? Yes \_\_\_ No \_\_\_  
 Please Show name Exactly as it Appeared on Your most recent Personal Property Tax Bill or  
 Other Current Tax Return. \_\_\_\_\_

5. Date you began business in this county: \_\_\_\_\_ Fiscal year: \_\_\_\_\_

5a. Although my fiscal year ended prior to December 31 of the past calendar year, this return reflects property  
 additions and deletions through December 31. Yes \_\_\_ No \_\_\_

6. Describe Type or Nature of Your Business: \_\_\_\_\_

7. Trade Level (Check as many as apply) Retail  Wholesale  Manufacturing   
 Professional  Service  Agriculture  Leasing/Rental  Other

8. Did you file a Tangible Personal Property Return in this county last Year? Yes \_\_\_ No \_\_\_  
 If so, under what name and where? \_\_\_\_\_

9. Former owner of the Business: \_\_\_\_\_

9a. If Business sold, to whom? \_\_\_\_\_  
 Date Sold \_\_\_\_\_

<b>Personal Property Summary</b> <small>THIS IS A SUMMARY SCHEDULE ONLY. The Schedules on the REVERSE SIDE must be completed in detail and TOTALS entered below. ATTACH ITEMIZED LIST or DEPRECIATION SCHEDULE showing Original Cost &amp; Date of Acquisition.</small>	<b>Taxpayer's Estimate of Fair Market Value</b>	<b>Original Installed Cost</b>	<b>Appraiser's Use only</b>
10. Office Furniture & Office Machines & Library			
11. EDP Equipment, Computers, Word Processors			
12. Store, Bar & Lounge, and Restaurant Furniture & Equipment, Etc.			
13. Machinery and Manufacturing Equipment			
14. Farm, Grove, and Dairy Equipment			
15. Professional, Medical, Dental & Laboratory Equipment			
16. Hotel, Motel, & Apartment Complex			
16a. Rental Units - Stove, Refrig., Furniture, Drapes & Appliances			
17. Mobile Home Attachments (Carport, Utility Bldg., Cabana, Porch, Etc.)			
18. Service Station & Bulk Plant Equipment - Underground Tanks, Lifts, Tools			
19. Signs - Billboard, Pole, Wall, Portable, Directional, Etc.			
20. Leasehold improvements must be grouped by type, year of installation and description			
21. Pollution Control Equipment			
22. Equipment owned by you but rented, leased or held by others			
23. Supplies - Not Held for Resale			
24. Other - Please Specify			
<b>TOTAL PERSONAL PROPERTY</b>			

**Under penalties of perjury, I declare that I have read the foregoing tax return and the accompanying schedules and statements and that the facts stated in them are true. If prepared by someone other than the taxpayer, the preparer signing this return certifies that this declaration is based on all information of which he/she has any knowledge.**

DATE \_\_\_\_\_ TITLE \_\_\_\_\_

SIGNED \_\_\_\_\_ (TAXPAYER)

SIGNED \_\_\_\_\_ (PREPARER)

ADDRESS \_\_\_\_\_

PHONE NO. \_\_\_\_\_ PREPARER'S I.D. # \_\_\_\_\_

LESS EXEMPTION: ( ) WIDOW ( ) WIDOWER ( ) BLIND  
 ( ) TOTAL DISABILITY ( ) OTHER

**Taxable value**

**Deputy** \_\_\_\_\_ **Penalty** \_\_\_\_\_

**Please sign and date your return, send the original to the county appraiser's office by April 1, unsigned returns cannot be accepted by the appraiser's office.**

**Notice: If you are entitled to a widow's, widower's or disability exemption on personal property (not already claimed on real estate) consult appraiser.**

**Schedules on Reverse Side must be completed in Full.**

ASSETS PHYSICALLY REMOVED DURING LAST YEAR <small>Property fully depreciated but continuing in service must be reported on the schedules below.</small>					Retired, Sold, Traded, Etc.	
DESCRIPTION	AGE	YEAR ACQ.	TAXPAYER'S EST OF FAIR MKT VALUE	ORIGINAL INSTALLED COST	LEASE PURCHASE OPTION	
					YES	NO

LEASED, LOANED, AND RENTED EQUIPMENT - Please complete if you hold equipment belonging to others.								
NAME AND ADDRESS OF OWNER OR LESSOR	DESCRIPTION	YEAR ACQUIRED	YEAR OF MFG.	RENT PER MONTH	RETAIL INSTALLED COST NEW	LEASE PURCHASE OPTION		
						YES	NO	

LINE <small>Enter Applicable Line Number (10-24) From Page 1</small>	DESCRIPTION OF ITEM	AGE	YEAR PURCHASED	TAXPAYER'S ESTIMATE OF FAIR MARKET VALUE	TAXPAYER'S ESTIMATE OF Condition			ORIGINAL INSTALLED COST	APPRAISER'S USE ONLY	
					Good	Avg	Poor		Condition	
<small>Enter TOTALS on Front - Continue on Separate Sheet if Necessary</small>					X			X		

LINE <small>Enter Applicable Line Number (10-24) From Page 1</small>	DESCRIPTION OF ITEM	AGE								
<small>Enter TOTALS on Front - Continue on Separate Sheet if Necessary</small>					X			X		

LINE <small>Enter Applicable Line Number (10-24) From Page 1</small>	DESCRIPTION OF ITEM	AGE								
<small>Enter TOTALS on Front - Continue on Separate Sheet if Necessary</small>					X			X		

LINE <u>22</u> EQUIPMENT OWNED BY YOU BUT RENTED, LEASED, OR HELD BY OTHERS											
LEASE NO.	NAME/ADDRESS OF LESSEE <small>ACTUAL PHYSICAL LOCATION</small>	DESCRIPTION	AGE	YEAR PURCHASED	RENT PER MONTH	TERM	TAXPAYER'S ESTIMATE OF FAIR MARKET VALUE	TAXPAYER'S ESTIMATE OF Condition			RETAIL INSTALLED COST NEW
								Good	Avg	Poor	
<small>Enter TOTALS on Front - Continue on Separate Sheet if Necessary</small>					X			X			

**GENERAL INSTRUCTIONS**

Complete this Personal Property Tax Return in accordance with the instructions provided herein as your declaration of personal property situated in this county. If any schedule has insufficient space, attach a separate sheet. Please print or type except for signature.

Social security numbers are used by the Florida property appraisers as identifiers for the administration of Florida's property taxes. Social security numbers obtained for tax administration purposes are confidential under sections 119.071 and 192.0105, Florida Statutes, and not subject to disclosure as public records.

**WHAT TO REPORT ON THIS RETURN:**

1. Tangible Personal Property - include all goods, chattels, and other articles of value (but not certain vehicles) capable of manual possession and whose chief value is intrinsic to the article itself.
2. Items of inventory held for lease to customers in the ordinary course of business, rather than for sale, shall be deemed inventory only prior to the initial lease of such items and MUST be reported after their initial lease or rental as equipment and/or furniture or fixtures.
3. ALL FULLY DEPRECIATED ITEMS MUST BE REPORTED AT ORIGINAL COST WHETHER WRITTEN OFF OR NOT.
4. Property personally owned, but used in the business must be reported.

**DO NOT INCLUDE:**

1. Intangible Personal Property - that is, money, all evidences of debt owed to the taxpayer, all evidence of ownership in a corporation, etc.
2. Household Goods such as wearing apparel, appliances, furniture, and other items ordinarily found in the home and used for the comfort of the owner and his family, and not used for commercial purposes.
3. Automobiles, Trucks, and Other Licensed Vehicles - These are not taxable as personal property. (EXCEPTION: The equipment, on certain vehicles, is taxable as personal property and must be reported. Example- power cranes, air compressors, and other equipment designed as a tool rather than primarily as a hauling vehicle.)
4. Inventory - Those chattels consisting of items commonly referred to as goods, wares, and merchandise which are held for sale or lease to customers in the ordinary course of business.

**VALUATION OF PERSONAL PROPERTY:**

All property located in this county as of January 1 must be reported at 100 % of the original total cost. Include sales tax, transportation, handling, and installation charges if incurred. Report the total cost of all assets.

**ADJUSTMENTS TO VALUES - TAXPAYER'S ESTIMATE OF FAIR MARKET VALUE:**

Enter only UNADJUSTED figures in areas calling for Original Cost. However, Florida law provides that the taxpayer shall also provide an estimate of the current fair market value of the property. An adjustment is a variation from purchase price paid. Adjusted figures MUST be explained on an attached supplemental schedule. Such schedules are considered part of the return.

**LOCATION OF PERSONAL PROPERTY:**

With the exception noted in the following paragraph, a SEPARATE personal property return must be filed for each location in the county. Additional forms will be mailed on request; contact your county property appraiser's office.

Owners of vending machines, LP/Propane tanks and similar free standing property at many locations may submit a single schedule in lieu of individual property statements, but may be required by the Property Appraiser to provide a list of site addresses. Owners that previously reported on a DR-405E or other owners of a similarly integrated property may submit a single schedule.

**SPECIFIC INSTRUCTIONS**

In the appropriate schedule list the original installed cost for assets of your business. Assets in each schedule must be grouped by year of acquisition.

The figure you enter as "original cost" must include the total original installed cost of your equipment, before any allowance for depreciation. Include sales tax, freight-in, handling, and installation costs. If a trade-in was deducted from the invoice price, enter the invoice price.

Add back investment credits taken for federal income tax purposes if those were deducted from the original cost. **INCLUDE ALL FULLY DEPRECIATED ITEMS AT ORIGINAL COST, WHETHER WRITTEN OFF OR NOT.**

If you own equipment that is out on a loan, rental or lease basis to others, report it on the appropriate schedule and enter the totals on Line 22.

List each item of tangible personal property separately in the appropriate schedule except for "classes" of personal property. A class is defined as items which are SUBSTANTIALLY similar in function, use, and age. Do not use the terms "VARIOUS" or "SAME AS LAST YEAR". This is inadequate reporting and may subject you to penalties for FAILURE TO FILE.

List all items of furniture and fixtures, all machinery and equipment, supplies, and certain types of equipment attached to mobile homes. All expensed items must be entered at original cost.

For each item, report your estimate of the current fair market value of the property and your estimate of the condition of that item (Good, Average, Poor). All expensed items must be entered at original installed cost.

**Line 14 - Farm, Grove, and Dairy Equipment:**

List all types of agricultural equipment you owned as of January 1. Describe property by type, manufacturer, model number, and year acquired. The following is a partial list of the types of equipment which are to be reported: bulldozers, draglines, mowers, balers, tractors, all types of dairy equipment, pumps, irrigation pipe - show feet of main line and sprinklers, hand and power sprayers, heaters, discs, fertilizer distributors, etc.

**Line 16, 16a - Hotel, Motel, Apartment & Rental Units (Household Goods):**

List all household goods, i.e. furniture, appliances and equipment used in rental or other commercial property. Both residents and non-residents must report if house, condo, apartment, etc. is rented at any time during the year.

**Line 17 - Mobile Home Attachments:**

For each of the following types of mobile home attachments, enter the number of items of that type which you owned as of January 1, the year of purchase, the size (length X width), and the original installed cost: Awning, Carport, Patio Roof, Trailer Cover, Screened Porch or Room, Cabana, Open Porch, Utility Room, etc.

**Line 20 - Leasehold Improvements - i.e., Physical Modifications to Leased Property:**

If you have made any improvements (including modifications and additions) to property which you lease, list the original cost of the improvements. Improvement must be grouped by type and year of installation. Leasehold improvement - Carpeting, Paneling, Shelving, Cabinets, etc.

**IMPORTANT: ATTACH ITEMIZED LIST OR DEPRECIATION SCHEDULE SHOWING INVENTORY OF INDIVIDUAL IMPROVEMENTS.****Line 23 - Supplies:**

Enter the average cost of supplies that are on hand, including expensed supplies, such as stationery and janitorial supplies, linens, silverware, etc. which may not have been recorded separately on your books. Include items which you carry in your inventory account but which do NOT come within the definition of "inventory" subject to exemption.

**Leased, Loaned, and Rented Equipment:**

If you borrow, rent or lease equipment from others complete the schedule by entering the name and address of the owner or lessor and a description of the equipment; year you acquired it; year of manufacture, if known; the rent per month; and the amount it would have originally cost had you purchased the equipment new.

**INFORMATION REGARDING THE TAX LAWS OF FLORIDA**

§192.042, Florida Statutes - DATE OF ASSESSMENT - Tangible Personal Property on January 1.

§193.062, Florida Statutes - DATES FOR FILING RETURNS - Tangible Personal Property Jan. 1 - Apr. 1.

§193.072, Florida Statutes - PENALTIES - For failure to file a return, 25% of the total tax levied against the property for each year that no return is filed; for filing after the due date, 5% of the total tax levied against the property covered by that return for each year, for each month, or portion thereof, that a return is filed after the due date, but not to exceed 25% of the total tax; for unlisted property, 15% of the tax attributable to the omitted property.

§196.021, Florida Statutes - TAX RETURNS TO SHOW ALL EXEMPTIONS AND CLAIMS - It is the duty of the taxpayer to set forth any legal exemption from taxation to which he may be entitled. The failure to do so shall result in any such exemption being disallowed for that tax year.

§837.06, Florida Statutes - Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in §775.082, §775.083, or §775.084.

Property Appraiser  
1234 Main Street  
Anywhere, Florida 11111-2222

Tangible Personal Property Tax Return  
Confidential §§193.074 F.S.  
As Required by §§199.052 & 193.062 F.S. Return to  
County Property Appraiser By April 1 to Avoid Penalties  
State of Florida, County of \_\_\_\_\_  
Business Name (DBA - Doing Business As) and  
Mailing Address

Account Number  
Any Business  
5678 Main St  
Allover, FL 55555-9990

Federal Employer ID No  
59-0000000  
Social Security Number  
00-00-0000

Business and address is required, make necessary corrections

The information is required to be provided by you:  
1. Please print name and complete number of owner of property in the year  
Name: Person in charge Person BHS&G  
Company Name: Corporation USA  
2. Asset ID: 123 Main St, FL USA 07891  
3. Is this business a bar/restaurant? No  
4. Do you file a Single Personal Property Tax Return (Form 1) for this property? No  
5. Please check the appropriate box for the type of business:  
 Retail Store  
 Wholesale Business  
 Manufacturing Business  
 Service Business  
 Other (Specify): \_\_\_\_\_

PERSONAL PROPERTY SUMMARY

1. Description of Property	2. Fair Market Value	3. Original Installed Cost	4. Appraiser's Use Only
11. EDP Software, Computer, Word Processor	840.00	1234.00	
12. Software, Database, and Business Financial Software	2000.00	4043.00	
13. Miscellaneous: Miscellaneous Software	6840.00	11342.00	
14. Furniture, Fixtures, and Equipment			
15. Personal Vehicle (Used & Leased by Driver)			
16. Boat, Yacht, and Recreational Vehicle			
17. Motor Vehicle (Used & Leased by Driver)			
18. Motor Vehicle (Used & Leased by Other)			
19. Motor Vehicle (Used & Leased by Other)			
20. Motor Vehicle (Used & Leased by Other)			
21. Motor Vehicle (Used & Leased by Other)			
22. Motor Vehicle (Used & Leased by Other)			
23. Motor Vehicle (Used & Leased by Other)			
24. Other Personal Property			
<b>TOTAL FAIR MARKET VALUE</b>	<b>14880.00</b>	<b>25518.00</b>	

PLEASE SIGN AND DATE YOUR RETURN, SEND THE ORIGINAL TO THE COUNTY APPRAISER'S OFFICE BY APRIL 1. UNSIGNED RETURNS CANNOT BE ACCEPTED BY THE APPRAISER'S OFFICE.  
NOTICE: IF YOU ARE ENTITLED TO A WIDOW'S, WIDOWER'S OR DISABILITY EXEMPTION ON PERSONAL PROPERTY (NOT ALREADY CLAIMED ON REAL ESTATE), CONSULT APPRAISER.

TANGIBLE PERSONAL PROPERTY TAX SCHEDULES (ENTER TOTALS ON PAGE 1)

LINE	DESCRIPTION	YEAR ACQ.	FAIR MARKET VALUE	ORIGINAL INSTALLED COST	APPRaiser'S USE ONLY
556	Computer Mod 13	92	10,100	15,000	Sold to ABC School

LINE	DESCRIPTION	YEAR ACQ.	FAIR MARKET VALUE	ORIGINAL INSTALLED COST	APPRaiser'S USE ONLY
10	Bank Appraisal from 10/30 from Dept 1	92	90,000	100,000	
	Office delivry chair	93	200,000	415,000	
	Computer Desk with file	92	150,000	250,000	
	Telephone - 2 lines	93	125,000	190,000	
	Oak Storage Cabinet	93	125,000	190,000	
	Oak Bookcase	93	125,000	190,000	
	Deluxe Office Chair	93	150,000	179,000	
	<b>TOTALS</b>		<b>840,000</b>	<b>1,234,000</b>	

LINE	DESCRIPTION	YEAR ACQ.	FAIR MARKET VALUE	ORIGINAL INSTALLED COST	APPRaiser'S USE ONLY
	<b>TOTALS</b>		<b>840,000</b>	<b>1,234,000</b>	

LINE	DESCRIPTION	YEAR ACQ.	FAIR MARKET VALUE	ORIGINAL INSTALLED COST	APPRaiser'S USE ONLY
1	DP Computer	92	1490.00	2590.00	
2	DP Printer 600	92	350.00	1100.00	
3	Monitor - 14"	93	140.00	400.00	
4	Mouse	93	20.00	43.00	
5	Workben Tables	92	20.00	40.00	
6	Custom made glass racks	92	180.00	714.00	
7	Large display racks	92	500.00	790.00	
8	Cash Registers	92	100.00	390.00	
9	<b>TOTALS</b>		<b>840.00</b>	<b>11342.00</b>	

**12D-8.009 Additional Requirements for Preparation of Tangible Personal Property Assessment Roll.**

(1) The appraiser shall include on the roll a code reference to the tax return showing the property, and need not give a description of such property on the roll. The account number may be adopted as the code to indicate the reference to the return, provided the property appraiser places the account number on the return.

(2) Classification of property by class type.

(a) The property appraiser shall classify tangible personal property to convey the actual current use of the property and indicate the same on the assessment roll. Where property has more than one use, it shall be classified under the category which represents its primary and predominant use. It is the primary and predominant use that will govern the classification. Possessory interests shall be classified according to the use of the property by the possessor.

(b) The classification shall be based upon six primary groupings of the major use type categories, with sub-classifications of the primary groupings of the major use type categories. The primary groupings of major uses are:

1. Retail
2. Wholesale
3. Manufacturing
4. Leasing/Rental
5. Services
6. Special

(c) The following is a detailed explanation of the minimum use type classifications for tangible personal property and a numeric code designation for each. The classifications are based on classification codes as set forth in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President, and, as such, the code numbers may be out of sequence. It is recommended the user refer to the Standard Industrial Classification Manual, 1987, for detailed description of property use. This listing is intended to facilitate the determination of classification, particularly in special and questionable kinds of property and is not intended to list every possible use which might occur in the state. Upon request, the Department of Revenue will inform the appraiser of the classification under which specific property uses not listed below should be placed.

**RETAIL**

**General Merchandise**

- 5311 Department Store
- 5331 Discount Merchandise Store (K-Mart, etc.)
- 5932 Used Merchandise, Antiques, Pawn Shops
- 5932 Army, Navy Surplus
- 5961 Mail Order
- 7389 Stamp Redemption
- 5399 Miscellaneous General Merchandise

**Apparel & Accessories**

- 5651 Clothing
- 5661 Shoes
- 5699 Miscellaneous Apparel & Accessories
- 5944 Jewelry Stores, Watches

**Furniture, Fixtures, Home Furnishings**

- 5712 Household Furniture
- 5021 Office Furniture
- 5713 Floor Covering
- 5714 Drapery, Upholstery
- 5722 Appliances
- 5731 Radio, Television
- 5734 Computers
- 5735 Music Records, Tapes
- 5736 Music Instruments
- 5046 Partitions, Shelving, Office and Store Fixtures

**Other Merchandise**

- 5731 Electronics
  - 5943 Office supply, stationery
  - 5942 Books, Magazines
  - 5994 Newsstands
  - 5992 Florist
  - 5993 Tobacco, Cigars, Cigarettes
  - 5949 Fabric
  - 5949 Needlework, Knitting
  - 5941 Sporting Goods, Gunshops, Fisherman's Supply, Bait and Tackle
  - 5945 Arts and Crafts, Hobby, Ceramics
  - 5946 Photographic Supplies, Cameras
  - 7384 Film Processing
  - 3861 Microfilm
  - 5947 Gift and Novelty Shop
  - 5945 Toys
  - 5999 Miscellaneous Other Merchandise
- Health Care/Cosmetics**
- 5912 Drug Store/Pharmacy
  - 5995 Optical Goods
  - 5999 Hearing Aids, Orthopedic Appliances
  - 5047 Medical and Dental Equipment and Supplies
  - 5087 Cosmetics, Beauty and Barber Equipment and Supplies

5999	Miscellaneous Health Care/Cosmetics	5571	Motorcycles and Bicycles and Parts
	<b>Food Products</b>	5561	Miscellaneous Transportation Equipment -- Motor Homes, R.V.'s, Bus, Taxi
5411	Supermarket		<b>Miscellaneous Retail</b>
5411	Grocery	5999	Miscellaneous Retail
5421	Specialty market (Meat, Fish)		
5451	Dairy		
5431	Fruit, Vegetable		
5411	Convenience Market		
5461	Bakery		
5921	Package Store-Liquor and Beer		
5813	Bar, Night Club, Lounge		
5812	Restaurant, Cafeteria		
5812	Fast Food -- Ice Cream		
5499	Miscellaneous Food Store (Health Food)		
5441	Candy		
	<b>Building Materials -- Hardware --</b>		
	<b>Garden Supply</b>		
5211	Lumber and Other Building Materials	5094	Jewelry, Watches
5074	Plumbing, Heating, and Water Conditioning	5021	Household Furniture
5075	Air Conditioning	5021	Office Furniture
5063	Electrical, Lighting Equipment	5023	Floor Coverings, Drapery, Upholstery
5231	Paint, Glass	5064	Appliances
5211	Tile	5064	Radio, TV, Music
5251	Hardware	5046	Partitions, Shelving, Office and Store Fixtures
5261	Nursery		<b>Other Merchandise</b>
0782	Landscaping	5046	Electronics
5261	Farm and Garden Supply	5111	Printing and Writing Paper
5211	Pool and Patio -- Utility Buildings	5112	Office Supply and Stationery
5211	Miscellaneous Building Materials	5113	Paper Products
	<b>Machinery and Equipment</b>	5192	Books, Magazines
5083	Farm, Grove and Garden Machinery and Equipment	5193	Florist
5084	Industrial Machinery and Equipment	5194	Tobacco, Cigars, Cigarettes
5082	Construction and Mining Machinery and Equipment	5131	Fabric/Textiles
5999	Miscellaneous Machinery and Equipment	5131	Needlework, Knitting, Yarn, Thread
	<b>Electrical and Electronic Machinery and Equipment</b>	5091	Sporting Goods
5999	Office/Business Machinery and Equipment	5092	Arts and Crafts, Hobby, Ceramic Supplies
5734	Data Processing -- Computers	5043	Photographic Supplies, Cameras, Film Processing, Microfilm
5999	Copying Machines	5092	Toys
5731	Miscellaneous Electrical and Electronic Machinery and Equipment	5099	Miscellaneous Other Merchandise
	<b>Transportation</b>		<b>Health Care/Cosmetics</b>
5511	Automobiles and Trucks (New)	5122	Drugs-Pharmaceutical
5521	Automobiles and Trucks (Used)	5047	Hearing, Orthopedic
5531	Auto Parts, Junk Yards, Tires	5048	Optical
5271	Mobile Homes	5047	Medical & Dental Equipment & Supplies
5551	Ships, Boats	5087	Cosmetics, Barber and Beauty Equipment and Supplies
5551	Marine Supplies	5122	Miscellaneous Health Care/Cosmetics
5599	Aircraft and Parts		<b>Food Products</b>
		5153	Farm Products (grain, citrus, etc.)
		5154	Farm Products (livestock)
		5141	Grocery

5144	Specialty (Poultry)	5160	Chemicals
5146	Specialty (Fish and Seafood)	5050	Metals and Minerals
5147	Specialty (Meat)	5170	Petroleum and Petroleum Products -- Gasoline
5148	Fresh Fruits & Vegetables	5199	Miscellaneous Other Wholesale
5149	Bakery		<b>Miscellaneous Wholesale</b>
5181	Beer	5199	Miscellaneous Wholesale
5182	Wine, Liquor		
5149	Beverages		
5149	Miscellaneous Food		
	<b>Building Materials, Hardware, Garden Supply</b>		<b>MANUFACTURING</b>
5031	Lumber and Other Building Materials		<b>Textiles</b>
5074	Plumbing, Water Conditioning	2200	Fabric and Knitting Mills, Floor Covering
5075	Heating and Air Conditioning	2290	Miscellaneous Textiles
5063	Electrical, Lighting		<b>Apparel</b>
5039	Glass, Tile	2300	Clothing
5198	Paint		<b>Furniture and Fixtures</b>
5072	Hardware	2510	Household Furniture
5193	Nursery and Landscaping	2520	Office Furniture
5191	Farm and Garden -- Feed, Seed, Fertilizer	2540	Partitions, Shelving, Office and Store Fixtures
5091	Pool and Patio -- Utility Buildings		<b>Health Care</b>
5039	Miscellaneous Building Materials	2830	Drugs
		3827	Optical Instruments and Lenses, Glasses and Contact Lenses
	<b>Machinery</b>	3840	Medical and Dental Instruments, Equipment and Supplies
5083	Farm, Grove and Garden Machinery and Equipment	2844	Cosmetics
5084	Industrial Machinery and Equipment	2834	Miscellaneous Health Care/Cosmetics
5082	Construction and Mining Machinery and Equipment		<b>Food Products</b>
5083	Miscellaneous Machinery and Equipment	2010	Meat
	<b>Electrical and Electronic Machinery and Equipment</b>	2020	Dairy
5044	Office/Business Machines and Equipment	2030	Canned and Preserved Fruits and Vegetables (Orange juice concentrate)
5045	Data Processing -- Computers	2040	Grain (Flour, Cereal, Animal Food)
5044	Copying Machines	2050	Bakery
5065	Miscellaneous Electrical Machinery, Equipment and Supplies	2080	Liquor and Beer
	<b>Transportation</b>	2080	Beverages
5012	Automobiles and Trucks	2090	Miscellaneous Food Preparation
5013	Auto Parts	2099	Refining Sugar, etc.
5014	Tires		<b>Lumber and Wood Products, Paper</b>
5015	Junk Yards	2411	Logging
5039	Mobile Homes	2421	Sawmills, Planing Mills
5088	Ships (non-pleasure)	2490	Miscellaneous Wood Products
5091	Boats (pleasure)	2610	Pulp
5088	Marine Products	2620	Paper Mills
5088	Aircraft and Parts	2621	Paper Products (Stationery, Tissues, Bags, Paper Plates, etc.)
5092	Bicycles and Parts	2650	Paperboard Containers and Boxes
5012	Motorcycles	2670	Miscellaneous Paper Products (Insulation, Tar Paper) Stone, Clay, Glass and Concrete Products
5012	Miscellaneous Transportation Equipment -- Motor Homes, R.V.'s., Bus, Taxi	3200	Glass and Glass Products
	<b>Other Wholesale</b>	3240	Concrete, Gypsum, Lime

3241	Cement	3710	Automobiles and Trucks
3251	Brick, Clay	3714	Auto Parts and Accessories
3253	Ceramic, Tile	2451	Mobile Homes
3261	Miscellaneous Products (Plumbing fixtures)	3731	Ships
3264	Porcelain, Electrical Supply	3732	Boats
	<b>Metals</b>	3429	Marine Supplies
3300	Metal Industries -- Foundries, Smelting, Refining	3720	Aircraft and Parts
3390	Metal Products	3751	Motorcycles, Bicycles and Parts
3399	Miscellaneous Metals	3790	Miscellaneous Transportation Equipment -- R.V.'s, Bus, Taxi
	<b>Chemicals</b>	3716	Motor Homes
2819	Chemicals		<b>Other Manufacturing</b>
2813	Industrial Gas	2131	Tobacco
2821	Plastics	2121	Cigars
2822	Synthetics	2111	Cigarettes
2840	Cleaning Preparations	3861	Photographic Equipment and Supplies
2890	Miscellaneous Chemical Products -- Paint and Varnish, etc.	3800	Scientific Instruments
	<b>Petroleum</b>	3873	Watches, Clocks, and Parts
2910	Petroleum Refining -- Gasoline	3911	Jewelry
2950	Paving and Roofing Materials -- Asphalt	3914	Silverware
2990	Miscellaneous Petroleum Products	3931	Musical Instruments
	<b>Rubber and Plastic Products</b>	3951	Pens
3011	Tires and Inner Tubes	3952	Pencils, Office and Artist Supplies
3021	Rubber Products	3949	Sporting Goods
3080	Misc. Plastic Products	3944	Toys
	<b>Leather</b>	3990	Miscellaneous Other Manufacturing
3111	Tanning and Finishing		<b>Miscellaneous Manufacturing</b>
3131	Boots and Shoes	3999	Miscellaneous Manufacturing
3190	Miscellaneous Leather Goods		
3161	Luggage		<b>LEASING/RENTAL</b>
	<b>Machinery and Equipment</b>		<b>General Merchandise</b>
3510	Engines and Turbines	7359	General Merchandise -- Rent All
3520	Farm, Grove and Garden Machinery and Equipment		<b>Apparel and Accessories</b>
3560	Industrial Machinery and Equipment	7299	Miscellaneous Apparel and Accessories
3530	Construction and Mining Machinery and Equipment	7359	<b>Furniture, Fixtures, Home Furnishings</b>
3590	Miscellaneous Machinery and Equipment	7359	Household Furniture
	<b>Electrical and Electronic Machinery and Equipment</b>	7359	Office Furniture
3578	Office/Business Machinery and Equipment	7359	Appliances
3571	Data Processing -- Computers	7359	Radio, TV, Music
3579	Copying Machines	7394	Partitions, Shelving, Office and Store Fixtures
3640	Electric Lighting and Wiring		<b>Other Merchandise</b>
3630	Appliances	7359	Electronics
3660	Communication Equipment	7999	Sporting Goods
3663	Radio & TV Communications Equipment	7359	Cameras, Microfilm
3670	Electronic Components and Accessories	7999	Miscellaneous Other Merchandise
3690	Miscellaneous Electrical Machinery, Equipment and Supplies		<b>Health Care</b>
	<b>Transportation</b>	7352	Hearing/Optical/Orthopedic
		7352	Medical and Dental
		7352	Miscellaneous Health Care
			<b>Building Materials</b>
		7353	Heating, Air Conditioning, Water



	Conditioning	7310	Advertising
7353	Electrical, Lighting (Signs)	7323	Credit Bureaus
7359	Pool and Patio -- Utility Buildings	7322	Collection Agencies
7359	Miscellaneous Building Material	7338	Secretarial Services
	<b>Lumber and Wood Products, Paper</b>	7331	Mailing
7359	Sawmills, Planing Mills	7334	Photocopying
	<b>Metals</b>	7335	Commercial Art
7359	Miscellaneous Metals (Tank Rental)	7336	Commercial Photography
	<b>Machinery and Equipment</b>	7349	Cleaning and Maintenance
7353	Engines and Turbines	7342	Disinfecting and Pest Control Services
7353	Farm, Grove and Garden Machinery and Equipment	7380	Miscellaneous Business Services
7353	Industrial Machinery and Equipment	7389	Personnel Supply, Telephone Answering Repair -- Other Than Automotive
7353	Construction and Mining Machinery and Equipment	7631	Watch, Clock, Jewelry
7353	Miscellaneous Machinery and Equipment	7629	Electrical
	<b>Electrical and Electronic Machinery and Equipment</b>	7641	Re-Upholstery -- Furniture
7359	Office/Business Machinery and Equipment	7690	Machinery and Equipment Repair
7377	Data Processing -- Computers	7620	Appliance Repair
7359	Copying Machines	7690	Miscellaneous Repair
7359	Electric Lighting and Wiring (Searchlights, Construction Lighting)		<b>Health Services</b>
7359	Miscellaneous Electrical Machinery and Equipment	8011	Physicians
	<b>Transportation</b>	8021	Dentists
7514	Automobiles	8041	Chiropractors
7513	Trucks	8042	Optometrists
7519	Mobile Homes	8049	Other Health Care Practitioners
4499	Ships, Boats	8060	Hospitals
7359	Aircraft	8050	Skilled Nursing and Intermediate Care Facilities
7999	Motorcycles, Bicycles	8059	Nursing Homes except skilled and intermediate care facilities, Domiciliary Care with Health Care
7519	Miscellaneous Transportation Equipment	8082	Home Health Care Services
	Other Leasing/Rental	8070	Medical and Dental Labs
7359	Laundry and Dry Cleaning Equipment	8090	Other Health Services
7352	Medical and Dental Equipment	8093	Rehabilitation Centers
7359	Beauty and Barber Shop Equipment	8099	Blood Banks
7389	Communication Equipment -- Telephone Answering		<b>Legal Services</b>
7359	Sanitary Services -- Portable Toilets	8111	Attorneys, Law Libraries
	<b>Miscellaneous Leasing/Rental</b>	8111	Other Legal Services
7359	Miscellaneous Leasing/Rental		<b>Financial Services</b>
	<b>SERVICES</b>	6000	Banks, Savings & Loan, Credit Unions, and other Depository Institutions, etc.
	<b>Personal Services</b>	6100	Credit Agencies, Personal Credit, Business Credit, Mortgage Bankers, Loan Brokers and Other Non-Depository Institutions
7210	Laundry, Cleaning and Garment Services	6200	Security and Commodity Brokers, Dealers, Exchanges and Services -- Stocks and Bonds
7215	Coin-Operated Laundries and Dry Cleaning		Insurance and Real Estate
7231	Beauty Shops	6411	Insurance Companies, Insurance Brokers
7241	Barber Shops	6300	Insurance Carriers (Companies)
7261	Funeral Service, Crematoriums, Cemeteries	6410	Insurance Agents, Brokers, and Services
7299	Miscellaneous Personal Services -- Shoe Shine Business Services		

6500	Real Estate Agents, Realtors, Title Abstract Offices, Developers	4939	Alternate Energy Devices -- Solar, Wind, Geothermal
	<b>Miscellaneous Professional Services</b>		<b>Automotive Repair and Services</b>
8710	Engineering, Architectural, and Surveying Services	7530	Automotive Repair -- Garages
8720	Accounting, Auditing, and Bookkeeping Services	7532	Top & Body Repair and Paint Shops
8750	Other Professional Services	5541	Service Stations -- Gasoline
	<b>Educational Services</b>	7540	Automotive Services -- Parking, Car Wash
8200	Educational Institutions per section 196.012(4), Florida Statutes -- Exempt	4100	<b>Passenger Transportation</b>
8240	Other Schools and Educational Services -- Beauty and Barber, Charm, Driving Schools	4210	Bus Line, Taxi, Ambulance, School Bus, Terminals
	<b>Social Services</b>	4220	<b>Trucking and Warehousing</b>
8300	Job Training, Vocational Rehabilitation, Child Day Care, Residential Care	4231	Trucking -- Local and Long Distance
	Amusement and Recreation	4400	Public Warehousing
7800	Motion Picture Production and Distribution, Theaters	4500	Other Trucking and Warehousing
7933	Bowling Alleys, Billiards and Pool	4580	<b>Water and Air Transportation</b>
7940	Commercial Sports, Professional Sports, Clubs, Race Tracks	4011	Water Transportation and Support Services -- Docks, Yacht Basins
7990	Tourist Attractions, Amusement Parks	4741	Airlines
8412	Museums and Art Galleries	4780	Airports and Terminals
7990	Miscellaneous Amusement and Recreation Services, Golf Courses, Country Clubs, Yacht Clubs	4720	<b>Railroads and Private Car Line Companies</b>
	<b>Membership Organizations</b>	4780	Railroads -- Operating Property (Centrally Assessed)
8600	Business, Professional, Labor Unions, Civic, Social and Fraternal, Political	8999	Private Car Line Companies
8661	Religious Organizations		<b>Transportation Services</b>
	<b>Public Administration</b>		Travel Arrangement -- Travel Agencies
9100	General Government, Courts, Police, Fire, Safety, National Security, Public Library		Miscellaneous Transportation Services -- Inspection and Weighing, Crating and Packing, Toll Road and Bridge Operation
4311	U.S. Postal Service		<b>Miscellaneous Services</b>
	<b>Communication</b>		Miscellaneous Service
4810	Telephone and Telegraph		
4830	Radio and Television Broadcasting		<b>SPECIAL</b>
2700	Printing and Publishing -- Newspapers, Books, Magazines; Typesetting, Photoengraving, etc.		<b>Agricultural Production -- Crops</b>
4841	Cable and Other Pay Television Services	0100	Grain and Field Crops -- Soybeans, Tobacco, Peanuts, etc.
4899	Other Communication Services	0161	Vegetables, Melons
	<b>Electric, Gas and Sanitary Services</b>	0174	Citrus
4911	Electric Power	0173	Nuts
4920	Gas -- Production and Distribution, Pipelines	0180	Specialties -- Mushrooms, Bulbs, Sod
4941	Water Supply	0190	General Farms -- Primarily Crop
4950	Sanitary Services (Sewerage, Refuse, Mosquito Control)	0210	<b>Agricultural Production -- Livestock</b>
		0240	Beef, Hogs, Sheep and Goat
		0250	Dairy
		0272	Poultry and Egg
		0291	Horses
		0711	General Farms -- Primarily Livestock
		0740	<b>Agricultural Services</b>
		0750	Soil Preparation and Crop Service
			Veterinary Service
			Other Animal Services -- Breeding,

- Boarding, Training
- 0760 Farm Labor and Management Services
- 0780 Landscaping and Agricultural Services
- 0782 Lawn and Garden Services
- Forestry**
- 0811 Timber Tracts
- 0851 Forestry Service
- Fishing, Hunting, Trapping**
- 0910 Commercial Fishing
- 0921 Fish Hatcheries, Game Preserves
- 0971 Other Fishing, Hunting, Trapping
- Oil and Gas Extraction**
- 1311 Crude Petroleum and Natural Gas
- 1321 Liquid Natural Gas
- 1380 Oil and Gas Field Services
- Mining and Quarrying**
- 1420 Crushed and Broken Stone (Lime Rock, Limestone)
- 1440 Sand and Gravel
- 1470 Chemical and Fertilizer Mining (Phosphate Rock)
- Construction**
- 1500 General Building Contractors
- 1611 Highway and Street Construction
- 1620 Heavy Construction
- Special Trade Contractors**
- 1711 Plumbing, Heating and Air Conditioning
- 1721 Painting and Paper Hanging
- 1731 Electrical Work
- 1750 Carpentering and Flooring
- 1761 Roofing and Sheet Metal Work
- 1771 Concrete Work
- 1781 Water Well Drilling
- 1790 Miscellaneous Special Trade Contractors
- Accommodation**
- 6514 Single Family -- Rental Property
- 6514 Duplex
- 6514 Triplex
- 6514 Condominiums
- 6513 Apartment -- 10 or Fewer Units
- 6513 Apartment -- More Than 10 Units
- 7011 Hotel, Motel
- 7021 Rooming and Boarding Houses
- 7033 Camps, Tourist Courts
- 6512 Building Rental
- 6519 Building on Leased Land
- 8811 Floating Structures -- Residential
- 8811 Household Goods -- Non-Florida Residents
- 6515 Mobile Homes
- 8811 Mobile Home Attachments
- Miscellaneous Special**
- 9999 Miscellaneous Special

(3)(a) Effective January 1, 2002, the property appraiser shall classify tangible personal property on the assessment roll according to the classification system set out in the 1997 North American Industry Classification System-United States Manual (NAICS), and any subsequent amendments thereto, as published by the Office of Management and Budget, Executive Office of the President, hereby incorporated by reference in this rule. The NAICS classification system will replace the 1987 Standard Industrial Classification (SIC) codes currently described within this rule. Effective January 1, 2002, the Department of Revenue will not accept assessment rolls which classify personal property using either the class code system defined in Rule 12D-8.009, F.A.C., as amended on September 30, 1982, or with SIC codes currently identified in this rule. Information on how to obtain any documents described within this rule may be obtained from the Property Tax Administration Program, Florida Department of Revenue, (850)488-3338.

(b) The NAICS classification system, a 5-digit and/or 6-digit classification system, is to be used in Field Number 6 of the STANDARD N.A.P. File described in Rule 12D-8.013(6)(c), F.A.C. Conversion from existing classification systems may be completed prior to the conversion deadline. Assessment rolls submitted prior to full conversion to the NAICS system may contain classification systems which use any of the three aforementioned classification systems. Upon submission of the first assessment roll containing other than the class code classification system, the Department must be notified in writing of the conversion methods used on the assessment roll. Field Number 5 should be completed with an alphabetic character indicating the coding system used for the assessment roll. If reporting by original class codes in Field Number 6, enter code "C" in Field Number 5. If reporting the SIC codes in Field Number 6, enter code "S" in Field Number 5. If reporting the NAICS code in Field Number 6, enter code "N" in Field Number 5.

(c) To facilitate Florida-specific property tax administrative needs, the Department of Revenue recommends the following special code numbers, not currently contained within the NAICS system:

CATEGORY	CODE NUMBER
CITRUS	
Citrus Brokers	11137

### MOBILE HOME

Mobile Home Owners	81418
Mobile Home Attachments	81419

### RESTAURANTS

Franchise Ltd. Svc. Restaurants- Bar-B-Que	722214
Franchise Ltd. Svc. Restaurants- Hamburger	722215
Franchise Ltd. Svc. Restaurants- Pizza	722216
Franchise Ltd. Svc. Restaurants- Chicken/Fish	722217
Franchise Ltd. Svc. Restaurants- Mexican	722218
Franchise Ltd. Svc. Restaurants- All Others	722219

### GROCERY

Supermarkets and Other Grocery except Convenience Stores (state or regional chain)	44511
Other Supermarkets and Grocery (locally owned)	445113

### RAILROAD

Line-Haul Railroads	482111
Short Line Railroads	482112
Support Activities for Rail Transportation	48821
Railroads (Non-operating Property)	482119

Specific Authority 195.027, 213.06(1) FS. Law Implemented 193.052, 193.114, 195.073, 213.05 FS. History--New 12-7-76, Amended 9-30-82, Formerly 12D-8.09, Amended 12-30-97, 1-31-99.



## Return of Pollution Control Devices For Ad Valorem Tax Purposes

Florida Statutes Chapter 193.621

To the Property Appraiser \_\_\_\_\_

County, Florida, \_\_\_\_\_

Return is hereby made for the assessment of the following described property under Florida Statutes as pollution control devices.

### Description of Property

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Description of Facility

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name and address of owner:

The undersigned taxpayer hereby agrees to furnish such other reasonable information as the Appraiser may request in regard to the assessment requested herein.

\_\_\_\_\_  
Taxpayer's Signature

This form must be filed with the County Property Appraiser before April 1<sup>st</sup>.

ORIGINAL TO BE RETAINED BY PROPERTY APPRAISER

COPY TO BE GIVEN TO TAXPAYER

**RULES OF THE  
STATE OF FLORIDA  
DEPARTMENT OF REVENUE  
PROPERTY TAX ADMINISTRATION  
PROGRAM**

**CHAPTER 12D-51**

**STANDARD ASSESSMENT PROCEDURES  
AND STANDARD MEASURES OF VALUE;  
GUIDELINES**

**12D-51.001 Classified Use Real Property  
Guidelines, Standard Assessment  
Procedures and Standard  
Measures of Value, Agricultural  
Guidelines.**

**12D-51.001 Classified Use Real Property  
Guidelines, Standard Assessment Procedures  
and Standard Measures of Value, Agricultural  
Guidelines.** Pursuant to Section 195.062, F.S.,  
these guidelines are adopted in general conformity  
with the procedures set forth in Section 120.54,  
F.S., but shall not have the force and effect of rules  
and are to be used only to assist property appraisers  
in the assessment of agricultural property as  
provided by Section 195.002, F.S. Copies of these  
guidelines may be obtained from the Department of  
Revenue, Property Tax Administration Program,  
P.O. Box 3000, Tallahassee, Florida 32315-3000.

Specific Authority 195.027(1), 195.032, 213.06(1)  
FS. Law Implemented 195.032, 195.062, 193.461,  
213.05 FS. History--New 12-30-82, Formerly  
12D-51.01.

THE STATE OF FLORIDA  
DEPARTMENT OF REVENUE  
DIVISION OF AD VALOREM TAX  
CLASSIFIED USE REAL PROPERTY  
GUIDELINES

STANDARD ASSESSMENT PROCEDURES AND  
STANDARD MEASURES OF VALUE

AGRICULTURAL GUIDELINES

- I. General Provisions
- II. Woodlands Section
- III. Pasture Lands
- IV. Citrus Lands
- V. Croplands

I. General Provisions

(1) The procedures and data sources set forth in this section are to be used generally with the other agricultural sections in the Classified Use Real Property Guidelines of the Manual of Instructions.

(2) The procedure to be used in classifying real property as agricultural land for purpose of ad valorem tax in accordance with Section 193.461, F.S. (1975), is set forth in Chapter 12D-5, F.A.C., which is included in the Manual of Instructions.

(3) The assessment of real property that has been granted agricultural classification shall be in accordance with Section 193.461(6)(a), F.S. (1979), which provides in pertinent part the following:

"...The property appraiser shall consider the following use factors only:

1. The quantity and size of the property;
2. The condition of said property;
3. The present market value of said property as agricultural land;
4. The income produced by said property;
5. The productivity of land in its present use;
6. The economic merchantability of the agricultural product; and
7. Such other agricultural factors as may from time to time become applicable."

(4) The agricultural section of the Classified Use Real Property Guidelines of the Manual of Instructions is intended to provide a method or procedure whereby Section 193.461(6)(a), F.S. (1975), may be implemented in accordance with Sections 195.032 and 195.062, F.S. (1976 Supp.).

(5) Agricultural land has value because of its productivity and ultimately from its ability to generate

income. Estimating the value of any property is an opinion generated by competent and qualified appraisers based on the three traditional and proven approaches to value: Market, Income and Cost.

(6) The Property Appraiser may use the Market, Income and Cost Approaches in estimating the value of agricultural lands in Florida for ad valorem tax purposes. These approaches may be used as a check against each other. In addition, specific and unusual situations such as but not limited to unreliable or unobtainable data, may effectively prohibit the use of a particular approach. The Property Appraiser has the discretion of selecting the approach to be used. Whichever approach is used, care must be exercised to insure values thus generated do not exceed market values.

(7) Due to the large number of parcels of property to be valued by the Property Appraiser each year, it is impracticable, if not impossible, for the Property Appraiser to appraise each parcel of property in the manner of a fee appraisal. Therefore, the Property Appraiser must utilize what is commonly referred to as the mass appraisal technique in valuing property within the county.

(8) The Market Approach which should be considered by the Property Appraiser relies heavily on verified sales of similar properties in order for comparisons to be made. However, that market must be limited to the market for comparable agricultural properties. Generally, the sale of land in Florida the past few years strictly for bona fide agricultural use, as defined by Florida Statutes, as contrasted to agricultural use combined with speculative use has not been of sufficient volume to permit accurate and dependable comparisons. Also, the amount and maturity of the commodity being produced on the properties is often a distorting influence on the sale.

(9) The Cost Replacement Approach is a method in which the appraiser estimates the contributory value of the improvements to land. As such, it is not a method for measuring the ability of the land to generate income from agricultural use. Farm buildings and residences should be appraised using the procedures set forth in the Cost Approach Section found in the General Real Property Guideline and their value added to the agricultural value of the land.

(10) The Income Approach or capitalization of net earnings to land into an indication of value is the approach that is recommended and is used throughout

this guide to appraise those properties given agriculture classification in accordance with Section 193.461, F.S. (1975). However, it is recognized that this is not the exclusive method of valuing agricultural lands. See St. Joe Paper Co. v. Brown (Fla. 1969) 223 So 2d 311.

(11) Since arms-length market sales of land for agricultural use reflects the buyer's evaluation of the earning potential of the land, any land values computed on an income approach which exceed market sales values should be re-evaluated to determine if the components were adequately accounted for in the income computation. The use of the capitalized net income approach as set forth in this guide inherently considers the factors required to be considered by Section 193.461(6)(a), F.S.

(12) The Capitalization Rate expresses the relationship between net income to the land and value. Value is defined as the present worth of future rights to income. There are three basic methods to use to estimate the capitalization rate in an appraisal process. They are the band-of-investment, summation, and market comparison methods.

(13) The Market Comparison method attempts to directly establish a capitalization rate by dividing the net income by the sales price, which is a proxy for value. This method may be unsuitable for one of two reasons. The first is that only sales for agricultural use can be developed as comparables. There are many reasons for buying farm land other than the desire to receive a current income stream. These include but are not limited to the following:

- (a) Desire to gain the status of Landowner.
- (b) Opportunity to live in the country and avoid the social ills of the city.
- (c) Desire to live near relatives or reclaim a family homestead.
- (d) Gaining of income tax advantage.
- (e) Opportunity to provide a hedge against inflation.
- (f) Spreading of fixed costs by more efficient use of machinery.

(14) The second reason why this method may be unsuitable is that it may produce a market value rather than a (agricultural) "use" value.

(15) The Summation Method attempts to estimate the capitalization rate by adding up the individual components of the capitalization rate. These components are:

- (a) The Safe Rate is the rate obtainable with the most safety and the least risk.
- (b) The Risk Rate is the return commensurate with the risk assumed by the investor; it is a component because the return on real estate is a desired return and may or may not be realized by the investor.
- (c) The Nonliquidity Rate is necessary, since an investment in real estate ties up money which cannot be quickly reconverted to cash; therefore real estate is considered a nonliquid asset.
- (d) The Management Rate is a necessary component in order to compensate for the time and cost involved in managing the real estate investment, not to be confused with the management of the real estate itself.

(16) The Summation Method provides a theoretical presentation to justify or explain why a rate used in the valuation of real property is in excess of the "safe" rate. Nevertheless, because of the intangible character of the components, it is not considered a sound procedure through which a specific rate may actually be derived.

(17) The Band-Of-Investment method uses mortgage debt financing information to estimate a capitalization rate by weighting the fractional rates of mortgages and equity. Since the Columbian District of the Federal Land Bank is the major agricultural real estate lender in Florida, it would be appropriate to use their typical loan to value ratio and interest rate as of January 1, in the mortgage portion of this method. The equity rate can be obtained by comparing equity yields on similar risk investments. A source for this information could be the yield, as of January 1, of Federal Farm Credit Bond Yields.

(18) In an example of a hypothetical case these components would be used in the Band-of-investment method as follows:

Mortgage 70% financing X 10% interest = 7.0%  
Equity 30% equity X 14% yield = 4.2%  
Total Discount Rate 11.2%  
\*Local Millage Rate 1.5%  
Overall Capitalization Rate 12.7%

\*The individual county ad valorem millage rate, expressed as a percentage should be added to the discount rate to establish the final capitalization rate to be used. This should be done regardless of which method is used unless ad valorem taxes are handled as



an expense item when estimating net income.

(19) Production, income, expense, acreage, and other data should be based on a typical operation. Typical is defined as that which most frequently exists or occurs in the particular situation or area under consideration. A typical agricultural operation may be confined within one county or embrace an area of several counties. Data used in this section were obtained from the Florida Department of Agriculture, the Institute of Food and Agricultural Sciences, United States Department of Agriculture publications and other authoritative sources which reflect typical agricultural operations in Florida. However, consideration has been, and should be, given to the fact that some of these publications reflect net income from above average operators or research projects as contrasted to the typical operator. Until such time as the Property Appraiser can justify and verify typical net income from typical operators in his county or the area concerned, these publications should be used.

(20) In this guide, the land capability unit system of the Soil Conservation Service may be used as an alternative method where local production information is not available.

(21) Yields shown in the SCS system are for a few representative crops and grasses and indicate the potential attainable with high level management and assumes normal growing seasons. They also assume the use of high quality seeds adapted to the soil and climate, good seedbed preparation, liming based on soil analysis, use of adequate amounts of fertilizer and control of plant diseases and insects. Therefore, in order to obtain typical yields from typical operations, the Soil Conservation Service recommends their yields be adjusted by 85 percent.

(22) The Property Appraiser should be familiar with the most important soil types in his county. Detailed soil surveys of many counties have been published and are underway in others. A general soil map of each county is available for all counties. Some farmers have soil surveys of their lands which they may make available to the Property Appraiser. Data on soil types may be obtained from the District Conservationist (DC), of the Soil Conservation Service located in most counties.

(23) The use of Soil Conservation Service data does not infer the Property Appraiser become a soil scientist. However, he must be cognizant of the important role of soil quality in the assessment of

agricultural lands.

(24) Attached to this general section are sections dealing with the four major agricultural uses within the State. It is impracticable, if not impossible, to detail each and every type of agricultural endeavor within the State. Therefore, lands used for other agricultural endeavors should be valued in accordance with the principles set forth in these general provisions and so much of those specific provisions set forth hereafter as may logically apply. For instance, lands used for deity purposes should be valued according to the principles contained in the pasture section, even though the pasture section generally deals with the more typical cow-calf operation.

(25) It should be noted that it is an accepted agricultural practice in some areas to obtain more than one crop from the same field each year. Where this is typical, it should, of course, be recognized in order to arrive at a total net income. Also, for land conservation purposes, land may be permitted to lie fallow on an occasional basis. Likewise, a bona fide agriculturist may change the use of certain lands from one agricultural pursuit to another, and this change may be incomplete and not readily discernable on January 1. In these instances, the land would not lose its agricultural classification, and using his discretion, the Property Appraiser should value the lands in a manner consistent with reason according to the use and value of its prior use, its intended use in the immediate future, if discernable, and the value of surrounding lands used in a similar capacity.

(26) Nonproductive land has some value and may contribute to the value of the surrounding productive land, but obviously is not subject to valuation by the income approach. The Property Appraiser should, therefore, value these lands according to their contribution to the surrounding land.

(27) In order to minimize the effect of the wide fluctuation of data used and to provide a measure of stability to the resulting values on agricultural lands, it is recognized that a number of years of historical data on cost and income should be considered. However, due to lack of historical data or lack of research on a particular technique, it is recommended by the Department that a simple five year (5) moving average be used until more data are available or further research can be accomplished to justify modification of the simple five year average concept.

## II. Woodlands Section.

(1) Valuation Basis. This section describes a procedure for the appraisal of woodland on the basis of average annual growth potential from seedling to economically mature timber. Actually, this is a modified 'sustained yield' method in that annual increment of value represented by growth is recognized and converted into a dollar value. Expenditures for management and protection are deducted and the resulting annual net income is capitalized. Basically, the formula in the income approach is:

$$\text{Value} = \frac{(\text{yield} \times \text{price}) - \text{costs}}{\text{capitalization rate}}$$

(2) Currently, pines are the primary species in approximately 65% of Florida's 16 million acres in woodlands. "Actually, 93% of Florida's timber is grown in the northern part of the State, roughly north of Disney World; and all indications are that this proportion may be even higher at the turn of the century."\* Of the acreage devoted to growing pines, approximately 25% is in plantation. About 3 to 4 percent of these plantations are 'old field' plantations, the balance is in forest site plantations. The primary products derived from these operations are pulpwood, sawtimber, poles, logs and bolts.

\* Timber for Florida Today and Tomorrow, A Summary Report, Walter Smith, Division of Forestry, 1974.

(3) A large portion of fresh water swamp land in Florida is growing usable hardwood or cypress. Upland hardwoods are also prevalent in many areas. Generally, the hardwood and cypress industry in Florida has consisted of harvesting whatever trees were available of sufficient size and quality with minor emphasis toward management of timber on these areas.

(4) Woodland is considered to have two categories: Productive and Nonproductive. Productive woodland is defined as: land which is (1) producing or is physically capable of producing usable crops of wood, (2) economically accessible now or in the foreseeable future, and (3) not withdrawn from wood products utilization for use as parks, orchards, pastures or other purposes.

(5) Nonproductive woodland is defined as: nonproductive marshes, depleted mines, dumps, pits, lakes, ponds or other nonproductive or waste land.

(6) This definition of woodland includes land from

which the timber has been removed, but which has, for bona fide forestry reasons, not yet been replanted. It excludes, homesites or building areas which are occupied by trees for ornamental purposes.

(7) In addition to the value of the growth, the values of naval stores and range pasture usage can be considered and added where applicable.

(8) The primary factors influencing woodland values are:

- (a) Productivity of soil expressed as site index.
- (b) Local stumpage prices in the area. These vary considerably in different areas of the State.
- (c) Management costs which include cost of site preparation, planting and annual recurring expenses.

(9) These three factors must be established by each Property Appraiser for his county in order to arrive at assessed value for woodlands.

(10) Site Index. Productive capacity may be generally determined from site index yield tables for pine stands. Slash pine yield tables have been used throughout this Guide because slash pine is the predominant species under intensive management in the State.

(11) Site index is defined as the average total height of the dominant or co-dominant trees (dominant stand) at either 25 or 50 years of age. Normally, 25-year site indexes (sometimes referred to as site quality) are applied to planted stands and 50-year indexes are applied to natural timber. A generally acceptable means of converting 25-year indexes to 50-year indexes is the addition of 20 feet to the 25-year index which gives an equivalent 50-year index.

(12) Site index is obtained by measuring the height of a representative tree and determining its age. This data is applied to a site index curve and a reading in feet is made. See Tables 1 and 2 for site index curves.

(13) The number of sample points required to establish site index for a given parcel of land depends on the size of the parcel and the variability of the soil. A few measurements may suffice if the soil is relatively uniform, but otherwise many may be required. Most parcels may be represented by a single pine site index figure, but this figure must be representative of the parcel as a whole and not the result of an isolated sample.

(14) Site index measurements on young trees are frequently not very reliable. Measurements on trees under 15 years of age, especially on lower than

average sites should be used with caution. A check on the correctness of site index measurements may be obtained by comparing them with those on neighboring parcels having similar soils. Site index should not change abruptly from parcel to parcel without an accompanying noticeable change in the timber, other vegetation, or the soil.

(15) Where a parcel of land has no suitable trees to measure for site index, site index should be established by comparison with adjacent or neighboring tracts with similar soil. The Department of Revenue, County Forester or representative of the Division of Forestry, industry forester and other professional foresters will assist the Property Appraiser in establishing the indexes in these areas.

(16) Many company and individual forest land managers have site index information on their property which they will furnish upon request. The Property Appraiser should realize that his application of site index information to reflect value on an entire parcel is subject to some judgement and it is an estimate of value. The Property Appraiser, with the assistance of the Department of Revenue, should familiarize himself with the technique of obtaining site index.

(17) Steps in taking a site index on a field inspection of a parcel would be as follows:

(a) Selection of dominant or representative slash pine tree.

(b) Measure the height (hypsometer, altimeter or clinometer).

(c) Determine age (increment sample).

(d) Plot age and height on site index curve to find the site index.

(18) Site index information for sand pine, longleaf pine and loblolly pine can be related to a standard slash pine site index.

(19) Five site index classes for productive pine timberland shall be used as set out in this guideline. Where all five classes are not present in a given county, the Property Appraiser may establish only those classes that are present. The classes consist of 10-foot increments on a 50-year basis with a range of 50 feet to 90 feet and over.

(20) Yields. The annual growth increment expressed in cords per acre per year can be obtained from Table 3 which gives yields for the five established index classes. The yield tables used for this purpose were Coile and Schumacher's Growth and Yield of Natural Stands of the Southern Pines and

Bennett and Clutter's Per Acre Sawtimber, Pulpwood and Gum Yields - 25 year Basis from U.S.F.S. Research Paper SE-35.

(21) In addition to natural pine and planted old fields, there is the timber type referred to as forest site plantation. These are plantations established with various amounts of site preparation and in recent years planted with seedlings with improved growth characteristics. Although no published yield tables for forest site plantations are available, preliminary studies have shown that yields from these plantations fall near midpoint between yields of old field plantations and those of well stocked natural stands. Calculated yield figures from these sources are presented in Table 3, Integrated Yield Data.

(22) Stumpage Prices. Prices paid for stumpage vary considerably throughout the State. Historically, prices have been highest in the Northeast, lessening in the Northwest and least in the South. Patterns of land ownership and distances to mills influence these prices along with accessibility, volume, method of cutting, quality of the raw product and other factors.

(23) While the stumpage price reflects value for all forest products in a county, pulpwood prices should be given the most emphasis. The reason for this being the relative stability of pulpwood prices over the years and its strong influence on the wood using industries.

(24) The development of stumpage prices and timber stand management costs should be accomplished by and compatible with the averaging techniques as set forth in the General Provisions.

(25) The final stumpage figure used in a county for forest land valuation should be established through a joint effort of the Property Appraiser and the Department of Revenue. However, the Department of Revenue shall obtain current local stumpage prices each year from property owners, industry representatives, timber brokers, Division of Forestry and other sources of reliable sales information. The price figure arrived at should be consistent, in the manner derived and by definition, with the price figures used in the preceding years.

(26) Forest Management Expenses. Forest management costs associated with timber operations are of two types: annual recurring expenses and improvements to the land. The prorated (cost/rotation age) costs of site preparation and planting are the only improvements to land that should be included. Forest maintenance and protection from insects, disease, fire

and natural disasters are annual management costs.

(27) Management costs will be derived by the Department of Revenue from cost data supplied to the Florida Division of Forestry from industry and private forestry operations on an individual county basis. This data will be interpreted and adjusted in the same manner as stumpage prices. An average cost figure will be provided upon request by the Department of Revenue to the Property Appraiser for use in the valuation of timberland.

(28) Ad Valorem taxes are not to be included in the annual management cost since they are a component of the capitalization rate.

(29) Value Tables. The Property Appraiser should establish value tables for the site index ranges within the county. The timberland classes with their respective site index ranges are as follows:

<u>Class</u>	<u>(50 Year) Slash</u>
Timberland 1	Site Index 90 and above
Timberland 2	Site Index 80-89
Timberland 3	Site Index 70-79
Timberland 4	Site Index 60-69
Timberland 5	Site Index 50-59

Hardwood or pine hardwood timberland classified by percentage of above site index classes, i.e. Timberland #2 75.

Swamp  
Nonproductive

(30) For proper coding, See 12D-8.08, F.A.C.

(31) Timber classification should be separated into the use categories of natural pine and planted pine. These two different methods of forest management are readily discernible on the ground and by the use of aerial photography. The two methods are different in reference to yields, prices paid and costs of establishment and maintenance. By using the yield figures given in Table 3 (Integrated Yield Data) for related use category (planted, natural) and site index, a value table may be constructed. Yield and cost figures for use category and site index would be consistently applied. The stumpage prices used in the calculation would be the same for both and be derived as stated previously in the section on stumpage prices.

(32) The construction of local county value tables for the five site index categories is predicated on reasonable forest management practice in regard to number of stems per acre. The rotation age selected for value table development reflects the most consistently used rotation periods in the particular counties by

prudent forest land managers. See Table 4 for an example Value Table.

(33) In summarizing the key factors in establishing value tables, the following is a review of terminology:

- (a) site index - measure of forest soil capability of productivity; established by the Property Appraiser.
- (b) yield information - Table 3.
- (c) local stumpage price - pulpwood price during calendar year applied as a 5 year average.
- (d) local management costs - expenses incurred in managing natural pines and planted pines.
- (e) capitalization rate - derived as set forth in the General Provisions of the Agricultural Section of the Guidelines.
- (f) value tables - are locally derived by the Property Appraiser from the previous factors. Tables are revised through the use of updated prices and management costs. The value tables are the final product of the income approach to timberland valuation.

(34) Consideration of all factors in Section 193.461(6), Florida Statutes, will normally be reflected in the above approach to value. Factors other than site index and degree of land improvement will usually have a minor effect on agricultural value, however, when the County Property Appraiser determines that a particular parcel varies significantly from the norm, a further adjustment may be made on an individual table.

(35) A non-pine table of value is included for hardwood and swamp land based on potential, local prices, costs and market information. Since hardwood forest land is rarely managed in the State it may be best represented by a percentage of pine valuation if on a good pine site. However, much of the forest land that will be classed as hardwood will be productive swampland in most counties. See Non-Pine Value Table 5.

(36) Nonproductive lands have some value and may contribute to the value of surrounding woodlands but obviously are not subject to valuation by the income approach. The Property Appraiser should, therefore, value this land according to its contribution to the surrounding productive woodlands.

(37) Assessment Procedure. Primary emphasis should be placed on the income approach with adjustments made to reflect other factors where a variation from the norm is noted. The two sources of income data for timber operations are calculated net

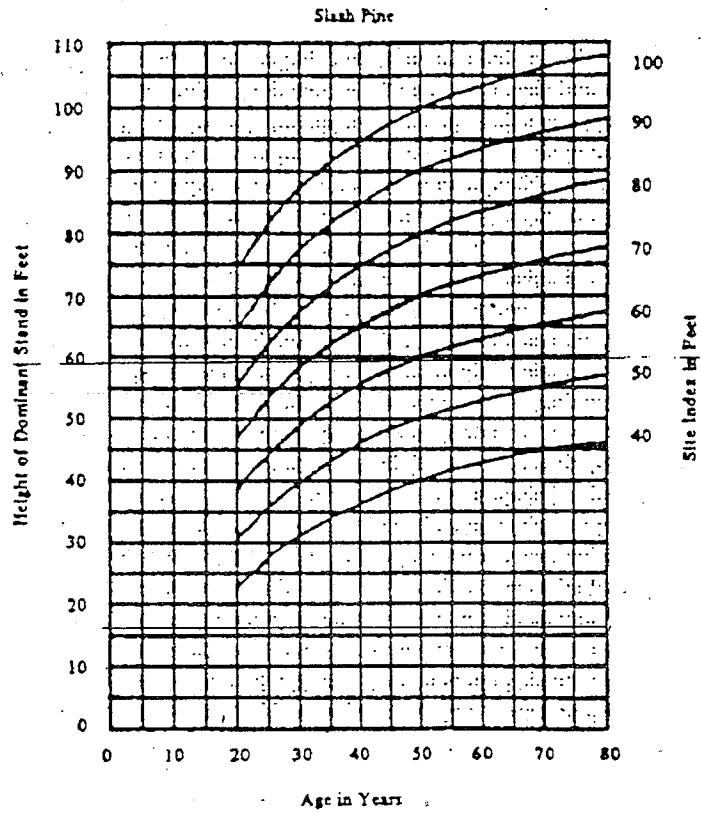
income and annual rental. Although reliable rental information is difficult to obtain for bona fide timber operations, when available it lends itself readily to the capitalization process, because such income is usually a net income, with the exception of taxes which are considered in the capitalization rate.

"Literature Cited"

- Barnes, R. L., 1955. Growth and Yield of Slash Pine Plantations in Florida. School of Forestry, University of Florida, Res. Rept. No. 3.
- Bennett, F. A. and Clutter, J. L., 1968. Multiple...product yield estimates for unthinned slash pine plantations... pulpwood, sawtimber, gum. Southeast Forest Exp. Sta., U.S. Forest Service Res. Paper SE-35, 21 pp.
- Schumacher, F. X. and Coile, T. S., 1960. Growth and Yield of Natural Stands of the Southern Pines. Durham, North Carolina, T. S. Coile, Inc.
- Smith, Walter, 1974. Timber for Florida Today and Tomorrow, A Summary Report, Division of Forestry.

TABLE NO. 1

Growth and Yields of the Southern Pines



Slash pine: Height of the dominant stand.

Data from - "Growth and Yields of Natural Stands of the Southern Pines" by F. X. Schumacher and T. S. Coile. Copyright 1960 by T. S. Coile, Inc., Durham, North Carolina.

TABLE NO. 2

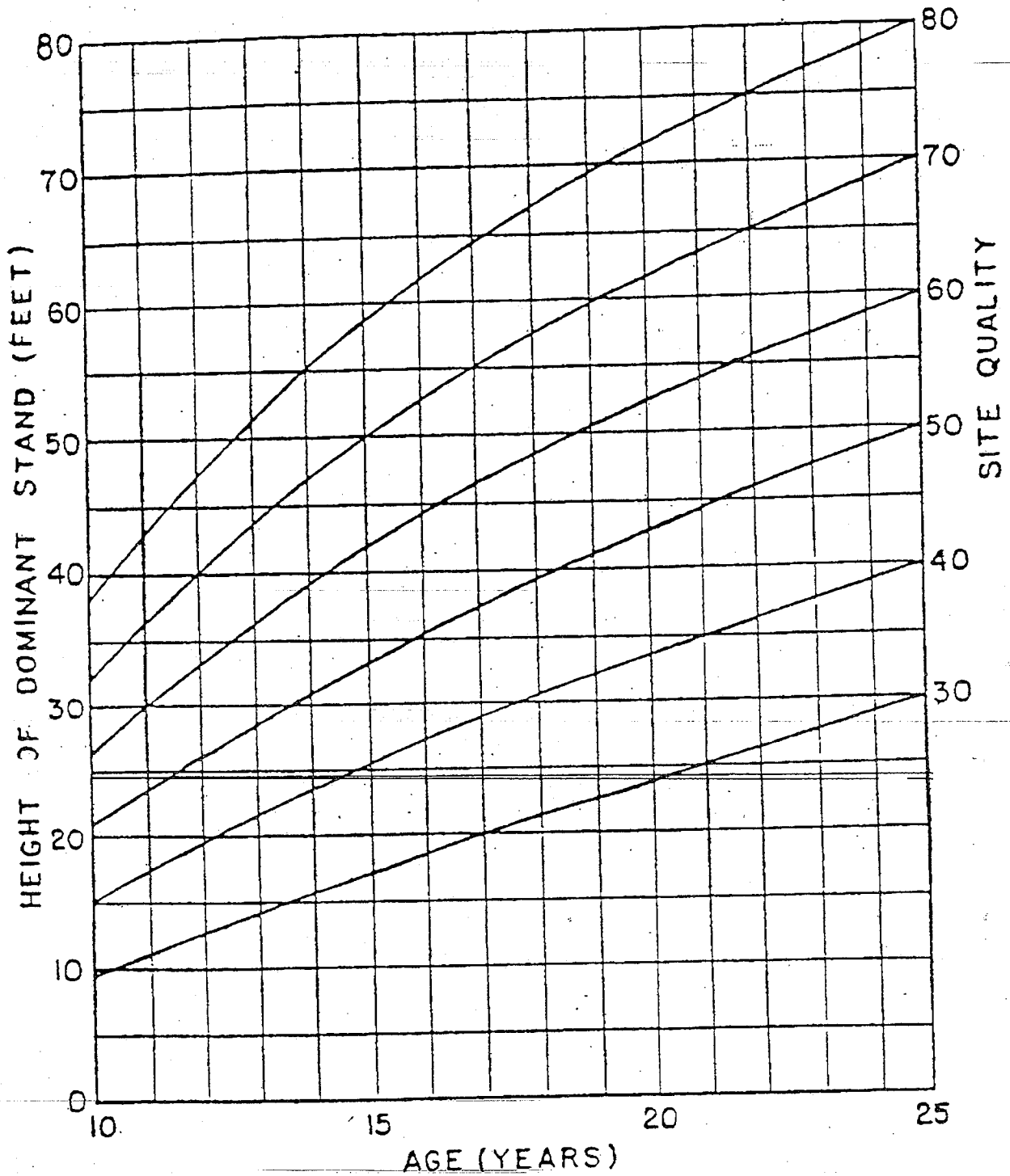


Figure 1. Site Quality Curves for Slash Pine Plantations in Florida 25 yr. basis

Data From: Barnes and Ralston

Table 3

## INTEGRATED YIELD DATA

PINE CLASSIFICATION @ 30 year rotation		SITE INDEX (50 yr.)	SITE INDEX (25 yr.)	YIELD (cfs)
Natural:	no. trees/ac given <sup>1</sup>	95 Avg.	75 Avg.	1.62 Timberland 1
Planted:	@ 400 trees/ac <sup>2</sup>	90+	70+	1.98 "
Natural:	no. trees/ac given	85 Avg.	65 Avg.	1.28 Timberland 2
Planted:	@ 400 trees/ac	80-89	60-69	1.48 "
Natural:	no. trees/ac given	75 Avg.	55 Avg.	1.00 Timberland 3
Planted:	@ 400 trees/ac	70-79	50-59	1.10 "
Natural:	no. trees/ac given	65 Avg.	45 Avg.	.75 Timberland 4
Planted:	@ 400 trees/ac	60-69	40-49	* "
Natural:	no. trees/ac given	55 Avg.	35 Avg.	.55 Timberland 5
Planted:	@ 400 trees/ac	50-59	30-39	* "

\*Note: No yield information is given for SI 50 and 60 (50 yr.) in the Bennett and Clutter SE-35; the volumes above are from Coile and Schumacher natural slash pine tables.

<sup>1</sup>Natural: number of trees per acre given in the table used in Growth and Yield of Natural Stands of the Southern Pines. Schumacher and Coile.

<sup>2</sup>Planted: 400 trees per acre selected from table used in Multiple Product Yield Estimates for Unthinned Slash Plantations . . . pulpwood, sawtimber and gum. Bennett and Clutter SE-35.



Table 4

VALUE TABLE

Management Cost

Natural      A  
Planted      B

Co. Cord Price     

Co. Cap Rate     

CLASSIFICATION      SITE INDEX (50 yr.)      YIELD X PRICE/CORD = GROSS INCOME - COST - NET INCOME ÷ CAP RATE = VALUE

Timberland 1 Natural Planted	95 Avg. 90+	=	=	÷	=
		1.62 X	-	=	÷
Timberland 2 Natural Planted	85 Avg. 80-89	=	=	÷	=
		1.98 X	-	=	÷
Timberland 3 Natural Planted	75 Avg. 70-79	=	=	÷	=
		1.28 X	-	=	÷
Timberland 4 Natural Planted	65 Avg. 60-69	=	=	÷	=
		1.48 X	-	=	÷
Timberland 5 Natural Planted	55 Avg. 50-59	=	=	÷	=
		1.00 X	-	=	÷
		=	=	÷	=
		1.10 X	-	=	÷
		=	=	÷	=
		.75 X	-	=	÷
		=	=	÷	=
		X	-	=	÷
		=	=	÷	=
		.55 X	-	=	÷
		=	=	÷	=
		X	-	=	÷

Table 5

NON-PINE VALUE TABLE

<u>CLASS</u>	<u>PHYSICAL CHARACTERISTICS</u>	<u>VALUE</u>
Hardwood	Hardwood or pine hardwood mixtures on sites subject to stand conversion; high hammocks	75% at value for slash pine site index
Swamp	Stream and river bottoms that flood, stream margins, bays, cypress ponds, swamp	\$30.00 Average value calculated from:; a .4 cd/ac/yr growth rate; \$7.50 cd stumpage rate; management cost of \$.25 ac/yr cap rate 10%*
Nonproductive	Permanent open sogs; permanent open water; borrow pits rights-of-way highway pipe and powerline; salt water marsh; spoil, dumps and pits	See General Provision Section

\*Growth and management figures for Florida's Timber 1910, U.S.O.A. F.S. Resource Bulletin SE-20.

### III. Pasture Lands.

(1) The capitalized net income approach as set forth in the General Provisions of the Agricultural Guidelines is recommended for use in the valuation of agricultural pasture land.

(2) Considerable acreage is devoted to livestock operations in Florida. These grazing lands encompass all acreage irrespective of the state of development which is or typically would be utilized for the production of grass and herbage. Within this vast acreage are numerous variables and operational diversities which relate principally to soils, climate and responsiveness to typical herd management. In seeking a valuation basis it is imperative that these diversities together with their underlying variables be reconciled insofar as possible. This can best be accomplished by the derivation of defensible valuation data incorporated into an appraisal system designed for easy administration. Knowledgeable appraisers recognize that specific data applicable to every type and level of operation is a practical impossibility. Rather it is more feasible and doubtlessly more correct to derive representative models for guides. Each model may be typical of numerous field properties. It should be based on supportive data compatible with the data of all other models and within established operation parameters.

(3) Model guide inputs such as price, rate and expense are of course subject to annual update. The models when completed will have been derived from logical premises encompassed within reasonable operation parameters. Each value for each condition level should rest on supportable data and exhibit a consistent and equitable relationship with all other levels. Using models as herein derived should in no way absolve or limit the field appraiser from applying discretionary adjustments to individual properties where conditions warrant.

(4) Valuation Basis. This section describes a procedure for the appraisal of grazing land based primarily on yields. Pounds of beef produced is treated as the production unit. Beef yields are converted to dollar value, from which annual operating expenses are deducted and the resulting annual net income is capitalized.

(5) Pasture land is defined as: Land under fence which is used for the production of

herbage or grasses and the use of livestock grazing or feeding.

(6) Pasture land is considered to have four classes as follows:

(a) Range Pasture - raw, unimproved, native pasture used for grazing livestock.

(b) Semi-improved pasture is range pasture having some improvement such as webbing, chopping, or mowing which increases the grazing capacity of the land but does not include improvements such as seeding or application of fertilizer and lime.

(c) Improved pasture is land that has been cleared, limed, drained and seeded to legumes and or grass mixtures. Such grasses include but are not limited to bahia grass, bermuda grass, pangola etc. This pasture is typically fertilized and renovated from time to time and is grazed or harvested for hay or silage.

(d) Waste (nonproductive) includes acreage in depleted mines, dumps, pits, lakes, ponds, and other non productive land.

(7) On a statewide basis, the primary factors influencing pasture land values are:

(a) Productivity of soil - Productivity is reflected by higher yields on more productive soils.

(b) Market price of beef.

(c) Extent of land improvement.

(d) Annual expenses associated with different types of operation.

(e) Climatic conditions - supplemental feeding (if necessary) treated as additional expense.

(8) In order to arrive at value for pasture land the Property Appraiser should determine these factors on a local basis.

(9) Productivity of Soils. Expressed in terms of beef yields. Soil productivity and degree of land improvement are important factors influencing the value of grazing land. This has been verified by consultations with the United States Soil Conservation Service, The University of Florida Soils Sciences Department and the University of Florida Food and Resource Economics Department. While most soils in Florida are low in natural fertility, beef production is closely related to the amount of plant nutrients in the form of fertilizer applied to it; soils do affect beef production and profit. The Property Appraiser must be cognizant of the role of the soil quality in assessment of pasture land.

(10) The Property Appraiser should be familiar with the most important soil types in his county and

which of these are the most productive.

(11) Published soil surveys are available to appraisers and should be utilized to the best advantage. Data on soil types can be secured from County Extension Directors or from the District Conservationist (S.C.S.) in counties without soil surveys.

(12) These comments are presented with the idea that major soil types should be considered, if possible. Comments do not infer that appraisers become soil scientists or use soil types to supplant the income approach to assessment of pasture land. It is a tool to improve expertise in assessment of agricultural land.

(13) Market Price of Beef. Market prices for all grades and types of beef may be obtained either, locally or from the Florida Crop and Livestock Statistical Reporting Service.

(14) Annual Expenses. Annual expenses such as feed; fertilizer, labor, machinery, transportation, veterinarian, and other costs should be obtained from sources which reflect actual local expenses.

(15) Climatic Conditions. Climatic influences includes among other things, the length of growing season, average mean temperature, the amount and distribution of rainfall, the occurrence or non-occurrence of frost and if it occurs the frequency of such occurrence. Adjustments for climatic conditions will generally be made on a statewide basis since variation from one area of a county to another will probably not have any significant influence on value.

(16) Two sources of income data for pasture operations are calculated net income and annual rental. Annual rental information, if it can be obtained and verified, can prove to be an excellent indicator of what the actual return to the land really is. If unqualified, however, rental information can be misleading in that often, pasture land is rented for a nominal sum while the owner awaits an alternate use for the land.

(17) Yield and related expense information may be secured from sources such as:

- (a) Producer records
- (b) Research data
- (c) Livestock budgets

(18) Producer Records. Producer records, although difficult to obtain, can give highly accurate data where good records are maintained.

(19) Livestock Budgets. Livestock budgets prepared by economists with the Institute of Food and Agricultural Sciences can be used to obtain net return information if local producer records are not available. These budgets reflect income and expense summaries which consider investment and operating costs for machinery and equipment, building and fences, water control systems, costs of hay production, fertilizer, interest on livestock investment, pasture renovation and all other practices which are typically included in the operation of a ranch.

(20) These budgets should represent typical levels of management. Net returns from budgets that represent unusually high levels of management should be adjusted before being included in the determination of income value.

(21) Value Tables. The appraiser shall establish value tables for each general type of ranch operation found within the county (native range; semi improved pasture; and improved pasture).

(a) Determine the yields in pounds of saleable beef per acre from:

1. Typically managed ranch operations within the county.
2. Soil Conservation Service land capability unit system using Animal Unit Months as explained in the addendum following this section.

(b) Determine the expenses associated with the yields determined in (a) above.

(c) Determine the market price of beef on an annual basis. Apply the price of beef to the yields as determined in (a) above.

(d) Subtract the expenses as found in (b) above from the dollar value of beef in (c) above to obtain the net income.

(e) Add this resulting net income to the preceding 4 annual net income values and divide by 5 to give a rolling five year average net income.

(f) Divide the average net income value computed in (e) by the capitalization rate to get the classified use value.

(g) Values for the various types of operations as determined above shall be compiled into basic tables and applied to all range and pasture land within the county.

(22) Factors other than soil and degree of land improvement will usually have a minor effect on agricultural value, however, when the Property Appraiser determines that a particular parcel varies significantly from the norm, a further adjustment may

be made on an individual basis.

(23) It should be noted that often native pasture in one area of the state will produce substantially more than native pasture in another area and may even produce as much as some improved pasture.

(24) Nonproductive land has some value and may contribute to value of the surrounding productive land, but may not be subject to valuation by the income approach. The Property Appraiser should; therefore, value these lands according to their contribution to the surrounding productive land. Nonproductive land should never exceed the value of the least productive range land.

#### Addendum

(25) One of the basic factors in deriving agricultural pasture land values is the production of pounds of saleable beef. Where adequate local information is available use of the Soil Conservation Service (SCS) land capability unit system may be helpful in establishing production levels for the pasture conditions set forth, however, such information must be supportable and verifiable.

(26) The Soil Conservation Service has compiled information on all soils in Florida. These compilations reflect study and observations by soil scientists, district conservationists and other skilled specialists over a period of years. Under the Land Capability System soils of similar productivity and profile characteristics are grouped together as a capability unit. Each unit is further identified with a W, S, or E to denote either wetness, soil quality or erosion as the principal limitation in its use. Soil surveys with land capability designations are available for less than one half of Florida's counties.

(27) The basic measure of land capability for pasture and grazing land in the SCS system is an Animal Unit Month (AUM). One Animal Unit Month may be defined as forage production sufficient to meet the feed requirements for normal health and growth of one animal unit for one month.

(28) The animal unit comparison is based on one mature beef bull or cow with calf to four months of age. Thus, an AUM rating of seven is interpreted to mean that one acre will provide sufficient forage to maintain one mature beef

animal in normal health and growth for seven months. Since seven months is less than one year it would require more than one acre to carry one animal for one year. In the example of an AUM rating of seven would require 1.714 acres to carry one animal for one year (1 acre x 12 months + 7 months per year = 1.714 acres per year).

(29) The Soil Conservation Service reports AUM ratings only for high levels of management on improved grass or irrigated grass/clover pastures. The values represent the production levels attained by the best producers utilizing the best technology available when the soil survey was conducted. Before the yield values can be used for establishing ad valorem values they need to be adjusted to reflect local conditions under typical management with current production practices, type and condition of vegetation, and level of pasture or range improvement. For example, since fertilizer prices have increased about 50 percent faster than beef cattle prices during the last decade many producers have reduced their fertilization program and thereby reduced the carrying capacity of their pastures. Production records of local ranches should be used to establish the AUM ratings for the land capability units. The AUM rating should reflect the pounds of saleable beef produced per acre. This net production level should reflect the typical level of management.

(30) In the absence of local production information the Soil Conservation Service AUM ratings can be used as the basis for computing the pounds of saleable beef per unit as a percentage of total beef pounds. Generally, the SCS calculates total beef pounds by multiplying the AUM rating times 51.0. Total beef production is then adjusted to account for: (1) percent calf crop; (2) typical level of management; (3) herd maintenance; and (4) percent death loss. Calf crop refers to the number of calves born expressed as a percentage of the total brood cows and bred heifers. Typical management level recognizes imperfect knowledge and that a degree of inefficiency exists in all operations. Herd maintenance requirements are the percentage of total beef pounds essential to maintain a breeding herd as opposed to that available for market. Death loss is loss from all causes expressed as a percent of the total herd number.

(31) To derive the pounds of saleable beef produced per acre in this manner, the following equation would be used:  
#AUM per acre x 51.0 pounds of beef per AUM x

percent level of management x percent calf Crop x (1 - percent herd maintenance needs) x (1 - percent death loss) = pounds of saleable beef

(32) The pounds of saleable beef is multiplied by the market price to obtain total revenue. The production expenses, as described earlier, are then subtracted from total revenue to obtain net revenue. The net revenue is then divided by the capitalization rate in order to obtain the land value.

(33) Values obtained by computation on Soil Conservation Service AUM ratings must be checked and verified against typical ranch operations in the area.

#### IV. Citrus. Lands.

(1) In citrus land valuation, the variable factors affecting groves are numerous and complex; therefore, it should be recognized at the outset that few statements or descriptions are without exceptions. Rather, it is the intent here to set forth as succinctly and explicitly as possible meaningful parameters to encompass most grove situations and to assist in just and equitable valuations.

(2) Broadly defined, there are three citrus producing areas within the state. These are the older established ridgeland and rolling country of the Central Interior; secondly, the Indian River section of the Central and lower East Coast; and lastly, the flatwoods and marshes" of Central and South Florida.

(3) The Interior area notably is characterized by longer tree life, wider settings with fewer trees per acre, and the attainment of larger physical size in later maturity.

Conversely, the Indian River area has, for the most part, significantly shorter tree life, much closer settings and will attain greater physical size in their early producing years. At maturity, however, these trees are seldom as large as those of the Interior. As to the flatwoods and marsh area, longevity, spacing, and size attained at any given age can most appropriately be thought of as intermediate.

Obviously, the areas are also dissimilar in many other particulars, namely; terrain, susceptibility to diseases, insects, weather hazards and other features. Moreover, the quantity and quality of fruit are likely to be affected. Therefore, costs and prices reflected through the practices of

typical managements are very important to recognize and incorporate in the determination of value schedules.

(4) In view of the foregoing, it may be logically deduced' that there are different economic lives representative of a typical grove for each of the areas. Economic life may be defined as the period over which a property will yield a return on and of the investment over and above the economic rent due to land. The precise length thereof is necessarily an appraisal judgement. Theoretically, economic life ends in a predetermined number of years. In practice, recycling of the better groves is usually continuous and unending. Based upon consultations with citrus industry leaders and the attrition rates experienced by growers in each area, it is suggested that economic lives of 50 and 40 years are most applicable for the Interior and 30 years for the Indian River and the flatwood areas.

(5) A typical citrus tree is one that exhibits the predominant characteristics of a group. Obviously a tree typical of a particular group may not be typical of all groups. Data published by Institute of Food and Agricultural Sciences is recommended as the best guide to determine yields for typical citrus trees in the interior. This data should be adjusted when applied to the Indian River and flatwood areas. These data establish high, low and average tree yields for various citrus . varieties by age. Production estimates based on field observations should never exceed these yield per acre parameters.

(6) Value schedules using the income approach should be developed annually by the Property Appraiser. In order to keep the assessed values as current as possible, the annual updates must incorporate the most recent cost and price information available. It should be recognized, however, that a time lag in the Updated schedules is unavoidable because the data is not available from official sources until a year after the fact.

(7) Value schedules are necessarily based upon certain premises. They are: a basic agricultural capitalization rate, -the base land value of citrus land, the cost of trees and planting, representative numbers of trees per acre, .typical yield levels at given ages, ages of peak output, and the length of economic life. Then the variables of production costs and fruit prices. must be considered which, aside from the influence of management, are largely the result of external forces and are subject to annual variations.

(8) In Florida the vast majority of citrus acreage

is devoted to the production of five classes of fruit. They are: late, early and mid-season oranges, mandarins and derivatives thereof, together with seedy and seedless grapefruit. These fruits represent those dominant in the industry, are individually, distinguishable throughout the industry and should therefore be valued separately. Additionally, there are several specialty fruits. Generally, these are more costly to produce, have historically been subject to very erratic markets and do not have the same degree of marketability as the more dominant citrus fruits. The Property Appraiser specifically is not prohibited from using further classifications should a locally significant fruit not be encompassed in the above.

(9) The value schedule as prepared annually by the Property Appraiser is to be used only as a guide. In application this will permit recognition of local situations requiring a departure from the schedule. It is the responsibility of the Property Appraiser to recognize these situations and make the appropriate adjustments considered necessary and justifiable. To assist him in applying these adjustments, the following-procedure is suggested:

- (a) Establish a visual image of good, average and poor groves consistent with the description set forth below. These are reflective of a broad assortment of conditions including management, adaptability, diseases, damages and deficiencies.

## MATURE GROVE CONDITION

	<u>Poor</u>	<u>Average</u>	<u>Good</u>
<u>Trunks</u>	Very hard trunks. Many large limbs removed.	Trunks fairly uniform and pliable.	Trunks uniform and supple showing evidence of growth cracks.
	Disease of trunk and root system. Large cold sores evident. Skirts on trees high.	Few limbs removed. Some cold damage indicated from past. Skirts on trees low.	No visible signs of cold damage. Trees full skirted.
<u>Foliage</u>			
Color	Defoliation due to deficiencies, disease, and insects.	Some deficiencies, disease, insect damage.	Dark green.
Density	See through tree with ease.	See through tree with difficulty.	Heavy.
Size	Mouse eared.	Mostly standard.	Standard.
<u>Tree</u>			
Uniform	Missing trees – more than 5%	Uniform, some resets - 2-5%	Uniform, very few resets – less than 2%
Size	Many different	20-35'	20-35'
<u>Soils</u>			
Elevation	Very flat or excessively steep	Moderately rolling	Moderately rolling, nearby lakes; drained.
Color	Very white or mucky	Grey	Red, brown or black



- (b) Determine the region as characteristically defined. The Indian River region is distinct, but in locations where the Interior and Flatwoods merge, a discretionary judgement must be made.
- (c) Estimate the length of economic life. A thirty-year life schedule adequately represents most groves in Indian River and the Flatwoods, but fifty and forty-year life schedules are needed to equitably represent the grove conditions encountered for the Interior.
- (d) Compute the gross grove acreage, (all acreage plantable to citrus). To obtain net tree acres, subtract all areas in skips, pushups, and non-bearing trees from the gross grove acreage. Subtract net tree acres from gross grove acres. Multiply difference by the appropriate base land value. Sometimes this difference may be a composite of good, average and poor groveland.

In this event, the land value used should be a weighted composite of the three. Sandsoaks, sandponds, bayheads, etc., are not to be construed as groveland and therefore, should have only a nominal value assigned. Any area that complements a grove or that is essential to its operation is groveland; and as before, valuation should be commensurate with quality.

- (e) Discern fruit varieties and their relative composition in the grove. Where the composition is mixed or cannot be accurately blocked off, a sound judgement of the proportionate composition must necessarily suffice.
- (f) Ascertain effective tree age. Effective tree age is developed by estimating the remaining years of economic life. For a given tree or block of trees it may be defined as the age of a similar and typical tree or block of trees having equivalent condition, size, productivity and remaining economic life. Most often the effective age will equal or closely parallel chronological age, for the first fifteen to twenty-five years provided correct judgements have been made with respect to area and economic life. Two notable exceptions are trees that have been buckhorned and those that have

sustained extensive damage, thus reducing bearing wood surface. In either event, remaining economic life would be considerably lessened, and value should be predicated on rejuvenation or recovery prospects as well as reduced production. Tree size and chronological age usually have little relationship for trees older than twenty-five years. Where there is uniformity of tree size, effective age is most easily estimated.

Otherwise a sound judgement must again be relied on in categorizing age groups by variety. Inasmuch as citrus production levels increment at larger rates in early producing years, grove valuations increment correspondingly. Thus, it is most important in this period to have correct age estimates. Effective age is determined by the length of economic life, kind of fruit, yield and tree condition. To a knowledgeable citrus appraiser effective tree age or the number of years of remaining economic life of a young tree is easily discernable plus or minus one year; in the plateau of maturity, plus or minus 2 1/2 years; and thereafter, plus or minus 5 years.

- (g) Estimate fruit production in boxes per net or gross tree acre, depending on which procedure is used as previously described in Paragraph (4). Average yields per tree by age and variety will prove a very useful guide, particularly, if the earlier tree descriptions are taken into consideration. Moreover, it is well to remember that additional trees per acre makes for significant increases in per acre yields during a grove's earlier years. Thereafter, the amount of bearing wood surface becomes relatively more important.
- (h) Multiply the per-box fruit price by boxes produced per acre. Deduct production expenses corresponding to effective age. When yields significantly depart from the average indicated, production cost should be proportionately raised or lowered within high and low cost parameters.
- (i) Divide net income thus derived by the applicable capitalization rate. The result is value per net tree acre.
- (j) The Property Appraiser may at his discretion estimate the gross per acre value simply by adding the value of net tree acres together with

the value of the unplanted acreage and dividing by gross grove acres.

(10) Values derived by the foregoing procedure may in certain situations warrant consideration for reductions. Badly mixed age groups and fruit types, sparse or non-contiguous groups of trees and greater than normal susceptibility to a contingent hazard are examples of possible situations requiring adjustment. Should a reduction be made for these or similar reasons which are not apparent, the extent and justification in support thereof should be noted.

(11) In order to add clarity to this section the procedures and formulae used are explained below.

#### (12) Fruit Price Computation

Formula:

$$\frac{P_i \times Y_i}{X} = AP$$

Where:

P<sub>i</sub> = Price per box by year

Y<sub>i</sub> = Boxes produced by year

X = Total number of boxes over 5 year period

AP = Average Price per box

(a) Compute the average price of the particular variety for the last 5 years.

(b) Obtain average box production per acre for effective age of tree.

(c) Compute the average gross return per acre by multiplying the average 5 year price by the average boxes per acre.

#### (13) Production Cost Computation

Use 5 year simple average.

General and specific cost components are:

(a) Labor, power and equipment:

1. Cultivation
2. Irrigation
3. Pruning
4. Hedging and topping
5. Cold protection
6. Tree and bush removal
7. Site preparation and planting
8. Cost and maintenance of power and equipment
9. Banking and unbanking

(b) Fertilizers and lime

(c) Spray and dust:

1. Ground and/or aerial application

(d) Management (refers to expense of managing the grove)

(e) Miscellaneous

NOTE: Caretaker costs as supplied by Brooke Data

(Economic Information Report 58) include the above items. These costs are also the easiest to document.

(14) The interest on grove investment and county ad valorem taxes shall not be included in the above production costs. These are reflected in the capitalization rate.

(15) Subtract the production cost per acre from the gross income per acre to arrive at the net income per acre.

(16) Capitalize this net income into value per acre by dividing the net income by the capitalization rate.

(17) Since citrus trees are a wasting asset, there may be a provision for recapture, in addition to the discount rate and the effective tax rate.

(18) Recapture can be calculated by dividing 1 by the remaining economic life. For example, a grove with an effective age of 20 years is in an area where groves are generally thought to have an economic life of 50 years. To find the recapture rate: Find the remaining economic life by subtracting the effective age of the grove from the economic life.

$$\begin{array}{r} 50 \text{ years} \\ - 20 \text{ years} \\ \hline = 30 \text{ years} \end{array}$$

"economic life" "effective age" "remaining economic life"

Then divide the remaining economic life by 1 to find the recapture rate.

$$1 / 30 \text{ years} = .033 \text{ or } 3.3\%$$

"economic life" "recapture rate"

#### Base Land Value

(19) This value should be reflective of the lands suitability for producing citrus in its existing condition. Costs incurred to engineer or develop raw acreage (i.e., clearing, perimeter ditches, etc.) to the point of bedding should be included in the base land value. The property appraisers should be able to discern this value from knowledgeable citrus growers and/or verified sales of land for grove development.

#### V. Croplands.

(1) This section describes the procedure used in the guidelines for the appraisal of cropland for ad valorem tax purposes in Florida.

(2) Cropland is land (soil) capable of producing vegetation useful to man when it is cultivated to some degree. The production (vegetation) obtained may be the result of a simple form of agricultural operation or

one which is very concentrated, intense and complicated. The crops (vegetation) are annuals rather than groves, pastures, orchards, timber, etc. For purposes of this section, cropland is divided into field crops, which include corn (field corn), soybeans, tobacco, cotton and peanuts; and annual crops grown for fresh produce or processing which are generally called vegetables.

(3) Basically, cropland has value because of its ability to generate income through productivity. As stated in the General Provisions of the Agricultural Guidelines, the income approach is recommended for use in appraising agricultural lands and is used in the cropland section for both field crops and vegetables. Furthermore, the prices and costs used should be accomplished by and compatible with the averaging technique set forth in the General Provisions of these Agricultural Guidelines.

#### Vegetables

(4) There are two generally acceptable methods of obtaining income from croplands: rental of the land to another; and operation of the property by the owner. In either instance, the proper income to be used is that of a TYPICAL renter or owner. Preferably, rental income instead of owner-operated income is used for vegetables if possible for several reasons. First, rental income is easier to obtain, it more closely approximates income attributable to the land only, lessees (renters) often form a competitive market among themselves with the resulting rents they are willing to pay tending to represent a TYPICAL management level; and last but not least, rents are easier to use.

(5) In using rental incomes, qualified rental agreements are to be used. Qualified rentals or leases are those bona fide arms length transactions between knowledgeable persons where the entire remuneration (money or services) is shown in the agreement. It should be recognized that rental agreements may be verbal. However, verbal agreements should be verified.

(6) Owner-operated income may be used if rental income does not encompass the local situation and provided the input data is justified and verified. There may be situations where both incomes should be used in the same county but for different vegetables. It is in this concept of capitalizing net incomes in the Income Approach that vegetable land in Florida will be appraised by the Property Appraiser for ad valorem tax

purposes. Care must be exercised, however, to ensure values thus generated do not exceed market value.

(7) A reliable source for actual vegetable land rent (income) by counties and/or areas is contained in the agricultural economics report published annually by the University of Florida entitled, "Costs and Returns from Vegetable Crops in Florida - With comparisons." It may be obtained from local Agricultural Agents or the Department of Agricultural Economics, Florida Agricultural Experiments Stations, Institute of Food and Agricultural Experiments Stations, Institute of Food and Agricultural Sciences, University of Florida, Gainesville.

(8) The acreage in one vegetable is not the same in all counties. Furthermore, all counties do not produce the same vegetables. Therefore, the acreage used or devoted to each vegetable for each county is a factor in determining appropriate rent (income). An excellent source for acreage utilized annually by counties and/or areas for each vegetable is the Florida Department of Agriculture and Consumer Services publication, "Florida Agricultural Statistics - Vegetable Summary 19 ", as compiled by the Florida Crop and Livestock Reporting Service in cooperation with the United States Department of Agriculture: This publication may be obtained locally from the County Agricultural Agent or by contacting the Florida Crop and Livestock Reporting Service, 1222 Woodward Street, Orlando.

(9) The acreage for each vegetable is obtained as above for each of the years under study and each year is multiplied by the rent (income). These annual results are added and the sum divided by the total acreage to obtain the rent (income) per acre.

(10) A composite rent per acre for all vegetables is obtained by multiplying the rent (income) for each vegetable by its total unweighted acreage and dividing the sum of the result by the sum of the acreages over the period under study.

(11) An indication of value using the Income Approach involves the capitalization of income (rent). Since the income (rent) has been determined, it now becomes necessary to develop a capitalization rate. In the Vegetable portion of the Cropland Section, the rent (income) obtained should be used as the income to be capitalized. The general approach to develop a capitalization rate for agriculture has been set forth earlier in the General Provisions of the Agricultural Section, but it is necessary here to consider the risk factor used for vegetable land. Risk will differ

depending on the income being capitalized - rent or owner-operated. If the income to be capitalized is rent, the risk to the land owner is less or lower than property which is owner-operated.

(12) At this stage, the composite rent (income) and capitalization rate have been determined. To calculate the value, the income (rent) is divided by the capitalization rate.

#### Field Crops

(13) Land used to produce field crops should be appraised for ad valorem tax purposes in Florida by the Income Approach method. Since this approach has been discussed in the General Provisions of these Agricultural Guidelines, it is only necessary here to relate the method as it applies to Field Crops.

(14) At the outset, owner-operated income is recommended for use to appraise field crop land instead of rental income, although rental income may be used where appropriate and supportable. However, whichever type income is used, it should be used throughout the county for all field crops. Cost data used may be obtained from the Institute of Food and Agricultural Sciences of the University of Florida Agricultural Research and Education Centers. Local grower information should also be used where supportable and verified.

(15) A composite net income of typical corn and soybean farmers is recommended instead of separate net incomes for each individual crop grown in a county because corn and soybeans are the typical field crops grown throughout the field crop producing areas of the State. Individual values may be obtained for those particular crops other than corn or soybeans and that are considered typical for the county.

(16) Prices used to determine field crop gross income may be obtained from Florida Agricultural Statistics published annually by the Florida Crop and Livestock Crop Reporting Service. Prices will be based on the five years immediately prior to the year of the study.

(17) Prices as determined above are multiplied by the yield per acre to obtain gross income per acre. Yields are obtained from the Soil Conservation Service Land Capability Unit Descriptions Manual, where available. The District Conservationist in each county may also supply pertinent yield information for local situations. Local grower production records should also be used where the same are verifiable.

(18) The gross income per acre is next multiplied

by the harvested acreage as documented by the Florida Agricultural Statistics for the period under study. This result is the total gross income of the particular crop being studied in the county for the period studied. To obtain the average gross income per acre, the sum of each annual total income is divided by the sum of the acreages. The cost per acre is determined using the same procedure.

(19) Costs per acre are subtracted from gross income per acre to obtain the net income per acre. The procedure is applied separately to corn and soybeans and results in individual net incomes per acre for corn and soybeans.

(20) Since a composite net income per acre should be used, the net incomes for corn and soybeans are converted by: (1) Multiplying the weighted acreages of both, as already determined, by their respective gross incomes per acre; (2) dividing the sum of the results by the sum of the weighted acreages; (3) follow the same procedure in (1) and (2) to determine costs; and (4) subtract the cost obtained in (3) from the gross income in (2). The difference is the composite net income per acre. This is next capitalized into value by dividing it by the capitalization rate.

## **Links to Internet Resources**

Recent Attorney General Opinions Relating to the Value Adjustment Board Process on the web at:

<http://dor.myflorida.com/dor/property/vab/ag.html>

Attorney general opinions on the web at:

<http://myfloridalegal.com/ago.nsf/Opinions>

Government-in-the-Sunshine Manual on the web at:

[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6Y8SEM/\\$file/Sunshine.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6Y8SEM/$file/Sunshine.pdf)

Tax Law Library [Department of Revenue]: Disclaimer:

<https://taxlaw.state.fl.us/pta1.aspx>

NOTE: Advisement letters or bulletins promulgated prior to 2008 should not be relied on until and unless re-issued by DOR in 2008 and after. A letter is not a policy statement or interpretation of state law or rules, but is provided for your information and assistance. Such a letter is the opinion of the writer only since the Department of Revenue does not directly administer the tax, which is administered locally. This material is provided for research purposes and much of it may be out of date.

Value Adjustment Board Bulletins from the Department of Revenue

<http://dor.myflorida.com/dor/property/vab/bulletins.html>

Emergency rules on the web at:

Portability assessment difference transfers

Conservation easements

<http://dor.myflorida.com/dor/property/legislation/erules/erules.html>

Value Adjustment Board Forms on the web at:

<http://dor.myflorida.com/dor/property/forms/index.html#11>

Worksheets for special magistrates

[\(under development\)](#)