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Laura Kelly, Governor

## **DIRECTIVE #19-051**

**TO: County Appraisers**

**SUBJECT: Uniform Standards of Professional Appraisal Practice**

***This Directive Supersedes Directive #17-050***

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This directive is adopted pursuant to the provisions of K.S.A. 79-505(a), and shall take effect and be in force from and after the Director's approval date.

For the 2019 and 2020 valuation years, the county or district appraiser shall perform all appraisal functions in conformity with *Uniform Standards of Professional Appraisal Practice* (USPAP), 2018-2019 Edition, the Appraisal Standards Board of The Appraisal Foundation, as required by K.S.A. 79-505(a)(1) and as further defined herein.

USPAP Standard 5 shall be followed in developing a mass appraisal for ad valorem taxation purposes. USPAP Standard 6 shall be followed in reporting a mass appraisal for ad valorem taxation purposes. Standards 5 and 6 may also be adhered to in revaluing individual properties that initially have been appraised through mass appraisal methods and techniques, but whose value estimates are reexamined and reconsidered as a result of the hearing and appeals processes. Supporting documentation must be developed and reported for all model component overrides and adjustments.

USPAP Standard 1 shall be followed in developing a "single real property appraisal" and USPAP Standard 2 shall be followed in reporting the results of a single real property appraisal. Most properties in Kansas can be valued through the Orion computer assisted mass appraisal (CAMA) system; however, some parcels in Kansas do not lend themselves to mass appraisal methods and techniques. If a parcel cannot be credibly appraised with a mass appraisal model (see Standards Rule 5), USPAP Standards 1 and 2 would apply.

USPAP Standards 3 and 4 shall be followed in developing and reporting an appraisal review. An appraisal review is the process of developing an opinion about the quality of an appraiser's work that was completed as part of an appraisal or appraisal review assignment. It is the responsibility of the county and district appraiser to analyze all relevant property appraisals provided by a property owner during the appeals process. A comparison of descriptive data, including subject property characteristics and comparable property information between the mass appraisal and

single property appraisal report, and explanation of the findings, does not constitute a Standard 3 review.

A county or district appraiser will be required to report the assignment results for a single property that was appraised as part of a mass appraisal assignment. USPAP Advisory Opinion 32 advises however that USPAP Standards do not address this specific circumstance. The reporting requirements of STANDARD 2 apply to appraisal assignments developed under STANDARD 1 and do not apply to mass appraisal assignments prepared under STANDARD 5. However, the second sentence of the PREAMBLE states: It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. Additionally, the ETHICS RULE states an appraiser must not communicate assignment results with the intent to mislead or defraud, and that an appraiser must not use or communicate a report that is known by the appraiser to be misleading or fraudulent. If a Kansas county or district appraiser communicates mass appraisal results for a single property, USPAP requires the communication to be meaningful and must not be misleading.

The workfile for the mass appraisal assignment shall contain the information and analyses to support the valuation models developed for all properties in the jurisdiction and provide an understanding of individual property valuation results. Substantial documentation and justification shall be provided for model adjustments and overrides made to individual parcels.

Appraisals developed for ad valorem taxation in Kansas must comply with Kansas law, and regulations promulgated by the director of property valuation. Most of these requirements do not preclude compliance with any part of USPAP, but some place specific requirements on the scope of work. The director of property valuation has identified the following assignment elements that are necessary in Kansas to properly identify the ad valorem appraisal problem and develop credible assignment results:

- The purpose of ad valorem taxation is to finance the taxing districts in Kansas (see K.S.A. 79-1468, K.S.A. 79-1801, K.S.A. 79-1803, and K.S.A. 79-1806). County or district appraisers are required to develop the appraisal estimates that become the assessments used by the taxing districts (see K.S.A. 79-5a27, K.S.A. 12-5250, K.S.A. 12-1775, K.S.A. 79-1409, K.S.A. 79-1411a and K.S.A. 79-1411b). Therefore, county commissioners serve as the client and the taxing districts are the intended users of the appraisal. This scope of work compliance requirement applies to Standards Rule 1-2(a), 2-2(a)(i), 3-2(a), 4-2(a), 5-2(a) or 6-2(a), as applicable. The definition of intended user has a specific meaning in USPAP. Parties who receive a copy of the appraisal as a consequence of disclosure requirements do not become intended users of the report. (USPAP Advisory Opinion 36). Taxpayers and property owners are not intended users of the appraisal prepared for ad valorem taxation in Kansas unless specifically stated as such in the appraiser's Scope of Work document.
- The definition of fair market value for ad valorem appraisals in Kansas is found in K.S.A. 79-503a. This scope of work compliance requirement applies to Standards Rule, 1-2(c), 2-2(b)(v), 3-2(c), 5-2(c) or 6-2(e), as applicable.

- The effective appraisal date for all property in Kansas is January 1, as required by K.S.A. 79-1455. This scope of work compliance requirement applies to Standards Rule 1-2(d), 2-2(vi), 3-2(d)(ii), 4-2(d), 5-2(d), 6-2(d), as applicable.
- A minimum standardized set of physical property characteristics has been determined relevant and necessary for the effective and efficient mass appraisal of real property in Kansas, as required by K.S.A. 79-1477. This scope of work compliance requirement applies to Standards Rule 5-2(e) and 6-2(i).

Kansas laws and regulations which prevent compliance with a part of USPAP may require the appraiser to invoke The USPAP JURISDICTIONAL EXCEPTION RULE. Only the part of USPAP negated by law or regulation becomes void. Law includes constitutions, legislative and court-mandated law, and administrative rules and ordinances. Regulations include rules or orders having legal force, issued by an administrative agency, such as appraisal directives issued by the director. Instructions from a client do not establish a jurisdictional exception. Following are jurisdictional exceptions for ad valorem appraisal assignments which must be disclosed if invoked by the appraiser (USPAP FAQ 106):

- Land devoted to agricultural use in Kansas shall be appraised at both market value and use value as required by K.S.A 79-1476. The market value appraisal of agricultural land shall follow USPAP rules. However, the prescribed methods used to develop use values are a statutory requirement. Use value appraisal estimates shall be utilized for ad valorem taxation of agricultural land. The requirement to value agricultural land by use value for assessment purposes is a jurisdictional exception.
- Kansas statutes require the following subclasses of tangible personal property to be appraised at fair market value: manufactured homes, oil and gas interest, material and equipment used in operating oil and gas wells, tax roll motor vehicles (with a 24M tag), trailers (non-business use), commercial and industrial machinery and equipment no longer being used in the production of income, and other personal property not elsewhere classified (such as aircraft, hot air balloons, golf carts, snowmobiles, watercraft and boat trailers). The county or district appraiser may choose from one of two options to develop and report the appraisal of such property:
  - The appraisal methodologies developed and adopted by the Division of Property Valuation and published in appraisal guides shall be followed by the county appraiser. (see K.S.A. 79-1412a *sixth*, K.S.A. 79-1412(b), K.S.A. 79-1456.
  - County or district appraisers may deviate from the guides on an individual property. Single property appraisals shall be developed by following USPAP Standard 7 and reported under requirements of USPAP Standard 8 (see K.S.A. 79-1456(b)).

- The valuation of non-exempt commercial and industrial machinery and equipment (class 2, subclass 5) and certain motor vehicles is prescribed by statute (K.S.A. 79-5105a and amendments thereto). These valuation methods are based upon a mathematical formula and the director of property valuation invokes a jurisdictional exception to USPAP.

Approved: February 21, 2019

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David N. Harper  
Director of Property Valuation