

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee October 4, 2019

LINEHAN: Welcome to the Revenue Committee. I'm Senator Lou Ann Linehan, representing District 39 and Chair of the committee. Today we have an interim hearing on LR232, introduced by Senator McCollister and others. This hearing is open to the public, but is limited to invite testimony. Today we expect to hear from several county assessors or representatives from their offices. We will also hear from a representative of the Tax Equalization and Review Commission, TERC, and from the Nebraska Association of County Officials. I would like to introduce my committee staff. To my right is the committee counsel Mary Jane Egr Edson, and to my left is research analyst Kay Stilwell Bergquist, and to my far left is committee clerk Grant-- excuse me-- Grant Latimer. I would ask that you all turn off your cellular devices or at least set them to silent mode. And now I'll have all the senators introduce themselves, starting with Senator Friesen.

FRIESEN: Senator Curt Friesen from District 34. I represent Hamilton, Merrick, Nance, and part of Hall County.

CRAWFORD: Good afternoon. Senator Sue Crawford from District 45, which is eastern Sarpy County, Bellevue and Offutt.

LINEHAN: Senator Groene is going to be here. Is somebody joining us by phone? Senator Lindstrom is not and nor is Senator Briese. So with that, welcome Senator McCollister.

McCOLLISTER: Thank you. And for your information, Senator Kolterman is still in the Executive Committee meeting.

LINEHAN: OK.

McCOLLISTER: Good. Good afternoon, Madam Chair and members of the committee. I am John, J-o-h-n, McCollister, spelled M-c-C-o-l-l-i-s-t-e-r, and I represent the 20th Legislative District in Omaha. Today I'm introducing LR3-- or LR232. This study was offered to examine the process and procedures used in the assessment and valuation of real property and in appeals before the Tax Equalization and Review Commission commonly called TERC. At today's hearings, subject matter experts representing several county assessors, NACO and TERC, will describe for us how they carry out their specific duties in Nebraska's complex process of assessing and valuing real property. The county assessors and a representative NACO, of NACO, will discuss the opportunity to save taxpayer, taxpayer dollars by eliminating

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redundant mailings from county treasurers and assessors; requiring, requiring county assessors to use a single state-approved mass assessment software system, including the potential cost savings and reduction of disputes between counties; extending the property valuation process, appeal process to more closely match the income tax filing season; the acceptance of county assessors or protests generated by tax preparers; standardizing the protest forms statewide for all counties; alienating local taxing authority-- aligning, excuse me-- local taxing authority levy rate adjustments with total county certified valuation to avoid a windfall of tax revenue; and of course funding increase in spending without taxpayer oversight; consolidation of county assessors, reducing the acceptable range for real property from 92 to 100 percent to 96 to 100 percent of actual value; a standard statewide reporting system. From TERC we will learn realigning the representation of the Tax Equalization Review Commission to better serve constituents; the use of current market analysis reports produced by a licensed realtor as proof of valuation in place of or in addition to appraisals; and finally, the time interval between filing of an appeal and a hearing before a TERC. Thank you very much, Madam Chair. Any questions?

LINEHAN: Thank you, Senator McCollister. Could we get copies of your testimony.

McCOLLISTER: Certainly.

LINEHAN: I would, because that's very helpful. Other questions from the committee? We don't have people here to help us, do we? Oh, we do. Oh, there she is. So she can make copies.

McCOLLISTER: Will I be able to make-- ask questions myself, Madam Chair?

MARY JANE EGR EDSON: It's up to you.

LINEHAN: Yes.

McCOLLISTER: Thank you.

LINEHAN: So the first testimony, Rob-- I'm sorry? I was going to say it right. Ogden. Lancaster County Assessor. Oh, 10 minutes. You have ten minutes, then we'll ask you some questions. Unless we know everything.

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ROB OGDEN: I should make it in 10 minutes.

LINEHAN: And we're going to use the lights, right? So they've got nine, and then when you get to nine you'll have a yellow light.

ROB OGDEN: OK. And I am Rob Ogden, O-g-d-e-n, Lancaster County Assessor/Register of Deeds. I've been in office since January, but I've been in this field for 35 years or so. So it's not all new. I'm going to go down question by question, and if I could just-- I'm going to keep it real short on each one, and then at the end it would, in my opinion, help to hold your questions till I get through them all and then I'll be glad to answer anything. That way I don't get sidetracked. You don't want to get me talking. OK. Number one, I'm really unclear about what this is referring to as far as redundancy. I will say, and I'll be glad to answer questions at the end, but one thing I do see is the ability for us to be able to do things with electronic transfer of information or communications methods that are encouraging electronics, i.e. just an example would be the notice of value that we send. If we could do it, be allowed by statute to do it by either e-mail or U.S. mail address, that would save us costs and time and be pretty efficient. Now there's gonna be a certain group of people my age and older that probably want the U.S. mail, but my kids, who are in their 30s, they don't look at the mail. And so I would say you'd capture a lot of that group, because the intent is we're wanting people to make sure they see what the value is so they can talk to us or be aware of where they're at. So that just would be my comment on that one. Number two, and I'll qualify this in I have been a consultant when I worked for Great Plains Appraisal with different counties around the state as far as valuation, so I am a little out of practice with that. But it's been 15 years. But mass assessments, the needs vary greatly by the different counties around the state. We have 93 counties; we have Douglas, Sarpy and Lancaster, the largest three. The ability of what we need and can use in a software system is vastly different than what is involved for, say, a Howard County, a Merrick County, Franklin County. So I know two examples that I'll keep real short. When the state had acquired some counties as far as managing the assessment process, they did bring in the Tyler technology Orion program to deal with that. That happens to be the system we use. It was a struggle because the system is very open-ended, very flexible, but it causes you to need expertise within each county to handle that. And so it's wonderful for us, but it wasn't wonderful for the other counties. And honestly, it wasn't wonderful for the vendor. So I think that's a concern I have there as far as just having one. The appeal

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calendar matching an income tax, I, I don't know where we're going there. I mean, I've been through where we've changed it from having the TERC statewide equalization after our values and before the Board of Equalization hearings. That was a big change. Now what was added was, at least in the three large counties, the informal hearings that are in January, February, March. So I don't know how it ties to, the income tax filing date. The only thing I'd say is I'm open to anything that makes it more efficient. My concern is you can't just change one date, because you change one date for one thing, they all pick it-- piggyback on each other so we can get everything done. The acceptance the county assessor's protest generated by taxpayer-- tax preparers, I just don't know what that means. So you can fill me in later on that. Standardizing the protest form. Now as an assessor, it's really not part of my job, it goes to the clerk. So I know most counties do use the standardized form that property tax division does make available. It's not mandated though. I wouldn't have a problem with a mandated form. TERC, I'm open to anything that would help with things. I think one issue is that you have a period between when the filings are made at TERC till they get to the assessors, to the Board of Equalization, to the property owner, and then they pile up year after year. I don't know how to solve that one. I know it's an issue to be looked at. We have some cases still back to 2015, just because-- and they've appealed every year. It's not that we're holding back, it's the taxpayer keeps delaying. And so they just fill up and TERC has been willing to grant them extensions. I don't know the answer to that one. Most of the cases we have with TERC we do-- as soon as we find out about them, we'll contact the taxpayer and find out if there's something we can fix before it ever gets to TERC as far as a formal hearing or an informal hearing. I think it would be nice to have everything electronically transferrable back and forth there too. In Lancaster County, all information is accepted and judged on its own merit as far as appraisals, stuff that a property owner might have put together, a realtor's BO-- opinion of value. I would say if they have good information, it will be utilized. I can say when we do our informal process, we'll take anything and we'll look at it and use it if it helps us. Number eight is I have no comment on this other than anything that would clarify that we don't set the taxes that we're dealing straight with with value, but that's just part of the territory so. Consolidation of assessors' offices. In the big counties, I don't see that being feasible. In some small counties, potentially. I think there's some legislative issues that would really have to be jumped there. I think it's potentially a good idea, but talk to the small county people is what I would suggest there. Number

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10, which is reducing the acceptable range. That's the one that I really have a problem with. I think it's-- this gives a false impression as to the accuracy of valuations. Professionally accepted mass appraisal standards recommends a range from 90 percent to 110 percent. And I'm not going to get into all the standards of why this would be. And basically what we're talking about is what the state rates each county on as far as their general level of value. For each assessor we're required by statute to look at what actual value is every year. So that's what we're working at. I don't look at, hey, I want to get to 95, I want to get to 92. I want to get to market value. Statewide reporting system. In general, I think we already have it. The State Property Tax Division is advanced quite a bit on us being able to do most of this electronically. Then they get a lot of information from us, it's standard for each county. So I think we're there on that, but I'll take questions on that. Did I make my 10 minutes?

LINEHAN: Thank you very much. That's helpful. Questions from the committee? Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. In your county, what is the average value of actual value?

ROB OGDEN: For residential?

McCOLLISTER: For each class.

ROB OGDEN: The average value or the average level?

McCOLLISTER: The average level. Help me word the question properly.

ROB OGDEN: OK. For this most recent year of 2019, Derrick? Verifying. Ninety-nine.

McCOLLISTER: Of actual?

ROB OGDEN: Of actual.

McCOLLISTER: Is that unusual among the counties you're aware of to be at that high a level?

ROB OGDEN: I try not to pay attention to other counties, but I think typically maybe we show that we're at the upper end.

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McCOLLISTER: That's the only question I had, Madam Chair.

LINEHAN: Thank you, Senator McCollister. Other questions? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. How many, how many different vendors are there out there now that you know of that counties use?

ROB OGDEN: I think Larry Dix with NACO would be a good answer. I know there's Tyler Technologies, which is the Orion product we use. It was used by, I think, 12 other counties when the state had those. They've all now left to something else. There's TerraScan, that's call something else now, I think, that's in some. The MIPS solution is in quite a few; and Vanguard is the newest one that's come in.

FRIESEN: So there's roughly four of them that you know of.

ROB OGDEN: That I know of.

FRIESEN: How long have you used your system?

ROB OGDEN: We-- 2005 was when we signed the contract for converted and did a "reval" for 2006.

FRIESEN: OK.

ROB OGDEN: And I will say it was at, you've heard the beta level of being ready to go, it was at about the alpha level. But we got a good deal and it allowed us to customize it to our needs, and it's a very good product now.

FRIESEN: So when you look at doing valuations across your area, I mean, how often do you look at-- do you get to every residential home? I mean, I think every six years you're supposed to-- is that, is that my--

ROB OGDEN: The standard is every six years. What I found is sometimes we struggle in different areas because of where we started from. Norm Agena was in our office as the assessor for 28 years, so he had a way of doing things. I came back to work for him in 2002, and the tradition was to look at new valuations every third year just because that's how the market seemed to work. As far as inspections, we had people out on the ground inspecting every property and we would get 90 percent of that one-sixth done every year probably. Now what you have, you have general review, which is really what you go into a whole

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neighborhood and general review the whole neighborhood to get them to be looked at together so they're consistent. And then another neighborhood. And what we ran into, we had one year we could get a lot done. The next year, we had some other things hit us. We had some people leave the office, so we were shorter, so we didn't get as many done. So being able to do one-sixth a year, it would be the ideal way. But it doesn't always work that way. I think it's a good guide, but I also want to say that we're definitely looking at using desktop appraisal using the GIS system and aerial flights with obliques along with them and change finder, which allows us to use aerial flights to show the changes in properties from one year to the next. We have those flown every other year. And we're in, generally we were meshed in with Saunders, Douglas, Sarpy, and some of those counties. We try to do it together to get a better price for the flights. And we're becoming-- and two years ago it was three inch resolution, which is really good countywide. For this coming April, we're looking at one inch for the city of Lincoln and 3 inch. And it allows you to be able to do a lot of things at your desk to identify the ones we should be visiting physically. So because we're gaining parcels every year, yet we're trying to keep our staffing at the same, we've actually dropped it a few. And part of this, I'm waiting till we reduce some of our job classifications, because we're going to need a different type of people to do work when we're utilizing electronic as opposed to other methods.

FRIESEN: Do you have access to building permits? When a person files for a building permit--

ROB OGDEN: Yes.

FRIESEN: --does that come to your office?

ROB OGDEN: Yes, it comes to our office.

FRIESEN: So you know a change, if everybody follows rules, right?

ROB OGDEN: Yes. Now there is a segment in the county that we don't get. We get all the villages separately from-- our city-county Building and Safety will handle the city of Lincoln. And the county outside the three-mile limit, if you're between the city limits and the three-mile limit of Lincoln, those sometimes get mixed.

FRIESEN: Sure.

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ROB OGDEN: But in general, we don't have that problem. But we will, that will be less important as far as new properties because we'll catch those in the area of flights.

FRIESEN: So you said you were at 99 percent of market value is where you were this year?

ROB OGDEN: That was what the state rated our general valuation level.

FRIESEN: So when you go to neighborhoods, what would you say the ratio is there? Are you-- of those homes in there, is that ratio pretty tight or are you--

ROB OGDEN: It depends on the neighborhood.

FRIESEN: --75 to 99--

ROB OGDEN: Let's, let's take-- I'll take a middle-lane neighbor, it's a 30-year-old neighborhood, all California ranches built in mass there. Quite a few sales. Those, we do a pretty good job of being--

FRIESEN: Do you change them every year then? If sales happen and it's going up, do you take that sale and put it across the whole neighborhood?

ROB OGDEN: No. We need to have enough sales to do the analysis to show it, because a change of 1 or 2 percent, we're not that good. In mass appraisal, really that guide of between 90 and 110. So if you're setting a value, it could vary 5 percent either way and you'd still have a legitimate value, even-- and I've been a fee appraiser. Even as a fee appraiser, you take two fee appraisers, they both appraise a property, they're not going to hit the same number because it's imperfect market. You have buyers and sellers, you have some kind of noise, you have all kinds of different things. So we continue to work at getting better at that, but we are moving towards being able to do system learning type of multiple regression, which will allow us to continuously follow this and be able to adjust values every year. Right now we've sort of done it every other year. And we're talking residential and ag. Commercial is sort of a different story.

FRIESEN: I was going to ask you on ag, how often do you change values on ag?

ROB OGDEN: We've been changing values almost every year, because we get enough information and it's pretty consistent. It was going up,

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going up, going up. Now it's going down, going down, and going down a little bit.

FRIESEN: There are a lot more sales of residential compared to than there is ag.

ROB OGDEN: Yes. But in Lancaster, we're blessed and sort of burdened by we're a larger county geographically with a high population, we have a major urban area, but we also have the third-highest, I believe, number of agricultural parcels. So we have both issues. It's a lot of fun.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee?

McCOLLISTER: Thank you.

LINEHAN: Thank you very much for being here.

ROB OGDEN: Thank you. I appreciate looking at ways we can be more efficient.

LINEHAN: So our next testifier is Dan Pittman, who is the Sarpy County Assessor. Welcome.

DAN PITTMAN: Good afternoon, I'm Dan Pittman, P-i-t-t-m-a-n, I'm the Sarpy County Assessor, and I've been there since 1999 as the assessor. And I can take these items one by one the same way that Rob Ogden did, if that's OK with you.

McCOLLISTER: It, if it's irrelevant or-- don't mention it.

DAN PITTMAN: I'll brief right over these. And if it is irrelevant, I'll just defer to, you know, someone who is probably should be handling that, like in TERC matters and things like that. Number one, that opportunity to save taxpayer dollars by eliminating redundant mailings. You know, the, the division of labor is such that the treasurer understands very well what they're involved in as far as tax collection, and the assessor understands that we don't collect taxes, we don't handle the money, we do valuations. So as far as redundant mailings, I can safely say in Sarpy County there's very little redundancy there. Requiring assessors to use a single state-approved mass appraisal system. And as Rob said, there are actually about five

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canvas systems in Sarpy County, and we've had the same canvas system, computer system, mass appraisal system since 1999, my first year in office. And we're in the process of trying to replace that now, because as technology changes, some software systems don't keep up and some do. And the state-of-the-art stuff is what you want in order to do your work. So, but as far as requiring one, it's really not necessary as long as the canvas system can call values and we get those values to the Department of Revenue so they can do their measurement process. So and, and also, too, I couldn't buy a canvas system without the property tax administrator approving it. So it does pass through the state's hands before I can have a system. Extending the property valuation process to closely amass income tax filing. You know, I don't see the need for that. I don't know how they really correlate. Number four was the acceptance by county assessors or protest generated by tax preparers. It's very common now to get someone filing a protest that is not the property owner. They empower somebody else to speak on their behalf. It could be a tax preparer, it could be an attorney, it could be a company that does appeals for taxpayers and they'll do the Board of Equalization hearing and possibly even handle the TERC appeals for taxpayers. So anyone can be empowered to go ahead and represent you if you had an appeal or a BOE hearing. Doo-doo-doo-doo. Let's see. That was four, I believe. And then a standard of-- number five, standardizing the protest form statewide for all counties. They give us the elements that need to be in a protest form and they're incorporated in our protest form. Our county clerk has chosen to have those elements in there but maybe change the format a bit so it works better with-- for our county board. So the state does watch that fairly closely. Six, realigning the representation of the TERC. I spent a lot of time at TERC, you know, and the big counties do. We have a lot of TERC appeals, we have a lot of properties, lot of taxpayers. And it's very evident to me from the years I spent dealing with TERC that they are constantly improving the process. I can tell you it's a very taxpayer-friendly process, in the sense that, you know, they do understand that the taxpayer has to overcome the belief that the county has performed their duties properly according to statute and has to prove their point as far as what their value should be. And the TERC is very, in my opinion, very accommodating in helping a taxpayer understand what their rights are and, and presenting their case. Single commissioner hearings, I believe, have been very helpful to move the process along. It's just a lot of appeals. Number seven, using the current market analysis reports produced by a licensed realtor. You know, we'll look at anything that a taxpayer or someone representing the taxpayer wants

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to show to indicate to us what they believe market value is. So if I get a CMA from a real estate agent, I'm certainly not going ignore it. I'm going to look at it and use it as a, really, a segway to talk about how we do our job. One of the things you see that real estate appraisers or fee appraisers and real estate agents, they don't have any burden for equalization. They dial in on one parcel and say, this is what this parcel is worth. Well, that may be correct, but I have to equalize it with all the similar parcels within a market area. So the assessor has that one burden that is very important. Number eight, I don't really have a comment on that, it's kind of out of my area. Consolidation of county assessors' offices. Yeah, I can only speak from the perspective of a large county, a large county not geographically, but its parcel count and population. It's hard to imagine like a Douglas and Sarpy merging. You know, we are just busy enough, have a lot of stuff on our plate. We do talk and we do try to compare notes as to how we approach certain types of appraisals for special appraisals or certain groups of properties. But we don't work together as far as pooling resources, and I really don't know how we would do that. And also, too, I don't know how you would overcome that county pride of people saying, I don't want to turn over my process to another county, you know? But-- number 10, reducing the acceptable range for real property, that range of value. You know, 92 to 100 is the state standard. And as Rob mentioned, the IAAO, the International Association of Assessing Officers, has a standard of 90 to 110. So Nebraska has already chosen to tighten that up. When I read this, what I thought this was really getting at was that, you know, there's been some disparity between Sarpy County and Douglas County. And we share some taxing entities, some school districts, the natural resources district, certainly the learning community when it was really viable, and there was concern that maybe one county would be contributing more in tax revenue than the other county. And it's really up to each county as to when they run their statistics where they end up. Long as they're between 92 and 100 percent, we've, we've met the statutory responsibility. Tightening that range, even though if you said-- if you told me tomorrow you've got to fall between 92 and 100, I could do it. I don't know that every county could do it, but I have a wealth of sales and appraisal talent where we could get that work done from year to year. But I don't know that every county could. Standardize the statewide reporting system. You know, what we-- the state says we need, here's the numbers we need. We need your sales, we need your assessments. And as long as we can provide that to them in a format that works for them, they can do their statistical analysis and return back to us reports and opinions. And as long as we can do that, I

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believe it is fairly standardized. I know a lot of people, especially in government, when you say standardized, you think of cost savings. Well, it is fairly standardized already. And I think that's all the points, sir, so I'll take any questions if you have any.

LINEHAN: Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. A couple of years ago, Senator Lindstrom brought LB385, which, which, which you alluded to is the legal standing. You indicated in your testimony that real estate agents, attorneys testify, or at least make statements to your, to the assessor. Are there any open issues with regard to legal standing that you know of?

DAN PITTMAN: Not, not that I'm aware of. I know that there are-- if someone comes to represent a taxpayer, to talk about their value and they're not the property owner, we look for some authorization to talk to them about that. You know, of course, you know, what's to stop a neighbor from coming over and asking about his neighbor's value? You know, we can talk about that. But as far as an appeal, I don't know that I have any more information about that.

McCOLLISTER: If someone were to write in to you regarding an appeal process, do they actually appear at the hearing in order to, for the testimony to-- would be recorded?

DAN PITTMAN: OK, that is under the Board of Equalization's purview and working through the county clerk, so I'm not exactly clear as to what they would allow and what they would not allow. I can talk about what we would allow in the assessor's office. And, you know, we just, anybody that wants to talk about a value, you know, we certainly don't turn them away. But it-- at that level, it's not about making, you know, a record that could be appealed. So obviously what they do at the Board of Equalization is important because it goes to another level. And then from TERC it could go on to the courts. So but when you're in that informal type of hearing with a county assessor, we'll just talk to anybody.

McCOLLISTER: Yeah. Before we move on, what's the value of Sarpy County as a reported to TERC? What percent of value?

DAN PITTMAN: OK. That would be the median value. Once again, we're talking about that 92 to 100 for every type of property besides agricultural, which has its own class. And so the median value of

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Sarpy County of residential and commercial is 96 percent. OK? And there is some-- when we do our work, we set all of our values. And we know that at the end of the day when we take all of our 243 market areas that they have to come out between 92 and 100 percent total. Obviously, each market area will have a little variance, but they stay within that range.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: One software for mass assessment, that doesn't lead for any competition for improvement, does it? If every county had-- the state said, we're going to use one software for mass assessment, one of the points here, if we selected one, what, what's the incentive for that software company to improve their software if they have no competition?

DAN PITTMAN: Yeah, I don't know if there would be. Any software company that comes in Nebraska certainly doesn't want one county, they're thinking in terms of taking many counties. Sarpy County is right in the middle that, we have a wonderful software system but it runs on a platform that's obsolete. We have to replace it. And so--

GROENE: But we have a laboratory here where you can talk to other county assessors and find out what the software they're using, which-- and get a consensus, which is the best one for now. You wouldn't have that opportunity if we had one, if the state selected one software.

DAN PITTMAN: I'm not sure how the state would run that. I can tell you that when they did take over-- pardon me. For the short period of time that the state did take over several counties, you know, they made that decision. They probably put on an RFP, like they have to, and they made their decision as to what they put into Dodge County and Saunders County, those counties they controlled at the time. But after they relinquished control those counties, those counties went out made that decision themselves.

GROENE: What's to keep a politics coming into your possession as assessor? That you've got a good friend and you value his house less than, than the neighborhood. Or you have a relative, which I think happened in our county one time, where the assessment on an acreage

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was kept very low. And it was obvious. How-- what's the checks and balances if that doesn't happen?

DAN PITTMAN: Yeah, it's exposing all that information, your sales-- that the information you use to set a value and your final value to the public, and all that stuff is, is at your desktop right now at your home. You can look, if you wanted to look at your whole neighborhood and very curious about any taxpayer by the last name of Pittman on the list in Sarpy County, you could look at those, look at their values, see what market data was used to set their values, see the ratio study tied to those values, and then every other style of home in that market area. Like I live in a split-entry style home in South Hampton. Well, my house should be valued very similar to other split-entry style homes in South Hampton, which is a standalone market area. So that data is, it's never been more available to taxpayers to check those things.

GROENE: So a neighbor could protest my assessment?

DAN PITTMAN: Well, they could come to me and say, hey, I think there's a problem here. And they often do, but it's usually like basement finish and things like that. You've got this value on this property and he's your neighbor, but he has basement finish and you don't have it on your record. It will be things like that, it usually won't be something where they're declaring favoritism. They will just say, you know, you've missed the mark here. You have put some information on the record that should be there.

GROENE: How-- is one of the things the State Revenue Department makes you do is differentiate and report new construction in your county? What's new construction, new homes, new businesses? Do you defer-- differentiate that on your reports?

DAN PITTMAN: No, not really differentiate it. It's, you know, new construction property. Obviously, like on a market area, there will be some homes that might have been there for 10 years, and then there's some new homes. But we still will set a value. We don't use a different process, if that's what you're asking.

GROENE: Well, can I look and find out in your county how much of your valuation increases is from inflation, demand, and how much is due to new construction?

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DAN PITTMAN: OK, the inflation and demand will be in the market value. You'll see that in the sales of similar properties.

GROENE: I'm talking about the total number, the total number of your val-- if you're worth a \$100 billion, your total valuation, can I go in and find out how much-- and it went from \$95 billion to \$100 billion, how much of that \$5 billion was due to inflation increased housing, or how much was due because you built brand new houses?

DAN PITTMAN: OK, new construction will be reflected in what's called a growth number. So we have what's called a growth number, so growth is new stuff, so that new house, that value would reflect in growth and then--

GROENE: Anything new.

DAN PITTMAN: Right, anything new.

GROENE: Remodeling?

DAN PITTMAN: No. No.

GROENE: We-- I can get that number for any county or just yours?

DAN PITTMAN: No, I believe you can get it for any county because it's a growth number, especially in the bigger counties who have a wealth of data available on their processes. So I believe you can get that from at least the big three counties, I can speak in that stead.

GROENE: Assessor might-- must pay pretty well if you live in the Hamptons.

DAN PITTMAN: Yeah, South Hampton, yeah, it's pretty swank.

LINEHAN: Thank you, Senator Groene. Senator Kolterman. Oh, I'm sorry.

MCCOLLISTER: One more.

LINEHAN: OK.

MCCOLLISTER: Thank you, Madam Chair. I guess I wasn't aware that assessors actually go inside a home to know whether or not there's a finished basement. Are interior inspections a part of your routine?

DAN PITTMAN: Yeah, I can tell you how it works in Sarpy County. Typically the only time we'll get in a home is under construction, and

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we'll get in about three times. Once when it's a foundation-- well, we won't get in until it's open. But once when they're framing, and when they frame and wire it we can do a room count. And then when they, just before they close it up, we'll get in one or two times to look up quality issues, and quality being the quality of countertops and do the, the vaulted ceilings and crown moldings and things like that. And then quite often anymore with new construction they'll pull a permit to do the basement at that time. Not always. We rely on people to pull a permit in order to pop up a red flag for us to go look at the basement finish. A lot of people don't. Do I have any authority to go in there and check that? I don't believe I do. I can't just demand to go into someone's home. What I will do, though, is if someone says, I don't have basement finished and I have it on the record, it got on there somehow. I say, I'm sorry, I'm not gonna remove it until I can see that there's nothing there. And sometimes it's legitimate. They just pour out some basement finish that was old and then it's just a bare basement. But I can't demand to go in to see anything. At the appeal process, it does get a little more strict because if they're saying, you know, you've got to see my cracked floor in my basement or you got to see the, the terrible basement finish, you got to get in to see those things in order to call it good value.

McCOLLISTER: Thanks for coming.

LINEHAN: Thank you, Senator McCollister. Senator Kolterman, did you?

KOLTERMAN: Thank you, Senator Linehan. I think you just answered the question but with his. Do you rely on permits to open up a new valuation quite a bit? Or how, how else do you know that remodeling is taking place?

DAN PITTMAN: Sure. We have a-- three different ways we can point out. One is permits. So if people pull permits, we can look at those and determine whether or not we need to look at that, you know, especially when they're doing something to improve the interior or add onto the dwelling. The second would be our six-year inspections that was talked about earlier, that Rob talked about. When we have to get to every market area at least once every six years, so going door to door. So if we catch somebody home, we can talk to them about the interior finish. And they'll sometimes call us back, because we always leave a door hanger to say we were on their property. The other way is multiple listing. When you're in a metropolitan area like we are in Sarpy County, you have a pretty robust multiple listing system. And you can see agents are big about putting information about basement

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finish and photos. Now, we don't rely on those exclusively because that's a flag that says there's something there and it's usually reflected in the sale price too. And then we try to make contact with buyer/seller to confirm that that indeed does exist and then we'll add it to the record. So there's three different ways.

KOLTERMAN: So do you re-- are you required to put a hanger on their door if you can't get in or if you've been there?

DAN PITTMAN: I don't know that we're required to do it. It's just any time you step on somebody's private property, I believe it's best to notify them that you were there and--

KOLTERMAN: Do you know if that's required by all counties?

DAN PITTMAN: I don't know--

KOLTERMAN: I'm just curious.

DAN PITTMAN: --it's a requirement. It's more like a just for a little self-protection there that, you know, people think you're sneaking around. So like we wear vests that almost glow and then put a sticker on the door, and we drive cars that are marked: county assessor. And try to let people know that we're here and this is what we're doing.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Friesen and then Senator Groene.

FRIESEN: Thank you, Chairman. I'm gonna ask probably some of the same questions here as I asked previously. But so when you, when a person--the way I take it, anybody can file a protest on property or question it. I can, the way my assessor explained to me, I could just pick a property in Lincoln and I can come protest its value if I want to. I can fill it out on a paper napkin as long as I have the information that's required correct on there, what I'm asking it is an official protest of property. But now I can't take it to TERC. I can protest the value, I can-- but I can't take it any further. Would that be a correct statement?

DAN PITTMAN: I don't know, I'm not sure. It surprises some people, but once things pass into the Board of Equalization realm, it really is taken out of the assessor's hands. It becomes a county commissioner, county supervisor clerk operation, you know? And they make that

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determination as what, based upon state statute, what they'll accept, what they'll not accept. You mentioned like, you know, writing it out on a napkin. If it has all the elements there, will they accept it because it's not on standard form? They make all those decisions.

FRIESEN: OK. So when you do residential appraisals, you're required supposedly every six years to look at each property and do a reappraisal. And so how, how often do you get to your properties? Do you think you get them all done in six years?

DAN PITTMAN: I can honestly say that within the last two years we have fallen short of the six-year cycle requirement by only a small amount. But there's a, there's a reason for doing it every six years. It's hard to put a value on a property that you can defend if you haven't seen it. So it makes complete sense to have that law. To be a big jurisdiction with a lot of sales, a lot of parcels, and limited staff, it is tough to physically get a person out there at least once every six years. And but, but it makes complete sense that that should be a standard we should try to adhere to.

FRIESEN: So when a when a home in a neighborhood sells you take that value. Does it, if you have multiple sales in there, does that raise the value of that home that year of the rest of the neighborhood, or do you just raise the value of that house? Is that--

DAN PITTMAN: Yeah. OK, when it's not about building permits or anything, when it's just about updating the values in the market area, we do everybody. We can't just single anybody out because a house sold. They came up with the term that called sales chasing, you know, if you've got a, you know, it sold, we'll put it at 96 percent of what it sold for. You can't do that. All that data goes into the defined market area that you have, in my case like South Hampton. It's a standalone market area and there's enough sales in there that I [INAUDIBLE] statistical picture for me to show me what adjustments I need to make to those properties.

FRIESEN: How many sales-- so how often would you, how often would you raise the value of those properties if--

DAN PITTMAN: OK. Sarpy County, every year.

FRIESEN: OK.

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DAN PITTMAN: Yeah, and on residential property, everything but commercial gets a statistical analysis and an adjustment every year if it merits the adjustment, which typically it does because the market is moving. Only reason commercial is a little different is because it takes years ahead to collect the income approach to value data that you need to do apartment buildings or shopping centers. And then you'll do it by occupancy code, at least some jurisdictions will. We do in Sarpy County. So I can't look at service garages and shopping centers every year, but I can run statistics on them to see what kind of shape they're in. We've done apartments three years in a row because the sales are going through the roof and, you know, it's all about the statistics when it comes to-- statistics, statistical analysis when it comes to your sales assessment ratio: are you within 92 to 100 percent? And that's how you keep things in.

FRIESEN: You said you were at, what were you, 94 percent for res--

DAN PITTMAN: Ninety-six.

FRIESEN: Ninety-six. Where are you at with ag land?

DAN PITTMAN: Ag land is, it stands on its own, so it's 75, and I think we came in at 74.9 or something like that, 75 if I remember correctly.

FRIESEN: Commercial properties. You mentioned that you, there's an income-based component to those. So commercial properties, how often do they get looked at?

DAN PITTMAN: It's mainly statistically driven. What we do is we lay out all the occupancy codes of what type of commercial property it is, make a plan to look at them at least once every six years. And then after that, the statistics that we run the previous year will determine what we look at. And I'll go back to apartments. Once we did apartments in one year we thought, they're good, we don't need to do them next year. Then we go and run that, the sales, we go, you know, we have like six apartment complexes sell and there so much higher than what they sold for in our last check. You know, two years worth of sales. And like three years in a row we had to update those values, which is pretty uncommon. But if it's like a service garage or shopping center, typically the values won't change that much for, you know, from anywhere from four to six years where they'll be statistically unacceptable, we'll have to revalue them.

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FRIESEN: When you look at apartment complexes, does the occupancy rate have anything to do with the value?

DAN PITTMAN: Oh sure, yeah.

FRIESEN: So if it's not, they're 60 percent occupancy, you can lower the value?

DAN PITTMAN: You know, you come up with, you try to come up with a market occupancy, just like you do your expenses and income, and go off what's happening in your market. Oftentimes though, when they come up with the actual numbers, you'll see appraisers use the actual numbers for vacancy and income.

FRIESEN: So when you look at commercial properties and the reason I notice this is when-- when you do a TIF project somewhere in a city--

DAN PITTMAN: Uh-huh.

FRIESEN: --it'll-- you start talking about appraised values and what the property sells for and sometimes there's huge discrepancies in values. So to arrive at the value of a commercial property, sometimes there-- if it's a manufacturing facility, it's difficult. There's-- there's not many sales--

DAN PITTMAN: Right.

FRIESEN: --but you mentioned there's an income-producing component of that. Can you describe how you appraise a commercial property?

DAN PITTMAN: Sure. If you or I went out to buy a storage warehouse, chances are that it's about its income stream. You know, we want to buy it because of income it will produce. And we determine that we need a certain percentage return on our money. So what it's worth to me if I need a certain percentage return, that really drives what I would pay for something like a storage warehouse. And you would see that-- what they're worth reflected in what people pay for them. Now obviously you won't get a lot sell. So what you have to do is you have to start collecting the income from storage warehouses. So if we're going to get rid of two bay storage warehouses, we'll send out questionnaires to them and ask them about their rents. You know, some are owner occupied. They don't have rents. But there's enough out there, at least in an area like Sarpy County, that you'll get enough information to show you what the market rent, market expenses are;

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what the vacancy is and then you have to derive your capitalization rate and determine what the market is based upon that.

FRIESEN: So do you think ag land should be-- follow something like that because there's not many sales that there's really no income-based component to it and yet there is a limited amount of ag land available? You can't just go build more ag land. You can build another warehouse.

DAN PITTMAN: I don't know what to do with ag land. I guess a small part of the tax base in Sarpy County, probably the smallest of any county in the state, it's a tough issue. I can tell you that I know a lot of the surrounding states have an income approach to value on ag land. And-- but farmers like that when the commodity prices are down. But when the commodity prices shoot up, it's not so friendly to them.

FRIESEN: In your neighborhoods, how-- how close do you say that the values within the neighborhood are? Are they within a two, three points of each other percentagewise? Do you try to hold them--

DAN PITTMAN: You know--

FRIESEN: How close do you try to hold them?

DAN PITTMAN: Well, it's really it doesn't work that way. It's, you know, in Sarpy County we break them down by architectural style: if they're split entry, two story, ranch and then, you know, their qual-- their conditions and quality grades vary so much. You know, you can have a ranch-style home that was built in the '70s that has had pretty much let go and not been updated. Then you have one that just completely updated it and that-- that percentage of value is very different. And so you have to factor in condition and quality on those. And they might have the same square footage, built the same year but they just--

FRIESEN: But they're still there-- they have a value and they're-- of their correct value. I mean, so what I've heard from some cases is that you have homes in some areas and I'm not saying it's in Lancaster County or Sarpy County or anywhere else. I'm just saying there's cases out there where there's homes that are, because of their sale, were valued quite a bit higher than a similar home in the neighborhood.

DAN PITTMAN: Yeah.

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FRIESEN: And some of that is probably, say, chasing sales like you mentioned. But even though it's probably against the law I don't know. But that's why I was curious if you, when you look at neighborhoods, how close you make sure they are to their actual value. And I know the value changes because you have new homes, you have old homes.

DAN PITTMAN: Yeah. And I think I see what you're asking now. That sale, it's not going to get raised more because it sold; but it may raise at a greater rate because of what we discovered from the sale, something we didn't know-- that they had done a complete interior refinish on this home and we had no idea that happened and now we do. And, yeah, will its increase be greater than maybe-- say ranches in this neighborhood kind of went up like 3 percent roughly. Will it go maybe 6 percent? Yeah, you know, and then you have to explain that to the taxpayer because they'll see that, you know, if they look at the data that we provide. You know, most the the ranches went up 3 percent. Why is mine 6? Well, we had your sale and here's what we discovered. And that starts that conversation so we can verify that data.

FRIESEN: OK. That's all. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee?

McCOLLISTER: Thank you.

DAN PITTMAN: Yeah, thanks for your time.

LINEHAN: Thank you very much for being here. Next is Mike Goodwillie, Douglas County compliance office, County Assessor's Office.

MICHAEL GOODWILLIE: Good afternoon, members of the committee. Mr. Ogden and Mr. Pittman have-- are hard acts to follow. They've done a pretty thorough job. If I might follow up a couple of questions.

LINEHAN: Oh, Yeah, I'm sorry.

MICHAEL GOODWILLIE: What's that? Oh, I'm sorry.

LINEHAN: That's OK.

MICHAEL GOODWILLIE: Michael Goodwillie, G-o-o-d-w-i-l-l-i-e.

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LINEHAN: Thank you.

MICHAEL GOODWILLIE: Ten minutes isn't as much time as it actually sounds when you've gone to law school. If I might, Senator McCollister, generally we don't get inside the buildings to do inspections. In fact, I'm not even sure we want to. You know, all that really has to happen is for somebody to say, gee, I'm missing my mom's priceless brooch and the assessors were here and how-- you know, how do you deal with that? So the only times we really get into buildings is if somebody invites us in. Or in a scenario where maybe there's an ongoing appeal in front of the Tax Equalization Review Commission and they've raised the issue of condition, you know, the condition of their home. You know, they're saying, you know, I got mold in my basement. Well, OK, you know, let's-- you probably have to-- until that people take a look at it, you know. So let me-- let me touch on some of these subjects and I probably can't do a better job than some others so I may let some go by. I'm at a quandary as to the first one, the redundant mailings. Our experience has been actually most of the mailings we send out are things like valuation notices or penalty assessments for personal property where somebody hasn't filed a return. Most of those are statutorily mandated. So I don't know that we'd be able to back away from that even if we wanted to. I certainly did like the suggestion of Mr. Ogden to perhaps relax the requirement of sending out valuation notices at the end of [INAUDIBLE] 77-1315 or thereabouts that talked about sending all those notices U.S.-- first-class U.S. mail. Yeah if there were an avenue to get people's e-mail addresses and people could opt in and get those notices by e-mail, over the course of time as some of us olds go away and the young people that use technology more, you could see some costs go down. I will say our experience has been we tend to get people clamoring for more notice, not less. So, for example, last year we had a county commissioner come to us and say we know the law requires that you put your preliminary valuations that you do in January on your Web site. But we'd like you to send out notices, you know, postcard notices in addition to doing that. We get people that clamor for notices because they filed their personal property return late and I guess we should have held their hand more. So, you know, it sounds nice to say fewer notices means less money and it does. But we also have people clamoring for-- for notices where maybe no requirement even exists. I'm not going to belabor the-- the single state-approved mass appraisal system. But I think there's five of them because we have our-- our own that is only in our county and I'm not sure where the savings would be if you're somebody that has to give up a-- a .

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computer-assisted mass appraisal system that you've used and are familiar with and then try and adopt another system letting-- you know, even leaving aside the-- the difficulty, the learning curve you're going to have where for a brief period of time a year or so it may be a little bit chaotic as you try and transition from one to another. And I have questions about-- I'm kind of with you on this, Senator Groene-- I'm kind of-- I kind of have questions on, well, who would decide? And do the counties-- do the counties have input? Will the same computer-assisted mass appraisal system be a good fit for our county which has 200,000 parcels and then for some of the counties that have fewer than 2,000 parcels? And I don't know if they would. You'd also have the issue of will it-- will the software you adopt talk to any other software you have in our county? In our county, we have a relic called the IMS system that does our billing, and it's basically a mainframe that they stick chewing gum and wire on temporarily to or periodically to keep it going. Our system has to interface with that for the-- the values-- for the values to go into the billing process. That's another question that you'd have to deal with with respect if you-- to doing a one size fits all canvass system. Are there any other kind of systems that that county's using that would either have to be replaced or you'd have to have your new system talk to them? I'm not sure about the income tax filing season-- season issue. What I would say is if you were going to change the-- the protest process you probably would have to change the entire calendar. And there's nothing sacrosanct-- sacrosanct about the existing calendar, but everything builds on every other thing. And if I had a suggestion it would be certainly that the protest window fall after statewide equalization occurs. Because if you are a county that gets a percentage increase or decrease to a class or a subclass, that's a very blunt instrument. And so if you have a house that's assessed pretty close to its market value, that is set-- that-- that percentage increase will push you above what might be your market value. And having the protest process afterward at least gives them a chance to trim it back a little bit by coming in and saying, hey, you know, my new value after the statewide equalization adjustment is X. I think my market value is Y. And so can you please, the County Board of Equalization, reduce my value? We don't-- assessors don't accept protests. I'm not quite sure where this comes from. It's more of a clerk issue. What I will say is that I think somebody else had a question about can you file a protest if you are not the owner of the property or can you file one on somebody else's property? And the answer absolutely is absolutely yes. And the reason I say that is 77-1502, the statute that governs protests, talks about if the person

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signing the protest is not an owner of the property or a person authorized to protest on behalf of the owner, a copy of the protest shall be sent to the owner. And the way that's worded it seems to contemplate protests that could be filed by people who are not owners. Now one of the questions that does come up is how do you treat that tax preparer, that tax representative? And I think that may be what this is getting at. I think the county clerk on behalf of the board has to accept those protests, but I don't think it's an unreasonable thing for that clerk to say, OK, you say you're representing Mr. So-and-so. We'd like some authorization from Mr. So-and-so because we had some experiences in our preliminary meetings process that occurs in January and February where some people who are tax reps came in and they represented to us that they were representing a particular taxpayer. And then when we reach out to that taxpayer to do some due diligence, maybe set up an inspection that taxpayer said, I don't know where the hell that person is. He doesn't represent me. So-- so there may be-- there may be some germ of an instance here where a county clerk was uncomfortable accepting a protest filed by some third party and didn't accept one. But they certainly can and it's authorized in law. Standardizing the protest form-- that's kind of an innocuous issue although the question I would raise is if you're going to standardize it you may want to ask, do we really want to make it mandatory? Because here's what's likely to happen sooner rather than later is somebody will handwrite or typewrite a protest on something other than this new mandatory form and it will have all the items that 77-1502 dealing with protests requires. So now what do you do? Do you say, well, gee, we're sorry you didn't file the right form even though all the information was there that we need? Are you going to elevate form over substance in that way? And if you want to make that mandatory, you can. But just I'm telling you that's going to happen. The consolidating county assessors I-- we have really no opinion on that issue. The acceptable range of real property from 92 to 100, I want to elaborate a little bit on what Mr. Ogden said. And that is our courts have said-- maybe from a different angle-- our courts have said for years and years and years that valuation is not a precise point estimate. That it's not capable of precision. That it's always kind of a range. If we all walked today through your house or my house and then we're all given a piece of paper at the end to write down what we thought it was worth, I bet we'd get 10 different answers. And so measurement suffers from that same sort of flaw. And I would say that if you narrow that range too much-- I mean literally the mass appraisal range is 90 to 110 percent. Ad really it's if you put it in point estimate terms, it's like 10 percent in either direction. So if

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you had a-- if you had a \$200,000 house, you know, somewhere between \$180,000 and \$220,000, that's not all that far off realistically, depending on what the market's doing. What I do think it would do-- and I'm going to put on my former state regulator hat on because I used to work for the state-- I think you would encourage assessors that don't want to get percentage increases, which are royally unpopular, I think it would-- a range that narrow would encourage people to trim sales out of the sales file that probably shouldn't be. There's still arm's length transactions. And it would create a tremendous temptation to chase sales. I don't think you want to put people in that kind of position. I see my red light is on. The standardized statewide reporting system, we do that now. Every time we have to do an abstract-- our big reports are abstracts in March and the certificate of tax is levied in December. We always get a very detailed missive from the Department of Revenue about how we have to report that and we-- and we do it that way. The same goes for when we report our sales file information we're given a very rigid format for that and that's how we report it. So I'm not sure there's a huge need there in terms of a county's interactions with the state. One other thing, somebody asked about-- was it you, Senator Groene, they asked about permits in new construction? When assessors certify their values to political subdivisions in August, there's also-- there's a portion in that certification for each public-- political subdivision that represents growth. And that's where you'd find that number. Do you have any questions?

LINEHAN: Thank you very much. Do we have questions from the committee? Senator McCollister, then Senator Groene, then Senator Friesen.

McCOLLISTER: Thank you, Madam Chair. We've had-- you're the third county assessor to testify today.

MICHAEL GOODWILLIE: Well, you've promoted me, actually, because Battiatto is the assessor/register of deeds.

McCOLLISTER: But you're the deputy?

MICHAEL GOODWILLIE: No. I once was and now, now I am something called a compliance officer. And I'm not quite sure what, what that entails except everything that comes into our office that's really weird sometimes finds its way to my desk.

McCOLLISTER: Well, maybe--

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MICHAEL GOODWILLIE: So a jack-of-all-trades, master of none, I guess, would be the way I would put it.

McCOLLISTER: Maybe you're the right guy to answer the question.

MICHAEL GOODWILLIE: Well, I don't know. I'll do my best.

McCOLLISTER: In both those counties we had a 98 percent of median value. And then in Sarpy County, I think we're at 96 percent.

MICHAEL GOODWILLIE: Right.

McCOLLISTER: Douglas County has been at the lower, lower end of the scale for median value. And that, doesn't that create disparities among counties that I've been hearing about--

MICHAEL GOODWILLIE: Only--

McCOLLISTER: --from school districts?

MICHAEL GOODWILLIE: Well, I would say two things. Only if you want to imbue it with a precision that I'm not sure it really has. That percent number is really just the median ratio in an array of ratios, of assessment, assessment sales ratio. It doesn't mean that every property in that district or that county is assessed at 94 percent or 96 percent or 98 percent. So, yeah, I'm not entirely sure that's true. And the second thing is, if the argument is about state aid, my understanding is that the state aid formula gets adjusted if you're below the midpoint of the range. Which means that school districts, if you're at 94th, the school districts may not get as much money is if you were at 98 or 96. The other issue I would raise, and nobody is really talking about it, but we are in a tremendous growth period in the market for residential real property. I was speaking to Tom Placzek, the assessor in Columbus. He's not testifying today, but he said he's having a heck of a time trying to get within range, because here's what happens with ratios. OK? The assessment sales ratio is the assessed value divided by the selling price. As the selling prices increase, that ratio comes down. And so an indicator of a rapidly increasing market is you might start at 94 and then after a year, guess what, the ratio is now like 88 or 86 or something like that. And so candidly, in counties where the market is going crazy, kind of like ours, it's tough to get up to 96.

McCOLLISTER: When TERC had you change entire parcels--

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MICHAEL GOODWILLIE: They did. They had us change a couple of mark areas, yeah.

McCOLLISTER: Why did that occur?

MICHAEL GOODWILLIE: I'd prefer not to throw some people that no longer work for the office under the bus, candidly. But we, we got caught kind of in the vortex of a couple of things. We changed the process to try and be more comprehensive on our sales review, and discovered that there were some things that we needed to catch up on and didn't have the time to catch up, quite candidly. And secondly, it was kind of at the peak of a market that was moving faster than anybody anticipated.

McCOLLISTER: Is that going to occur in the future?

MICHAEL GOODWILLIE: God, I hope to-- I hope to God not. I think we have some, some safeguards in place that, that are going to mitigate against that. So I don't see that as very likely. I think we're, we're better on top of where the market is going now than we were a few years ago

McCOLLISTER: Back to mailings. I get a mailing from your office late December early January of every year. Are there any other mailings that occur that--

MICHAEL GOODWILLIE: From our office?

McCOLLISTER: From your office.

MICHAEL GOODWILLIE: What does it say?

McCOLLISTER: Say again?

MICHAEL GOODWILLIE: What does it say.

McCOLLISTER: I don't understand your answer.

MICHAEL GOODWILLIE: No, no. What-- I'm curious, what is the mailing that you get from our office?

LINEHAN: Why don't we go at it this way, what mailings do you send out?

MICHAEL GOODWILLIE: I really can't think of any that we do on a regular basis, off the top of my head in December.

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McCOLLISTER: Is that the mailing I get from the Treasurer or is that--

MICHAEL GOODWILLIE: Yeah, the tax bill goes out from the Treasurer in December. Look, I'm willing to-- you know, I'm willing to take credit or blame for whatever we mail. But it's the Treasurer that mails the tax bill, and usually that occurs the second week in December.

McCOLLISTER: OK. Is there any other mailing that the Treasurer does but related to real estate?

MICHAEL GOODWILLIE: Well, I don't really want to speak for the Treasurer, I don't work in that office. What I would say is if you're delinquent in paying your taxes, at some point you'll get a mailing. And I know I get a mailing from John Ewing the Treasurer when my car taxes are due. But I'm not entirely sure what else they might, what, what the remaining universe of things are that they might send out.

McCOLLISTER: OK. Thank you very much.

MICHAEL GOODWILLIE: Sure.

LINEHAN: Thank you, Senator McCollister. So you're saying you don't ever mail out valuations?

MICHAEL GOODWILLIE: Sure we do. We mail out the valuation notices, the change notices at the end of May. But that's not the same as the tax bill.

LINEHAN: OK, I understand that. I'm just trying to figure out what you mail.

MICHAEL GOODWILLIE: Oh, OK. I apologize.

LINEHAN: That's OK. You mail out the valuation in May.

MICHAEL GOODWILLIE: Yes.

LINEHAN: OK. And that's just to tell me my valuation went up or down or stayed the same?

MICHAEL GOODWILLIE: If it's the same, we don't send one out.

LINEHAN: OK.

McCOLLISTER: OK.

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LINEHAN: OK, so only-- I only get mail from the assessor--

MICHAEL GOODWILLIE: If it changes.

LINEHAN: If it changes up and down, or just up?

MICHAEL GOODWILLIE: Up and down.

LINEHAN: Up and down. OK. And I think, Senator Groene, you had a question and Senator Friesen.

GROENE: Thank you, Chairman. But the massive assessment, if it's way off, the software they're using, the state will catch that, won't they, when they do their check.

MICHAEL GOODWILLIE: What you want-- I guess I'm not picturing what you mean.

GROENE: Well, I--

MICHAEL GOODWILLIE: If we send, if we send assessment ratio, assessment sales-- if we send sales data again that shows an assessment sales ratio for a market area or for the county overall that's outside the range, yeah, that's what usually calls for a percentage increase. So, yes, the Department of Revenue--

GROENE: But you're using mass assessment software to come up with those, those valuations, right?

MICHAEL GOODWILLIE: Sure, that's part of it.

GROENE: And if you wanted to blame the software, that it was faulty, it wouldn't take long for the, for the state to catch that.

MICHAEL GOODWILLIE: I suppose that's true. I suppose that's true.

GROENE: Because they would do the comparable sales. They would look at specific things and do comparable sales and stuff.

MICHAEL GOODWILLIE: OK.

GROENE: I don't know how to state.

MICHAEL GOODWILLIE: No, no, I--

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GROENE: The department of the assessment does.

MICHAEL GOODWILLIE: But, yes, we, we, you know, our data gets reviewed by the Department of Revenue and then later during statewide equalization by the Tax Equalization and Review Commission

GROENE: Earlier both the predecessor was said, both you said, well, we're not involved in this. It's the clerk in the, in the-- before it goes to the Board of Equalization.

MICHAEL GOODWILLIE: Exactly.

GROENE: But you are, are you not? My county assessor is that every one of those protests because the county commissioner-- and they defend the value.

MICHAEL GOODWILLIE: Well, sure, but, but the, the, the-- and maybe we're being too narrow in how we're talking about what's in the legislative revolu-- resolution, but it talks about assessors not accepting protests as if it's-- as if people file their protests with our office, which they do not do. So I guess I think everybody read, that read that thought this is sort of the bookkeeping function of when you file a county protest.

GROENE: When the Board of Equalization comes out and has the hearing on that protest--

MICHAEL GOODWILLIE: Sure.

GROENE: --you're the defense attorney who says, no, this, this valuation is fine. And then they--

MICHAEL GOODWILLIE: Well, but that's not-- commissioner-- or commissioner, pardon me. Senator, I'm not sure that's-- I'm not sure that's the same as-- the phraseology was accepting the protest. Meaning, if for example, you file a protest--

GROENE: What I heard is you're not involved in this at all.

MICHAEL GOODWILLIE: Oh no, no, no, no, I don't think anybody--

GROENE: But you're continually involved in the protest.

MICHAEL GOODWILLIE: I don't think anybody meant to convey that impression. Although, what I will say, in various counties the degree

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to which the assessor's office is involved varies. So, for example, in Lancaster County, I think they hire out an appraisal firm to review all those protests and the assessor has fairly limited or even no involvement. In our office, what we'll do is we will get notice that a protest [INAUDIBLE] filed on a parcel and we will prepare the property record file that we provide to the referees so they can review the data and information that we had and the basis on which we determined the value. And we provide that to the referee for review. But we're not a part of even if that taxpayer wants to meet with a referee as part of the protest process and that option is available in our county, we don't sit there at the same time as that taxpayer is having the meeting with the referee. Now, in smaller counties where the whole board hears the protest, I suppose that's an easier thing for the assessor to do.

GROENE: Isn't there a step before the prop-- before the protest? If I come in and absolutely prove to you that my building don't even exist anymore or that some damage has been done then you can lower the valuation before those protests?

MICHAEL GOODWILLIE: There's a, there's a couple of things, there's a couple of things that can happen. If you go to your assessor prior to, I think it's the 19th of March in the smaller counties and the 25th of March in the larger ones. At that-- prior to those dates, the assessor can change values unilaterally. But after those dates, it has-- any change in value has to be approved by the Board of Equalization. Now, there is a mechanism where the assessor can put something together called a list of undervalued or overvalued property for board approval that would obviate the need for a protest. And so what we do is usually after the preliminary meetings taxpayers who maybe would have been well-advised to have a preliminary meeting, for whatever reason they didn't get the word, right? And they call us a couple of weeks after the time has expired for that and now it's too late for us to unilaterally change their value, but they'll provide us some information like in your scenario. You know, we had a, we had an out building that's been knocked out, or a garage or something that's been knocked down or, or something has happened. We had a fire, so the condition of our property is less than what you had it at. And we can put together a list of what we call overvalued or undervalued properties where we recommend a change in value. We put it on the board's agenda and they deal with that that first week in June. So we get that out of the way and then you wouldn't have to file a protest. Or, if you didn't think your value had reduced enough on that basis,

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you still would have until the 30th of June to actually file a protest with the county board.

GROENE: So a lot of those "misvaluations" can be corrected before we even--

MICHAEL GOODWILLIE: If we get word, if we get word of it, we try and avail, avail ourselves of whatever mechanism exists that can do that, because we don't see any need to put somebody through a protest if we can find a way to fix it.

GROENE: Question on present law. Is there a statute in law that you can't go on anybody's property though, even if they have no trespassing?

MICHAEL GOODWILLIE: It's, it's, it's a very-- I know county engineers have that kind of statute, but we don't. We have a statutory duty to inspect properties at least once every six years, but there is nothing that delineates what is acceptable and what is not, at least in terms of statute. The closest anybody ever got to that was, I think somebody inquired of the Attorney General's Office a number of years ago, and I want to say it was in the '70s or maybe '80s. I have it back in my office. I, I, and they asked could an assessor that goes onto a property uninvited be prosecuted for trespass. And it was the Attorney General's Opinion that that's really bad practice if somebody doesn't want you on their property, but you can't be prosecuted criminally for it because you do have a duty to inspect. Now, not being prosecuted isn't the same as being given permission. And so whenever we can, we do try and get the permission of people to go on their property.

GROENE: In my instance, I'm sitting at my desk in my sunroom, my office, and all of a sudden I hear this noise on my deck. And I look out and there's somebody pushing a wheel on my deck and they never even banged on my door. Would that happen with your assessors?

MICHAEL GOODWILLIE: It, it, it could. We, I mean, we, we try and get the measurements and we try and be as unobtrusive as we possibly can. But it's hard to inspect without going onto the property.

GROENE: How about knocking on the door?

MICHAEL GOODWILLIE: We do most of that, we do most of that during the week, and most of the time people are out.

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GROENE: Well, I wasn't.

MICHAEL GOODWILLIE: Well, I--

LINEHAN: OK.

MICHAEL GOODWILLIE: I can't, I can't, I can't speak to what your county assessor's practice is.

LINEHAN: Senator Friesen, did you have one?

FRIESEN: Thank you, Chairman. So earlier this last session there was an official from city of Omaha, and in their testimony on an unrelated bill made the comment that residential properties in Omaha were 30 percent undervalued. And how can that, how could that be, because it's against the law? You have to be closer.

MICHAEL GOODWILLIE: Well, I guess I would sort of--

FRIESEN: Where would that statement come from?

MICHAEL GOODWILLIE: I have no idea. And without any more context, I'm not sure I know how to address it.

FRIESEN: OK. So the, you know, and I made it--

MICHAEL GOODWILLIE: I will say that none of those people, none of those people ever show up at our county board meeting after we've done a reappraisal, by the way.

FRIESEN: Well, I'm-- I have never argued that my land was--

MICHAEL GOODWILLIE: And we have had--

FRIESEN: --too low.

MICHAEL GOODWILLIE: And, yeah. Well, anyway, without more context, that's a hard--

FRIESEN: But is it-- would it be possible that there are neighborhoods that are 30 percent undervalued? And the other thing when I was, I guess a part of that question too is when I was visiting with Ruth Sorensen about the issue of evaluations and residential properties, there is a possibility of homes that haven't been looked at for 10 to 14 years because of maybe changing assessors or whatever else their

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pattern gets broken and maybe there's homes that have not been looked at for--

MICHAEL GOODWILLIE: Boy, I, I, I find that hard to imagine. It is-- now, I will say it is a struggle for us with our existing staffing level to meet that six-year window. It is a struggle. I'm not as involved in the money piece as I was in the office at one time, but for a long time our assessment piece was funded at a similar level to that of Lancaster County, and we have twice as many parcels or nearly so. So it's a struggle for us.

FRIESEN: Say you have an assessor, though, and you start the process. You work around the neighborhoods and you try to do it--

MICHAEL GOODWILLIE: Sure.

FRIESEN: One-sixth, you know. And in the meantime, you get a new assessor and they change the pattern. Is there a potential of a home or a neighborhood not being looked out for--

MICHAEL GOODWILLIE: I, under your fact pattern, I suppose it's possible. But certainly internally your, your appraisal staff tries to keep track of what have we looked at this year and what have we looked at last year, what have we looked at the year before.

FRIESEN: You're, you're being told to do it every six years, but you aren't necessarily doing it. You don't know that you are or not?

MICHAEL GOODWILLIE: We sure try and keep track. I'm, I'm, I've been in this business a long time and so I'm never going to say never about anything. But, gosh, I think that's a scenario that would-- I'm having trouble picturing this scenario.

FRIESEN: Well, that's, that was part of the reasons when this official said that I questioned it, because I didn't think it should be possible either. And then in visiting with Ruth Sorensen, there-- the possibility is there. And so I am, that's why I was curious as to how good of records everyone kept. And if there is a-- is there a penalty for not doing it every six years or is it just something you strive to do?

MICHAEL GOODWILLIE: I suppose if you, if you had a significant pattern of not doing your job as the assessor, the state of Nebraska, the Department of Revenue has a mechanism where they can lift somebody's assessment certificate or even take away the assessment function for a

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time and do that work. And I think there was a county, I think it was Morrill County some years back, had a situation where the assessor was actually keeping two sets of books, one that she showed to the state and one that she had internally for how she valued property. And I think all of that kind of spooled out in that scenario. But it would take some pretty serious either intentional wrongdoing or, or dereliction of duty for you to get to that point.

FRIESEN: How do you-- what's your role in nonprofit tax-exempt properties?

MICHAEL GOODWILLIE: Oh, I have a piece of that.

FRIESEN: So in your forms when they file for an exemption--

MICHAEL GOODWILLIE: Sure.

FRIESEN: --are they required to list their value?

MICHAEL GOODWILLIE: There is a section on the state form where, yes, people are asked about their value. As a practical matter, sometimes you get that, you get pretty good compliance, especially with properties that have recently been purchased. But sometimes you do not. And what I will tell you is, given the breadth of organizations in our county at least that apply for exemption, you have everything from the Catholic Archdiocese, which owns literally hundreds of properties, to little kind of mom and pop churches in both north and south Omaha where if they have 15 congregants, that's a lot on a Sunday. And the degree to which people manage to navigate the forms varies significantly. But, yes, there's a portion on that form where people can list the value of their property.

FRIESEN: So do you track the value of tax-exempt properties?

MICHAEL GOODWILLIE: We've started to because we think at some point it's going to be required. But as a-- and it's kind of handy to have if that property goes from exempt to nonexempt. So, yes, we, we, we are starting to track it. But it's sort of hard to value a church as a church, you know?

FRIESEN: So it could, would you say, if you would ask them for what they insure their property for, would that be a fair value?

MICHAEL GOODWILLIE: That would be a good place to start.

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FRIESEN: So you, you do, you do require them to fill out that form and answer that question?

MICHAEL GOODWILLIE: Well, I can't think of any instance where we've denied somebody an exemption because that wasn't filled out. But, yes, we ask them to fill those things out.

FRIESEN: Because I have tried to track that and in the, in some other reports the Department of Revenue is supposed to issue it says to give us a running total of the tax-exempt properties, and they've never been able to acquire that for me. So I'm just curious.

MICHAEL GOODWILLIE: No. Well, from a, from a practical standpoint, Senator, of all the things that are priority items in an assessment office, valuing properties that you know are going to be exempt are candidly quite low. I mean, so for example, one of the biggest churches not far from where I live is St. Margaret Mary's Catholic Church. St. Margaret Mary's has been used as a church for years and years and years and years. And I wouldn't anticipate it being used for anything other than a church, you know, for years and years and years and years. And so to some degree, spending a lot of time valuing a property that has been exempt it is going to continue to be exempt for a long, long time is, is a low-priority item when you're having trouble meeting other things.

FRIESEN: I wouldn't expect you to go out and buy properties but I would expect the form to be filled out or maybe they wouldn't get their exempt status, which would be a simple thing for them to write.

MICHAEL GOODWILLIE: Not at not at our county board. Here's what I know for certain, if, if, if we recommended denial of somebody, somebody's exemption because they didn't fill out that portion of the form and they protested, which they have every right to do, I know exactly how our board would deal with that. And that's not an excuse, it's just the, it's just the reality of the political situation.

FRIESEN: It would just be nice from our standpoint to see how much value we are exempting, because every building out there requires some services.

MICHAEL GOODWILLIE: No, that's a, that's a, that's a fair, that's a fair question. And I know you had that discussion about a value for

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exempt properties with a number of pieces of legislation that I don't think advanced very far, but it's a good discussion to have.

FRIESEN: OK, thank you.

MICHAEL GOODWILLIE: Sure.

LINEHAN: Other questions from the committee?

McCOLLISTER: Thank you.

LINEHAN: Well, I have one.

MICHAEL GOODWILLIE: Oh, sure.

LINEHAN: Thank you. OK, I get churches, hospitals, but what about all the other non-profits.

MICHAEL GOODWILLIE: Well, what about all the others nonprofits?

LINEHAN: I mean, is there-- is it just your nonprofit, therefore you're exempt?

MICHAEL GOODWILLIE: No.

LINEHAN: OK, that's what I thought.

MICHAEL GOODWILLIE: There is a five part test.

LINEHAN: OK.

MICHAEL GOODWILLIE: First, the property has got to be owned by an organization that's organized and operated exclusively for charitable, religious, educational, or cemetery purposes. Second, the property has got to be used predominantly for one or more of those purposes. Third, the property cannot be used for gain or profit by the owner or the user, and the gloss that's been put on that test has been basically a distribution of profits to shareholders or private individuals. The fourth part of the test is the property cannot be used for the sale of alcoholic liquors more than 20 hours a week. And then the fifth part of the test is the organization owning the property cannot discriminate in its operation through thing-- for things like race or ethnicity. Generally, the last two tests, the alcohol test and the discrimination test, are not a problem for most organizations. They tend to be a little bit like free spots in a game of bingo. The real

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discussion that you tend to have is about what the predominant use of the property is.

LINEHAN: Red Cross. I'm just, I'm dying--

MICHAEL GOODWILLIE: Well, they're an instrumentality of the federal government. That's a whole different kettle of fish.

LINEHAN: OK. I'm not thinking of any-- we have many, many nonprofits in Omaha. We have tons of them. Is it basically just churches and hospitals or is there another large group of nonprofits that they--

MICHAEL GOODWILLIE: I don't know. We've got a variety of things. For example, I know we have group homes for developmentally disabled kids. You know, we have-- you know, I would have prepared a list if I'd known you were going to go in that direction.

LINEHAN: Well, it would be-- I would appreciate it, and I'm sure it's in regulations, but I would appreciate knowing what we're actually talking. I mean, the big ones I get.

MICHAEL GOODWILLIE: Sure.

LINEHAN: But is there another group that we're not understanding nonprofits?

MICHAEL GOODWILLIE: We have such a, we have such a variety in Douglas County.

LINEHAN: I read--

MICHAEL GOODWILLIE: You know, if you want to include all of what we call the permissibly exempt, you have everything from group homes for kids to assisted living or nursing homes. We even have a Buddhist monastery with honest to God Buddhist monks. And so, and so we have quite a variety in Douglas County.

LINEHAN: Assisted living would be nonprofit assisted living?

MICHAEL GOODWILLIE: Yes, nonprofit assisted living. Yes.

LINEHAN: OK. All right, thank you.

GROENE: Quick question.

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LINEHAN: Quick. Yes.

GROENE: Where is Douglas County now with the-- are they at 92, 94, 96?

MICHAEL GOODWILLIE: Ninety-four residential, I think 96 commercial, and I think agriculture is like at 71, kind of in the middle of range. But we don't have anything in Douglas County that isn't in special valuation for ag, and so we tend to borrow, we tend to borrow our values from counties that are less influenced by things like development.

GROENE: You said that residential is what, at 90?

MICHAEL GOODWILLIE: Commercial is 96, res-- excuse me, residential, 94.

GROENE: And on commercial, back to what Senator Friesen has been talking about, commercial, that's only on the building, right? By income? The land under it is based on what real estate is going for net.

MICHAEL GOODWILLIE: Well, as part of the income-- yeah, as part of the income approach they do a land value.

GROENE: They do?

MICHAEL GOODWILLIE: That gets wedded to the income approach for the building.

GROENE: So if, if ground is selling in downtown Omaha by the square inch that doesn't, the land underneath a [INAUDIBLE] building, warehouse, or something isn't valued at that? It has a different value?

MICHAEL GOODWILLIE: No, no, no, no, I'm sorry.

GROENE: The land is different than the building, right?

MICHAEL GOODWILLIE: Yeah. Yeah, we do an income approach for the building, but we have a land value that, I mean, the two get married for the total value.

GROENE: Yes. Well, you get two values on your statement.

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MICHAEL GOODWILLIE: Yeah. But, I mean, it's-- you're going to be taxed on the total.

GROENE: All right, thank you.

MICHAEL GOODWILLIE: Senator Friesen you had something about TIF.

FRIESEN: Well, I just, one of the questions when I watch TIF projects, and so you'll see a project that's going to get redeveloped.

MICHAEL GOODWILLIE: OK.

FRIESEN: And the specific one I remember is 48th and O in Lincoln here. The city ended up purchasing it, paid way more than assessed value, which I found kind of strange because the assessed value is supposed to be at that 100 percent or close, and so and then it got redeveloped. The discrepancy between the TIF value on the sales price, that, that surprises me when I see that sometimes, and I'm just curious as to how the difference can be so large.

MICHAEL GOODWILLIE: Well, without understanding what that transaction was about I probably can't help you.

FRIESEN: Yeah, I just--

MICHAEL GOODWILLIE: A handy guide would be though, with respect to any TIF project when it's up and going, base plus access equals total value. I mean, it's just a tax splitting device. So the total of those two things ought to represent some approximation of actual value.

FRIESEN: So let me ask the question a little differently too, though, on a different aspect of it. If, if the city buys the property--

MICHAEL GOODWILLIE: Sure.

FRIESEN: --and then cleans it up and sells it, is the base value of TIF zero?

MICHAEL GOODWILLIE: No.

FRIESEN: What would it be valued at?

MICHAEL GOODWILLIE: You don't get to have, you don't get to have zero-base TIFs anymore. You probably never could, but along about 2006 or so the Legislature passed a statute regarding TIF saying if, if the TIF property had previously been exempt because it was governmentally

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owned or was permissibly exempt, what the assessor has to do is go determine what they think a mark-- an appropriate market value would have been for that property were it taxable for that year. And that becomes the base value.

FRIESEN: So a tax-exempt church or something, if they discontinue being a church and sell the property--

MICHAEL GOODWILLIE: And it turns into a TIF, we'd have to go back and come up with some kind of a base year value. Yeah.

FRIESEN: OK.

LINEHAN: OK.

GROENE: Are you sure? I mean, because I can go into the report from the Revenue Department, and in Douglas County I can find zero base on a lot of--

MICHAEL GOODWILLIE: They're all going away.

GROENE: So when Creighton--

MICHAEL GOODWILLIE: We did it, we did it wrong, quite frankly, for a very long time. I think that all started to go away at about '06 or '07. Now part of the reason we did it wrong is the assessor's office, so this was before I got there, but the assessor's office had an opinion from the county attorney's office saying that zero-base TIFs were A-OK, which I didn't quite understand later when I got to read it. But nonetheless, as those TIFs get paid off, those are going away.

GROENE: Like when the Creighton closed their hospital, selling the property for, to the free market, that will not have a zero base.

MICHAEL GOODWILLIE: No.

GROENE: That's good news. Thank you. I'm not sure the constitution would agree with you, though--

LINEHAN: Thank you, Senator. Thank you.

GROENE: Because it's supposed to be the previous base.

LINEHAN: Thank you.

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GROENE: Previous valuation.

LINEHAN: Senator-- thank you, Senator Groene. I have one more question for you. I think when you-- what did you say about ag in Douglas County-- it all has a special value?

MICHAEL GOODWILLIE: Sure. Well, I-- I can't say that's true. We have some agricultural parcels. We have some parcels that are actually being used for agricultural purposes but are within a city limit. And in that scenario, they can't qualify for special valuation. So what they end up getting is a value that represents for the land, that represents 75 percent of full market value.

LINEHAN: OK. You're not talking about greenbelt.

MICHAEL GOODWILLIE: Yes.

LINEHAN: You are talking about--

MICHAEL GOODWILLIE: Special value is the correct name for greenbelt. Everybody calls it greenbelt. I once had a boss that used to get quite exercised at me if I called it greenbelt.

LINEHAN: OK. So special value but there is ag land in Douglas County that's not special valued. It's not inside any city limits, is there not?

MICHAEL GOODWILLIE: If it's not--

LINEHAN: Remember, I have everything west of 180th Street.

MICHAEL GOODWILLIE: No. If it's-- if it's not in the city limits, it's eligible for special valuation. And if they've applied and they're using it predominantly for ag, they're getting an ag, a special value.

LINEHAN: Well, we have farmers in Douglas County that aren't-- I mean they actually farm the farms.

MICHAEL GOODWILLIE: Yeah, that's right.

LINEHAN: OK. So they're not-- they wouldn't and they're not in city limits.

MICHAEL GOODWILLIE: That's right. So--

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LINEHAN: So they're-- they're valued at 75 percent of what ag land would cost, right?

MICHAEL GOODWILLIE: Yes. And since we don't believe that there is any ag land that sells in Douglas County that doesn't have at least some agricultural or some nonagricultural influence to it, what we end up doing is borrowing sales of ag land from more rural counties to get a feel for what's dryland selling for, what's grassland selling for, what's irrigated farmland selling for. And then we are value or we're importing those values and that piece that's getting farmed, their value-- let's say they're dryland farming-- they're getting a value that represents 75 percent of those values from those other counties or those sales from those other counties.

LINEHAN: How far do you go for the other counties? Just Dodge and Washington and Sarpy?

MICHAEL GOODWILLIE: Oh, no. There's-- there's about half a dozen of them and-- and--

LINEHAN: But they're in the general location of eastern Nebraska.

MICHAEL GOODWILLIE: They're in the eastern part of the state, yeah.

LINEHAN: OK. All right. Thank you.

MICHAEL GOODWILLIE: Sure.

LINEHAN: OK. One more.

FRIESEN: So you made the comment that if it's in the city limits--

MICHAEL GOODWILLIE: Yes.

FRIESEN: --you can't do that.

MICHAEL GOODWILLIE: You're not eligible for special valuation.

FRIESEN: So then it's at whatever commercial value or whatever the value--

MICHAEL GOODWILLIE: No. Because if they're still farming, they're-- they're still using the property for ag land.

FRIESEN: OK.

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MICHAEL GOODWILLIE: So they would be 75 percent of full market. So if land is-- is selling in that part of Douglas County within the city limits of that city or SID or whatever it is and land is selling for \$50,000 an acre, OK, their-- their-- their farm value would be 75 percent of that as opposed to if they were not in the incorporated limits they'd be getting a value that represents significantly less.

FRIESEN: Do you, you know, last-- I think last year we addressed some of the problems with the greenbelt or the special value in trying to make sure that they were actually farms. But do you think there's still some people taking advantage of the greenbelt status?

MICHAEL GOODWILLIE: There's a-- there's a history here. At one point, there were bright line tests. You had to have at least so many acres and you had to sell at least so many dollars worth of stuff. And that all went away because it was kind of arbitrary. You know, I mean, if your-- if your limit was ten acres and you had a nine-acre piece but you've planted every damn inch of it in strawberries, well, clearly you were doing something agricultural but you wouldn't qualify. So the Legislature then said, well, now we're going to go to this test: the predominant use or primary use of the parcel, you know, must be for agriculture. Well, that's kind of in the eye of the beholder first of all. And second of all, now the definition talks about the commercial, you know, commercial production. But there's not a bright line dollar amount, and I'm not sure there could be. Here's what I mean. I don't know much about wine. I don't know if any of you are wine connoisseurs, but it is my understanding that when you plant a vineyard you go years and years and years and years before you have a crop of grapes that can make anything that's even remotely potable. So in those years before you can actually make decent wine, you might be doing ag stuff predominantly on that partial for years and years and years and not really making any money. Now are you doing something commercial? Are you doing commercial production? Well, yeah, you kind of are but you're just not making any money. So given kind of the fuzziness around the edges of that whole sort of predominant use in commercial production, you know, sure you're going to have some parcels that are small. They have the-- they let the neighboring farmer take hay a few times a year but that seems to be the predominant use of the land exclusive of those buildings for those parcels. So it's-- it's a really difficult thing to decide who gets special valuation because they're a true farmer or not. You know, I

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mean that-- it becomes more complicated than it sounds from the outside if that's any help to you.

LINEHAN: OK. And I'm telling people they can't-- I'm going to ask one more. When does it-- when-- 'cause I live at 222nd and F Street--

MICHAEL GOODWILLIE: Sure.

LINEHAN: --and there's [INAUDIBLE] jumping up, cornfields are turning into houses.

MICHAEL GOODWILLIE: Yep.

LINEHAN: When does-- when the developer-- when does it stop being ag and go to development?

MICHAEL GOODWILLIE: OK. At-- at one-- well, when the predominant use changes. At one time-- now from a mechanical standpoint, at one time, let's say come the middle of June, here come the bulldozers, right?

LINEHAN: Right.

MICHAEL GOODWILLIE: There goes the corn, here come the bulldozers. At one time, there was something called recapture where you would then change the value from special value to market value and you would re-- they would-- would recapture the difference in the taxes on the two different values for the current plus the previous three years. We used to have to keep two sets of books-- a market value book and kind of a special value book. That changed some years ago. The recapture piece went away. So now what happens when the use changes, the assessor has to send out a notice of disqualification and they get to keep the special valuation for the remainder of the current year. But then beginning in the next year, you value them as something else.

LINEHAN: So they start in March. It's still ag land until January of the following year.

MICHAEL GOODWILLIE: Yes, ma'am.

LINEHAN: OK. All right. Thank you.

MICHAEL GOODWILLIE: Sure.

LINEHAN: Other questions?

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 : [INAUDIBLE] all done.

MICHAEL GOODWILLIE: Thank you for your time.

LINEHAN: Thank you very much. Mr. Dix.

LARRY DIX: Good afternoon, Senator Linehan, members of the committee. My name is Larry Dix, spelled L-a-r-r-y D-i-x. I'm executive director of Nebraska Association of County Officials and appearing today to talk a little bit about how LR232. And, Senator McCollister, thanks for bringing this forward. As all of us I think can tell when we start talking about property taxes and the assessors and the valuation process, some of us would say it's fascinating. Others would say, no. Senator Groene is yawning over here. So-- but it's been a great hearing. There's been a tremendous amount of information disseminated. I hope that the committee appreciates the vast, vast amount of knowledge that these assessors have and what they go through. And one of the things that I've seen in over my years in the assessment area a number of our assessors have been in office. When I say "been in office," they probably worked in that office and worked their way up over a number of years. And I think we see that across the state and there's a reason for that. It's a very complex, as you can tell, there's a lot of moving parts. There's a tremendous number of dates. There's-- there's all kinds of things that we have to deal with. So as far as this resolution goes, I believe a majority of the questions have been answered. So I'm-- I'm certainly not going to go through these bit by bit. I'm going to make a couple of comments based on some questions and then try to clarify a couple of things that-- that weren't addressed. So we'll sort of look at the bottom, the consolidation of the county assessors. That one comes up a lot. That comes up a lot in consolidation of counties. And so really to answer that one you have to go to the Constitution. In Article IX, there's a section in there that talks about this and it says: The Legislature shall provide by law for the election of such county and township officers as may be necessary and for consolidation of county offices of two or more counties; Provided, that each of the counties affected may disapprove such consolidation by a majority vote of such counties. So if we were to go and consolidate two county offices, there has to be a vote of the people in each of those counties. So, you know, simply by saying, hey, it's a good idea to put Howard and Hall County together, there has to be a vote of Howard and Hall County before something like that can happen constitutionally. So I think that-- that pretty much addresses or talks to item number-- number nine on

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there. Item number two, just a couple of comments. Senator Groene and Senator Friesen both went down the direction. I think Senator Friesen asked how many-- there are five or six different vendors. There is a vendor that has about 50 counties on a system; a couple of other vendors that probably have 15 to 20 in the other counties; then Douglas, Sarpy, Lancaster all have a separate system. And I think the competition part of it, Senator Groene, I think you nailed it. That's good. It's good to have that because when you have competition it-- vendors have to stay current and they have to look at new technology and they have to update their software. And so, you know, some of you realize-- I've, you know, I've been around the assessment side of county government since 1977. And all the years that I've ever been doing this, there have been multiple vendors in this area. And I think it's always been good because vendors, there's a competitive nature and they keep their software current. And so I think that's good. I think that's positive. Senator Kolterman, I think you had asked a little bit about the, the door hanger, if it's required. Certainly I don't think it's required. I think from NACO's perspective we think it's a good practice that they do that. Do all counties do that? I don't-- I can't sit here and say that they all-- all do. I think they all, you know, county by county have their own practices. And when you get to the rural areas, the most rural areas, people tend to know people just much more and they tend to know when people are home, when they're not. And they see them at the coffee shop and things like that. So it enters a little bit of a different realm in those-- in those small, small rural areas. So-- so that sort of addresses really the things I wanted to touch on, on item number two. I think one of the things though with two, Mr. Goodwillie touched on it, the interfaces. If you change just one piece of that system, you got to realize that the-- that camera system has to interface with an administrative system for the assessor. It has to interface with the treasurer system to send out tax notices. There's GIS systems that it has to interface with. There are now companies that do aerial photography. It has to interface. So there's a lot of external interfaces that if you were to go to one vendor I think you're looking at significant costs for these counties. One of the things that I love about this-- this hearing is I think we do need the Legislature to start looking at new technologies and making sure that assessors have the capability to bring in and accept some of the new technologies that are coming forth. E-mail is one of them. We've talked about aerial pictures. Now we're getting to the point where we all have Street View. We have-- many of you have seen Google Maps and Street View. That's a newer technology that may be something. And so we would

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ask the Legislature to look at and to make sure that we have the provisions that if that new technology comes along we can use it. I think that's a very, very positive step of this. As far as notices to the state, we would like to push that as much as we can so that we can continue to send, submit electronic reports, electronic data. Not only does that save counties money, that saves money on the state-- state side of that. So I think those are all very, very positive things that-- that we're looking at. And we'd ask the Legislature to explore that a little further. Lastly, Senator Linehan, I think Senator Friesen talked a little bit about exemptions. And that's an area I think the Legislature should look at, maybe further define that so it's really clean and clear as to what is exempt, what isn't. I know a number of years ago before any of you were in the Legislature a senator had brought up and asked the question about how much exempt property is there in the state. And at that point in time, and now I'm talking 15 years ago when I was sitting here, at that point in time you would look at most assessor's office and that-- a lot of the exempt property didn't even have a property appraisal card. It just had the, you know, parcel number, zero value, that was it. And so even at that point in time we'd started talking to assessors saying, you know, when you're out there if you're in the area, you may take a tape and run a tape around the church and at least have some measurements. We even offered to say, you know, be a great summer job maybe for some students that are interested in this to go out and measure some of these exempt properties and give them almost as a public service. So I think we're getting a little bit a little bit closer. But do we have the value on those? No, we do not. Do other states? Senator Friesen, you said, well, you know, I really would like to have it or I would-- I can't figure out why they don't fill out the form. You know, I think that's on the Legislature. If you say, you know, nobody can receive an exemption unless that box is filled or that value is provided, that would-- that would force the issue. So just a couple of ideas there. So I don't-- I know we've been going a long time and you've had a lot of great questions. Our assessors did a tremendous job answering those. So I'd be happy to open it up to any questions that anybody may have.

LINEHAN: Senator McCollister.

MCCOLLISTER: Thank you, Madam Chair. Yeah, thanks for coming, Larry.

LARRY DIX: Sure.

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McCOLLISTER: LB168 introduced in 2007 would have allowed the TERC to remand cases back to the County Board of Equalization in instances when that Turk felt the issue of valuation was not properly addressed. The bill actually went to the floor from the Revenue Committee. In your view, would the remedies set forth in LB168 constitute good policy and should the Legislature take up that issue again?

LARRY DIX: Well, you know, when-- if TERC allows that to go back to the county board, I think you would want to understand why or what action the county board took before it went to TERC. OK? And without knowing some of the specifics as to why and when they would remand that back to the county board, I don't know. I do know TERC has a role to play, and I think that role that TERC has to play is once that person has gone through the process to protest, go to the county board, make that discovery, the county board has then taken action and the taxpayer doesn't necessarily agree with the actions, it goes to TERC. And I think that's the role then of TERC. So do I think it should be-- come back to the county board? It's sort of like, well, am I going to get a different opinion than today than I did before? Is it the second bite at the apple? I think it would, would sort of depend, but I think that really was the reason why we have TERC.

McCOLLISTER: Does it occur often that the TERC goes back to accounting and has them re-- revalue big parcels of property like occurred in Douglas County not long ago?

LARRY DIX: There are numerous times when TERC will issue a statement that says, OK, this segment of a county we are going to increase that value in a certain market area. I was always, you know, I don't want to say amused, but I remember when that happened in Douglas County. And, you know, the World-Herald reported on it, a number of people reported on it, and they said, you know, this here, look what's going on. And in my mind, I'm sitting here and saying, well, that's happened in Garfield County, in Greeley County, and Logan County many, many times. So it wasn't an anomaly to me from what I see, because I see it happening in other counties. I think it, it may have looked very, very different because it was a significant amount of value. That having impact. But does it happen in other counties? It does. It does.

McCOLLISTER: Thank you.

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LINEHAN: Thank you, Senator McCollister. Senator Groene and then Senator Friesen.

GROENE: Thank you, Chairman. In the case of the Douglas County, who brought that? Was it one citizen or was it the county is-- who brought that to TERC? I mean, in Lincoln County we went through it a couple of years ago, I took part in that, on grassland. But it was Julie, our, our county assessor who pushed it, that the valuations went up 40 percent or something and we had a hearing, a video hearing.

LARRY DIX: Sure.

GROENE: I testified. And they ruled to bring it down to 26 or 23. But it was the county assessor I believe in Lincoln County that asked for the-- I guess what I'm saying, who brings those overall valuations that the TERC looks at and says, this whole area of Omaha is undervalued?

LARRY DIX: I think it can come from a number of areas. A taxpayer can bring something like that, but primarily the assessor can take their county board to TERC. Or when the values go in, property tax administrator can say, take a look at it and say, I think this area is out of range. And that's typically where it comes from, especially when you're looking at market areas, is more from the assessor or from the property tax administrator.

GROENE: That's, I believe, Douglas County came from Ruth.

LARRY DIX: Yes.

GROENE: Yes.

LINEHAN: Senator Friesen.

FRIESSEN: Thank you, Chairman Linehan. So is that a standardized form that they, every assessor sends out to tax-exempt properties to fill out?

LARRY DIX: I believe there's a, a preferred form, I think it probably would be a standard, called a standardized form. I think there's certain information on there that everybody uses. I, I cannot remember the form number, but I think there is a form number for that.

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FRIESEN: Which other questions could they leave blank and still get an exemption?

LARRY DIX: Once it happens, quite honestly, that I think the discretion is with the county board. So there-- and I got to tell you, Senator Friesen, without that form in front of me, I'm not sure, you know, what all they could leave blank on it. But I do believe it would be up to the county board's discretion.

FRIESEN: So you're saying it takes statutory change to get them to require to fill out every line on that question?

LARRY DIX: Well, I think whenever, you know, when, whenever you want to force something to happen in a county, counties really have the authority that you grant them. And if there's nothing that statutorily says it has to be there, county by county-- now a county board in York County, a county board could say, we're not going to grant the exempt, exemption without that value in that box. I think they could say that. But you're not going to have consistency across the state in that situation, and I think you're looking for consistency across the state.

FRIESEN: Property tax administrator would say that you're required to report that data, at that point would you report that data?

LARRY DIX: I think that would go through rules and regulations and would have to have a hearing and they, they possibly could. That would be a question for the property tax administrator, but--

FRIESEN: Because when I, when I look back, it was required to be in a report from-- but it never is. And I keep asking for it and it never shows up, so I guess we'll look at some statutory changes. Thank you.

LINEHAN: Other questions from the committee? I have a couple. Do all 93 counties have assessors?

LARRY DIX: All 93 counties have elected assessors. And let me clarify that.

LINEHAN: OK.

LARRY DIX: In some of the smallest counties you will not see on the ballot an election for the assessor. You will see an election for the county clerk, who is the ex officio assessor. And when I say the

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smallest counties, probably the smallest 20 counties are in that scenario.

LINEHAN: Could you get me, the committee a list--

LARRY DIX: Absolutely.

LINEHAN: --of who's got full-time assessors?

LARRY DIX: Absolutely.

LINEHAN: Part-time assessors and the salary range?

LARRY DIX: Yes.

LINEHAN: And then-- I thought I had another question here. Do you know of any state that charges churches property taxes?

LARRY DIX: I, I don't know of any state that taxes-- I don't know of any. I do know there are other states that provide a list, I think, like similar to what you're asking for is dollar amount of exempt property in the state and by county. I know I have seen that report from some states, but I do not know--

LINEHAN: And it has churches on there?

LARRY DIX: It will just have a line that says: exempt property. Here's the value per county. It does not-- the report I have seen does not show which ones are churches, which ones are schools, which ones are whatever.

LINEHAN: All right. Thank you. Other questions? Senator McCollister.

MCCOLLISTER: Wouldn't you say that Nebraska is unusual in having elected assessors? In most cases, aren't they appointed by the county board or--

LARRY DIX: No. It just depends, really, on what state.

MCCOLLISTER: Can you give us a breakdown on which states have an elected assessor?

LARRY DIX: I'd have to do some research, but I-- we could probably come up with that. I, the place I would go to contact would be the National Association of Counties and see if they have that, that breakdown. In some states, of course, they're not even called it

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assessors. They have a different terminology and names for them, but there are many states where the assessor is an elected official. And there's there's actually some interesting dialogue going on right now with an AG's opinion about elected officials versus and in the ramification of that.

McCOLLISTER: So you're saying that, in addition to the election commissioner, maybe some of the other county offices should-- or should or should not be elected?

LARRY DIX: Yeah, I'm not saying they should or should not, but when you start to go down the path of trying to define a county official and who should be elected, I think it calls into question other, who I would call "officials of the county." And I'll give you an example that are not elected. So you have an emergency manager and you have an emergency manager responsible for all 93 counties, but they're not an elected official. You have a weed superintendent that you have to have in every county, but they're not elected. And so then it will actually probably come back to the Legislature to define who is elected because you go back to the constitution and it says the legislature shall provide by law for the election of such county and township officers as may be necessary. So we, we actually go back to the Legislature every time to make a determination of who should be elected or not.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Friesen. One question.

FRIESSEN: We've talked in the past about the cost and filing a TERC protest. And a lot of people that-- the reason that takes so long for TERC to-- sometimes it's been up to two to three years, I've heard. And so is the cost of filing an application too low, and I've heard that people don't show up. What could be done to, I guess, speed up that process?

LARRY DIX: Yeah, the cost is low, I believe. But again, I'm not-- I don't want to remove the due process from our citizens, from our taxpayers. So, you know, it's a delicate balance. What I did here today, which would surprise me a little bit, is the fact that how many times where a case is sitting in TERC is there many, many times, because maybe the taxpayer changes or says I can't show up and gets another rescheduling. I would think somewhere we should limit how many times you can constantly, you know, not, not attend. There's some

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folks here from TERC, I think, that that will probably answer that. And then you always have to look at, and I know from year to year we've had bills in front of the Legislature that talk about what's the proper staffing level of TERC? You know, is it, do we have the right size TERC, we've changed the size of it. You know, we've gone to single commissioner hearings, which have helped, they've helped reduce some of that. But there is a backlog there. And has TERC worked to reduce that backlog? Absolutely, I think they have. They've done a number of things to do that, but there still seems to be some dep-- backlog. But I'll let the folks from TERC address that.

LINEHAN: One more. Senator Groene.

GROENE: I didn't ask him. This is my first one. Larry, back to these exemptions. It seems my county assessor says the hospital comes in about every year with another \$10 or \$12 million, they're going to-- they bought up a private because of Obamacare and how Medicaid is paid it's running the small, private-owned clinics out of business. And I know there was a court case on hospitals, but it just said that "primarily charitable." I'm trying to figure out how the county commissioners sit there and when they buy out a laboratory testing, and how they can come in and the county commissioners can say that is "primarily charitable."

LARRY DIX: All right. And I don't know the situation out there as well as you do. I don't know if that laboratory is on their main campus right with the hospital or not. I know there's, there's some, you know, I see the report from Lancaster County. One of the largest taxpayers in Lancaster County is the Bryan hospital. So hospitals are paying some taxes certainly and in some counties in all the folks from Lancaster could probably define certainly why that is with Brian hospital. But, Senator Groene, to a, to a point, I hear from county board members also that are saying we have-- we constantly get hit with some of these entities that we believe our hands are sort of tied because they come in, they say it is charitable, it's educational. They sort of check off those five things that Mr. Goodwillie said. And said, yeah, that's-- it's probably going to meet that criteria. If we don't, it's going to go to be appealed and it's going to come back and they're going to say, yeah, they're exempt so.

GROENE: TERC is going to say they're exempt?

LARRY DIX: And I think maybe we've had some court cases even then--

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GROENE: Yeah, but they said to primarily, right?

LARRY DIX: Well, and I think now we're getting into, OK, who makes that determination what is, what is primary? What-- how far does primary go? Is it-- and how do you determine is it 51 percent of what you do or 49 percent of what you do?

GROENE: But you said on the main campus, but that's-- you can separate buildings.

LARRY DIX: Right, but I think some of these--

GROENE: [INAUDIBLE] side of one building you can.

LARRY DIX: Yeah. I think some of the ones that are taxed, I think they do look at it if it is a part of that main hospital complex, you know? And it will vary. I would tell you it would vary. And that's why earlier on I said, you know, this is an area that isn't crystal clear. And so the Legislature may, may look at that really to clarify it. But you would certainly want to have the input from the churches and the hospitals and all those folks at the hearing to, to really go down that and hear and understand that. But that is an area that causes some confusion. We're getting quite a few calls now on nursing homes, nursing facilities.

GROENE: I know that's a new one. And then they're--

LARRY DIX: That one's--

GROENE: Nursing home industry is coming in looking for nonprofit status.

LARRY DIX: Yeah, that one, that one has really started to hit in the last couple of years. I've taken quite a few calls on that.

GROENE: Well, maybe we've put in statute if you-- I don't remember any church sending out-- taking you to court because you didn't give your tithes. But I do know hospitals will send you to court if you don't pay your bill. So I'm trying to figure out what other charities do that.

LARRY DIX: Right.

GROENE: Thank you.

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LARRY DIX: Thank you.

LINEHAN: Thank you, Senator Groene. Any other questions? Thank you very much, Mr. Dix, for being here. Then we have Rob Hotz, and I do believe the-- you still want to, if we've got time, right? OK. Just so the committee knows we're gonna have you.

ROB HOTZ: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Rob Hotz, R-o-b H-o-t-z, and I'm one of the three commissioners with the Tax Equalization and Review Commission known as TERC. I've been asked to address specifically two or three of the items in LR232. And the first was number six, which talks about realigning the representation of the commission to better serve constituents. It is important to note that the commission is-- each commissioner is appointed by the Governor [INAUDIBLE]. And the commissioners are appointed based upon domicile where we live. And each of the three commissioners is appointed one from each of the congressional districts, and that's all by statute. The role as adjudicators or in a quasi-judicial role is not a role of having constituents or in being representatives of any constituents. The role is actually converse to that, is to be unbiased regardless of who your neighbor is. To be unbiased and not to favor or disfavor anyone based upon where they live within the state. So our response to item six would be that there may be good reason to do what has been done in the past, where at one point Mr. Dix mentioned that the commission had four commissioners, one was an at-large commissioner. The way it's set up right now, you're guaranteed to have one commissioner from the third congressional district, one from the second and first. The way it's set up right now, you're pretty hard-pressed to get anyone to come from west of Grand Island because it's just, it's hard to financially be able to handle that. The, the next item was item seven in LR232, and that's the use of current market analysis reports produced by a licensed realtor as proof of valuation of place of or in addition to appraisals. The commission is, by statute again and by rules and regulations, required to follow the laws of the state of Nebraska, of course. And the mass appraisal laws, those laws which also the county assessors largely are required to file when they're doing mass appraisal, refer to the standards that have been mentioned earlier today from the IAAO, the International Association of Assessing Officials, or the standards that are commonly used by the appraisal industry. So what the commission does in our quasi-judicial role is when we take evidence, we're looking at that evidence which is the most persuasive, which is relevant, and which gets to the issues

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of value using mass appraisal standards. So if if somebody offers an appraisal report, if the appraiser is there and can testify and can be cross-examined, the report, that report is going to come into evidence and the testimony of that appraiser will come into evidence. But by statute, any party in a proceeding has the right to cross [INAUDIBLE] witnesses. So if someone brings in an appraisal report without the appraiser, an objection can be made as to hearsay and the appraisal report might not come in. Same thing with market analysis work. If the person who did that market analysis is there to be cross-examined and this is by statute within the, the act affecting TERC. So we take that which is the most relevant, the-- that which is admissible, and we consider the weight of that evidence similar to the way you would expect a court to weigh and consider the evidence. The other item that we were asked to address and has come up a couple of times in today's proceeding, is the amount of time from filing an appeal to the actual hearing and the appeal by the commission. This is a constantly moving target. We just are now completing the data entry of 2019 appeals. Now, not to be wiggly and squirrelly about it, but there is a calendar and there are statutorily-fixed times. And the effective date for those appeals that we just got filed was January 1, 2019. I can hear people in this room saying they're already behind on 2019, nine months. And I kind of resent that, to be honest with you, as a public official trying to do our job. That people would loosely callously say, oh, they're behind, without understanding the process. Now, I'll gather my composure because they're public officials as well, and I respect the work that they do and I respect the requirements they have and they're difficult as well. When we get an appeal in September where the effective date is January 1 of that same calendar year, if we give anybody any notice at all of that appeal and we send back to the county board notice that a taxpayer has filed the appeal or we send notice that a county assessor has filed an appeal or that the property assessment-- property tax administrator has filed an appeal on the County Court determination then we give them the opportunity to provide evidence and there is an exchange period. And you're now pushing 2020. You're already one year behind on dealing with that. And I haven't even seen the appeal yet, I haven't had an opportunity to have a hearing on it. So built into the system is we're all always one year behind. Now, we are more than one year behind. When those appeals came in in September this last month, we weren't sitting and waiting for them to come. There were other appeals in the file cabinet and they were being taken up and they-- and we had appeals scheduled, hearings scheduled. It is a constantly moving target. We do have-- and again, I resent when county officials come in here and talk about the

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rare cases where we have older appeals from older tax years. I'll tell you why. I've been doing this for 12 years and I've seen just as many requests for continuances come from counties as I have from taxpayers. And I'm not going to throw either one under that bus. If there's a legitimate reason, there is a death in the family, I'm not going to force that appeal hearing to happen. That person had a death in the family. That attorney had a court date that was required that they came up after our appeal hearing got scheduled and a judge said, you're required to be there. That family member couldn't make it because of some emergency that came up. We do grant continuances. We do have some cases where they go back multiple years. And what is more common, what is far more common is that right now those who had 2018 appeals filed that we're still processing and having the hearings for, they have now filed the 2019. And when we get to November or December of '18 we say, you know, you also have a '19, should we try to consolidate this? But remember that in order to consolidate it, it's a different tax year. The evidence might be different. You have to give the parties an opportunity to exchange what they think is the relevant evidence and appropriate evidence and so on. There's timing issues. I believe that the commission is surrounded by some really good people. First of all, Nebraskans, people don't come in yelling and screaming at our hearings. It's the most amazing thing you could see, to see Nebraskans being civil and having a disagreement about something that really matters to them a lot. And they're so polite and we try to be polite to them, to them as well. That's the first set of people, the county officials who come in and day in and day out are criticized for what they do, and they do a good job overall. They do a good job. And then these, just our staff and the people who day in and day out take the phone calls from cranky people who are upset about something. It's usually property taxes, which we have nothing to do with. But we, we want to hear these criticisms. While I resent some, I do want to hear them because to the extent there is validity to the criticism. We pledge to you we will see what we can do to make it better. And we've been trying to do that for the 12 years I've been there. We're, we're-- I think we have made improvements. And with the help of the Legislature, I believe we've made improvements as well. Single commissioner hearings have been broadly a success. There, with any process you start, there are some difficulties. The other thing with what has been called backlog and what is backlog is the ultimate goal here is a full and fair hearing. The ultimate goal is the tax tier-- taxpayer get their day in court, if you want to call it that. And that it be appropriately done and done as timely as it can be. We also have a backlog in getting orders written after we have hearings, and we're

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trying to find better and better ways to do that. We, we take every order seriously. And when we write an order, it's usually reviewed by the Nebraska Supreme Court if there is an appeal. And so our track record is, is actually pretty good in terms of not being reversed by the Nebraska Supreme Court. So LB4 is pending that carried over from last session, that deals with the filing fees, Senator, that you raised. LB4 and the filing fees would propose to increase the filing fees from \$25 to higher amounts depending upon the determination by the county board and the value set. LB4 would take away the regressivity of the current system where everybody, every parcel has a \$25 filing fee. It would address the fact that there hasn't been an inflationary adjustment to this \$25 filing fee for about 20, 25 years. And it would also address the issue that right now the user pays about 5 percent and the general fund taxpayer pays about 95 percent for the costs of [INAUDIBLE]. LB4 would shift that to 10 percent and 90 percent based on the current numbers. We get about of 1,500 appeals per year, and many of those settle before we have a hearing. Many of those dismiss, taxpayers will dismiss them. We have about 800 hearings per year and we take those hearings seriously and we try to write those orders in a serious way. We have three commissioners, we have five staff members. Now, we have as small of a budget now as we had 10 years ago, we've made cuts and we've made-- we found efficiencies. We're trying to do the best we can with that. Regarding the Douglas County situation that was mentioned earlier, there may have been some confusion. The process called statewide equalization takes about one month per year of our time, and the property tax administrator is required by law to produce what are called reports of opinions. One for each of the [INAUDIBLE]. Each of those reports and opinions is a statistical analysis which focuses to some degree or largely on that assess to sell ratio of the sales files for each of those classes and subclasses of property. Ninety-three counties, all three classes, every subclass of every class, and we look at the assess to sell ratio. That year with Douglas County, the property tax administrator recommended two increases in subclasses of residential and we agreed with those recommendations. And then in our review of the report and opinion for Douglas County that year, we saw another subclass of residential that we thought needed to be decreased because it was at 110, I believe. And we, by our own-- we did a show-cause hearing, Douglas County participated in that, and we ordered the decrease in the one subclass and the increase of each of the other two subclasses. That was not brought by a single taxpayer, that was all out came out of the statewide equalization proceeding, which is typical, we do it

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every year. It starts sometime in April and ends sometime in May. Mostly until we do the final touch on it, which is in August.

LINEHAN: Can you wrap up and then--

ROB HOTZ: Yes.

LINEHAN: --we'll probably ask you some questions.

ROB HOTZ: On the remand issue that was raised earlier and whether or not, Senator McCollister, you asked about whether it would be a good idea for the commission to remand before we make a decision and send it back to the county board. One thing that we may not have talked to individually, Senator, as I've thought about this a little bit more, is that when we do get a set of matter for hearing and the parties exchange exhibits and then we ultimately receive evidence, that's what called de novo proceeding. It's Latin meaning "afresh." And that means essentially that commission is, may only consider that evidence that is part of the record [INAUDIBLE] evidence at the hearing that day. The parties are not limited, they can, they can bring up what they brought up before the county board at the protest proceeding or they can bring new evidence if they wish. But the commission is limited. So the opportunity for, not a remand, but for the taxpayer to say, you know, they got that all wrong. Here's all the new evidence that I think you should consider, TERC, because they didn't even consider that. We have that opportunity in our hearings. I can't say that there would be that many times that I thought a remand would have been appropriate or necessary because we have that de novo authority and role.

ROB HOTZ: I tried to--

LINEHAN: Yeah, why don't we go to questions.

ROB HOTZ: --answer a couple of the questions that came earlier.

LINEHAN: OK.

ROB HOTZ: Thank you.

LINEHAN: Thank you. Senator Kolterman then Senator Groene and then Senator McCollister. Let's try to keep it to like two or three questions, guys. I know you've been very good, Senator Kolterman.

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KOLTERMAN: So you indicated you have about 1,500 a year, but you actually end up with 800 at the end of the day that you hear in a year. How many-- is it, is it equal across the state? In other words, does District 3 have as many as 1 and 2?

ROB HOTZ: I think the 3rd Congressional District has fewer.

KOLTERMAN: Fewer?

ROB HOTZ: Fewer. But per capita, I'd say the third district has fewer. And it may surprise you that even when there are times when in the agricultural when farmers and ranchers are voicing lots of concerns about property taxes that doesn't translate to appeals. Property taxes are just, you know, it's the multiplication of a simple thing: the value times the levy. And they don't come in and appeal the value of that often. We don't get a lot of ag appeals. We get, we get some, but not anywhere near as many.

KOLTERMAN: And the second part to my question, if I may, is do you feel like you need more help? Another-- would another, a fourth person be beneficial if you can't get to the workload?

ROB HOTZ: If we had more people, like any entity, you're going to be able to do more in a certain hour of the day with more people. We can only schedule so many hearings and we can only write so many orders within a time frame, and so much of it is unpredictable. There are so many-- we have no idea how many appeals will be filed for one year to the next. And it's not predictable. When people are making the most, voicing the most concerns about property taxes, it doesn't necessarily translate into a number of appeals being high.

KOLTERMAN: OK, thank you.

LINEHAN: Senator Groene.

GROENE: Of the 800 or so that you hear, what's the percentage that the taxpayer is successful?

ROB HOTZ: I would back up and say that of the 1,500 approximately, all the dismissals the taxpayer loses because when they dismiss it just goes to the county board determination. All of the confessions of judgment, where we don't go to hearing, the taxpayer wins because they've agreed to an amount less than what the county board

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determined. And then I'd say it's probably pretty close to half. But again, it would vary from time to time and year to year.

GROENE: Or you did-- decide in favor of the taxpayer.

ROB HOTZ: The commission's decision would either affirm or reverse the county board.

GROENE: About 50/50?

ROB HOTZ: I'd say close to that. Yes.

GROENE: On those late, well, you're behind? You say you got-- you're still doing '18s now?

ROB HOTZ: We're definitely still doing '18s and we still have some--

GROENE: So that taxpayer--

ROB HOTZ: There are some older that are consolidated with newer, and there's all sorts of reasons that you don't want to hear.

GROENE: But that taxpayer paid his taxes for '18. If you rule in his favor when you hear it, does he get a refund from the county?

ROB HOTZ: I believe-- I don't, I'm no expert on that, but I believe they either get a credit or a refund.

GROENE: They do?

ROB HOTZ: I believe.

GROENE: And part of the bill on the floor, isn't one of the things too, you guys will get paid mileage or something, something new in there for compensation for you to--

ROB HOTZ: Commissioners in our-- anyone who drives a personal vehicle for commission business is treated like any state employee currently that we receive mileage for that state travel, for the business travel. LB4 would include reimbursing the commissioners for travel from home to the office. And part of the reason for that is what I said earlier, that you're hard-pressed to get someone to drive from farther than Grand Island every day without reimbursement for mileage.

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GROENE: So you have to live in Grand Island or you got to live in 3rd Congressional District.

ROB HOTZ: In the third, right.

GROENE: But you have to go to Lincoln every day to hear cases and a lot of cases.

ROB HOTZ: Now some of the efficiency we've tried to do, and where reimbursement wouldn't happen, is when we have a single commissioner hearings in Douglas County, the commissioner who lives in Omaha stays in Douglas County for a week and does those. And when we have single commissioner hearings out west, those that are closer to Grand Island, the commissioner who lives in Grand Island stays in Grand Island and does those at the Law Enforcement Training Center at no cost to the commission. We found the place where we wouldn't be billed.

GROENE: Thank you.

LINEHAN: Senator Friesen, did you-- Senator McCollister, I'm sorry.

McCOLLISTER: Right. OK, the statewide equalization process occurs in May. Is that correct?

ROB HOTZ: Starts in April, the bulk of it ends in May, yes.

McCOLLISTER: Right. And those values go to the, the property tax administrator, correct?

ROB HOTZ: Well, they're not values. They're decisions made by the commission in a review of those reports and opinions. And if the commission-- the process is a very narrow and limited process that we have very little authority and limited authority. If we decide to make an adjustment to a class or a subclass, that order then is sent to the county officials to make those adjustments on the statements.

McCOLLISTER: So either the property tax administrator or TERC can initiate a re-- a reevaluation?

ROB HOTZ: The commission doesn't initiate any of those adjustments, but it's our responsibility statutorily to conduct statewide equalization, review those reports and opinions. And if an adjustment is necessary to achieve equalization, the statute reads we're required to make that adjustment and order it.

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McCOLLISTER: OK. So it doesn't just come from a property tax administrator.

ROB HOTZ: Correct. I can't, I can't remember very many years where each of the recommendations made by the PTA were followed by the commission. There's always a variation, if you look back in the last 10 or 12 years that I remember. She may recommend seven different adjustments, we might make three, and then one or two that we saw that we thought she didn't even recommend. So we have an independent and--we have an independent role that they are recommendations. We're not just rubber-stamping what she recommends.

McCOLLISTER: So you, in effect, ratify those recommendations and then they are, they are current or to be followed?

ROB HOTZ: For example, the Douglas County a couple of years ago, two of those adjustments she recommended and we made, we agreed with that recommendation. But one of those adjustments she did not recommend, we, we did the adjustment based on what we thought was our statutory duty.

McCOLLISTER: OK. We talked about the remanding process that was represented and it'll be 168. And I heard you say, I thought, that you, you thought that might be good policy and wouldn't object to that if, if we included that in a bill.

ROB HOTZ: What I what I stated earlier today, I believe, was that I can't think very many situations where I thought a remand would have been helpful or necessary to get the right result, to get the result that the facts and the law would require. Part of the reason for that is because the appeal comes to us de novo. The taxpayer has the opportunity to bring new evidence, things that were not even-- may not have been considered at the county board level at the protest proceeding. So it would be a rare situation, I think, when a remand by us to the county would be necessary.

McCOLLISTER: But justice would be served if that were to-- such a situation were to occur?

ROB HOTZ: Possibly. I can't think of a case where I would be confident of that. But I haven't, I didn't have that tool in the toolbox at the time to think that through it that way.

McCOLLISTER: Thank you. Thanks for all your help.

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ROB HOTZ: Thank you.

LINEHAN: Other questions from the committee? Seeing none, thank you very much for being here today. Appreciate it.

ROB HOTZ: Thank you.

LINEHAN: Our county commissioner from Douglas County, my home county, would like, Dianne. I want to make sure I assess it. I'm sorry, I'm wearing down here, guys. I think I have a cold coming on.

DIANE BATTIATO: I'm sure you're very eager to get out of here. Oh no, I feel like little Edith Alice [SIC]. Remember that? Oh, some of you aren't that old to remember Edith Alice, Lily Tomlin. Do you have a booster chair? OK, wait a minute. I just-- OK. Thank you, first of all, for allowing me to speak very briefly. I know that we were only supposed to have one person from a county, so thank you very much. Diane Battiato, B-a-t-t-i-a-t-o, I'm the Douglas County Assessor/Register of Deeds, and I just have a few things to brief. We have regurgitated a lot of information today back and forth on this, on LR232 so--

LINEHAN: I am going to hold you to the light.

DIANE BATTIATO: OK, that's fine. OK. The first thing I just wanted is I wanted to explain to Senator McCollister the position of my compliance officer, Mike Goodwillie. Since 2004, when I was elected to the Register of Deeds, I was allowed to have a chief deputy, and that is a may-have on approval of county board by statute. In 2014, when I was elected to also wear the hat of assessor in the largest county of the state, with over 220,000 parcels, by statute an assessor shall have two chief deputies. One is your office deputy, one is your field deputy. The field deputy is the overseer of all the things we're talking about today and the assessment process. My county board chose at that time to eliminate one of those possibilities and only allowed me two chief deputies. I felt Mr. Goodwillie, because of his experience not only in my predecessor's office but also with his time down in Lincoln and being an attorney, with the large capacity of hat that I was wearing at that time, I needed somebody to be my third right hand. That is how he attained his position of compliance officer, which is what he does. He keeps us in compliance with the statutes, he's my representation at the county board meetings. And so that's-- I just wanted to clarify that a little bit. He does permissive exemptions. He, he's responsible for the TIF program. So I

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felt today he was my best adv-- my best spokesperson. But as it went on I thought, OK, I'm Italian, I have to say a few little things. So anyway, I'll just touch base a little bit on each of these. Number one, the first one about redundant mailings. Since I was, since I've been elected all through my tenure since 2004, I have been a great advocate of technology. I feel like anything we can do in our growth in our technology processes to eliminate redundancy, to eliminate labor, to eliminate paper and cost is the best thing we can do with the advantages we have. One of the things, I don't feel we have redundant mailings within our office. We may have things go out in other offices of which we are not responsible for and cannot control. But one of the things I would like to see authorized is the possibility of electronic notices of tax valuation change forms, and have the people who would like to have the e-mail sent would be a win-win on a lot of fronts. Number two, the single state-approved mass assessment software scares the heck out of me. Because of the fact we're the largest county with over 220,000 parcels, anything we do, even upgrades in our own software system, is huge. Just the conversion process of any type of data in, in larger counties is so completely comprehensive and, and all-inclusive that the time that it would take to endeavor that if you were going to a statewide versus the small counties, the time it would take would ruin our processes because you still have to do business. And it would just be a very, very I think inaccurate and inefficient opportune-- opportunity to try to take because it wouldn't be an opportunity. So and we would still have all of our deadlines due statutorily, so I just think it would be-- Senator Groene had talked about competition by having a statewide software vendor for our canvas system, would eliminate complete competition, which what would be the incentive for that vendor to really keep, keep doing upgrades and having the best of that world? So that's my thought on that. Number three, the valuation process to more closely match the income tax filing season. In actuality, our office would not-- it does not matter to us when those those filing deadlines, the valuation process occur, because we will adhere to any statute that is in place. The problem with that is, like was said previously, the entire process calendar would have to be changed. For homestead, for personal property, for, and for real property. So it's not just the factor of just changing one facet of what we do. Number four, the acceptance of county assessors' protest. It was said also we do not accept the protest forms, that's done by the county board of equalization which is administered by the county clerk. The only part we have in that in that, in the board of equal-- in the protest process is supplying the property record files, which we supply to the

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referees at the time. We also initiated an electronic process, then when we send it to them they are now putting it on their Web site so the property owner can also have access to that property record file for their protest. And everybody is on the same page when the board of equalization convenes for that protest. The standardization protest form, I feel like it's pretty standardized already. The problem with if you have a definite template, then you're going to run into the problem of people who didn't know or don't understand and put, and put submitting in another format then making a decision on behalf of somebody else that who may have all the information of it not being on the standard form. So I see that have, having be a problem. And then also the county boards are the ultimate decision of any protest. And so, depending on the makeup of the county board and the climate of the po-- the political climate, you'd have, you'd have problems with, with one county saying, oh, we're going to let this go, and another county saying, we're not going to let this go. So I think there's just, just an equalization process, if you will, on that. Number six is realigning the representation from TERC. There again, however that's designed, we will follow. The one reason, there again, I'd love to be able to do more electronic correspondence with TERC. In our, you know, our ongoing technology world there's so much expedited time that can be, you know, be, be saved by doing things like electronically. We passed the electronic signature act a long time ago, we recently passed electronic notaries, that's in a process. So we're just in a world that we can work a lot smarter, which is it would be a lot faster. They talked about somehow that TERC taking cases and putting it back to the county boards. I don't-- was that what you call reprimand or remand or-- I just have a quick comment about that. When we go, when the, when a property owner goes to the protest in June, they, the county boards hire referees, or in the smaller counties they do it themselves, but the ultimate result of that ref-- that referee's recommendations is approved by the county board. So if a decision for a protest is approved by a county board they have the opportunity, if they're not satisfied with that, that property owner can go to TERC. It really doesn't make sense to me then that TERC might turn it back to the same board that just approved that adjusted property value. So you would be-- I think you would be really looking sort of like in a circle. The use of current market analysis reports by licensed realtors as proof of valuation. I think that you're running into two problems. Number one, we're talking mass appraisal versus fee appraisal. I've been a licensed realtor/broker since 1986. I've done many, many comparative market analysis and broker opinions. And, and as with any type of appraisal or value, it's a, it is an opinion of

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value. The difference is the realtors are basically doing opinions of values market analysis based on a potential listing, which is based on potential income into their pocket. So, so you might have, you have subject matter. You have the subject you're talking about and they're, they're comparing it to sold properties. The market is a huge indicator of how that's going to come out and they're going to give you a range of value on what they think your house might sell for, with may or may not be remotely close. So, you know, we, we will accept any type of appraisal, any type of information market analysis when, when property owners or their representatives bring it to us and we'll gladly review them. So that's my opinion on that. The-- let's see, the aligning the taxing authority level rate adjustments, not our bailiwick. We, we are, we are designed by statute to value properties, and all of our properties are based on sales and market trends. So depending on those sales and market trends, we supply the values, the political subdivisions do the taxing. So that's not even, I don't even think a conversation piece for the assessor's office. Consolidation of county assessors, that's been talked about in excess. There again, it goes to the volume of parcels and the size. And even though you talk about some type of dispar-- disparity in value ratios between closely geographically of counties, each county is a market on its own, no matter how close they are together or have-- or how far they are apart, because it's based on buyers' and sellers' preference. And I know, there again, I've been, I've been a realtor for, for many, many years. There are some people they don't care what the tax base is in Sarpy County if they like living in Sarpy County and vice versa in Douglas County. So that fact is so, it's, it's, it's worth thinking on, but it definitely needs to be considered as each market and each climate is different.

LINEHAN: OK. We'll see if we have some questions.

DIANE BATTIATO: And I think I'm done. That was perfect. Did it just go on or have I been ignoring it.

LINEHAN: No, you've been-- I've been watching. You've been perfect.

DIANE BATTIATO: OK, thank you.

LINEHAN: Senator McCollister.

MCCOLLISTER: Yeah, thank you, Madam Chair. You brought up the example of Sarpy and Douglas County, and here that county line goes, goes

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down, what, Harrison Street? And so you have property valued on one side of that road at 92, 93 percent but then--

DIANE BATTIATO: Ninety-four.

McCOLLISTER: Ninety-four. But down on the other side of the road, you're at 96 percent. Why is that, why should we-- why shouldn't we try to fix that?

DIANE BATTIATO: Because I don't think it's something can really ever be fixed, because it's based on a willing buyer and a willing seller and what that property what, no matter where it's located, what that willing buyer and willing seller can agree upon a sales price. And those sales prices is what dictates our market. It's not an assessor, it's not a realtor, it's not a taxing entity. It's the buyers and the sellers. They are the ones who are telling all of us what they feel is appropriate in our market.

McCOLLISTER: Why shouldn't the state tighten up that allowable banned?

DIANE BATTIATO: The ratio?

McCOLLISTER: Yeah.

DIANE BATTIATO: Well, I think, and like I said, I know it's been from just hearing from other, other speakers today, assessors who know a lot more. Been a lot-- around a lot longer than I have in that capacity. It has been adjusted in the past. The more we tighten it, the more probability we have for the ability to chase sales, because we're trying to consolidate into a tighter window. By statute we should be, we should be assessing it 100 percent. That would not fly with our property owners because they, they are, they upset with 94, 96 no matter it is. Unless you're selling your house. And then if you're selling your house, you're gonna come in and you're gonna say, I think it's valued too low because I want the highest price out of my home. But the more you tighten that ratio, the more ability, the more opportunity you have is to pick and choose what sales you're putting in that supposedly neutral statistical-oriented sales file that goes to the state.

McCOLLISTER: But the most accurate appraisals or indication of what values should be are sales. So why is that, why is that wrong, that emphasis? Why is that-- shouldn't that be a guide to you to produce more accurate appraisals or values?

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DIANE BATTIATO: Well, we feel like we do produce accurate values. We've made great strides in the last five years. But one of the reasons we do and one of the reasons that the sales, and the sales themselves are a tool for us to use as basically a starting point for to be able to value market areas. Not single properties, but market areas. We have a sales validation team that takes every one of those Form 521s and goes through a venting process basically. They'll contact buyers, sellers, the title companies, and find out if there's questions on the details of that sale. That is to determine whether that individual sale is valid or not valid. We can only use valid sales, so foreclosures aren't, aren't used, short sales aren't used, bank-owned properties aren't used, because they all have very much possibility of having out-of-the-ordinary end results on that dollar amount of that sale. So they go through and they just, then they put it in your mark on it if it's valid or invalid. We have checks and balance managers that go through and double-check those to ensure that we're only including valid sales in all of the statistics that we're sending to the State Department of Revenue the pet-- property assessment division. We send those sales files quarterly to, I think someone had asked. I'm not even, Senator Groene, I'm not sure about the possibility of things sliding through the cracks on different, different values. Was it-- OK, I'm sorry about that. By sending our sales files, by keeping track of all of our balance sales and putting them into our canvas system and tracking those sales and sending to them to the state quarterly, the state has a pretty much up-to-date, every three-month window of what's happening in our county. So then by the end of the year, they just have the last quarter. They compile it all together of all the valid sales. The invalid sales are not even used. So those valid sales, by having a ratio of 92 to 100, it gives the flexibility of the variances in quality and condition, but it's all based on market areas, not single homes.

LINEHAN: Senator Groene.

GROENE: So you're telling me when you're in 94 and residential that's not across the border on all residential? It's the market area?

DIANE BATTIATO: Oh no, it's not. It's based on market area.

GROENE: So you have some at 100 and some at 92?

DIANE BATTIATO: Mike, is that right? Possibly.

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MICHAEL GOODWILLIE: There will be some variations.

DIANE BATTIATO: Yeah, there's variations. We call them anomalies.

LINEHAN: Yeah, we can't-- guys, we can't do that.

DIANE BATTIATO: Oh, I'm sorry.

GROENE: So but the-- but overall, you average 94?

DIANE BATTIATO: Yes. Our overrides are-- not an average, our median is 94. And the median means there's just as many under that ratio as there is over that ratio. So it's, it's a median. And our median for our county was 94. Within the, this, the 18 market areas, some might be 93.5, some might be 96.5. But it's all based on market area, it goes into the canvas system and you get a county-wide median.

GROENE: And that's calculated by the Department of Revenue assessment?

DIANE BATTIATO: They proof, basically they give us our report card. They proof it and make sure all of our data is right.

GROENE: Is within that 92 to 100. But that's fine. Who cares what it is for the city Omaha for, for a taxing entity within side of the county, within side of Omaha, your county. But when you cross county lines, it makes a difference on an NRD or a school district. Because if one is at 98 and one is at 92, the person at 98 is paying more taxes at the same levy as the one in 92. But the other issue is in funding our schools. In an equalized district, the Department of Revenue gives to the, puts everybody's value at 96 when they calculate state aid. What happens to Omaha then is that they're losing \$2 to \$3 million of property taxes revenues because their valuation to local effort was triggered at 94 but they only get to tax 96 but they only get taxed at 94. And I'm sure that's Millard, they've figured out they losing a million dollars or something because-- but they're not complaining on the one that's 98.

LINEHAN: Senator Groene, question.

GROENE: But anyway, that's the problem why this variance, when we figure state aid at 96 and you're at 94, OPS loses taxing authority.

DIANE BATTIATO: And I don't, you know, I don't deal with the schools and I don't deal with that school calculation, so I can't speak to that itself. One of the things we tried to do when they first combined

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the offices and I came into office, which led to some of the adjustments that had to be made in 2016, is we, we came upon a lot of disparity between the valuation processes previously. So you had to start somewhere in realigning your process to more be in-line with statutes. So doing that, not only-- that was, that was the goal, but within that goal we were, we were in the middle of a huge robust market. And like somebody else said, the higher the sales, you know, the sales go, if you don't change the value, the lower your ratios go. And the lower your ratios go under 92 then you're in trouble. OK? You're out of compliance. So we were faced with a rapidly increasing sales market, a lot of disparity in the processes, and we had to try to fix it as soon as we can. But it's not like a light switch. So if we were to have gone to 96 initially, we would love to have-- be in the middle, 96. We're working our way there. The market has to cooperate. The market has to level off because the more it stays robust, the harder it is for us to come to a midpoint. In 2016 and '14 and '15 and '17, because of the market and the escalated sales, we were put in a position that we were politically climate-wise and property owner acceptance-wise really in a dilemma. There was no way we could have bumped it up to 96 without even having worse value increase, or value increases than what we did. So we started at, you know, in 93 to be as palatable as we could and still being in our equalization and our medians. So should the market, and it will, I've seen a lot of peaks and valleys, we're just in a high, a long-term peak. But as, as the market stabilizes and ceases to be continually escalating, the opportunity of stabilizing the values and coming closer to that 96 will be able to be done. I can't chase sales to get there. I have to do it in the process of our county and how our market has evolved.

LINEHAN: Anybody else have a question? I'm going to ask one that everybody-- we can't chase sales. What does that mean? What is what is, what is that?

DIANE BATTIATO: Chasing sales means that when you have a home sell, that's what you automatically value it at.

LINEHAN: OK.

DIANE BATTIATO: That's my, that's my definition of chasing sales. I hope the assessors behind me aren't making an ugly eyes at me.

LINEHAN: No, but why is that a problem? I mean, it's--

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DIANE BATTIATO: Because that's not-- because we're in mass, because we're in mass appraisal. If we were doing the appraisals, we could more-- we could, we could explain that a little bit more because it would be house by house by house. We're not, we are not responsible, we are not required and mandated to do fee appraisals. We are mass appraisal. So that singular sale has to be put in the pot of where that home is located and hopefully have enough sales in that market area that all those sales will play a part in realigning the values of the entire market area based on sales prices, quality, condition.

LINEHAN: So I guess my question, I'm not asking right. You can't chase sales by statute. Is that why you say that?

DIANE BATTIATO: Well, I don't know the statute. That's why I have Mike. I don't know if it's actually--

LINEHAN: OK, well, let's just talk afterwards, because I.

DIANE BATTIATO: OK. I don't know if it's actually in statute. A lot of our, I think, somebody asked a question earlier on why couldn't you lower your neighbor's or your, your property. My easy answer for that is ethics. So--

Well, yeah, I know.

Yeah, so and that has a lot to do with chasing sales. And I don't know, I can't answer if it's actually written in statute or not. I would have to refer to the people who do know that.

LINEHAN: OK. Other questions from the committee? OK then, I think we can-- thank you very much for being here.

DIANE BATTIATO: Thank you.

LINEHAN: Thank you.

MCCOLLISTER: Thank you, committee members.

LINEHAN: Thank you, Senator McCollister for this hearing. I would like to talk to all of you who are here. I promise not more than 10 minutes. The committee members, I mean.