

## Appendix 'D': Definitions

**Abatement:** (1) An official reduction or elimination of one's assessed valuation after completion of the original assessment. (2) An official reduction or elimination of one's tax liability after completion of the tax roll.

**Abstraction Method:** Method of land valuation in the absence of vacant land sales, whereby improvement values obtained from the cost model are subtracted from sales prices of improved parcels to yield residual land value estimates. Also called residual land technique.

**Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax.

**Adjustments:** Modifications in the reported value of a variable, such as sale price. For example, adjustments can be used to estimate market value in the sales comparison approach by modifications for differences between comparable and subject properties. Note: Adjustments are applied to the characteristics of the comparable properties in a particular sequence that depends on the method of adjustment selected.

**Age/Life method (depreciation):** A method of estimating accrued depreciation founded on the premise that, in the aggregate, a neat mathematical function can be used to infer accrued depreciation from the age of a property and its economic life. Another term is "straight-line depreciation" (see depreciation, accrued; and depreciation method, straight-line).

**Allocation by Abstraction:** A method of separating a whole property value into land and improvement components. The appraiser estimates replacement cost new, subtracts an appropriate amount for depreciation, and subtracts the remainder from the whole property value to estimate the land value.

**Allocation Method:** A method used to value land, in the absence of vacant land sales, by using a typical ratio of land to improvement value. Also called land ratio method.

**Amenity:** A feature of an improvement that enhances its suitability for its basic use. A fireplace in a single-family residence is an amenity, as is covered parking at an apartment complex. By definition, amenities always increase value.

**Anticipated Use Method:** A method used to appraise underdeveloped land. Expected improvements to the land are specified, and total development costs are estimated and subtracted from the projected selling price to give an estimate of the value of the undeveloped land.

**Appeal:** A process in which a property owner contests an assessment either informally or formally.

**Appraisal Card, Building:** A card used by an assessor or appraiser on which is carried a sketch or photograph of a building, a description of its location, a list of the principal factors affecting its reproduction cost and depreciation, and the calculations by which such cost and depreciation are estimated. Note: The building appraisal card is frequently combined with the land appraisal card into a single document. In such event, the combination card may be used for a composite appraisal as well as for a summation appraisal. **Also called a "property record card".**

**Appraisal Card, Land:** A card used by an assessor or appraiser on which is carried a sketch or an adequate description of a parcel of land, a description of its location, a list of the principal factors affecting its market value, and the calculations by which the market value is estimated.

**Appraisal Date:** The date as of which a property's value is estimated.

**Appraisal Foundation:** The organization authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The Appraisal Foundation publishes the Uniform Standards of Professional Appraisal Practice (USPAP).

**Appraisal Methods:** The three methods of appraisal, that is, the cost approach, income approach, and sales comparison approach.

**Appraisal Report:** The oral or written communication of a completed appraisal.

**Appraisal-Sale Price Ratio:** The ratio of the appraised value to the sale price (or adjusted sale price) of a property; a simple indication of appraisal accuracy.

**Appraisal Standards Board:** The division of The Appraisal Foundation that develops, publishes, interprets, and amends the Uniform Standards of Professional Appraisal Practice on behalf of appraisers and users of appraisal services. The New Hampshire Legislature has empowered New Hampshire's own Appraisal Standards Board, under RSA 21-J:14-b.

**Appraiser** One who estimates the value of property; more commonly, one of a group of professionally skilled persons holding themselves out as experts in valuation.

**Appreciation:** Increase in value of a property, in terms of money, from causes other than additions and betterments. For example, a farm may appreciate if a shopping center is built nearby, and property of any sort may appreciate as a result of inflation.

**Appurtenance:** In appraisal, an appurtenance is any addition to a property that becomes a part of that property. Generally, an appurtenance differs from a fixture in that the fixture was once personal property.

**Arm's-Length Sale:** A sale in the open market between two unrelated parties, each of whom is reasonably knowledgeable of market conditions and under no undue pressure to buy or sell.

**Assemblage:** The assembling of adjacent parcels of land into a single unit. Compare "plottage".

**Assess:** To value property officially for the purpose of taxation.

**Assessed Value:** (1) A value set on real estate and personal property by a government as a basis for levying taxes. (2) The monetary amount for a property as officially entered on the assessment roll for purposes of computing the tax levy. Assessed values differ from the assessor's estimate of actual (market) value for three major reasons: fractional assessment ratios, partial exemptions, and decisions by assessing officials to override market value.

**Assessment:** (1) In general, the official act of determining the amount of the tax base. (2) As applied to property taxes, the official act of discovering, listing, and appraising property, whether performed by an assessor, a board of review, or a court. (3) The value placed on property in the course of such act.

**Assessment Equity:** The degree to which assessments bear a consistent relationship to market value.

**Assessment Progressivity or Regressivity:** An appraisal bias such that high-value properties are appraised higher (or lower) than low-value properties in relation to market values. See "price-related differential" (PRD).

**Assessor:** (1) The head of an assessment agency; sometimes used collectively to refer to all administrators of the assessment function. (2) The public officer or member of a public body whose duty it is to make the original assessment.

**Assessment Year:** A year beginning on the day after the assessment date and ending on the assessment date in the calendar year next following. (2) The 365 days beginning with the appraisal date.

**Automated Valuation Model (AVM):** An automated valuation model (AVM) is a mathematically based computer software program that produces an estimate of market value based on market analysis of location, market conditions, and real estate characteristics from information that was previously and separately collected. The distinguishing feature of an AVM is that it is a market appraisal produced through mathematical modeling. Credibility of an AVM is dependent on the data used and the skills of the modeler producing the AVM.

**Bias:** A statistic is said to be biased if the expected value of that statistic is not equal to the population parameter being estimated. A process is said to be biased if it produces results that vary systematically with some factor that should be irrelevant. In assessment administration, assessment progressivity or regressivity is one kind of possible bias.

**Board of Tax and Land Appeals:** Empowered by RSA 71-B, the Board of Tax and Land Appeals has responsibility for: 1) hearing appeals of individual tax assessments, exemptions or refunds, whether levied by the State or its municipalities; 2) hearing petitions for reassessment and determining the adequacy of reassessments ordered by the board; and 3) determining any appeals of the equalization ratios established by the Commissioner of Revenue Administration.

**Capitalization Rate:** Any rate used to convert an estimate of future income to an estimate of market value; the ratio of net operating income to market value.

**Coefficient of Dispersion (COD):** The average deviation of a group of numbers from the median expressed as a percentage of the median. In ratio studies, the average percentage deviation from the median ratio.

**Computer Assisted Mass Appraisal (CAMA):** A system of appraising property, usually only certain types of real property, that incorporates computer-supported statistical analyses such as multiple regression analysis and adaptive estimation procedure to assist the appraiser in estimating value.

**Confidence Interval:** For a given confidence level, the range within which one can conclude that a measure of the population (such as the median or mean appraisal ratio) lies.

**Contributory Value:** The amount a component of a property contributes to the total market value. For improvements, contributory value must be distinguished from cost.

**Cost Approach:** (1) One of the three approaches to value, the cost approach is based on the principle of substitution—that a rational, informed purchaser would pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement cost new of an improvement less depreciation plus land value. (2) The method of estimating the value of property by: (a) estimating the cost of construction based on replacement or reproduction cost new or trended historic cost (often adjusted by a local multiplier); (b) subtracting depreciation; and, (c) adding the estimated land value. The land value is most frequently determined by the sales comparison approach.

**Deferred Maintenance:** Repairs and similar improvements that normally would have been made to a property but were not made to the property in question, thus increasing the amount of its depreciation.

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

**Effective Tax Rate:** (1) The tax rate expressed as a percentage of market value; will be different from the nominal tax rate when the assessment ratio is not equal to 1. (2) The relationship between dollars of tax and dollars of market value of a property. The rate may be calculated either by dividing tax by value or by multiplying a property's assessment level by its nominal tax rate.

**Escheat:** The right to have property revert to the state for nonpayment of taxes or when there are no legal heirs of someone who dies without leaving a will.

**Encumbrance:** Any limitation that affects property rights and value.

**Equalization:** The process by which an appropriate governmental body attempts to ensure that all property under its jurisdiction is assessed at the same assessment ratio or at the ratio or ratios required by law. Equalization may be undertaken at many different levels. Equalization among use classes (such as agricultural and industrial property) may be undertaken at the local level, as may equalization among properties in a school district and a transportation district; equalization among counties is usually undertaken by the state to ensure that its aid payments are distributed fairly.

**Equalized Values:** Assessed values after they have all been multiplied by common factors during equalization.

**Estate:** a right or interest in property.

**Expense:** A cost, or that portion of a cost, which, under accepted accounting procedures, is chargeable against income of the current year.

**External (Economic) Obsolescence:** The loss of appraisal value (relative to the cost of replacing a property with property of equal utility) resulting from causes outside the property that suffers the loss. Usually locational in nature in the depreciation of real estate, it is more commonly marketwide in personal property, and is generally considered to be economically infeasible to cure.

**Factor:** (1) An underlying characteristic of something (such as a house) that may contribute to the value of a variable (such as its sale price), but is observable only indirectly. For example, construction quality is a factor defined by workmanship, spacing of joists, and materials used. Factor definition and measurement may be done subjectively or by a computer-assisted statistical algorithm known as factor analysis. (2) Loosely, any characteristic used in adjusting the sales prices of comparables. (3) The reciprocal of a rate. Assessments may be equalized by multiplying them by a factor equal to the reciprocal of the assessment ratio, and value can be estimated using the income approach by multiplying income by a factor equal to the reciprocal of the discount rate.

**Fee Simple Estate:** The property rights that refer to absolute ownership unencumbered by any other interest or estate (a right or interest in property), subject only to the limitations imposed by governmental powers such as eminent domain, taxation, police power, and escheat.

**Field Review:** The practice of reviewing the reasonableness of assessments by viewing the properties in question, sometimes by examining their interiors but more often by looking at their exteriors.

**Fixture:** (1) Attached improvements that can be real or personal property. If attached to the realty in such a manner that its removal would damage the real property or the fixture, the fixture is realty. If the fixture is removable without damage, it is generally considered personal property. (2) An item of equipment that, because of the way it is used, the way it is attached, or both, has become an integral part of a building or other improvement. A fixture, such as a bathtub, is classified as real property, but trade fixtures (fixtures used in the conduct of business) are classified as personal property.

**Full-Market-Value Assessment Standard:** Assessments for which a law or other standard requires that the assessment ratio equals 100%.

**Functional Depreciation:** Synonymous with the preferred term "obsolescence".

**Functional Obsolescence:** Loss in value of a property resulting from changes in tastes, preferences, technical innovations, or market standards.

**Highest and Best Use:** A principle of appraisal and assessment requiring that each property be appraised as though it were being put to its most profitable use (highest possible present net worth), given probable legal, physical, and financial constraints. The principle entails first identifying the most appropriate market, and, second, the most profitable use within that market. The concept is most commonly discussed in connection with underutilized land.

**Horizontal Inequity:** Differences based on criteria other than value range in the levels of assessment of groups of properties. For example, properties in one neighborhood may have a higher level of assessment than similar properties in another neighborhood. See vertical inequity.

**IAAO:** International Association of Assessing Officers.

**Improvements:** Buildings, other structures, and attachments or annexations to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers. Note: Sidewalks, curbing, sewers, and highways are sometimes referred to as "betterment," but the term "improvements" is preferred.

**Income:** The payments to its owner that a property is able to produce in a given time span, usually a year, and usually net of certain expenses of the property.

**Income Approach:** One of the three approaches to value, based on the concept that current value is the present worth of future benefits to be derived through income production by an asset over the remainder of its economic life. The income approach uses capitalization to convert the anticipated benefits of the ownership of property into an estimate of present value.

**Intangible Personal Property:** Property that has no physical existence beyond merely representational, nor any extrinsic value; includes rights over tangible real and personal property, but not rights of use and possession. Its value lies chiefly in what it represents. Examples include corporate stock, bonds, money on deposit, goodwill, restrictions on activities (for example, patents and trademarks), and franchises. Note: Thus, in taxation, the rights evidenced by outstanding corporation stocks and bonds constitute intangible property of the security holders because they are claims against the assets owned and income received by the corporation rather than by the stockholders and bondholders; interests in partnerships, deeds, and the like are not ordinarily considered intangible property for tax purposes because they are owned by the same persons who own the assets and receive the income to which they attach.

**Land-to-Building Ratio (Land-to-Improvement Ratio):** The proportion of land area to gross building (improvement) area. For a given use, the most frequently occurring ratio will be that of a functioning economic unit.

**Lease:** A written contract by which the lessor (owner) transfers the rights to occupy and use real or personal property to another (lessee) for a specified time in return for a specified payment (rent).

**Leased Fee Estate:** An ownership interest held by a lessor with the rights of use and occupancy conveyed by lease to another.

**Leasehold Estate:** Interests in real property under the terms of a lease or contract for a specified period of time, in return for rent or other compensation; the interests in a property that are associated with the lessee (the tenant) as opposed to the lessor (the property owner). May have value when market rent exceeds contract rent.

**Lessee:** The person receiving a possessory interest in property by lease, that is, the owner of a leasehold estate.

**Lessor:** The person granting a possessory interest in property by lease, that is, the conveyor of a leasehold estate, the holder of a leased fee estate.

**Level of Assessment; Assessment Ratio:** The common or overall ratio of assessed values to market values. Compare level of appraisal. Note: The two terms are sometimes distinguished,



but there is no convention determining their meanings when they are. Three concepts are commonly of interest: what the assessment ratio is legally required to be, what the assessment ratio actually is, and what the assessment ratio seems to be, on the basis of a sample and the application of inferential statistics. When level of assessment is distinguished from assessment ratio, "level of assessment" usually means either the legal requirement or the true ratio, and "assessment ratio" usually means the true ratio or the sample statistic.

**Life Estate:** An interest in property that lasts only for a specified person's lifetime; thus the owner of a life estate is unable to leave the property to heirs.

**Listing:** The process by which the assessor ensures that records for the taxable property identified during discovery are preserved with integrity, available for use in valuation activities, and ultimately reflected in the assessment roll.

**Long-lived Items:** Items that are the basic structure of a building and are not usually replaced during economic life. For example: foundation, roof structure, and framing.

**Market Approach:** A valuation term with several meanings. In its broadest use, it might denote any valuation procedure intended to produce an estimate of market value, or any valuation procedure that incorporates market-derived data, such as the stock and debt technique, gross rent multiplier method, and allocation by ratio. In its narrowest use, it might denote the sales comparison approach.

**Market-Value:** Is defined in RSA 75:1 as: "the property's full and true value as the same would be appraised in payment of a just debt due from a solvent debtor". An expanded definition of "Market Value" as defined within the NH Department of Revenue, Property Appraisal Division's "600 Rules", establishes the market value of a property must meet the following criteria:

- (a) Is the most probable price, not the highest, lowest or average price;
- (b) Is expressed in terms of money;
- (c) Implies a reasonable time for exposure to the market;
- (d) Implies that both buyer and seller are informed of the uses to which the property may be put;
- (e) Assumes an arm's length transaction in the open market;
- (f) Assumes a willing buyer and a willing seller, with no advantage being taken by either buyer or seller; and
- (g) Recognizes both the present use and the potential use of the property.

**Mass Appraisal:** The process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing.

**Mass Appraisal Model:** A mathematical expression of how supply and demand factors interact in a market.

**Mean:** A measure of central tendency. The result of adding all the values of a variable and dividing by the number of values. For example, the mean of 3, 5, and 10 is 18 divided by 3, or 6. Also called arithmetic mean.

**Median:** A measure of central tendency. The value of the middle item in an uneven number of items arranged or arrayed according to size; the arithmetic average of the two central items in an even number of items similarly arranged; a positional average that is not affected by the size of extreme values.

**Mill Rate:** A tax rate expressed as mills per dollar. For example, a 2 percent tax rate is \$2 per \$100, \$20 per \$1,000, or 20 mills per dollar.

**Model Calibration:** The development of adjustments, or coefficients based on market analysis, that identifies specific factors with an actual effect on market value.

**Neighborhood:** (1) The environment of a subject property that has a direct and immediate effect on value. (2) A geographic area (in which there are typically fewer than several thousand properties) defined for some useful purpose, such as to ensure for later multiple regression modeling that the properties are homogeneous and share important locational characteristics.

**Net Income:** (1) The income expected from a property, after deduction of allowable expenses. (2) Net annual income is the amount generated by a property after subtracting vacancy and collection loss, adding secondary income, and subtracting all expenses required to maintain the property for its intended use. The expenses include management fees, reserves for replacement, maintenance, property taxes, and insurance, but do not include debt service, reserves for building additions, or income tax.

**Nominal Tax Rate:** The stated tax rate, which does not necessarily correspond to the effective tax rate.

**Obsolescence:** A decrease in the value of a property occasioned solely by shifts in demand from properties of this type to other types of property and/or to personal services. Some of the principal causes of obsolescence are: (1) Changes in the esthetic arts; (2) changes in the industrial arts, such as new inventions and new processes; (3) legislative enactments; (4) change in consumer demand for products that results in inadequacy or overadequacy; (5) migration of markets that results in misplacement of the property. Contrast depreciation, physical; depreciation, economic.

**Overall Rate (OAR):** A capitalization rate that blends all requirements of discount, recapture, and effective tax rates for both land and improvements; used to convert annual net operating income into an indicated overall property value.

**Partial Interest:** An interest (in property) that is less complete than a fee simple interest. Also known as a "fractional" interest.

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

**Personal Property:** Consists of every kind of property that is not real property; movable without damage to itself or the real estate; subdivided into tangible and intangible. Also called "personality."

**Physical Depreciation:** Depreciation arising solely from a lowered physical condition of the property or a shortened life span as the result of ordinary use, abuse, and action of the elements.

**Plottage Value:** (1) The increment of value ascribed to a plot because of its suitability in size, shape, and/or location with reference to other plots (preferred). (2) The excess of the value of a large parcel of land formed by assemblage over the sum of the values of the unassembled parcels. Compare "assemblage".

**Possessory Interest:** (1) The right to occupy and use any benefit in a transferred property, granted under lease, licenses, permit, concession, or other contract. (2) A private taxable interest in public tax-exempt property, for example, a private service station in a federal military base. Assessment of this interest presents complex valuation problems. Among the issues are whether the ownership or the use is exempt, whether the parcel should be split, and whether market rent differs from contract rent.

**Price Related Differential (PRD):** The mean divided by the weighted mean. The statistic has a slight bias upward. Price-related differentials above 1.03 tend to indicate assessment regressivity; price-related differentials below 0.98 tend to indicate assessment progressivity.

**Principle of Contribution:** The principle of contribution requires an appraiser to measure the value of any improvement to a property by the amount it contributes to market value, not by its cost.

**Principle of Substitution:** The principle of substitution states that no buyer will pay more for a good than he or she would have to pay to acquire an acceptable substitute of equal utility in an equivalent amount of time.

**Property Record Card:** An assessment document with blanks for the insertion of data for property identification and description, for value estimation, and for property owner satisfaction. The basic objectives of property record forms are, first, to serve as a repository of most of the information deemed necessary for identifying and describing a property, valuing a property, and assuring property owners that the assessor is conversant with their properties,

and, second, to document property appraisals. Use of properly designed property record forms permits an organized and uniform approach to amassing a property inventory.

**Ratio Study:** A study of the relationship between appraised or assessed values and market values. Indicators of market values may be either sales (sales ratio study) or independent "expert" appraisals (appraisal ratio study). Of common interest in ratio studies are the level and uniformity of the appraisals or assessments. See also level of appraisal and level of assessment.

**Real Property:** Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. To the extent that "real estate" commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning. Also called "realty."

**Reconciliation:** The final step in the valuation process wherein consideration is given to the relative strengths and weaknesses of the three approaches to value, the nature of the property appraised, and the quantity and quality of available data in formation of an overall opinion of value (either a single point estimate or a range of value). Also termed "correlation" in some texts.

**Replacement Cost New Less Depreciation (RCNLD):** In the cost approach, replacement cost new less physical incurable depreciation.

**Residual Value of Improvements:** A value ascribed to improvements on a parcel of land by deducting from the total value of land and improvements (as determined by composite appraisal) the value of the land alone (as determined by comparison with other parcels). Contrast residual value of land. Note: A residual value of improvements is usually estimated only when the land is obviously not improved to its highest and best use.

**Residual Value of Land:** A value ascribed to land alone by deducting from the total value of land and improvements (as determined by composite appraisal) the value of the improvements (as determined by the depreciated reproduction cost method). Contrast residual value of improvements.

**Reversion:** The right of possession commencing on the termination of a particular estate.

**Right-of-Way:** (1) An easement consisting of a right of passage through the servient estate (preferred). (2) By extension, the strip of land traversed by a railroad or public utility, whether owned by the railroad or utility company or used under easement agreement.

**Sales Comparison Approach:** One of three approaches to value, the sales comparison approach estimates a property's value (or some other characteristic, such as its depreciation) by reference to comparable sales.

**Short-lived Items:** Items of a structure that have a shorter life than the basic structure. For example, roofing, water heaters, floor covering, and interior finish.

**Site Amenities:** The specific location-related positive attributes of a property: topography, utilities, street traffic, view, and so on.

**Standard Deviation:** The statistic calculated from a set of numbers by subtracting the mean from each value and squaring the remainders, adding together all the squares, dividing by the size of the sample less one, and taking the square root of the result. When the data are normally distributed, one can calculate the percentage of observations within any number of standard deviations of the mean from normal probability tables. When the data are not normally distributed, the standard deviation is less meaningful, and one should proceed cautiously.

**Standard Error:** A measure of the precision of a measure of central tendency; the smaller the standard error, the more reliable the measure of central tendency. Standard errors are used in calculating a confidence interval about the arithmetic mean and the weighted mean.

**Statistics:** (1) Numerical descriptions calculated from a sample, for example, the median, mean, or coefficient of dispersion. Statistics are used to estimate corresponding measures, termed parameters, for the population. (2) The science of studying numerical data systematically and of presenting the results usefully. Two main branches exist: descriptive statistics and inferential statistics.

**Stratification:** The division of a sample of observations into two or more subsets according to some criterion or set of criteria. Such a division may be made to analyze disparate property types, locations, or characteristics, for example.

**Subdivision:** A tract of land that has been divided into marketable building lots and such public and private ways as are required for access to those lots, and that is covered by a recorded plat.

**Tax-Exempt Property:** Property entirely excluded from taxation because of its type or use. The most common examples are religious, charitable, educational, or governmental properties. This definition omits property for which the application of a partial exemption reduces net taxable value to zero.

**Tax Map:** A map drawn to scale and delineated for lot lines or property lines or both, with dimensions or areas and identifying numbers, letters, or names for all delineated lots or parcels.

**Tax, Progressive:** (1) A tax in which the effective rate is higher for a taxpayer subject to taxation on a large tax base than for a taxpayer subject to taxation on a small tax base. (2) Loosely used to refer to any tax that absorbs a larger proportion of the wealth or income of the

well-to-do classes than of the poorer classes. Contrast tax, proportional; tax, special property; tax, graduated.

**Tax, Proportional:** A tax in which the effective tax rate is the same for all taxpayers regardless of the sizes of the tax bases on which they are subject to taxation. Contrast tax, progressive; tax, regressive.

**Tax Rate:** (1) The amount of tax stated in terms of a unit of the tax base, for example, 30 mills per dollar, 2 percent, 2 cents per gallon. (2) For the property tax, the percentage of assessed value at which each property is taxed in a given district. Distinguish between effective tax rate and nominal tax rate.

**Tax, Regressive:** (1) A tax in which the effective rate is higher for a taxpayer subject to taxation on a small tax base than for a taxpayer subject to taxation on a large tax base. (2) Loosely used to refer to any tax that absorbs a smaller proportion of the wealth or income of the well-to-do classes than of the poorer classes. Note: A tax is said to be regressive in administration, though not legally regressive, when the ratio of the actual base to the statutory base declines as the statutory base increases, in such manner as to nullify a proportional statutory rate or to make a progressive statutory rate actually regressive. The same usage is conversely applicable to the terms "progressive tax" and "proportional tax," but is less commonly associated with them. Contrast tax, progressive; tax, proportional.

**Tenement:** (1) Real property and the rights to ownership, especially those of a permanent nature that relate to and pass with the land.

**Time-Adjusted Sale Price:** The price at which a property sold, adjusted for the effects of price changes reflected in the market between the date of sale and the date of analysis.

**Time Value of Money:** The principle that an amount of money anticipated as income in the future is always worth less than an equal amount in hand at the present time.

**Total Economic Life:** The period of time or units of production over which the operation of an asset is economically feasible, not necessarily the same as its physical life.

**Trade Fixture:** Property attached to a rented space or building by a tenant, used in conducting a business and owned by the tenant. Also called "chattel fixture."

**Trending:** Adjusting the values of a variable for the effects of time. Usually used to refer to adjustments of assessments intended to reflect the effects of inflation and deflation and sometimes also, but not necessarily, the effects of changes in the demand for microlocational goods and services.

**Uniform Standards of Professional Appraisal Practice:** Annual publication of the Appraisal Standards Board of The Appraisal Foundation: "These Standards deal with the procedures to be followed in performing an appraisal, review or consulting service and the manner in which an appraisal, review or consulting service is communicated. . . .STANDARD 6 sets forth criteria for the development and reporting of mass appraisals for ad valorem tax purposes or any other universe of properties".

**Uniformity:** The equality of the burden of taxation in the method of assessment.

**Unweighted Mean:** A mean in which each value is considered only once. See weighted mean.

**Use Code:** A code (used on a property record form) to indicate a property's use class or, less often, potential use.

**Use Class:** (1) A grouping of properties based on their use rather than, for example, their acreage or construction. (2) One of the following classes of property: single-family residential, multifamily residential, agricultural, commercial, industrial, vacant land, and institutional/exempt. (3) Any subclass refinement of the above-for example, Cityhouse, detached single-family, condominium, house on farm, and so on. See also property use category.

**Vacancy and Collection Loss:** The amount of money deducted from potential annual gross income to reflect the effect of probable vacancy and turnover, or nonpayment of rent by tenants. Vacancy and collection loss is commonly expressed as a percentage of potential annual gross income, and it should be based on market research, not actual rental history of a property.

**Variance:** A measure of dispersion equal to the standard deviation squared.

**Vertical Inequity:** Differences in the levels of assessment of properties related to the value ranges of the properties. That is, properties of higher value have assessment levels different from properties of lower value. See horizontal inequity.

**Weighted Average Method:** In personal property appraisal, a method of inventory cost accounting whereby inventory is valued according to the unit price of all units owned throughout the year, calculated by dividing total acquisition cost of all inventory by the number of units owned.

**Weighted Coefficient of Dispersion:** The coefficient of dispersion when the absolute differences between individual assessment ratios and the measure of central tendency (for example, median ratio) are weighted on the basis of sale price.

**Weighted Coefficient of Variation:** The coefficient of variation when the squared differences between individual assessment ratios and the arithmetic mean ratio are weighted on the basis of sale price.

**Weighted Mean Ratio:** Sum of the appraised values divided by the sum of the sales prices, which weights each value in proportion to its sale price.

**Weighted Mean; Weighted Average:** An average in which each value is adjusted by a factor reflecting its relative importance in the whole before the values are summed and divided by their number.

**Yield Rate:** (1) The return on investment applicable to a series of incomes that results in the present worth of each. Examples of yield rates are interest rate, discount rate, equity yield rate, and internal rate of return. (2) The required rate of return on equity capital; a component of the capitalization rate (or discount rate or mortgage-equity overall rate) that must be separately specified in band-of investment analysis and mortgage equity analysis.

**Zoning:** The exercise of the police power to restrict land owners as to the use of their land and/or the type, size, and location of structures to be erected thereon.