NEWS from the Board of Appraisal – June, 2013

FAQs regarding SB1316 as of June 1, 2013

What is SB1316?

SB1316 was proposed by the Board in response to the Dodd-Frank Act, 2015AQB Criteria, State of Arizona requirements, and suggestions from the Board's strategic planning sessions. Issues addressed by the legislation include but are not limited to:

1) Creates an Appraiser Trainee Classification
2) Creates a designated Supervisory Appraiser classification
3) Provides the National Examination as approved by AQB as the official test to become licensed or certified
4) Allows the Board to accept grant money
5) Addresses the fee for the national exam
6) Allows the board to accept credit cards for payment of fees
7) Changes the definition of types of appraisals that licensees and certified residential appraisers are allowed to appraise
8) Changes reciprocity verbiage to comply with the federal requirements
9) Requires an appraiser to provide the Board with an e-mail address, unless the appraiser has no e-mail account
10) Changes the composition of the Board to allow two appraisers who are either licensed or certified, in addition to one who holds the Certified Residential and one that holds the Certified General credential.

When will SB1316 become effective?

Although SB1316 has already been signed by the Governor, it will not become effective until 90 days after the current legislative session ends.

What do trainees do in the meantime?

Those wishing to become an appraiser trainee should have their Supervisor complete the Supervising Appraiser's Notification of Engagement form found on the Board's website just as they have been doing since 2007. Once the bill becomes effective, all Supervisors will receive a letter informing them that if their trainees cannot fulfill the licensure/certification requirements before 1/01/2015, both the supervisors and trainees will need to complete separate applications, pay the appropriate fee (for trainees only), and undergo the background check. Trainees can use their accumulated experience up to that point.

What about the trainee/supervisor class?

The 4-hour course that will be required after 1/01/2015 may be taken before that date. However, this class must contain the material as outlined in the AQB 2015 Supervisory Appraiser/Trainee Appraiser course and it must have been approved by the State prior to the Supervisor and Trainee Appraiser's attendance.

Does the board still treat those who are already licensed and want to go up in classification as trainees?

One of the Board's current rules needs to be amended before the Board can distinguish between those who are currently credentialed from those who are entering the profession for the first time. The Board is working on amending the rule but this process could take six months. In particular, a clarification is proposed to the existing rule to differentiate between those entering the profession for the first time being classified as a trainee and those who already hold a valid license or certificate not being classified as trainees.

How will reciprocity be addressed by SB1316?

Those applicants who are in good standing and coming from a state that meets or exceeds the requirements of our state, and if that state is substantially in compliance with the Appraisal Subcommittee as of the last audit, will be granted reciprocity upon completion of an application and payment of fees.

When can I renew my license online?

The Board has been working on updating its licensing software for over a year and hopes to have the new program operational within 9 months to a year. Completion of this process will be announced as soon as it is in place.

When can I pay my fees with a credit card?

Once the new licensing software program is in place, the Board will be accepting credit card payments.

How much will the "convenience fee" for credit cards be?

Although a final decision has not been made, it is likely that a flat fee will be charged rather than a percentage of the entire transaction. An exact fee has not yet been determined.

What about the provision for criminal background checks?

Statute currently requires criminal background checks for **new** applicants. SB1316 includes Supervisors and Trainees submit to a criminal background check. The fees for the background checks are not to exceed the cost charged to the Board. This fee is currently $22.00. AQB is encouraging all states to have their **existing** appraisers undergo background checks at least once. How and when the requirement for the existing appraiser to undergo a criminal background check will be decided by the Board in the future.

Understanding the Assessor's Values

by Maricopa County Assessor, Keith Russell, MAI

From time to time all of the Assessors in Arizona are asked if their assessed values reflect current market value for real property. The easy answer is usually not. In Arizona we have two assessed values. Full Cash Value (FCV) and Limited Property Value (LPV). FCV is directly related to the market value, but by definition it is generally below market value. The LPV by definition is calculated based on a statutory formula which generally does not reflect market value.

Fee appraisers are frequently asked to provide a market value estimate. When there is a lack of sales or other market data it may be tempting to look to the assessed value estimated by your Assessor, but be advised, these value estimates may not represent market value. Assessed values are generated and used for calculating property tax, to insert them in another setting could be misleading. The assessed value can be materially different from the market value. Four areas of potential confusion are discussed below.

First, FCV is generated predominantly by a mass appraisal analysis. Generally, mass appraisal has a broader acceptable range of value than individual single property appraisal. In addition, while most fee appraisals are attempting to estimate market value, the FCV generated by an Assessor's Office has been developed in accordance to statutory standards which are enforced by the Arizona Department of Revenue. Adherence to these standards is mandatory for all Arizona counties. Due to significant differences in the scope of the valuation between fee and mass appraisal, FCV's are not likely to represent estimates of market value that can be used for fee appraisal purposes.

Second, Arizona law requires a separate land value and improvement value for all real property except for single family residences. Frequently the Assessor's Office will provide a breakdown between land and improvements but, at least in Maricopa County, this is an allocation not a separate valuation analysis. We have heard stories that some residential fee appraisers believe the land value is a reflection of a separate analysis and represents what the Assessor estimates the land would be worth if it were a vacant lot. This is not accurate, at least in Maricopa County (if you have questions on this subject in other Counties, please contact the appropriate County Assessor's Office to confirm their methodology).

Third, understand that some properties FCV's are computed on formulas which are independent from market conditions. The Arizona legislature has mandated statutory formulas for Assessors to use when estimating some property types including certain shopping centers, golf courses, and agricultural property.

Finally, please be aware that the date of value does not correspond with the title assigned to the FCV or the LPV. The date of value for each of these assessments is as of the year prior to the tax bill being generated. Therefore, the date of value for an assessment labeled 2013 is for the beginning of 2012.

The Competency Rule of the Uniform Standards of Professional Appraisal Practices (USPAP) requires the appraiser to have the knowledge and experience to complete all assignments in a competent manner. Please be advised the assessments used in property taxation do not necessarily represent market value. The misuse of this data can easily turn into a USPAP violation. Don't get caught in this trap.