Advisory Memorandum

From: Stephen J. Keller
Chief Legal Counsel for Property Tax Litigation and VAB Oversight,
Florida Department of Revenue
To: Sheryl A. Edwards
Legal Counsel to the Sarasota County Value Adjustment Board
Date: March 25, 2022
Subject: Advisory Assistance on Mathematically Correct Methods for Deducting Costs of Sale in the Income Capitalization Approach

Introduction and Background

This advisory memorandum is in response to a request, dated January 23, 2022, from the attorney for the Sarasota County Value Adjustment Board (VAB) to the Department of Revenue (DOR). Attached hereto are nine Exhibits (consisting of 14 pages) discussed herein where applicable. Exhibit 1 is the VAB attorney's request for advisory assistance, which states:

> "*As you are aware, the undersigned represents the Sarasota County Value Adjustment Board. In my capacity as the Attorney for the Sarasota VAB, I have observed the use of various methods of deducting the costs of sale in the income capitalization approach utilized by both the property appraiser's office and special magistrates. Such methods include various techniques of adjusting overall capitalization rates to effectuate cost of sale deductions in arriving at just value*."
>
> "*Since the special magistrates have not received any specific guidance from the Department of Revenue on this Florida statutory issue, I request the Department of Revenue provide, as soon as possible, specific guidance on the correct methods for making the cost of sale deductions in the income capitalization approach including the correct methods for adjusting overall capitalization rates to effectuate the cost of sale deductions in the income capitalization approach*."

Prior to the VAB attorney's request, the Sarasota County Property Appraiser's Office (SCPAO) complained to DOR that some written decisions of the 2020 Sarasota County VAB contained incorrect amounts for cost of sale deductions in the income capitalization approach because such amounts did not equal the cost of sale percentages reported by SCPAO to DOR on the 2020 Form DR-493. SCPAO alleged the VAB decisions contained "…*an erroneous mathematical process.*"

We agree with SCPAO and the VAB attorney that the 15 percent cost of sale deduction SCPAO reports on Form DR-493 is a professionally accepted appraisal practice and is, therefore, the correct cost of sale deduction to apply in the VAB process. The core issue to be addressed in this advisory assistance is the correct mathematical procedures for making the correct cost of sale deduction in the income capitalization approach to just valuation.

This memorandum is consistent with our prior communications, dated February 16 and 22, 2022, to SCPAO and the VAB attorney regarding correct methods for deducting costs of sale in the income capitalization approach. Based on SCPAO's income capitalization approaches presented as evidence in some 2021 VAB proceedings and on our teleconference with SCPAO on March 1, 2022, we believe SCPAO understands and agrees with the correct methods presented in this advisory memorandum. Based on the VAB attorney's communication to special magistrates on February 23, 2022, and on our teleconference with the VAB attorney on March 4, 2022, we believe the VAB attorney understands and agrees with the correct methods presented herein.

Constitutional Requirement for Just Valuations for Ad Valorem Tax Purposes

Florida's Constitution requires the Legislature to enact general law to secure a just valuation of all property for ad valorem taxation. See Article VII, Section 4, of the Florida Constitution. In Sunset Harbour Condominium Association v. Robbins, 914 So. 2d 925, 931 (Fla. 2005), the Florida Supreme Court explained the Legislature's responsibility for just valuation standards, as follows:

> "*While the Florida Constitution requires that "[b]y general law regulations shall be prescribed which shall secure a just valuation of all property," art. VII, § 4, Fla. Const., the framers of the constitution delegated to the Legislature the responsibility for deciding the specifics of how that "just valuation" would be secured.*"

The Legislature's enactments for just valuations must be applied to all property. See Sunset Harbour at 931, citing Interlachen Lakes Estates, Inc. v. Snyder, 304 So. 2d 433, 434 (Fla. 1973). The orderly and uniform application of state law is an important public policy. See Crossings at Fleming Island v. Echeverri, 991 So. 2d 793, 797 (Fla. 2008).

Within the context and scope of their respective duties, property appraisers, value adjustment boards, and courts must follow the same legal standards. See Countryside Country Club, Inc. v. Smith, 573 So. 2d 14, 15-16 (Fla. 2nd DCA 1990).

This "same standard" requirement is also reflected in section 194.301, F.S.

Florida Law Provides for the Correct Calculation and Uniform Application of Cost of Sale Deductions in Arriving at Just Valuations of Property for Ad Valorem Tax Purposes

Section 193.011, F.S., provides eight just valuation factors which, after 2009 legislation, are now incorporated into section 194.301, F.S., in three places. The 2009 legislation also enacted four additional determinative standards for just valuations, as follows: 1) compliance with professionally accepted appraisal practices; 2) avoidance of arbitrarily different appraisal practices within groups of comparable property within the same county; 3) avoidance of superseded case law; and 4) correct application of an appropriate appraisal methodology.

After the 2009 legislation, each of the parts of sections 193.011, 194.301, and 194.3015, F.S., must now be interpreted and applied together so that each part is given appropriate meaning consistent with the higher standard of care described above.

Section 193.011(8), F.S., generally referred to as the "cost of sale" factor or the "net proceeds of sale" factor, provides:

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

In this statute, the term "*net proceeds*" denotes a lower amount in dollars remaining after the math operation of subtracting the "*usual and reasonable fees and costs of the sale*" (generally called "costs of sale") from a higher starting number also expressed in dollars. The term "*after deduction*" likewise denotes the math operation of subtracting the costs of sale, an amount likewise expressed in dollars but which is also expressed as a percentage of the higher starting number.

Notably, in Oyster Pointe Condo. Assoc., Inc. v. Nolte, 524 So. 2d 415, 418 (Fla. 1988), the Florida Supreme Court, in holding that timeshare marketing costs were not (under timeshare statutes at that time) part of the "*reasonable fees and costs of sale*" under section 193.011(8), held as follows:

> *"However, as we read section 193.011(8), these costs are not among the "reasonable fees and costs of sale" contemplated by the legislature to be excluded from the ad valorem appraisal process."*

This holding is compelling because it is consistent with long-standing, undeniable, mathematical facts and it shows the Florida Supreme Court's recognition of the legislative intent for the costs of sale to be "*excluded from the ad valorem appraisal process*" without exception.

Applicable law provides for uniform cost of sale deductions, without regard to 1) whether the property was sold, 2) whether mass appraisal or single-property appraisal is used, 3) the appraisal approach used to value the property, or 4) whether appraisal development or just value review by a VAB is involved. Under current law, there is no legal authority for variation in application of cost of sale deductions based on any of the aforementioned four items.

While section 193.011(8), F.S., mentions three possible elements to be deducted, for the following reasons the deduction is generally considered to be for the "*usual and reasonable fees and costs of the sale*." For the reasons provided below, neither of the other two possible elements have general applicability.

First, the statute mentions *an "allowance for unconventional or atypical terms of finance arrangements…"* However, by definition, such allowance would be an uncommon occurrence and, accordingly, would not be part of the across-the-board, cost of sale deductions generally applied by property appraisers to all property.

Second, the statute provides that "*When the net proceeds of sale are utilized…*" the property appraiser "*shall exclude any portion of such net proceeds attributable…*" to personal property. Given that costs of sale have already been deducted to arrive at net proceeds before net proceeds can be utilized, any further deduction for personal property would be, under the statute's plain language and logic, in addition to the cost of sale deduction.

In practice, for the limited situations where an appraisal method for certain property types may involve significant personal property, the standard practice is to deduct the personal property value separate and apart from cost of sale deductions. Based on evidence presented in some VAB proceedings, when personal property value is included in a value indication by the income capitalization approach, SCPAO's standard practice is to deduct personal property value separate and apart from the 15 percent cost of sale deduction.

Because Assessment Uniformity is of Paramount Concern,
Cost of Sale Deductions Must be Applied Uniformly Using a Single Standard

Section 195.0012, F.S., states in its entirety:

> "*Legislative intent.—It is declared to be the legislative purpose and intent in this entire chapter to recognize and fulfill the state's responsibility to secure a just valuation for ad valorem tax purposes of all property and to provide for a uniform assessment as between property within each county and property in every other county or taxing district*."

Regarding the uniform application of the net proceeds of sale factor, section 193.011(8), F.S., provides in pertinent part:

> "*When the net proceeds of the sale of any property are utilized, directly or indirectly, in the determination of just valuation of realty of the sold parcel or any other parcel under the provisions of this section…*"

The term "*or any other parcel*" means the net proceeds of sale factor is to be applied in the just valuation of all property, not just property that was sold or some other subset.

Further, the U.S. Supreme Court has also emphasized that "*the uniformity and equality required by law*" is of paramount concern in property assessment valuations. See Sioux City Bridge Co. v. Dakota County. Nebraska, 260 U.S. 441, 446–47 (1923) (cited by the Florida Supreme Court in Southern Bell Telephone Co. v. Dade County, 275 So. 2d 4, 8 (Fla. 1973).

Additionally, in Louisville and Nashville Railroad Co. v. Department of Revenue, State of Fla., 736 F.2d 1495 (11th Cir.1984), a U.S. Court of Appeals addressed disparate treatment among comparable property in applying the cost of sale deduction and held that when comparing valuation practices under review to valuation practices for other comparable property, the overriding consideration is to apply a single standard for both groups. Notably, this holding was specifically based on the net proceeds of sale factor (after cost of sale deductions) in section 193.011(8), F.S.

The determinative standard enacted in 2009 in section 194.301(2)(a)3., F.S., precludes assessment valuations "*arbitrarily based on appraisal practices that are different from the appraisal practices generally applied by the property appraiser to comparable property within the same county*." This statutory standard is clearly aimed at preventing disparate treatment, like the holdings in the federal cases described above.

As explained above, the overriding consideration in administering the cost of sale factor under applicable law is for it to be applied uniformly using a single standard.

The Uniform Application of the Cost of Sale Deductions by County Property Appraisers, Over the Course of Several Decades, is a Long-Standing, Professionally Accepted Appraisal Practice

In 1967, the Florida Legislature authorized property appraisers to deduct costs of sale in arriving at just valuations for ad valorem tax purposes. See Chapter 67-167, section 1, Laws of Florida (creating subsection 193.021(8), F.S., re-numbered in 1969 as subsection 193.011(8), F.S.).

For the 1980 tax year, the across-the-board practice of deducting costs of sale in arriving at just valuations under section 193.011(8) was well-documented in a stipulation of facts that was part of federal litigation involving relative levels of assessment of commercial and industrial property in Florida. In that litigation, a federal trial court granted summary judgment based on the stipulation of facts, which showed cost of sale deductions made by both property appraisers and the Department, for commercial and industrial property, ranging from 13 to 21 percent with the majority of counties showing about 14 to 15 percent for costs of sale for the 1980 tax year. The trial court judgment was appealed and then upheld by a U.S. Court of Appeals in <u>Louisville and Nashville Railroad Co. v. Department of Revenue, State of Fla</u>., 736 F.2d 1495 (11th Cir.1984).

In 1982, the Florida Legislature enacted a mechanism for property appraisers to annually report to DOR the cost of sale deductions the property appraiser "*made to recorded selling prices or fair market value in arriving at assessed value*." See Chapter 82-388, section 12, Laws of Florida (creating subsection (18) of section 192.001, Florida Statutes). Then, effective September 30, 1982, the Department of Revenue implemented this mechanism by adopting Rule 12D-8.002(4), F.A.C., which states as follows in pertinent part, unchanged since adoption:

> *"Accompanying the assessment roll submitted to the Executive Director shall be, on a form provided by the Department, an accurate tabular summary by property class of any adjustments made to recorded selling prices or fair market value in arriving at assessed value. Complete, clear, and accurate documentation <u>for each adjustment under Section 193.011(8), F.S., exceeding fifteen percent</u> shall accompany this summary detailing how that percentage adjustment was calculated. This documentation shall include individual data for all sales used and a narrative on the procedures used in the study."*

This rule provides a reporting threshold of 15 percent, where property appraisers would have to conduct a lot of research and analysis and provide a lot of documentation to justify any reported cost of sale deductions that exceed 15 percent.

This reporting threshold was implemented in 1982 to address a very difficult situation where both property appraisers and DOR annually spent inordinate time and effort in attempts to research and identify typical costs of sale for all types of property. There is no law requiring disclosure of these costs and, consequently, the task of conducting market research to support the deductions for all property types proved to be ineffective and unworkable. The reporting threshold rule provided a reasonable solution enabling uniform application of the net proceeds of sale factor (after deducting costs of sale).

The professionally accepted practice is for property appraisers to uniformly make and then report the maximum cost of sale deductions allowed by the reporting threshold while, understandably, avoiding the impracticable task of attempting to support the deductions in the absence of reliable data. This widely accepted practice has been the norm for decades and reflects the legal and professional standard of care for applying the cost of sale factor under section 193.011(8), F.S. DOR accepts these deductions with the understanding and belief that the deductions have been applied uniformly to all parcels within each property type listed on Form DR-493.

The administration of the cost of sale factor is different from the other seven factors in section 193.011, F.S., in that property appraisers generally apply the other seven factors through their annual appraisal process that includes much work to collect, analyze, and apply property-specific appraisal data related to the other factors (such as size, location, condition, etc.) as applicable. Based on the unique realities and decades of accepted practices described above, the standard of care for applying cost of sale deductions is very different from the standard of care for applying the other seven factors. Therefore, based on facts and applicable law referenced herein, the standard of care for applying cost of sale deductions in the VAB process must be the same as in the appraisal development process.

When cost of sale deductions are lawfully made and clearly and accurately reported to DOR, taxpayers, courts, and VABs, the property appraiser complies with applicable law including the statutory standard of professionally accepted appraisal practices.

Professional references, which may contain information on professionally accepted appraisal practices, consistently defer to laws and regulations that apply to the intended use of the appraisal which, in the case at hand, is ad valorem taxation in Florida.

For example, the Standard on Mass Appraisal of Real Property, published by the International Association of Assessing Officers, states: "*If any portion of these* *standards is found to be in conflict with the Uniform Standards of Professional Appraisal Practice (USPAP) or state laws, USPAP and state laws shall govern*." [1]

The Competency Rule of the Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition (USPAP), requires appraisers to recognize and comply with laws and regulations that apply to the appraiser or to the appraisal assignment.[2]

The form on which property appraisers report their cost of sale deductions is known as Form DR-493. Annual copies of these completed forms are available on DOR's website.

Exhibits 2 and 3 attached hereto contain statewide summaries showing, for 2020 and 2021, respectively, the cost of sale deductions each county applied in arriving at just valuations and then reported to DOR on Form DR-493. Almost all of Florida's 67 counties, including Sarasota County, reported cost of sale deductions of 15 percent and this has been the accepted standard practice in Florida for several decades.

Given that property appraisers' cost of sale deductions are a long-standing, well-known, and widely accepted practice and are generally made uniformly and across-the-board in accordance with applicable law, such deductions are a professionally accepted appraisal practice, which VABs and their special magistrates must apply as well.

Consistent with law and professionally accepted appraisal practices, SCPAO has an expressed, professionally accepted policy of making and reporting 15 percent cost of sale deductions in arriving at just valuations under Florida law. Accordingly, in just valuation reviews, the Sarasota County VAB and its special magistrates are compelled by law to correctly apply 15 percent cost of sale deductions without double-counting.

Methods of Deducting Costs of Sale in the Income Capitalization Approach to Just Valuations

SCPAO alleges that in certain written decisions of the 2020 VAB, the special magistrate erred "*by using an erroneous mathematical process*", resulting in cost of sale deductions not equal to the cost of sale deductions reported by SCPAO on Form DR-493. We agree with SCPAO that the 15 percent deduction SCPAO reported on Form DR-493 is the correct cost of sale deduction to apply in the VAB process.

The VAB attorney then requested that DOR provide "…*specific guidance on the correct methods for making the cost of sale deductions in the income capitalization approach*

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[1] *See* International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* (Kansas City, MO: International Association of Assessment Officers, July 2017), title page.

[2] *See* Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition* (Washington, DC: Appraisal Foundation), pages 11-12.

including the correct methods for adjusting overall capitalization rates to effectuate the cost of sale deductions in the income capitalization approach."

The issues presented to DOR by SCPAO and the VAB attorney involve mathematical procedures in the context of Florida ad valorem tax law. Thus, the solutions to these issues require math problem solving in the context of just valuations under such law.

For educational purposes, attached hereto as Exhibit 4 is a copy of the new Florida Mathematical Thinking and Reasoning Standards (consisting of four pages) published on the Florida Department of Education's website. These standards contain information relevant for understanding the solutions to the math-related just valuation problems presented to DOR by SCPAO and the VAB attorney.

The Florida Mathematical Thinking and Reasoning Standards call for representing math solutions in multiple ways and for assessing the reasonableness of math solutions using relevant benchmarks (see pages 2 and 4 of Exhibit 4). In the case at hand, the appropriate benchmarks are the subtraction procedures provided in section 193.011(8), F.S., as described above on page 3 and as presented as tabular Method 1 in Exhibits 5 and 8 attached hereto.

In the income capitalization approach, cost of sale deductions are addressed differently in two types of situations: those involving the millage rate (stated tax rate) and those <u>not</u> involving the millage rate. Because the mathematical issues involved are different in these two situations, they are addressed separately below where multiple examples of both correct and erroneous methods are presented for each situation.

Methods of Deducting Costs of Sale in Income Capitalization Approaches <u>Not</u> Involving Millage

Exhibit 5 attached hereto contains mathematically correct methods of deducting costs of sale in income capitalization approaches <u>not</u> involving millage. For educational purposes, these methods are presented in both algebraic format and tabular format. The algebraic format uses a set of defined just valuation symbols and some algebraic equations, while the tabular format uses just valuation labels and numbers. As shown by the just values highlighted in yellow, each method in Exhibit 5 yields the same result.

As stated in Exhibit 5, tabular Method 1 is the best method because it deducts costs of sale <u>directly</u> in dollars, which is clear, transparent, easy to understand, and less prone to error. It also follows the subtraction steps provided in section 193.011(8), F.S., as described above on page 3 of this advisory memorandum.

Tabular Method 2 in Exhibit 5 deducts costs of sale <u>indirectly</u> by increasing the capitalization rate by an amount that results in a cost of sale deduction and a just value equal to those from Method 1 (the best method).

In non-millage situations in the income capitalization approach, any methods of deducting costs of sale by increasing capitalization rates must result in the same just value as tabular Method 1 in Exhibit 5 would produce using the same input variables. A Florida appellate court has held that a capitalization rate cannot be manipulated in a way that circumvents applicable law. See Holly Ridge Ltd. Partnership v. Pritchett, 936 So.2d 694, 697-698 (Fla. 5th DCA 2006), *rehearing denied*, where the Court held a value assessment was invalid after finding that the applicable statutory criteria had been circumvented by improper manipulation of a capitalization rate.

For educational purposes, Exhibit 6 attached hereto contains two examples of mathematically erroneous methods resulting in incorrect cost of sale deductions and incorrect just values (highlighted in yellow). For comparison purposes, Exhibit 6 uses the same input variables used in Exhibit 5 (net operating income and unadjusted capitalization rate), and lists the correct value from Exhibit 5 beside the erroneous values.

Methods of Deducting Costs of Sale in
Income Capitalization Approaches Involving Millage

Exhibits 7 and 8 attached hereto contain mathematically correct methods of deducting costs of sale in income capitalization approaches involving millage. Each of these methods uses the same input variables (net operating income, unadjusted capitalization rate, and millage rate) and yields the same just value. Exhibit 7 presents correct methods in algebraic format and Exhibit 8 presents correct methods in tabular format. As shown by the just values highlighted in yellow in Exhibits 7 and 8, each method yields the same correct result.

As stated in Exhibit 8, tabular Method 1 is the best method because it deducts costs of sale directly in dollars, which is clear, transparent, easy to understand, and less prone to error. In deducting costs of sale, it follows the subtraction steps consistent with terminology in section 193.011(8), F.S., as described above on page 3 of this advisory memorandum. However, as shown in Exhibit 8, Method 1 requires applying the effective tax rate (ETR) to arrive at a preliminary value from which costs of sale can then be transparently subtracted to arrive at a correct just value.

Method 2 in Exhibit 8 deducts costs of sale indirectly by increasing the unadjusted capitalization rate by an amount that results in a cost of sale deduction and a just value equal to those from Method 1 (the best method).

In income capitalization approaches involving millage, any methods of deducting costs of sale by increasing capitalization rates must result in the same just value as Method 1 in Exhibit 8 would produce using the same input variables. A Florida appellate court has held that a capitalization rate cannot be manipulated in a way that circumvents applicable law. See Holly Ridge Ltd. Partnership v. Pritchett, 936 So.2d 694, 697-698 (Fla. 5th DCA 2006), *rehearing denied*, where the Court held a value assessment was invalid after finding that the applicable statutory criteria had been circumvented by improper manipulation of a capitalization rate.

Method 3 in Exhibits 7 and 8 deals with the interdependency between ad valorem tax and just value by simultaneously calculating them using Excel's iterative calculations, providing proof supporting the other methods. As shown in Exhibit 8, the Confirmation Method provides further proof supporting the other methods.

For educational purposes, Exhibit 9 shows four examples of mathematically erroneous methods in income capitalization approaches involving millage, resulting in erroneous cost of sale deductions and incorrect just values (highlighted in yellow). For comparison purposes, Exhibit 9 uses the same input variables used in Exhibit 8 (net operating income, unadjusted capitalization rate, and millage rate) and lists the correct value from Exhibit 8 beside the incorrect values.

In conclusion, we express our appreciation to SCPAO and the Sarasota County VAB attorney for their cooperation and assistance in this matter.

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THE EDWARDS LAW FIRM PL

SHERYL A. EDWARDS, ESQUIRE
BOARD CERTIFIED REAL ESTATE ATTORNEY (FL)
ADMITTED IN FLORIDA AND NEW YORK

FILE: 3599-1

January 13, 2022

via email only: steve.keller@floridarevenue.com
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Chief Legal Counsel - Property Tax
Litigation and Value Adjustment Board
Board Oversight, Office of the General Counsel
Department of Revenue
P.O. Box 6668
Tallahassee, FL 32314-6668

Re: Request for Advisory Assistance regarding Cost of Sale Adjustment in Applying Income Approach to Value

Dear Mr. Keller:

As you are aware, the undersigned represents the Sarasota County Value Adjustment Board. In my capacity as the Attorney for the Sarasota VAB, I have observed the use of various methods of deducting the costs of sale in the income capitalization approach utilized by both the property appraiser's office and special magistrates. Such methods include various techniques of adjusting overall capitalization rates to effectuate cost of sale deductions in arriving at just value.

Since the special magistrates have not received any specific guidance from the Department of Revenue on this Florida statutory issue, I request the Department of Revenue provide, as soon as possible, specific guidance on the correct methods for making the cost of sale deductions in the income capitalization approach including the correct methods for adjusting overall capitalization rates to effectuate the cost of sale deductions in the income capitalization approach.

Thank you for your assistance.

Sincerely,

THE EDWARDS LAW FIRM, PL

By: ***/s/ Sheryl A. Edwards***
Sheryl A. Edwards, Esquire
Email: sedwards@edwards-lawfirm.com

Exhibit 1

cc: Sarasota County Value Adjustment Board Clerk

Exhibit 2 Page 1

Clear Evidence of a Professionally Accepted Appraisal Practice in Florida Under Section 194.301, F.S.																			
		2020 Cost-of-Sale Deductions (%) Reported by Florida Counties Under Section 193.011(8), F.S.																	
	Use Code Group	00	10	40	99	01	02	04	05	06-07	03	08	11-39	41-49	50-69	70-79	80-89	90	91-97
1	Alachua	15	15	15	15	15	15	15	15	15	10	15	10	10	15	15	15	15	15
2	Baker	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
3	Bay	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
4	Bradford	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
5	Brevard	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
6	Broward	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
7	Calhoun	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
8	Charlotte	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
9	Citrus	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
10	Clay	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
11	Collier	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
12	Columbia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
13	DeSoto	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
14	Dixie	15	15	15	15	15	15	15	15	15	15	15	15	15	0	15	15	15	15
15	Duval	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
16	Escambia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
17	Flagler	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
18	Franklin	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
19	Gadsden	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
20	Gilchrist	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
21	Glades	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
22	Gulf	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
23	Hamilton	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
24	Hardee	15	15	15	15	15	15	15	15	15	0	15	15	15	15	0	0	0	0
25	Hendry	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
26	Hernando	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
27	Highlands	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
28	Hillsborough	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
29	Holmes	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
30	Indian River	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
31	Jackson	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
32	Jefferson	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
33	Lafayette	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
34	Lake	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Clear Evidence of a Professionally Accepted Appraisal Practice in Florida Under Section 194.301, F.S.

2020 Cost-of-Sale Deductions (%) Reported by Florida Counties Under Section 193.011(8), F.S.

	Use Code Group	00	10	40	99	01	02	04	05	06-07	03	08	11-39	41-49	50-69	70-79	80-89	90	91-97
35	Lee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
36	Leon	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
37	Levy	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
38	Liberty	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
39	Madison	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
40	Manatee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
41	Marion	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
42	Martin	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
43	Miami-Dade	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
44	Monroe	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
45	Nassau	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
46	Okaloosa	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
47	Okeechobee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
48	Orange	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
49	Osceola	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
50	Palm Beach	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
51	Pasco	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
52	Pinellas	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
53	Polk	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
54	Putnam	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
55	Santa Rosa	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
56	Sarasota	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
57	Seminole	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
58	St. Johns	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
59	St. Lucie	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
60	Sumter	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
61	Suwannee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
62	Taylor	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
63	Union	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
64	Volusia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
65	Wakulla	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
66	Walton	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
67	Washington	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Exhibit 2 Page 2

Clear Evidence of a Professionally Accepted Appraisal Practice in Florida Under Section 194.301, F.S.

2021 Cost-of-Sale Deductions (%) Reported by Florida Counties Under Section 193.011(8), F.S.

	Use Code Group	00	10	40	99	01	02	04	05	06-07	03	08	11-39	41-49	50-69	70-79	80-89	90	91-97
1	Alachua	15	15	15	15	15	15	15	15	15	10	15	10	10	15	15	15	15	15
2	Baker	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
3	Bay	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
4	Bradford	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
5	Brevard	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
6	Broward	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
7	Calhoun	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
8	Charlotte	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
9	Citrus	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
10	Clay	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
11	Collier	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
12	Columbia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
13	DeSoto	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
14	Dixie	15	15	15	15	15	15	15	15	15	15	15	15	15	0	15	15	15	15
15	Duval	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
16	Escambia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
17	Flagler	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
18	Franklin	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
19	Gadsden	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
20	Gilchrist	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
21	Glades	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
22	Gulf	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
23	Hamilton	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
24	Hardee	15	15	15	15	15	15	15	15	15	0	15	15	15	15	0	0	0	0
25	Hendry	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
26	Hernando	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
27	Highlands	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
28	Hillsborough	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
29	Holmes	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
30	Indian River	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
31	Jackson	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
32	Jefferson	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
33	Lafayette	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
34	Lake	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Exhibit 3 Page 1

	Clear Evidence of a Professionally Accepted Appraisal Practice in Florida Under Section 194.301, F.S.																	
		2021 Cost-of-Sale Deductions (%) Reported by Florida Counties Under Section 193.011(8), F.S.																
	Use Code Group	**00**	**10**	**40**	**99**	**01**	**02**	**04**	**05**	**06-07**	**03**	**08**	**11-39**	**41-49**	**50-69**	**70-79**	**80-89**	**90**	**91-97**
35	Lee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
36	Leon	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
37	Levy	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
38	Liberty	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
39	Madison	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
40	Manatee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
41	Marion	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
42	Martin	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
43	Miami-Dade	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
44	Monroe	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
45	Nassau	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
46	Okaloosa	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
47	Okeechobee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
48	Orange	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
49	Osceola	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
50	Palm Beach	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
51	Pasco	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
52	Pinellas	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
53	Polk	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
54	Putnam	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
55	Santa Rosa	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
56	Sarasota	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
57	Seminole	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
58	St. Johns	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
59	St. Lucie	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
60	Sumter	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
61	Suwannee	15	15	15	15	15	15	15	15	15	15	15	15	15	15	0	0	0	0
62	Taylor	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
63	Union	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
64	Volusia	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
65	Wakulla	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
66	Walton	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
67	Washington	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Exhibit 3 Page 2

Florida K-12 Mathematical Thinking and Reasoning Standards

MTR: *Because Math Matters*

Florida students are expected to engage with mathematics through the Mathematical Thinking and Reasoning (MTR) Standards. These standards are written in clear language so all stakeholders can understand them and students can use them as self-monitoring tools. The MTR Standards promote deeper learning and understanding of mathematics. The clarifications are included to guide teachers in the integration of the MTR Standards within mathematics instruction.

MA.K12.MTR.1.1 Actively participate in effortful learning both individually and collectively.

Mathematicians who participate in effortful learning both individually and with others:

- Analyze the problem in a way that makes sense given the task.
- Ask questions that will help with solving the task.
- Build perseverance by modifying methods as needed while solving a challenging task.
- Stay engaged and maintain a positive mindset when working to solve tasks.
- Help and support each other when attempting a new method or approach.

Clarifications:
Teachers who encourage students to participate actively in effortful learning both individually and with others:

- Cultivate a community of growth mindset learners.
- Foster perseverance in students by choosing tasks that are challenging.
- Develop students' ability to analyze and problem solve.
- Recognize students' effort when solving challenging problems.

Exhibit 4 Page 1

MA.K12.MTR.2.1 Demonstrate understanding by representing problems in multiple ways.

Mathematicians who demonstrate understanding by representing problems in multiple ways:

- Build understanding through modeling and using manipulatives.
- Represent solutions to problems in multiple ways using objects, drawings, tables, graphs and equations.
- Progress from modeling problems with objects and drawings to using algorithms and equations.
- Express connections between concepts and representations.
- Choose a representation based on the given context or purpose.

Clarifications:
Teachers who encourage students to demonstrate understanding by representing problems in multiple ways:

- Help students make connections between concepts and representations.
- Provide opportunities for students to use manipulatives when investigating concepts.
- Guide students from concrete to pictorial to abstract representations as understanding progresses.
- Show students that various representations can have different purposes and can be useful in different situations.

MA.K12.MTR.3.1 Complete tasks with mathematical fluency.

Mathematicians who complete tasks with mathematical fluency:

- Select efficient and appropriate methods for solving problems within the given context.
- Maintain flexibility and accuracy while performing procedures and mental calculations.
- Complete tasks accurately and with confidence.
- Adapt procedures to apply them to a new context.
- Use feedback to improve efficiency when performing calculations.

Clarifications:
Teachers who encourage students to complete tasks with mathematical fluency:

- Provide students with the flexibility to solve problems by selecting a procedure that allows them to solve efficiently and accurately.
- Offer multiple opportunities for students to practice efficient and generalizable methods.
- Provide opportunities for students to reflect on the method they used and determine if a more efficient method could have been used.

Exhibit 4 Page 2

MA.K12.MTR.4.1 Engage in discussions that reflect on the mathematical thinking of self and others.

Mathematicians who engage in discussions that reflect on the mathematical thinking of self and others:

- Communicate mathematical ideas, vocabulary and methods effectively.
- Analyze the mathematical thinking of others.
- Compare the efficiency of a method to those expressed by others.
- Recognize errors and suggest how to correctly solve the task.
- Justify results by explaining methods and processes.
- Construct possible arguments based on evidence.

Clarifications:
Teachers who encourage students to engage in discussions that reflect on the mathematical thinking of self and others:

- Establish a culture in which students ask questions of the teacher and their peers, and error is an opportunity for learning.
- Create opportunities for students to discuss their thinking with peers.
- Select, sequence and present student work to advance and deepen understanding of correct and increasingly efficient methods.
- Develop students' ability to justify methods and compare their responses to the responses of their peers.

MA.K12.MTR.5.1 Use patterns and structure to help understand and connect mathematical concepts.

Mathematicians who use patterns and structure to help understand and connect mathematical concepts:

- Focus on relevant details within a problem.
- Create plans and procedures to logically order events, steps or ideas to solve problems.
- Decompose a complex problem into manageable parts.
- Relate previously learned concepts to new concepts.
- Look for similarities among problems.
- Connect solutions of problems to more complicated large-scale situations.

Clarifications:
Teachers who encourage students to use patterns and structure to help understand and connect mathematical concepts:

- Help students recognize the patterns in the world around them and connect these patterns to mathematical concepts.
- Support students to develop generalizations based on the similarities found among problems.
- Provide opportunities for students to create plans and procedures to solve problems.
- Develop students' ability to construct relationships between their current understanding and more sophisticated ways of thinking.

Exhibit 4 Page 3

MA.K12.MTR.6.1 Assess the reasonableness of solutions.

Mathematicians who assess the reasonableness of solutions:

- Estimate to discover possible solutions.
- Use benchmark quantities to determine if a solution makes sense.
- Check calculations when solving problems.
- Verify possible solutions by explaining the methods used.
- Evaluate results based on the given context.

Clarifications:
Teachers who encourage students to assess the reasonableness of solutions:

- Have students estimate or predict solutions prior to solving.
- Prompt students to continually ask, "Does this solution make sense? How do you know?"
- Reinforce that students check their work as they progress within and after a task.
- Strengthen students' ability to verify solutions through justifications.

MA.K12.MTR.7.1 Apply mathematics to real-world contexts.

Mathematicians who apply mathematics to real-world contexts:

- Connect mathematical concepts to everyday experiences.
- Use models and methods to understand, represent and solve problems.
- Perform investigations to gather data or determine if a method is appropriate.
- Redesign models and methods to improve accuracy or efficiency.

Clarifications:
Teachers who encourage students to apply mathematics to real-world contexts:

- Provide opportunities for students to create models, both concrete and abstract, and perform investigations.
- Challenge students to question the accuracy of their models and methods.
- Support students as they validate conclusions by comparing them to the given situation.
- Indicate how various concepts can be applied to other disciplines.

Correct Methods of Deducting Costs of Sale (COS) in Income Capitalization Approaches <u>Not</u> Involving Millage

Algebraic Perspectives on Correct Cost-of-Sale Deductions In Income Capitalization Approaches <u>Not</u> Involving Millage

JV =	Just Value	Unknown
N =	Net Operating Income	$123,120
R =	Unadjusted Capitalization Rate in decimal	0.0600
COS =	Costs of Sale Deduction in decimal	0.1500
NPOS =	Net Proceeds of Sale Factor (1 - COS)	0.8500
	Algebraic Equations for Just Value	**Just Values by Excel Formulas**
Method 1	JV = N ÷ R - N ÷ R × COS	$1,744,200
Method 2	JV = N ÷ (R ÷ NPOS)	$1,744,200

Notes: The Excel formulas used to calculate the just values above are based on the corresponding algebraic equations and the math order of operations.

Correct Methods of Deducting Costs of Sale (COS) In Income Capitalization Approaches <u>Not</u> Involving Millage

<u>Method 1</u>: This is Best Because It Deducts COS In Dollars, Which is Clear, Transparent, Easy to Understand, and Less Prone to Error

Net Operating Income	$123,120
Divided by: Unadjusted Capitalization Rate	0.0600000
Equals: Preliminary Value Before COS Deduction	$2,052,000
Minus: Costs of Sale (15% of Preliminary Value)	$307,800
Equals: Just Value	$1,744,200

<u>Method 2</u>: This Deducts COS Indirectly by Increasing the Cap Rate By an Amount Resulting in Just Value Equal to Just Value in Method 1

Unadjusted Capitalization Rate	0.0600000
Divided By: NPOS Factor (For COS Deduction)	0.8500000
Equals: Capitalization Rate Adjusted for COS Deduction	0.07058824
Net Operating Income	$123,120
Divided by: Capitalization Rate Adjusted for COS Deduction	0.07058824
Equals: Just Value	$1,744,200

Exhibit 5

Erroneous Methods of Deducting Costs of Sale (COS) in Income Capitalization Approaches Not Involving Millage		
Erroneous Method 1 in a Situation Not Involving Millage		
Unadjusted Capitalization Rate	0.06000	
Times: Erroneous Adjustment for COS	1.15000	
Equals: Cap Rate Erroneously Adjusted for COS	0.069000	
Net Operating Income	$123,120	Correct Value
Divided by: Cap Rate Erroneously Adjusted for COS	0.06900	
Equals: Incorrect Just Value	$1,784,348	$1,744,200
Erroneous Method 2 in a Situation Not Involving Millage		
Unadjusted Capitalization Rate	0.06000	
Plus: Erroneous Adjustment for COS	0.01150	
Equals: Cap Rate Erroneously Adjusted for COS	0.07150	
Net Operating Income	$123,120	Correct Value
Divided by: Cap Rate Erroneously Adjusted for COS	0.07150	
Equals: Incorrect Just Value	$1,721,958	$1,744,200

Exhibit 6

Algebraic Perspectives on Correct Cost-of-Sale (COS) Deductions in Income Capitalization Approaches Involving Millage		
JV =	Just Value	Unknown
AVT =	Ad Valorem Tax Expense	Unknown
MR =	Millage Rate in decimal	0.0126000
ETR =	Effective Tax Rate (MR × NPOS)	0.0107100
NB =	Net Operating Income **Before** AVT	$820,849
NA =	Net Operating Income **After** AVT	Unknown
R =	Unadjusted Capitalization Rate in decimal	0.06500
COS =	Cost of Sale Deduction in decimal	0.15000
NPOS =	Net Proceeds of Sale Factor (1 - COS)	0.85000
	Algebraic Expressions Equal to Just Value	**Just Values by Excel Formulas**
Method 1	NB ÷ (R + ETR) - NB ÷ (R + ETR) × COS	$9,215,713
Method 2	NB ÷ (R ÷ NPOS + MR)	$9,215,713
Method 3	(NB - JV × MR) ÷ R - (NB - JV × MR) ÷ R × COS	$9,215,713

Notes:
(1) The Excel formulas used to calculate the just values above are based on the corresponding algebraic expressions and the math order of operations.
(2) Method 3 addresses the interdependency between AVT and JV by simultaneously calculating them using Excel's iterative calculations.

Exhibit 7

Correct Methods of Deducting Costs of Sale (COS) *In Income Capitalization Approaches Involving Millage*	
Method 1: This is Best, But It Requires Applying the ETR to Calculate a Preliminary Value From Which COS Are Deducted	
Ad Valorem Tax Expense (AVT)	Unknown
Millage Rate	0.0126000
Times: Net Proceeds of Sale Factor (1 - COS)	0.8500000
Equals: Effective Tax Rate (ETR)	0.0107100
Plus: Unadjusted Capitalization Rate	0.0650000
Equals: Capitalization Rate Adjusted for ETR	0.0757100
NOI **Before** Ad Valorem Tax Expense (NB)	$820,849
Divided by: Cap Rate Adjusted for ETR	0.0757100
Equals: Preliminary Value Before COS Deduction	$10,842,016
Minus: Costs of Sale (15% of Preliminary Value)	$1,626,302
Equals: Just Value	$9,215,713
Method 2: Adjusts Cap Rate for COS & Millage, Then Calculates Just Value Directly Without Calculating a Preliminary Value	
Ad Valorem Tax Expense (AVT)	Unknown
Unadjusted Capitalization Rate	0.0650000
Divided By: Net Proceeds of Sale Factor (1 - COS)	0.8500000
Equals: Cap Rate Adjusted for COS Deduction	0.0764706
Plus: Millage Rate	0.0126000
Equals: Cap Rate Adjusted for COS & Millage	0.08907059
NOI **Before** Ad Valorem Tax (NB)	$820,849
Divided by: Cap Rate Adjusted for COS & Millage	0.08907059
Equals: Just Value	$9,215,713
Method 3: Uses Iterative Calculations to Simultaneously Calculate AVT and Just Value While Deducting Costs of Sale	
Millage Rate	0.0126000
NOI **Before** Ad Valorem Tax (NB)	$820,849
Minus: Ad Valorem Tax Expense (AVT)	**$116,118**
Equals: NOI **After** Ad Valorem Tax	$704,731
Divided By: Unadjusted Capitalization Rate	0.0650000
Equals: Preliminary Value Before COS Deduction	$10,842,016
Minus: Costs of Sale (15% of Preliminary Value)	$1,626,302
Equals: Just Value	$9,215,713
Confirmation Method: Calculates AVT, Deducts AVT From NB, and Then Calculates Preliminary Value, COS, and JV	
Just Value from the Independent Methods Above	$9,215,713
Times: Millage Rate	0.0126000
Equals: Ad Valorem Tax Expense (AVT)	**$116,118**
NOI **Before** Ad Valorem Tax (NB)	$820,849
Minus: Ad Valorem Tax Expense (AVT)	**$116,118**
Equals: NOI **After** Ad Valorem Tax	$704,731
Divided By: Unadjusted Cap Rate	0.0650000
Equals: Preliminary Value Before COS Deduction	$10,842,016
Minus: Costs of Sale (15% of Preliminary Value)	$1,626,302
Equals: Just Value	$9,215,713

Exhibit 8

Erroneous Methods of Deducting Costs of Sale (COS) In Income Capitalization Approaches Involving Millage		
Erroneous Method 1 in a Situation Involving Millage		
Unadjusted Capitalization Rate	0.065000	
Times: Erroneous Adjustment for COS	1.150000	
Equals: Cap Rate Erroneously Adjusted for COS	0.074750	
Plus: Millage Rate	0.012600	
Equals: Cap Rate Erroneously Adjusted for COS, Plus Millage	0.087350	
Net Operating Income **Before** Ad Valorem Tax Expense	$820,849	Correct
Divided by: Cap Rate Incorrectly Adjusted for COS, Plus Millage	0.087350	Value
Equals: Incorrect Just Value	$9,397,241	$9,215,713
Erroneous Method 2 in a Situation Involving Millage		
Unadjusted Capitalization Rate	0.065000	
Plus: Erroneous Adjustment for COS	0.011500	
Equals: Cap Rate Erroneously Adjusted for COS	0.076500	
Plus: Millage Rate	0.012600	
Equals: Cap Rate Erroneously Adjusted for COS, Plus Millage	0.089100	
Net Operating Income **Before** Ad Valorem Tax Expense	$820,849	Correct
Divided by: Cap Rate Incorrectly Adjusted for COS, Plus Millage	0.089100	Value
Equals: Incorrect Just Value	$9,212,671	$9,215,713
Erroneous Method 3 in a Situation Involving Millage		
Unadjusted Capitalization Rate	0.065000	
Plus: Millage Rate (Incorrect Sequence)	0.012600	
Equals Cap Rate Loaded With Millage (Incorrect Sequence)	0.077600	
Divided by: Net Proceeds of Sale Factor (Incorrect Sequence)	0.85	
Equals: Cap Rate Incorrectly Adjusted for Millage and COS	0.09129412	
Net Operating Income **Before** Ad Valorem Tax Expense	$820,849	Correct
Divided by: Cap Rate Incorrectly Adjusted for COS and Millage	0.09129412	Value
Equals: Incorrect Just Value	$8,991,258	$9,215,713
Erroneous Method 4 in a Situation Involving Millage		
Unadjusted Capitalization Rate	0.065000	
Plus: Millage Rate (See Correct Method 1 using ETR instead)	0.012600	
Equals: Cap Rate Incorrectly Adjusted for Millage	0.077600	
Net Operating Income **Before** Ad Valorem Tax Expense	$820,849	
Divided by: Cap Rate Incorrectly Adjusted for Millage	0.077600	
Equals: Incorrect Value Before Cost of Sale Deduction	$10,577,951	Correct
Minus: Incorrect Costs of Sale (15% of Incorrect Value)	1,586,693	Value
Equals: Incorrect Just Value	$8,991,258	$9,215,713

Exhibit 9