

Assessing 101

Introduction to Assessing & Values Anew

Municipal and Property Division



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Assessing 101

This presentation is intended for informational purposes only, and is not a substitute for seeking professional advice or for reviewing the applicable laws and rules. This presentation represents some positions of the Department on the limited issues discussed herein, based on the law in effect at the time of the presentation and Department interpretation thereof, as well as the opinions and conclusions of its presenter.

For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.) for independent verification.

Assessing 101/ Rules / TIR's Declaratory Rulings / Court Cases

When citing law (RSA), administrative rules, technical information releases (TIR), declaratory rulings, or court cases the following formats are suggested.

New Hampshire Revised Statutes Annotated

- RSA § 21-J:14, RSA Sec. 21-J:14

Department Administrative Rules

- N.H. Code of Admin. Rules, Rev. 800

Technical Information Releases

- Business Enterprise Tax Filing Threshold Adjustment, TIR 2014-012 (December 8, 2014)

Assessing 101/ Rules / TIR's Declaratory Rulings / Court Cases

Declaratory Rulings

- ABC Realty Trust, Doc. #10566 (April 8, 2014)

Court Cases

- Supreme Court: Say Pease IV, LLC v. New Hampshire Department of Revenue Administration, 163 N.H. 415 (2012).
- Superior Court: Northeast Rehabilitation Hospital v. New Hampshire Department of Revenue Administration, No. 218-2012-CV-185, Rockingham Sup. Ct. (February 7, 2014).
- BTLA: 5 Tallwood Drive Realty, LLC v. Department of Revenue Administration, No. 26097-12BP, Board of Tax and Land Appeals (June 11, 2012).

Assessing 101

The Assessing 101 presentation has a voluminous amount of references to state statutes and administrative rules. For ease of reading and presentation purposes, the following abbreviation formats will be utilized.

State Statute = RSA 75:8-a, RSA 75:1, RSA 21-J:14-b

Administrative Rule = Rev 600

All other references to Technical Information Releases, Declaratory Rulings, or Court Cases will have full citations.

Ad Valorem Tax

- Ad Valorem – According to Value
- A tax levied in proportion to the value of the thing being taxed, i.e., the property tax is levied based upon the value of the real estate.

- **The Department of Revenue Administration is often asked “Why do we need to do a revaluation – especially given the current state of the economy & real estate market”**

The New Hampshire Supreme Court in Evelyn Sirell V. State of New Hampshire in May of 2001 ruled that the State had not been following sections of the State Constitution, in particular:

Part 2, Article 6

Part 2, Article 6

New Hampshire Constitution

- “... there shall be a valuation of the estates within the state taken anew once in every five years, at least, and as much oftener as the general court shall order

RSA 75:8-a

- **Five-Year Valuation.** – The assessors and/or selectmen shall reappraise all real estate within the municipality so that the assessments are at full and true value at least as often as every fifth year,

- The following are a few of the more important State Statutes that govern the assessing department.

RSA 74:1 Annual List

- RSA 74:1 The selectmen of each town shall annually make a list of all the polls and shall take an inventory of all the estate liable to be taxed in such town as of April 1.

RSA 75:1 How Appraised

- RSA 75:1 The selectmen shall appraise open space land pursuant to RSA 79-A:5, open space land with conservation restrictions pursuant to RSA 79-B:3, land with discretionary easements pursuant to RSA 79-C:7, residences on commercial or industrial zoned land pursuant to RSA 75:11, earth and excavations pursuant to RSA 72-B, **and all other taxable property at its market value**. Market value means the property's full and true value as the same would be appraised in payment of a just debt due from a solvent debtor. The selectmen shall receive and consider all evidence that may be submitted to them relative to the value of property, the value of which cannot be determined by personal examination.

Exceptions to Market Value

- RSA 79-A:5 Assessment of Open Space Land
- RSA 79-B:3 Assessment of Open Space Land Subject to Conservation Restriction
- RSA 79-C:7 Assessment of Land Subject to Discretionary Easement
- RSA 79-D:7 Assessment of Property Subject to Discretionary Preservation Easement
- RSA 75:11 Appraisal of Residences in an industrial or commercial zone)
- RSA 72:B Excavation Tax
- RSA 79 Forest Conservation and Taxation

RSA 75:8 Revised Inventory

- I. Annually, and in accordance with state assessing guidelines, the assessors and selectmen shall adjust assessments to reflect changes so that all assessments are reasonably proportional within that municipality. All adjusted assessments shall be included in the inventory of that municipality and shall be sworn to in accordance with RSA 75:7.

RSA 75:8 Revised Inventory

- II. Assessors and selectmen shall consider adjusting assessments for any properties that:
- (a) They know or believe have had a material physical change;
 - (b) Changed in ownership;
 - (c) Have undergone zoning changes;
 - (d) Have undergone changes to exemptions, credits or abatements;
 - (e) Have undergone subdivision, boundary line adjustments, or mergers; or
 - (f) Have undergone other changes affecting value.

Appraisal vs. Assessment

- Appraisal – The process of estimating the market value of an identified interest in a specific parcel or parcels of real estate as of a certain date.
- Assessment – The act of discovering, listing, and appraising property for tax purposes.

Mass Appraisal vs. Single Property Appraisal

- Both are intended to estimate full market value.
- They differ as to methodology and scale.
- Both require adherence to Uniform Standards of Professional Appraisal Practice (USPAP).

Mass Appraisal vs. Single Property Appraisal

- Bank appraisals have secondary, mortgage guidelines that are unique to the lending field.
- Typically, a mortgage appraisal gives little to no value for the acreage exceeding five acres.
- Mortgage appraisals typically utilize a much smaller comparison group, 3 to 6 sales.

Date of Value

- April 1st of each year per Statute for your Property Assessment. (RSA 74:1)
- Mortgage Appraisal may be any date but typically when the property is inspected.

Mass Appraisal Process

- Definition of the appraisal process
- Data Collection
- Market Analysis
- Highest and best use analysis
- Valuation
- Reconciliation, testing, and quality control

Types of Revaluations

- Full Revaluation (Rev. 601.24)
- Partial Revaluation (Rev. 601.38)
- Cyclical Revaluation (Rev. 601.16)
- Statistical Update (Rev. 601.25)

The Role of DRA

- Assure that property tax appraisals comply with all applicable statutes and rules.
- Assure that appraisers comply with terms of their contract or agreement.
- Review the accuracy of appraisals.
- Report to the governing body on the progress and quality of the appraisals

RSA 21-J:14-b

- Establishes guidelines for revaluations based on the current edition of USPAP Standard 6
- To be applied to all revaluations conducted on or after April 1, 2006
- To be incorporated into the Assessment Review process on or after April 1, 2007

USPAP

- Uniform Standards of Professional Appraisal Practices
- Published by the Appraisal Foundation
- Requires assessors / appraisers to correctly employ recognized methods necessary to produce a credible appraisal.

USPAP (cont)

- Requires assessors to prepare a report that effectively communicates the critical issues, assumptions, and techniques adopted in their analysis.
- Sample (boilerplate) reports are available through the DRA Web Site

Public Relations

- “Golden Rule” – Treat the public as you would like to be treated
- Avoid jargon or technical words
- Listen carefully
- Be proactive, not reactive
- Informal Hearings

Equalization

- Statistical Analysis
- RSA 21-J:3, XIII
- Used for both Direct and Indirect Equalization

Statistics

- The beginning of all Assessing Statistics starts with the assessment sales ratio:
 - Property Assessment / Sales Price
 - For Example $\$500,000 / \$400,000 = 1.25$
- This would indicate the property may be assessed higher than current market trends.
- Rather than relying on individual indications, the performance of all reliable market sales are analyzed

Statistics

There are several calculated measurements:

- Weighted Mean – Measure of central tendency used in Indirect Equalization
- Median – Measure of central tendency used in evaluating overall appraisal levels, determining reappraisal priorities, or evaluating the need for a reappraisal
- COD (Coefficient of Dispersion) – Measure of equity among parcels

Statistics (cont)

- PRD (Price-Related Differential) – Measures equity between high-valued properties and low-valued properties
- Stratification – Process of dividing properties for analysis by property type

Ratio Study Report

annually produced for each community:

- Weighted Mean Ratio
- Median Ratio
- Coefficient of Dispersion (COD)
- Price Related Differential (PRD)
- Stratified Statistics

Importance of Sales

- Only use “arms-length” or fair market sales to gauge true market trends.
- Ideally there are numerous fair market sales within each strata.
- Verify all property data for accuracy

Importance of Sales

- Rev 601.32 "Market value" means the value of a property that meets 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;

Importance of Sales

- (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.

Adjustment to Sales

- Must reflect value as of April 1st of the tax year
- Adjust for changes in value due to the passage of time and changing market conditions
- Other adjustments (if personal property or value of standing timber included)

What impacts the value of my property?

- Location – Location – Location, you have heard it before but where your property is located does impact it's marketability.
- Size of the lot; Shape of the lot.
- Frontage - how much and type, waterfront, busy road, near hazardous waste site etc...

What impacts the value of my property?

- Age and Condition of the improvements.
- Quality of the components.
- Special features – custom fireplaces, pools, high grade kitchens, over sized garages etc...
- Negative and positive external influences – distant view v. view of land fill.

The Abatement Process

- Informal Hearings
- Formal abatement requested under RSA 76:16
- Must be filed by March 1st following final notice of tax
- Grounds for abatement
 - Physical description errors
 - Valuation opinions

Appeal of Municipality Decision

- Municipality must respond by July 1st or it is considered denied
- Appeal no later than Sept 1st to either:
 - BTLA under RSA 76:16-a
 - Superior Court under RSA 76:17
 - CAREFUL, filed means something different in Superior Court than at the BTLA. Each have rules that explain these deadlines.

Appeal cannot be filed to both.

Assessments/Budgets/ Tax Rates/Taxes

- Establish Budgets
- Finalize Assessments
- Make adjustments to Assessments for Current Use, Exemptions, and Credits
- Set Tax Rate

- The State acknowledges that Property Taxes can be a hardship to particular segments of the public and have enacted specific legislation to assist such groups

- The following programs are available to assist a property owner with their property taxes.

All towns / cities have at least two avenues to provide relief

Exemptions and Credits

- Exemptions are granted as an amount deducted from the assessed valuation of a property.
- A tax credit is a dollar amount subtracted from the total tax bill calculated on the full assessed value.
- Tax Deferral for Elderly & Disabled.

Exemptions and Credits (cont)

- Authority for exemptions and credits lies solely with the legislature.
- Qualification standards determined by municipalities (asset & income limits)
- Amount of benefit can be determined (with some limitations) by municipalities for certain exemptions and credits

As Always --

General property questions can be answered by calling the DRA at (603) 230-5950.

The Department offers classes on Gravel, Current Use, Assessment Statutes, Timber, Exemption & Credits and Religious, Educational & Charitable .

These can be found on the website:
www.revenue.nh.gov