

## OVERVIEW OF ASSESSMENT PROCESS

The law in Massachusetts requires that all property be assessed at 100% of its fair market cash value – the price a willing buyer would pay to a willing seller. The rationale for full value assessments is equity. Houses of equal market value in a community should be equitably assessed. The assessors of each community are responsible for developing a program to accomplish a fair cash valuation of all property within the community. A continuing program of equalization must be developed to maintain fair cash values. This is done in accordance with guidelines set by the Department of Revenue to meet certification requirements every five years.

### **Phases of Property Revaluation Program:**

#### 1. Data Collection

The first step of a continuing equalization program is periodic inspection of all properties, paying particular attention to those undergoing renovation, that have recently sold, or have been demolished. Inspection and data inventory of the structures on a parcel is an important aspect of any revaluation program. Data Collectors will generally inspect each structure unless permission to inspect is denied. When inspection is denied, the assessors will generally estimate the data sought based on observations of the structure and neighborhood. In the case of a denial, the inspector will estimate the value and characteristics of the property. If the homeowner is not at home at the time of the inspection, the data collector will take the exterior measurements. Notification will be left at the property informing the owner that an unsuccessful visit has been made and that the owner should contact the Assessors' Office to arrange an appointment. If no appointment is made, the data collector will estimate the characteristics.

#### 2. Sales Analysis & Accuracy Study

This step will review accuracy and uniformity of building inventories and analyze the sale market. To accomplish this, a data quality study and assessment to sales ratio studies are completed. The market analysis includes all arms-length sales from January to December, prior to the start of the fiscal year. The Department of Revenue does a data quality study and review of the market analysis.

#### 3. Value Determination

During this phase the determination of market value for every parcel of property within the town is made as of January 1<sup>st</sup>. (New construction as of July 1<sup>st</sup>). Any sale used as part of this analysis must meet the guidelines of an arms-length sale. Arms-length sales are generally defined as any sale between a willing buyer and a willing seller, where both parties are reasonably informed about market conditions and

where neither is under any undue stimulus. Sales that result from estate settlements, foreclosures, divorce or pending divorces generally would not be considered arms-length transactions. Any non-arms-length sale as defined in the Department of Revenue's Guidelines for Classification and Taxation of Property According to Use Property Type Classification Codes will be noted, but not used for analysis.

There are three accepted approaches to value; the market approach, the cost approach and the income approach. Whatever the property type, the same basic principal applies to choosing the assessing methodology; pick the method which best utilizes available data and which most accurately reflects the real estate market. (1) The market approach uses market sales of properties similar to the subject. The sales are analyzed and adjusted for differences to forecast what the subject would sell for on the assessment date (January 1<sup>st</sup>). (2) The cost approach uses current replacement or reproduction cost to estimate market value. Replacement cost is the amount of money necessary to build a new building equal in utility and functionality to the original. The value is calculated by estimating replacement cost, deducting depreciation, and adding the value of the land. Depreciation is an estimate of loss in value from any cause. (3) The income approach uses potential income of a property to calculate market value. This approach is most applicable for those properties bought and sold for their income producing and capitalizes the future benefits of ownership into current market value. Single family homes are not typically bought and sold for their income producing capabilities, therefore the income approach is not normally used.

According to the Massachusetts DOR guidelines, property values should fall within a range of 10% above or below their full cash value in a recertification year. To achieve this objective, the Board of Assessors employs a comprehensive property appraisal system, as well as constant monitoring of real estate market fluctuations to meet this statutory requirement (Massachusetts General Laws, Chapter 59). By measuring property characteristics against the sales, a dollar value is assigned to each characteristic that in total will approximate the actual sale prices. At this point a valuation schedule is developed and tested against the sales. When the valuation schedule meets statistical standards within a tolerable range of the actual sale prices, that is, the new assessments generated fall within a range of about plus minus 10% of selling prices, the schedule is applied across the board to all residential properties to arrive at the new assessments.

#### 4. Value Review and Preliminary Certification

A final review of all values will be done. All values are reviewed for accuracy and uniformity. A final assessment to sale ratio study will be prepared and checked for both horizontal and vertical equity to demonstrate that assessments represent full

and fair market value and are uniform throughout the community. Every five years the Town goes through a certification process with the Massachusetts Department of Revenue. Department of Revenue preliminary certification is requested at this time. All required certification reports and spreadsheets are given to the Department of Revenue's Bureau of Local Assessments; they conduct a statistical analysis and perform a preliminary field audit. If all standards are met, the Bureau notifies the Town of the preliminary certification.

5. Public Disclosure and Final Certification

Once preliminary certification is given, the public disclosure process begins for recertification years (every 5 years). The public disclosure program is intended to provide taxpayers with information about their new assessments. Upon completion of the public disclosure program, the Assessors provide the Bureau of Local Assessment with a list of all parcels that differ from 10% of the preliminary certified values.

6. Final Approval from the Bureau of Local Assessment

The Bureau of Local Assessment notifies the Town that the proposed values represent full and fair cash values and meet their statistical standards. The Town then starts the classification process.

### **Classification of Property**

All properties in the Commonwealth of Massachusetts are classified by use. The Assessors determine the use of the property for the purpose of assessing taxes. All assessors must meet minimum standards established by the Commissioner of Revenue. Prior to classifying any property, assessors are required to complete the "Classification Workshop" conducted by the Department of Revenue. All properties are classified according to one of the following general categories:

- Class One – Residential
- Class Two – Open Space
- Class Three – Commercial
- Class Four – Industrial
- Personal Property

The Board of Assessors present information to the Selectmen at an annual public tax classification hearing. The purpose of the hearing is for the Selectmen to vote if all properties should be taxed at the same tax rate, or to shift a portion of the tax levy from the residential class to the commercial, industrial and personal property (CIP) class. This would result in two tax rates

## **Assessment Review and Abatement Procedures**

All property owners should review their new assessments for accuracy. Upon receipt of the third quarter tax bill issued in late December, a property owner who disagrees with an assessment may apply for an abatement. An abatement application is a formal notice to the assessors that the taxpayer disagrees with the assessed value. The abatement process is the only legal method to correct assessments once the taxes are committed for collection. The application deadline is February 1<sup>st</sup>. Assessors can only act on applications filed timely. Assessors must act on applications for abatements within three months from the date received by the Assessors' Office or they are deemed denied. The abatement procedure is intended to provide property owners with an appeal process. Owners filing an abatement application are appealing the assessed value of the property, not the taxes.