



Understanding Tax Assessments

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REFERENCE TITLE 36 MAINE REVISED STATUTE

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Duties of the Assessor

- ▶ List and value all real and personal property in the jurisdiction they are employed.
- ▶ Value the property in a fair and equitable manner without discrimination. According to MRSA title 36, in order to maintain full benefit of exemptions.
- ▶ Maintain and administer all tax exemptions under MRSA title 36; Tree growth, Homestead, Farm and Open Space, Veterans, Working Waterfront, Benevolent and charitable.
- ▶ Administer all tax relief programs under MRSA title 36, the Business Equipment Tax Refund (BETR) and the Business Equipment Tax Exemption (BETE).
- ▶ Set the tax rate annually.
- ▶ Maintain the Tax Maps for the jurisdiction they are employed.
- ▶ Deals with multiple forms of public inquiries, from taxpayer to Real Estate professionals. Surveyors-Attorneys-Appraisers-Brokers-Investors

How Are Assessments done?

- ▶ Assessors employ the three approaches to value, similar to Appraisers. Direct Sales approach, Cost Approach and Income Approach.
- ▶ Physical Inspection of a property notes characteristics of site and site improvements. Dimensions and Grade of interior finishings and components of a structure.
- ▶ Direct Sales approach is most commonly used in land valuations, and in residential valuations. This compares recent sales of like property to estimate value.
- ▶ Cost approach is most commonly used in commercial where there are no sales of similar type property. This breaks out the components of the improvements by cost to come up with a total value.
- ▶ Income Approach is the least used by Assessors. Income is usually not provided to the Assessor when a business is doing well, only when the business is experiencing financial difficulty. This uses net income divided by a capitalization rate to estimate value.

Location, Location, Location!

- ▶ Low appreciation market neighborhood. Market prices have changed by the lowest percentage.

Katahdin Avenue, Spring Street, Grindle Street, Abbie Lane

- ▶ Moderate market neighborhood. Market prices have seen moderate appreciation:

Washington Street, Perry Street, Whalen Street, Highland Avenue

- ▶ Most desirable downtown residential:

Evergreen Drive, Albert Drive, Mountainview Drive, Winter Street

How statistics are used.

- ▶ Statistical data is used to determine annual appreciation and current sales trend.
- ▶ Statistical data is used by the State of Maine to Audit the quality of Assessments
- ▶ Statistical data is used to determine the annual percentage Assessments are being completed by the Assessor.
- ▶ Statistical data is used to determine assessing neighborhoods.
- ▶ Assessments are required to be between 110%-70% of Selling prices.
- ▶ If assessment are higher than 110% or below 70% that will trigger the State to recommend a Town wide revaluation.

Calculating Mil Rate

Calculating the Mil Rate is the most important thing the Assessor does on an annual basis.

Mil Rate Formula:

$$\text{Total Annual Budget} / \text{Total municipal Valuation} = \text{Mil Rate}$$

Total Budget

School Budget

County Budget

TIF Budget

Municipal Budget

Less other Revenues; excise, licensing, birth/death records, permits

Equals Total Budget

Total Municipal Valuation

Total valuation of Real Estate, Land and Buildings
Total valuation of all Personal Property (Business Equipment)
Less all Exemptions
Equals total Value

Things that change the Mil Rate

- ▶ If the budget goes up, and the valuation goes up equally, the mil rate is level.
ex; if the Town adds \$40,000 in expenditure, The valuation would need to increase by \$1,773,800.
- ▶ If the budget stays the same, and the valuation doesn't go up, the mil rate is level.
- ▶ If the budget stays the same, and the valuation goes up, the mil rate decreases, the tax bill is the same.
ex; $100,000 \times 0.02255 = \$2,255$.
 $112,750 \times 0.02000 = \$2,255$.
- ▶ If the budget goes up, and the valuation stays the same, the mil rate increases, the tax bill goes up.

Different Methods of Maintaining Assessment Quality

- ▶ Ongoing sales statistics and micro adjustments recommended by the Department of Revenue as a result of annual audit.

Benefit; Less costly and the Assessor doesn't need to do the work. Not always ideal as it does not take into account a detailed neighborhood analysis. Often a temporary fix.

- ▶ In house rotating review of property and application of adjustment based upon sales statistics. This includes annual inspection and listing of building permits.

Benefit; It is market driven, and an ongoing statistical review takes into account all influences on property, such as zoning, lot sizes, topography, accessibility, quality of improvements, age of improvements, condition of improvements. Its completed by the Assessor at no additional cost to the municipality.

- ▶ Professional revaluation.

Completes an inspection and physical review of all properties procuring a limited time valuation at the current market prices. Most costly of all options. Usually quoted on a per parcel basis at \$75.00 to \$100.00 per parcel.

Common Questions asked about Assessing

1. **What constitutes an inspection?** *According to Revenue Services inspections can be completed several different ways. By a complete on site interior and exterior review of the property. A windshield inspection, completed by a drive by to note if there has been any changes or improvements to a property. By an exterior inspection with the Assessor's estimating the grade of the interior finishings. The Assessor can also estimate the square footage and interior finishing.*
2. **Doesn't the Assessor have to physically inspect both the interior and exterior of the property?** *Every property owner has the right to deny the Assessor access to their property. The Assessor can then use the tools listed above to arrive at an assessment. Property owners are advised that it is to their benefit to cooperate with the Assessor, as denying access bars any right the property owner has to contest the valuation the Assessor assigns the property. Any time an Assessor is denied access it should be noted on the property valuation.*
3. **How often does the Department of Revenue and Title 36 recommend a revaluation?** *Title 36 specifies that properties need to be reviewed every four years, and a revaluation done every 10 years. In primary assessing district like Lincoln, revaluation is done on a continual basis. In smaller communities where assessing is primarily done by the selectmen or a part time contractual Assessor, the Department of Revenue will recommend a revaluation when they find the Ratio in an unacceptable range. Lincoln assesses at 100%, **The State audit for 2023 found assessments to be at 59%** this is within the acceptable range of 10% . If it were not all tree growth rates, homestead exemption, and veterans exemptions would have to be adjusted to the ratio. For example if Lincoln ratio was certified by Revenue service to be 85% all exemptions would be adjusted to 85% of value. $25,000 \times .85 = 21,250$*

Detail of Lincoln Assessing Districts/Attachments

Detail

- ▶ Lincoln's Assessing District contains 75 square miles and over 4900 real estate accounts.
- ▶ Lincoln has 264 Business Personal Property accounts.
- ▶ The Assessor completes an average of 18500 changes to the assessing accounts annually.
- ▶ Lincoln has 13 lakes and one River, all with different locational factors when it comes to valuations.
- ▶ Lincoln has over \$20 million in homestead exemptions, \$1.2 million in veterans exemptions, 22,000 acres classified in Tree growth, 1,600 acres classified in farm and open space, and \$34,000,000 in other exempt property.
- ▶ Lincoln has four TIF districts, the valuation is certified to Maine Revenue Services annually.
- ▶ Quality of assessments directly impacts Tree growth reimbursement, BETE reimbursements, revenue sharing and education subsidies.
- ▶ The Assessing Department is Audited twice annually. Maine Revenue Services audit the BETE administration and the Quality of Assessments and the Commitment. The Town Auditor audits the TIF budget and Commitment.

Attachments

- ▶ Annual audit report from Revenue Services