

MINUTES OF THE
ASSESSING STANDARDS BOARD
Equalization Subcommittee

Approved as Written

DATE: August 15, 2013

TIME: 8:30 a.m.

LOCATION: Department of Revenue, Training Room, 109 Pleasant Street, Concord

COMMITTEE MEMBERS:

Stephan Hamilton, NHDRA
Joseph Lessard, NHAAO, Towns >3,000 ~ *Absent*
Betsey Patten, Public Member

Robert J. Gagne, NHAAO, City
Todd Haywood, NHAAO, Towns <3,000

MEMBERS of the PUBLIC:

Linda Kennedy, NHDRA

Chairman Haywood convened the meeting at 8:41 a.m.

Definition of Sales Chasing

A brief discussion took place on the changes proposed in the last meeting and whether or not the definition met the Department's expectations as well as providing guidance to practitioners. The committee members felt that it did. An important distinction was made between correcting data when discovered (which might increase or decrease the assessed value) and changing data elements such as grades (which would change the assessed value in a specific direction), particularly when sold. Mr. Hamilton added the statement of comparing subjective estimates to a written objective standard in the definition was also important to help practitioners avoid questions about improprieties and adjustments.

Mr. Gagne *motioned to recommend to the full ASB the IAAO definition of sales-chasing as revised by the equalization subcommittee*. Ms. Patten *seconded the motion*. Chairman Haywood called the motion. *All Approved*.

Sales Chasing (IAAO Definition)

Sales chasing is the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. If sales with such appraisal adjustments are used in a ratio study, the practice causes invalid uniformity results and causes invalid appraisal level results, unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties.

(2) By extension, any practice that causes the analyzed sample to misrepresent the assessment performance for the entire population [~~as a result of acts by the assessor's office~~] **is an example of**

sales chasing. A subtle, possibly inadvertent, variety of sales chasing may occur[s] when the recorded property characteristics of sold properties are differentially changed relative to unsold properties. [Then the application of a uniform valuation model to all properties results in the recently sold properties being more accurately appraised than the unsold ones.] *This potential is diminished when property characteristics are compared to a written objective standard (data collection manual).*

Recommendation of the Equalization Subcommittee:

Sales Chasing

Sales chasing is the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. If sales with such appraisal adjustments are used in a ratio study, the practice causes invalid uniformity results and causes invalid appraisal level results, unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties.

(2) By extension, any practice that causes the analyzed sample to misrepresent the assessment performance for the entire population is an example of sales chasing. A subtle, possibly inadvertent, variety of sales chasing may occur when the recorded property characteristics of sold properties are differentially changed relative to unsold properties. This potential is diminished when property characteristics are compared to a written objective standard (data collection manual).

Examining “confidence interval captures 1.00”

The committee discussed the current practice (recommended by Wasserstein and Davis) of using a ratio of 100.0 if the confidence interval captures 1.00, the pros and cons of using this recommendation and the effect it has on communities, especially the smaller communities with fewer sales and a wider range in the confidence interval, with regards to county apportionment. The current practice can create a significant change in ratios from year to year and in turn significantly affect a town’s county apportionment.

Mr. Gagne *motioned to recommend to the full ASB the following change to rule 3.10 (b) in the equalization manual*. Ms. Patten *seconded the motion*. Chairman Haywood called the motion. *All Approved*.

NH Equalization Manual 2006

3.10 Determine which ratio will be used as the equalization ratio

- (b) The DRA is not statutorily required to use a specific ratio. The N.H. Equalization Standards Board has recommended use of the weighted mean ratio and ~~has adopted the following procedures for determining how the ratio shall be used to adjust a municipality’s equalized figures:~~
 - (1) ~~If the weighted mean ratio with a 90% confidence level straddles 1.00, an equalization ratio of 1.00 will be used.~~
 - (2) ~~If the weighted mean ratio with a 90% confidence level does not straddle 1.00, the weighted mean ratio calculated to one tenth of one percent will be used.~~
 - (3) If, however, it can be determined that the weighted mean ratio does not accurately represent a municipality’s level of assessment, the DRA may use another factor. This is rare and generally only happens in instances when there are too few sales.

Recommendation of the Equalization Subcommittee:

- (b) The DRA is not statutorily required to use a specific ratio. The N.H. Assessing Standards Board has recommended use of the weighted mean ratio and the weighted mean ratio calculated to one tenth of one percent will be used. If, however, it can be determined that the weighted mean ratio does not accurately represent a municipality's level of assessment, the DRA may use another factor. This is rare and generally only happens in instances when there are too few sales.

Ms. Patten ***motioned to adjourn.*** Mr. Gagne ***seconded the motion.***

Chairman Haywood adjourned the meeting at 9:25 a.m.

Respectfully Submitted, Stephanie Derosier
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

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