

**MINUTES OF THE
EQUALIZATION STANDARDS BOARD**

Approved as Amended

DATE: March 16, 2009

TIME: 1:00 p.m.

LOCATION: Training Room, 109 Pleasant Street, Concord NH

BOARD MEMBERS:

Senator Betsi DeVries – Absent
Representative Peyton Hinkle – Absent
Stephen Hamilton, DRA
Robert Estey, NHA AO
Robert Gagne, NHA AO
Richard Rugg, Public Member
Kathryn Temchack, LGC – Absent

Senator John Gallus – Absent
Representative Peter Schmidt
Colleen Brickley, Public Member – Absent
John McSorley, Public Member
George Maglaras, NH Assoc. of Counties – Absent
Dean Michener, NH School Boards Assoc. – Absent

MEMBERS of the PUBLIC:

Linda Kennedy, NHDRA

Michael Martell, NHDRA

Chair Estey opened the meeting at 1:08 p.m.

Approve Minutes

Board members took time to review the minutes. Discussion took place about the tax cap issues and Mr. Hamilton stated there currently did not appear to be a problem as stated at the December meeting. Others stated it was concern about spending caps as some municipal entities might be able to work the system to benefit them and it might shift the tax burden to other municipalities.

Mr. Hamilton **motioned** to approve the December 8, 2008 minutes as amended. Mr. Gagne **seconded the motion. All approved.**

Exemptions & Credits in the Ratio Study Review

Ms. Kennedy reviewed the results from the study. The difference of the modified versus net county portions percentage is shown. In order to determine the true impact the information also shows the exact income and exemption levels offered by each municipality in the county. Adding exemptions into the process could mean a shift of a tax burden when municipalities offer high exemptions. There is the appearance that some of the statistics change, but the amount offered by the municipality is a big factor for those changes and may cause a shift to other municipalities in the county.

Chair Estey asked if the ESB should consider what exemptions should be included, because each municipality could have their own levels of exemptions and credits offered. Ms. Kennedy stated it was the intent of the legislature to use the modified versus the net value because of the ability for each municipality to change the offered amounts. Using the modified amount versus the net does not cause a shift in burden to other municipalities.

Mr. Hamilton stated it is underlying rationality between modified and net value to make it fair between municipalities. There is an issue with credits as they are listed as an expense versus a reduction of value.

Ms. Kennedy stated tax credits are not part of the equalization process at all but exemptions are part of the process.

Chair Estey asked if the railroad tax and utilities were equalized. Ms. Kennedy stated they are included when they are payment in lieu of taxes (PILOT) agreements. Mr. Hamilton stated tax credits are not equalized because they are part of the budget and the tax rate is adjusted because of that.

Chair Estey asked to confirm if any of the exemptions were equalized. Ms. Kennedy stated they are not, and it started when the statewide education tax was included and the modified local assessed value was used. If the ESB decided to add exemptions to the process a statute change would need to take place.

Mr. Gagne stated he did not have any general comments but it appears the issues are with the level of exemptions given versus that they are being excluded. Testing the information with the statutory minimums might not indicate a big change in the county tax. Ms. Kennedy stated it also has to do with the number of people that qualify for the exemption in the municipality as well.

Mr. Gagne thanks the DRA for reviewing the potential change with adding the exemptions to the study. Ms. Kennedy stated the statute regarding the decision is RSA 21-J:3 VIII.

Mr. Hamilton **motioned** to table the potential of modifying RSA 21-J:3 VIII, and adding exemptions to the ratio study process for a future review. Representative Schmidt **seconded the motion. All approved.**

Original or Modified Assessment Use/Selective Reappraisal

Chair Estey stated since the ESB will not establish what sales chasing is, they should establish when it is appropriate to use the original or modified assessment during the equalization process.

Mr. Hamilton stated he felt the discussion at the previous meeting laid the foundation. The goal of equalization is to determine the total market value of the state and in order to determine an accurate estimate there should be an understanding of what value is the correct value to use. Changing an assessment just because the property sold isn't necessarily a good reason for changing the assessment and there should be a clear process for when the DRA uses an adjusted value, for different kinds of activity. Adding language to section 3.05.04 in the Equalization Manual might help to make the process clearer.

Chair Estey stated it might not be a bad practice to look at a property that has recently sold and make corrections to the property record card for incorrect data, but you might not be able to use the adjusted value.

Mr. Hamilton stated from the prospect of establishing the overall value, it is important to establish where there might be mistakes or problems with the physical data. There should be a review between the assessed and market value. Changes may be valid from a taxing perspective but from the ratio process there should be an idea of how many other mistakes might be on other property record cards from missed data.

Chair Estey reviewed section 3.05.04 and asked if municipalities completing revaluations need to supply both the current and previous assessments. Ms. Kennedy stated that is a current practice. Chair Estey asked why the current and previous year assessment are asked for, and should there be some type of explanation why both are requested.

Mr. McSorley stated the section should be expanded and more information should be included about why each is used.

Mr. Hamilton reviewed potential reason for using the current and previous year assessments. In one municipality there were questions about the validity of the assessments, where the single family homes had a COD of 1.0, which is extraordinarily low. Further review indicated the value given on the MS-1 was an increase of 26% for residential and total assessed values increased by 48%. It is not evidence of selective reappraisal, but it becomes a piece of evidence to determine that it might have gone on. For the purposes of ESB how to establish an accurate total equalized value it is important to explain the reasons why.

Chair Estey stated he agreed there should be an expansion to section (b).

Ms. Kennedy stated an explanation has been required under all circumstances, and was voted on a couple of years ago by the board. Chair Estey asked if the exception should be removed from section (c).

Mr. Gagne asked if by removing the exception would the municipality have to list that a revaluation took place on each sale. Ms. Kennedy stated she is just requesting a single notification from a municipality that they have completed a revaluation or statistical update, and the request is part of the instructions given to municipalities.

Chair Estey stated there are situations and possible complications when including normal pick ups and having a change of value for properties that have also sold; a difference between an old or new assessment.

Mr. Martell stated for cyclical review, which is a program to keep physical data accurate, much of the cyclical work is not data entered until January, February or even March of the following year. This is causing an issue of an assessed value that isn't being included on the property record card until after the DRA has received the old value for equalization.

Mr. Gagne stated there is an opportunity for the ESB to make a general statement, but it doesn't necessarily need a specific exception in the manual. Ms. Kennedy stated the signing sheet is explained in the instructions and is part of the manual.

Mr. Hamilton **motioned** to remove the exception in section 3.05.04(c). Mr. Rugg **seconded the motion. All approved.**

It was stated section 3.05.04(d) covered the issue adequately.

Chair Estey reviewed section 3.05.04(e) (1) through (6).

Chair Estey asked about abatements in the process. Ms. Kennedy stated the abatement is used as long as it is a final abatement by the selectmen.

There was a question about what happens when a value is changed because of an outside source, such as a neighbor asking for a review of the neighbor's house. It was stated there could 40 to 50 reasons under that type of category and specifics would not be listed.

Mr. Gagne stated he agrees it is appropriate to use the old assessment to capture what is happening in the municipality. When you review situations of cyclical work, Nashua has not completed a full measure and list since 1990/1991, and it is not anything they would do any earlier than a ten to fifteen year time frame. However, every effort is being made by municipal employees to get and keep accurate physical data; by aerial photos, building permits, etc., and why would those new values not be considered. Ms. Kennedy stated it would depend if the review were only taking place on properties that sold versus all properties where changes are noticed.

Mr. Gagne stated he doesn't see many municipalities with a large number of parcels, 40,000 to 50,000, which would complete full measure and lists every five years; it would be cost prohibited.

Chair Estey stated is it possible to include information about comprehensive review programs. Mr. Gagne asked if a code could be created to include information about a comprehensive program.

Ms. Kennedy stated the rules need to be applied for all municipalities.

Mr. Gagne asked if the previous year assessment is being used, why is a comment necessary to be provided on the ratio study sheets. Ms. Kennedy stated a comment wouldn't be necessary.

Ms. Kennedy stated there are approximately 150 municipalities completing cyclical revaluations. Mr. Hamilton stated from the DRA it is separated from cyclical inspection versus valuation changes and explanations are asked for in situations of valuation changes.

Chair Estey asked if section 3.05.04(e)(3) needed additional examples.

Mr. Hamilton asked if using wording similar to *comprehensive property description review program*, would help. Chair Estey asked to have the wording provided for the next meeting.

Mr. Martell asked if new wording is used, could there be a definition of the terminology.

Chair Estey asked if there were additional items needed in section (4) and (5) and it was stated the information listed is sufficient.

Representative Schmidt stated the list should include the more common situations used in the process.

Discussion took place about mapping posted on the web, such as google maps, how clear the images are and when it might be appropriate to use pictometry and mapping.

Mr. Hamilton stated the ESB should be able to accommodate for changes in technology, but it is not necessarily what is meant for section (6), which could include changes in CAMA systems.

Chair Estey reviewed section 3.05.04(f). Mr. McSorley stated it is a comprehensive review program.

Discussion took place about what constitutes a comprehensive review, how does aerial photography include interior inspections, tracking when and why interior reviews took place for municipalities that don't have a typical interior inspection program, and other types of reviews.

Chair Estey stated there would always be an issue with re-measuring and re-listing data, as on average during a typical revaluation entry is only 50% of the properties. Chair Estey stated there might be a review of when cyclical data should be included in the equalization process.

Mr. Hamilton asked Mr. Martell to reword section (f). Chair Estey stated anyone could attempt to determine new wording for section (f) if they wanted.

Mr. Hamilton stated he feels there is still work to do to determine when there are issues established and old values can't be used. Once the department establishes a process they will bring it back to the ESB for review.

Discussion took place on the possibility of DRA gaining access to all municipality assessment data on a yearly basis.

Chair Estey asked if foreclosures were included in the study. Ms. Kennedy stated foreclosures are not included in the study. Chair Estey stated appraisers are using the foreclosure sales as comparable sales; for banks and abatements.

Chair Estey asked for new wording in sections (b), (e)(3) for comprehensive reviews, and if section (f) needed to be further refined and to also defining sales chasing and finalize the request of the ASB.

Ms. Kennedy was asked to complete an exemption and ratio review for Rockingham County.

2008 Ratio Review

Ms. Kennedy stated there are approximately 40 to 50 municipality ratios that still need to be completed, most municipalities are meeting the ASB guidelines, and there is a significant increase of municipalities with under 20 sales. Ms. Kennedy stated a lot of review time is included in establishing a ratio for towns with under 20 sales.

Discussion took place about the direction ratios would be going, either remaining steady or going up very high with the increase in foreclosures.

Next Meeting & Future Agenda

The agenda would be a discussion of the determination of the assessment to be used as it relates to sales chasing and Mr. Hamilton asked to add a review of the audit procedure for equalization by Mr. Martell. A review of the 2009 equalization ratios and a potential presentation for the 2009 forums would also be on the agenda.

Adjourn Meeting

Representative Schmidt motioned to adjourn at 2:52 p.m. Mr. Gagne seconded the motion. All approved.

Next Meeting: June 22, 2009 @ 1:00 p.m. – 109 Pleasant Street, Concord NH

Respectfully Submitted, Dawn Wirkkala, Clerk
NH Dept of Revenue Admin. - Property Appraisal Division

Documentation relative to the Equalization Standards Board may be requested or reviewed by:

Telephone: (603) 271-2687

Facsimile: (603) 271-1161

Web: www.nh.gov/revenue

In person at 109 Pleasant Street

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Equalization Standards Board

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