

**MINUTES OF THE  
EQUALIZATION STANDARDS BOARD**

**Approved as Amended**

**DATE: June 22, 2009**

**TIME: 1:00 p.m.**

**LOCATION: Training Room, 109 Pleasant Street, Concord, N.H.**

**BOARD MEMBERS:**

Robert Estey, NHAAO, Chair  
Kathy Temchack, LGC  
John McSorley, Public Member

Stephan W. Hamilton, NH DRA  
Richard Rugg, Public Member

**MEMBERS of the PUBLIC:**

Linda Kennedy, NH DRA

Mike Martell, NH DRA

Chair Estey called the meeting to order at 1:15 p.m. (Noted: 5 Members Attending)

**Approve Minutes**

Mr. Hamilton *motioned* to approve the March 16, 2009 minutes as amended. Mr. McSorley *seconded the motion*. All approved.

Discussion took place regarding manual changes to Section 03.05.04 mentioned in prior meetings as well as on the topic of “sales chasing.” It was determined the ESB would not be determining a definition for “sales chasing” however a response was needed to the ASB with regard to identifying irregularities found during the ratio review process.

**Equalization Audit Procedure**

Discussion took place about issues the DRA is seeing that might prompt an in depth review of the equalization information received from municipalities on the municipal assessment sheets. The most common situation is the assessment increasing or decreasing in the direction of the sale price without an explanation or with a non-specific explanation. Ms. Temchack asked for clarification whether this information affected the overall town value or individual property assessments. Mr. Martell responded the information affected individual assessments of sales properties. Mr. Hamilton added a flag arises when consistency of the assessments changing in the direction of the sale price without a reasonable explanation is determined.

Chair Estey stated there are (3) statutes to deal with, the April 1<sup>st</sup> deadline, the five-year process and the process during the interim years. The DRA, through the monitoring process, might have a reason to review the assessment process due to a potential violation of the interim process. The ESB does not have anything to do with the monitoring process, however during the equalization process it may be discovered that a particular circumstance may need to be flagged for review.

Mr. Hamilton stated there are two issues. One is to ensure proportionality. The second pertains to determining the total equalized value of a municipality and by extension the entire State.

Chair Estey stated this issue is relative to having the proper equalization to be distributed among the towns. Sales chasing is a separate ASB issue. Therefore, the ESB would have authority over that and would want to flag itself something that might seem inappropriate rather than assigning

to someone else. Mr. Hamilton agreed we need to know about the equalization part because it does affect the total equalized value of a municipality.

Ms. Temchack asked what is the next step the DRA would take to verify if something isn't right. Mr. Hamilton stated the manual indicates the values would revert back to the prior year assessment. What is missing is a strong audit process to verify when it might be happening. The audit is used for two reasons, one is to use it when there is an indication, and second to have available to use on a random sample of towns within any year to gain an understanding of what is happening in general. There are stricter standards used in the audit process of five to ten towns per year to help understand what is going on.

Mr. Martell stated it would only be applied to a sample. Ms. Temchack asked if the initial sample would pertain to properties that raised a flag to verify whether a further audit would be necessary. Mr. Martell confirmed that would be the starting point.

Chair Estey stated he doesn't want to appear to be over regulating too early, on the other hand if something is violating equalization where towns are not being treated fairly it has to be addressed. He expressed concern of performing random audits and coming down with regulations when there does not appear to be a problem. Mr. Hamilton stated the process is needed now for the problems we know we have.

Mr. Martell explained municipalities are not taking the department up on offered assistance filling out the municipal data sheets and therefore are entering and qualifying sales incorrectly. This situation is not new and does not necessarily pertain to the same municipality. It is a common occurrence in many municipalities.

Ms. Temchack asked if the issues are being seen in municipalities with full time assessors or board of assessors. Mr. Martell stated not typically, the majority of issues are seen with the work being completed by administrative assistants and selectmen secretaries.

Mr. McSorley asked if it appears to be a deliberate action for the problem issues. Mr. Martell responded it may or may not be but suggested not generalizing the situation. The individual needs to be considered. There are some secretaries and assistants who have been around for a long time and know the process and then there are others who are brand new and do not know the process at all.

Ms. Temchack asked if it is unreasonable expectation to have a level of expertise to be required in order to complete the equalization municipal assessment data sheets; would it be appropriate to offer training.

Mrs. Kennedy stated training has been provided and offered, and the DRA monitors actually sit with the municipal employees to complete the sheets. Mr. Martell stated many municipalities turn down the offer for assistance.

Mr. Rugg stated there are two issues. Currently there are people in the Legislature that do not understand the specifics of municipal government; and town selectmen rely on the municipal staff to complete the day to day work and do not get involved or have an understanding of municipal responsibilities.

Mr. Hamilton stated, as a general rule the selectmen understand the implication of the equalization procedure, what the ratio means and what it affects. With regard to sales chasing and the following three broad categories are the (3) areas of most concern:

1. (Obvious) Actively going out and changing the assessments based on selling price; (ie correction after a reval) is the easiest to find;
2. (Subtle) Changing assessments under the cover of a building permit or other semi-legitimate purpose but always in the direction of the selling price; is more difficult to find;
3. What can be done without adjusting the selling price or adjustment; selectively qualifying or disqualifying sales a ratio can be affected up or down.

Ms. Temchack asked if the DRA looks at the PA-34 and corresponding information and requests an explanation from the municipality to determine whether to include or exclude a sale? Mrs. Kennedy stated the equalization staff reviews every sale and questions every sale that appears different to make sure it fits.

Chair Estey stated the ESB is responsible to make sure municipalities are being fair in what they are submitting. The DRA, who performs the operation, is the only group who will be able to get a first hand view if there is a problem. Using the audit process in circumstances where there is an indication something isn't right would be appropriate, but a random audit for those towns that do not appear to be doing anything wrong is not.

Chair Estey stated he is concerned with whether or not a municipality in a county is under or over paying for county or school tax. Mr. Hamilton suggested it is more an overall issue of proportionality versus money collected by a municipality.

Mr. Hamilton responded as a duty to the constitution we have to have proportional valuation, worked on by the ASB and a uniform rate, which is worked on by ESB. This is what we are looking for in these equalization processes to have a uniform application of a tax rate against these properties to provide proportionality and fairness. Mr. Hamilton did not have any concern applying the process only to those municipalities where flags were raised.

Chair Estey asked if a trigger should be defined. Mr. Martell stated the flags are coming up during the equalization review. Chair Estey stated the ESB agrees with the investigation procedure but asks if there should be a defined trigger that would prompt a review in order for the process to be transparent.

Ms. Temchack offered clarification that the board is responsible for setting rules, not to be the administrator of the rules. She stated triggers would be appropriate in the rules rather than appearing to give permission for an investigation.

Mr. Hamilton offered clarification to Mr. Estey's suggestion of needing to add a change to the manual that would reflect when this kind of procedure would be put in place?

Chair Estey summarized the board had been discussing getting a response to the ASB, adopting a form used to determine if sales chasing or other substandard behavior is occurring to protect equalization as well as a statement defining the necessity of such a form. Should there be a definition or something in the manual to act as a guide for the individual(s) performing the audit? There is also the question about how quickly the process should be adopted and under what circumstances?

Mr. Hamilton stated currently, the way the process is described in the manual gives the DRA the ability to correct problems that have been identified. The concern is that it was on an ad hoc basis. In fairness to the communities it should not be so and they should be able to go to the

equalization manual in order to understand what can happen to them. Mr. Hamilton felt it should be part of the manual. The discussion could be added to meetings and public forums to alert the public of what the board was working on for the future.

Mr. McSorley asked if statistics are being kept about the findings for these particular towns. Mrs. Kennedy stated there were not. Individual issues can be reviewed with the ESB if necessary.

Mr. McSorley suggested establishing a database of empirical data, indicators based on equalization statistics, by which you could go by to determine criteria for a trigger of equalization audits. Mr. Hamilton stated in some cases the trigger is the statistics.

Mrs. Kennedy stated, generally speaking, when the C.O.D.'s appear too good a closer look at the sales information is completed.

Mr. Martell cautioned by setting up specific rules or guidelines of what can be further reviewed and what cannot, there may be potential situations that cannot be reviewed because it is not specifically defined.

Mr. Hamilton stated the ESB has the duties to establish policy and to verify the validity of the information; it is the duty of the Commissioner to do the same for all areas of assessing. There are policy questions that need to be addressed with regard to the random audit process.

Chair Estey expressed concern about perception as it relates to equalization and wants to protect municipalities during the equalization year. There might not be the ability to write a list of triggers.

Ms. Temchack suggested it should be a general statement, with non-limiting examples. Mr. Martell stated the DRA is not out to catch anyone doing something specific, but would like the capability to investigate if something doesn't seem right.

In the case of an audit Ms. Temchack suggested adding the following list to the form: planning, zoning or building permits, changes that might affect the value up or down.

Chair Estey suggested asking to have a review of the surrounding properties to determine if they were other property changes as well and to document changes in a neighborhood or specific strata of properties.

Mr. Hamilton acknowledged that resources are significantly limited in the Property Appraisal Division. Mrs. Kennedy added time is also an issue because equalization must be completed within a short amount of time. Mr. Hamilton stated if a municipality disagrees with the ratio they have the right to make an appeal.

Chair Estey summarized discussion had been on-going about Section 4 – Presentation of Equalization Audit Procedure and asked the Board if they wanted to bring this topic to the public meetings to discuss the current procedure for investing towns and what the Board is looking to do in the future to improve upon that process including incorporating the use of a form or process to better define what that is. Mrs. Kennedy will research the section in the manual for the next meeting.

Ms. Temchack suggested if there is going to be steps introduced to audit the procedure there should also be some type of mini-course or training available to municipalities about how to complete the process accurately in order to assure transparency. Mrs. Kennedy stated there has

been mini-courses offered in the past for this procedure all over the state and again expressed the significant time DRA monitors spend at town offices assisting staff on completing the sheets. Further discussion took place on the training issue. Mr. Hamilton noted the problems that became apparent this year were not necessarily due to a lack of training or skill but more a misuse of knowledge and skill.

### **Manual Changes**

Discussion took place about the potential wording changes to Section **3.05.04** in the manual as previously discussed at the March 16, 2009 meeting.

#### **Section 3.05.04 Determination of assessment to be used**

**(b)** After a discussion, it was determined no expansion was necessary.

**(c)** *Suggested* - Remove Exception.

**(e)** *Addition of comprehensive property description review program currently included in (f).*

Discussion to determine which assessment is most appropriate to use in the ratio process took place. It was mentioned Google, Nehring and MLS are being used to verify property record data and in some cases, assessments are adjusted using information from these sites. It was commented these sites are not necessarily infallible. It is important to understand the difference between a comprehensive program and an ad hoc. From an individual property standpoint it is important to understand as much as you can about a property. In the case of not using a comprehensive re-list, it was determined the prior year assessment should be used rather than the current year assessment.

In the case of an abatement, it was determined that the value the property owner paid their taxes on should be used. Depending on the circumstance and number of sales in a sample, that number could make a significant difference. However, it was stated this situation happens only on occasion and it may not be necessary to add to the manual.

**(f)** *Rewording or Defining of Comprehensive Review.* Is the comprehensive program wording too restrictive by limiting consideration of a cyclical inspection program for something that is five years or less. A community may have a 10-year cyclical inspection program due to financial difficulty but it would not fall under this definition. It may have been re-measured in the past six years rather than three years.

Mr. Gagne had mentioned in the prior meeting the use of aerial photography to gather data changes rather than a physical visit and suggested this be included in (e)(3). It was suggested this might be more appropriate under (f). The following questions were raised:

- Should this be included under (e)(3)?
- Is making changes to the property record card because of MLS appropriate?
- Is that a valid reason to use the current assessment?
- Is a definition for “comprehensive review” and what it entails necessary?
- For equalization what assessment should be used?
- What if any technological methods should be added to the manual?
- Where do the new resources fit into the manual?

Mr. Hamilton stated if there were a comprehensive program to review the physical description of properties we would consider current year assessment to be valid. In the absence of a comprehensive system, then we would revert to the prior year assessment unless it fits into any reasons in (e). The Board talked about changing language in (f) to define what a comprehensive review was. Receiving isolated pieces of information from different technology is not considered part of a comprehensive review.

Ms. Temchack suggested aerial photography, being a picture of an entire community, would fall under (e)(3), changing things based on MLS would not fall under (e) because it is one property at a time. Mr. Hamilton suggested it depends on how it is used; you could focus on one type of property, which may not be a comprehensive review.

Mr. Hamilton suggested considering both (e) and (f) and how those kinds of technologies might fit into either section. It was suggested the Board consider potential wording changes or suggestions and have them available by August 14 in order for the Board to have an opportunity to review them in advance prior to the next meeting. This needs to be voted on prior to the public forums.

Mrs. Kennedy requested time at the next meeting to review the 2008 Values and Equalization Summary. A review of the forum presentation and vote on manual wording changes will be discussed as well.

Mr. Hamilton *motioned* to adopt the minutes of ESB April 9, 2007. Ms. Temchack *seconded the motion*. All approved.

Mr. Rugg *motioned* to adjourn the meeting. Mr. Hamilton *seconded the motion*.

Chair Estey adjourned the meeting at 3:30 p.m.

**Next Meeting:**

***Tuesday, September 15, 2009 1:00 p.m. @ Department of Revenue Administration – 109 Pleasant Street, Concord***

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

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

Telephone: (603) 271-2687  
Facsimile: (603) 271-1161  
Web: [www.nh.gov/revenue](http://www.nh.gov/revenue)

In person at 109 Pleasant Street, Concord  
In writing to: NH Dept of Revenue Admin.  
Equalization Standards Board  
PO Box 487  
Concord, NH 03302-0487