

CITY OF OLD TOWN, 2023 VALUATION UPDATE

ASSESSOR'S RESPONSIBILITIES

The job of an assessor in Maine is to discover and list taxable property in the municipality and to value it according to its just value (fair market value). These assessed valuations are the basis of allocating to each taxpayer their fair share of property taxes needed to be raised by the municipality.

Assessment law requires assessors value all classes (i.e., residential, commercial, industrial, etc.) of property at the same level as one another or as near as possible. Assessments cannot be maintained for example, at a higher level on industrial or shorefront property, than a residential property.

Maine statutes contain minimum assessment standards. These require assessors to maintain a minimum assessment ratio (ratio of assessed values to sales prices) of at least 70% and a quality rating, or coefficient of dispersion, under 20. The quality rating is a statistical measure of accuracy of a municipality's assessment.

The last few years have been a challenge for assessors. Real Estate sale prices, particularly of residential properties, have consistently increased. It has been observable for a long enough time to recognize that it is a real trend. It is an assessor's job and responsibility to recognize this trend and update valuation assessments accordingly.

REASONS FOR AN UPDATE

The City of Old Town had its last revaluation in 2007. Since that time values have increased, particularly in the last few years. The assessed valuations of the properties mostly stayed the same during this time.

Maine State Law requires municipalities to keep values reasonably current. Maine statute requires that municipalities maintain their assessed values at least at 70% of value compared to sales prices. Perhaps, more importantly than that, state law, as interpreted by the Courts and appeals boards, requires that the assessed values be maintained uniformly at roughly the same percentage of value. Thus, if the ratio of assessed values to sales prices of residential property declines, and some classes of property do not decline at the same level, they need to be adjusted downward to the same ratio as residential values.

In addition, the State offers some exemptions on property, such as the homestead exemption, the veteran's exemption, and the Business Equipment Tax Exemption (BETE-eligible personal property for businesses) that are required to be equalized with the assessment ratio of the municipality. So, if the assessment ratio of the jurisdiction drops to 65% of value, the homestead exemption is expected to be adjusted to 65% of the full exemption value of \$25,000 to \$16,250. Also, if the City has \$25 million of eligible exempt business personal property at 100% of value, a portion of that value is reimbursed by the State. That value is to be lessened by the 65% assessment ratio. So, the City of Old Town would only be eligible for partial reimbursement on the taxes for \$16,250,000 (65% of valuation). So, when a town must adjust one of these exemptions by an assessment ratio, the amount of reimbursement from the state is likely to decline as well.

In general, there is an emphasis on keeping the assessment ratio of the various classes or categories of property the same. This is the reason for a valuation update.

THE PROCESS

Sales ratio analysis in Maine is primarily focused on two statistics. One is the average valuation ratio. The second is the quality rating, also known as the coefficient of dispersion. It is a statistical measure of how closely the ratios of the individual sales correspond to the overall average ratio. The lower the measure the lower the dispersion from the average ratio.

The goals of such an update are to bring up to date the appraisal schedules of the jurisdiction. This includes the updating of the construction cost schedules and land valuation schedules used in the city. The cost schedules are based on information from sales of properties in the city over the previous couple of years. These are applied to the sales of property in the jurisdiction in a series of analyses, called sales ratio studies. These studies systematically compare the computed assessed values using the appraisal schedules to the corresponding sales prices. As necessary, the appraisal schedules are revised to better correspond to the pattern of values indicated by the sales.

Sales ratio analysis is done in both broad categories of property and smaller categories to review and fine tune the accuracy of the appraisal schedule.